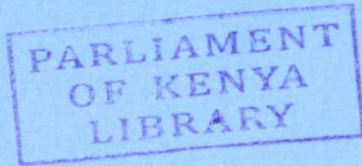


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

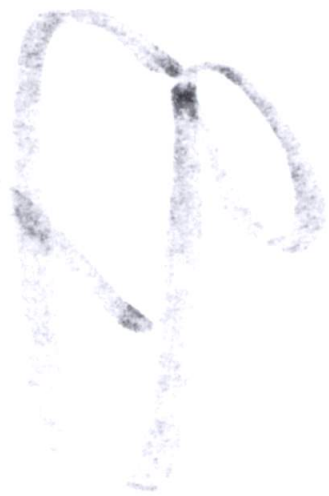
ON

IKANGA SUB-COUNTY HOSPITAL

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

COUNTY GOVERNMENT OF KITUI

PAPERS LAID	
DATE	19/09/2026
TABLED BY	WEDAM A O
COMMITTEE	
CLERK AT THE TABLE	ABDI R. HIRAN





OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS KUB.
28 NOV 2025
RECEIVED



IKANGA SUB-COUNTY HOSPITAL (Kitui County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

Table of Contents

1. Acronyms & Glossary of Terms	ii
2. Key Entity Information and Management	iii
3. The Board of Management	vi
4. Key Management Team	vii
5. Chairman’s Statement	xi
6. Report of The Medical Superintendent	xii
7. Statement of Performance Against Predetermined Objectives	xiv
8. Corporate Governance Statement	xvii
9. Management Discussion and Analysis	xviii
10. Environmental And Sustainability Reporting	xix
11. Report of The Board of Management	xxi
12. Report of The Board of Management	xxii
13. Statement of Board of Management’s Responsibilities	xxiii
14. Report of the Independent Auditor on Financial Statements of Ikanga Sub-County Hospital for the FY 2024-2025	xxiv
15. Statement of Financial Performance for The Year Ended 30 June 2025	1
16. Statement of Financial Position As At 30 th June 2025	2
18. Statement of Cash Flows for The Year Ended 30 June 2025	4
19. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 June 2025	5
20. Notes to the Financial Statements	7
21. Appendices	37

1. Acronyms & Glossary of Terms

OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
CECM	County Executive Committee Member
Dr.	Doctor
NYC	National Youth Council
PLWDs	People Living with Disabilities
NHIF	National Hospital Insurance Fund
CSR	Corporate Social Responsibility
KEMSA	Kenya Medical Supplies Agency
SRC	Salaries and Remuneration Commission
Fiduciary Management entity.	Key management personnel who have financial responsibility in the

2. Key Entity Information and Management

(a) Background information

Ikanga Hospital is a level 3B hospital established under gazette notice number 786 of 17th January 2020 and is domiciled in Kitui County under the Health and Services Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to provide medical services. The hospital is NHIF accredited and satisfactorily offers medical services including maternity, X-ray Services. Other general medical services offered include:

- Child Wellness Clinic,
- Mother Child Health,
- Laboratory,
- Nutrition,
- Inpatient,
- Outpatient,
- Comprehensive care clinic,
- Pharmacy,
- Physiotherapy and
- Medical Out Patient Clinic (MOPC) services.

(c) Key Management

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

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

(d) Fiduciary Management

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

Key Entity Information and Management (continued)

No.	Designation	Name
1.	CECM-Finance, Economic Planning and Revenue Management	Peter Mwikya Kilonzo
2.	CECM-Health and Sanitation	Ruth Koki Mwanzia
3.	Chief Officer- Finance, Revenue Management and Accounting	John Makau Kimwele
4.	Chief Officer- Public Health and Sanitation	Lynn Kitwan
5.	Chief Officer- Medical Services	Dr. Benson Musyoka Wambua
6.	Chief Officer-Drugs and Medical Supplies	Aggrey Kinyalili Kamba
7.	Medical Superintendent	Dr. Dominic Kavindu

(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
- Controller of Budget
- National Treasury
- Office of the Auditor General
- The County Assembly of Kitui
- Kitui County Assembly Health Committee

f) Entity Headquarters

Ikanga Level IV Hospital
P.O. Box 87-90201
Mutomo-Kitui

g) Entity Contacts

Telephone: 0707637669
E-mail: Ikangasdh@yahoo.com
Website: health@kitui.go.ke

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

Currently, the Board of Management for the hospital is not in place.





The previous Board of Management was appointed into office vide Gazette Notice No. 6318 of 25th June 2021.





Later, their appointment was revoked via Kenya Gazette Notice No. 13546 dated 6th October 2023.






The following are the members who held office early in FY 2023/24:



Ref	Directors	Details
1.	Dickson Kimuli	Chairman
2.	Florence Ngalai	Sub County Administrator
3.	Bernard Mbithi Ngongoo	Representative, Business Community
4.	Gideon Munyalo	Representative, Professional Groups
5.	Phares Kavuli Musini	Representative, Women Groups
6.	Agnes Martin	Representative, Faith Based Organizations
7.	Alice David	Representative, NYC
8.	Gabriel Katili Nthungi	Representative, PLWDs
9.	Medical Superintendent	Dr. Dominic Wambua

4. Key Management Team

Ref	Management	Details
1.	 Peter Mwikya Kilonzo	CECM-Finance, Economic Planning and Revenue Management
2.	 Ruth Koki Mwanzia	CECM-Health and Sanitation
3.	 John Makau Kimwele	Chief Officer- Finance, Revenue Management and Accounting
4.	 Lynn Kitwan	Chief Officer- Public Health and Sanitation
5.	 Dr. Benson Musyoka Wambua	Chief Officer- Medical Services
6.	 Aggrey Kinyalili Kamba	Chief Officer-Drugs and Medical Supplies

7.	 Dr. carolyne kageni	MEDICAL SUPERINTENDENT BACHELOR IN PHARMACY
8.	 Ms Lucy mwende	HEAD OF FINANCE MASTERS BUSINESS ADMINISTRATION -STRATEGIC MANAGEMENT OPTION. BACHELOR COMMERCE-BANKING AND FINANCE OPTION
	 STELLA MBULA KISANGAU	AG.HEALTH ADMINISTRATIVE OFFICER BACHELOR OF HEALTH SYSTEMS MANAGEMENT
9.	 AbelMunyalo	Head of Pharmacy Diploma in pharmaceutical technology
10.		Head of Supply Chain Higher Diploma in Procurement and Supply chain management

	 Nicholas Kyalo	
11.	 Angela Kasoyo	Head of Nutrition Diploma in Nutrition
12.	 Joy Mwanthi	Head of Revenue Diploma in social work and community development
13.	 Simon Ngaruiya	Head of Health Records Bachelors degree in Health Records and IT
14.	 Beatrice Makori	Head of Laboratory Diploma in Laboratory technology

15.		Head of Clinical department Diploma in clinical medicine
16.		Head of Public Health Bachelors Degree in Environmental health sciences

5. Chairman's Statement

Currently, the Board of Management for the hospital is not in place.

The previous Board of Management was appointed into office vide Gazette Notice No. 6318 of 25th June 2021.

Later, their appointment was revoked via Kenya Gazette Notice No. 13546 dated 6th October 2023. 2024.

6. Report of The Medical Superintendent

Ikanga Sub County Hospital has continued to operate fairly well during the financial year ended 30th June 2025 despite facing several operational and resource-related challenges. The period under review was marked by both notable achievements and persistent constraints. However, the hospital has maintained a positive public image and continues to enjoy strong trust and goodwill from the community it serves.

The hospital remains a vital healthcare facility for the residents of Ikanga and surrounding areas, with a commitment to quality service delivery. Despite financial and staffing constraints, our dedicated workforce continued to deliver essential healthcare services to the community. Throughout the year, the hospital has been offering outpatient services, immunization, antenatal clinics, pharmacy, CCC/TB clinic services, nutrition services, general inpatient, new born unit and maternity services.

Some of the notable achievements within the FY 2024/2025 include:

- i. Registration of most clients under SHA (Social Health Authority), through which they were able to receive services under primary health care (PHC) fund and social health insurance fund (SHIF).
- ii. Continued operation of specialized clinics, which included a Diabetes Clinic that served 21 patients, a Medical Clinic with 124 patients, CCC clinic with 528 patients and a Tuberculosis Clinic with 7 patients.
- iii. Acquisition of a 3-part Dymind hematology machine in our laboratory through the county government that has ensured quicker diagnosis of ailments for our clients.
- iv. Initialization of operation of radiology services through procurement of an Xray tube by the county government.

During the year, the County Government of Kitui disbursed a total of Kshs 5,350,000 to the hospital. While this funding facilitated the continued provision of services, it was not sufficient to cover the hospital's operational requirements, especially in the face of increased service demand.

Some of the key financial challenges experienced included:

- i. Inadequate funding from the County Government of Kitui.
- ii. Late disbursement of funds from the county towards the tail end of the financial year.
- iii. Unpaid SHA claims;
- iv. Inadequate medical supplies.
- v. Inadequate Staff both medical and administrative/Operational.
- vi. Inadequate and aging infrastructure

In the year under review , Ikanga Sub County hospital saw a total patient workload of 26,388 compared to 32,042 in FY 2023/2024. This could possibly be attributable to lack of awareness in the community on how to register for the newly launched insurance-SHA, stock outs in some

medications especially for chronic illnesses like diabetes and hypertension and industrial actions by UHC and clinicians may have reduced the hospital's service capacity, hence fewer patients. Staffing remained a major operational challenge during the period. The hospital operated with inadequate numbers of nurses and clinical officers, who are key in our service delivery. Other cadres understaffed included medical officers, medical specialists, nutritionists, pharmaceutical technologists, pharmacists and also support staff. The UHC staff and clinical officers strike affected services, contributing to dipping of client numbers in some months.

While supplies were received periodically, the hospital faced frequent shortages of essential supplies and laboratory consumables. This forced patients to seek alternative sources for treatment. Equipment gaps also persisted, limiting the scope and efficiency of certain services.

One of the highlights of the year was the rollout of the Social Health Authority (SHA) in October 2024, following the enactment of the Social Health Insurance Act, 2023, which was passed on 22 November 2023. As a hospital, most of our clients are registered and they have been accessing both outpatient and inpatient services. Though the Authority has been reimbursing claims, one of the major challenges is late and erratic claims, with claims still pending payment.

To address the above challenges and improve service delivery, the hospital proposes:

- i. Supplementation of funding from the County Government to meet operational and debt obligations.
- ii. Strengthening staffing levels to match workload and achieve optimal service provision.
- iii. Regular follow-up with SHA to expedite claim settlements.
- iv. Guaranteeing optimal and uninterrupted medical supplies to maintain patient trust.
- v. Scaling up CHPs activities for sustained community engagement and preventive health care.

Ikanga Sub County Hospital has demonstrated resilience in the face of significant challenges during the year ended 30th June 2025. With the continued support of the County Government of Kitui and sustained investment in human resources and equipment, the hospital is well-positioned to enhance service delivery, meet the needs of its growing patient population, and maintain its role as a key pillar of healthcare in the region. With adequate supplies, motivated staff, and strengthened community/stakeholder engagements, Ikanga Sub County Hospital will continue to soar higher in-service delivery and improved community health outcomes.



.....
Name: Dr. Carolyn Kageni
Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

Ikanga Sub County Hospital falls under the Ministry of Health and Sanitation of the County Government of Kitui which has several strategic pillars which are broadly summarised in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Strengthening Service Delivery	-To increase clinicians from 3 to 5 and nurses from 8 to 12 Expand the range and capacity of diagnostic and treatment services.	-No of RCOs and nurses -Availability of pharmaceuticals and nonpharmaceuticals. Orders placed every quarter. -Increase tests done in the hospital laboratory	-Lobby for more staff from the county. Engage locums -Place orders through KEMSA and MEDS every quarter -Be able to perform full hemogram and HBA1c tests	-Engaged 1 clinician and 1 nurse on locum basis. -Through the county government purchased pharmaceuticals and nonpharmaceuticals from KEMSA and MEDs in all quarters -The hospital acquired a 3part haematology machine through the county government. Now able to perform full

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

				hemogram tests
Human resource development and retention	Implement continuous medical education -Support for staff to further education conducive working conditions.	-Number of CMEs conducted. -Number of staff in school. Minutes for staff intending to go to school	-Conducting CMEs twice every month - Staff furthering education	-CMEs conducted twice monthly improving grasp of various hospital aspects like Infection prevention -2 staff pursuing higher education
Increase revenue generation across all departments.	-To achieve 100% claims on SHA platform	-Number of claims on SHA platform	-Registering clients and claiming services offered.	-3604 beneficiaries of services under SHA since October 2024 to June 2025. -Revenue generated for the year under review is ksh 9,053,848.50
Client /Patient satisfaction	-Ensure all service delivery points(SDPs) are operational	-Number of SDPs operational	-Ensure all departments are fully operational	-Consultations, MCH, Pharmacy, laboratory, CCC/TB clinics, maternity , NBU all operational
Community engagement and preventive health programs	-Promote preventive health through screening and immunization . -Strengthen hospital-community	-Immunization coverage rate -Number of community	Organize community health outreaches. Partner with CHPs to	Increased immunization coverage . Conducted community outreach activities in partnership with

	linkages through Community Health promoters	outreach programs conducted. -Number of patients screened for NCDs	promote health education. Scale up screening and early detection programs.	implementing partners Screened clients for NCDs with referrals made for follow-up.
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8. Corporate Governance Statement

The previous Board of Management for Ikanga Sub County Hospital were gazetted on 25th June 2021 as per Kenya Gazette Notice Number 6318. This appointment was later revoked via Kenya Gazette Notice No. 13546 dated 6th October 2023.

The functions of the board of management included:

- 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. Prepare work plans based on estimated expenditure and drug stock levels and usage;
- d. Cause to be kept basic books of accounts;
- e. Cause to be kept records of accounts for income and expenditure and assets and liabilities;
- f. Cause to be kept permanent record of all its deliberations;
- g. Provide oversight to the hospital; among others.

Despite functions of the board listed above since the board was revoked there were no expenses incurred under the board, no board meetings held and no board charter formulated as per the required set procedures.

9. Management Discussion and Analysis

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

/ Clinical operational performance

Ikanga Sub County Hospital, centrally located within Kitui West Sub County, serves patients from neighbouring wards, including Mutonguni, Matinyani, and Kithumula/Kwa Mutonga.

The hospital has a total bed capacity of 40, with beds allocated as follows: 10 beds in the Medical Ward, 5 beds in the Pediatric Ward (including 2 cots), 10 beds in the Maternity Ward, and 3 beds in the Neonatal Intensive Care Unit (NICU), which also has 6 cots and 4 incubators.

In the year under review, the hospital saw a total of 26,388 patient visits, with a bed occupancy rate of 92.5%. The average length of stay for inpatients was 2 days. The hospital also operates specialized clinics, which included a Diabetes Clinic that served 26 patients, a Medical Clinic with 181 patients, and a Tuberculosis Clinic with 20 patients. In total, 226 patients were seen across the specialized clinics.

Additionally, the hospital responded to 72 emergency cases related to road accidents. Remarkably, the hospital reported a zero-mortality rate for the year.

Financial Performance

For the financial year 2024/2025, Ikanga Sub County Hospital received a total of Kshs. 5,350,000. This amount was utilized according to the approved budget for the hospital's daily operations.

Revenue sources during the year included income from medical services, facility rentals, and disbursements from the County Government of Kitui, which were the primary funding source. The funds were used to cover medical costs, employee salaries, maintenance, repairs, and general expenses.



.....
Name: Dr. Carlyne Kagani

Medical Superintendent

10. Environmental And Sustainability Reporting

Ikanga Sub County 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

The hospital has planted trees around the fence to improve environmental sustainability of the region

ii) Environmental performance

The area around the hospital receives fair amount of rainfall.

iii) Employee welfare

The hospital operates as per the set Human Resource Policies both at County and International levels.

iv) Market place practices-

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

a) Responsible competition practice.

Ikanga Level 4 hospital exists to provide medical services for no profit.

b) Responsible Supply chain and supplier relations

Ikanga Level 4 hospital maintains good business practices, and treats its own suppliers responsibly by honouring contracts and paying them promptly.

c) Responsible marketing and advertisement

Being a non-profit making organization, no advertisements are done but Ikanga Sub County hospital maintains good customer care services

d) Product stewardship

Ikanga Hospital has several staff each with specific roles so as to uphold proper use of resources allocated to the hospital.

v) Corporate Social Responsibility / Community Engagements

The hospital has reduced its CSR activities due to continued Covid-19 effects

Environmental And Sustainability Reporting

Ikanga Sub County 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.

vi) Sustainability strategy and profile

The hospital has planted trees around the fence to improve environmental sustainability of the region

vii) Environmental performance

The hospital has maintained cleanliness and proper waste disposal

Employee welfare

The hospital operates as per the set Human Resource Policies both at County and International levels.

viii) Market place practices-

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

a) Responsible competition practice.

Ikanga Level 4 hospital exists to provide medical services for no profit.

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Being a non-profit making organization, no advertisements are done but Ikanga Sub County hospital maintains good customer care services

d) Product stewardship

Ikanga Hospital has several staff each with specific roles so as to uphold proper use of resources allocated to the hospital.

ix) Corporate Social Responsibility / Community Engagements

The hospital has reduced its CSR activities due to resource constraints.

11. Report of The Board of Management

Currently, the Board of Management for the hospital is not in place. The previous Board of Management was appointed into office vide Gazette Notice No. 6318 of 25th June 2021. Later, their appointment was revoked via Kenya Gazette Notice No. 13546 dated 6th October 2023.

Principal activities

The principal activities of the entity are to provide medical services

Results

The results of the entity for the year ended June 30 are set out on page 1 to 7

Board of Management

The Board of Management for the hospital is not in place.

Auditors

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



.....
Dr. Carlyne Kageni
Medical Superintendent.

12. Report of The Board of Management

The board members submit their report together with the audited financial statements for the year that ended June 30, 2025, which show the state of the hospital's affairs.

Principal activities

The principal activities of the entity are

Results

The results of the entity for the year ended June 30 2025 are set out on pages one to six.

Board of Management

There was no board of management in place in the financial year 2024/2025.

Auditors

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

By Order of the Board



.....
Name : Dr Carolyne Kageni

Secretary to the Board

13. Statement of Board of Management’s Responsibilities

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

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


Currently, the Board of Management for the hospital is not in place. The previous Board of Management was appointed into office vide Gazette Notice No. 6318 of 25th June 2021. Later, their appointment was revoked via Kenya Gazette Notice No. 13546 dated 6th October 2023.

Nothing has come to the attention of the management to indicate that Ikanga Sub County Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

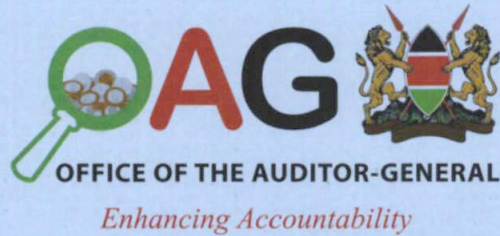
The Hospital’s financial statements were approved and signed on.....

.....
Name:.....
Chairperson
Board of Management

.....

Name: Dr. Caroline Kageni
Accounting Officer
Ikanga Sub-County Hospital

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON IKANGA SUB- COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF KITUI

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Ikanga Sub-County Hospital - County Government of Kitui set out on pages 1 to 38, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance,

Report of the Auditor-General on Ikanga Sub- County Hospital for the year ended 30 June, 2025 - County Government of Kitui

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 Ikanga Sub-County Hospital – County Government of Kitui as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Health Act, 2017, the County Governments Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Failure to Charge Depreciation on Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.417,700 in respect to property, plant and equipment as disclosed in Note 19 to the financial statements. However, no depreciation was charged on the assets. In addition, the depreciation policy was not disclosed in the financial statements to indicate the rates of depreciation charged on various classes of assets. Further, ownership documents for land were not provided for audit review.

In the circumstances, the accuracy of property, plant and equipment balance of Kshs.417,700 could not be confirmed.

2. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects total budgeted revenue of Kshs.15,903,849 against actual revenue collected of Kshs.14,403,849. However, the amounts disclosed as actual expenditure were from the statement of financial performance which include accrued expenses. In addition, review of the approved budget revealed that revenue was not budgeted for during the year.

In the circumstances the accuracy and regularity of the statement of comparison of budget and actual amounts could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of 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 Information

The Management is responsible for the Other Information set out on pages iii to xiii which comprise of Key Hospital Information and Management, The Board of Management, Key Management Team, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance Against predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management and Statement of Board of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of the Hospital's records and interviews on verification of services offered, equipment used and medical specialists in the Hospital as at the time of audit in October, 2025 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by ninety-one (91) or approximately 90% of the authorized establishment.

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Variance Percentage %
Medical Officers	16	1	15	94
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya 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 Hospital Standard	Actuals in the Hospital	Variance	Variance Percentage %
Beds	150	41	109	73
Resuscitaire (2 in labor & 1 in theatre	2	2	0	0
New Born Unit Incubators	5	4	1	20
New Born Unit Cots	5	7	-2	-40
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Two Functional Operational Theatres - Maternity & General	2	0	2	100

These 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 Management will not be able to deliver on its mandate and Universal Health Care Services may not be effectively delivered at the Hospital.

2. Failure to Deduct Pay As You Earn (PAYE)

The statement of financial performance and as disclosed in Note 11 to the financial statements reflect employee costs totalling Kshs.1,392,908. However, review of the supporting documents revealed that three (3) employees were contracted during the year and paid Kshs.30,000 per month each. However, PAYE deductions were not effected from their salaries as required by the Income Tax Act.

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

3. Failure to Retain Facilities Improvement Funds (FIF) at the Hospitals

Review of revenue records revealed that the Hospital collected a total Kshs.9,674,159 towards the Health Facilities Improvement which include a total of Kshs.6,788,069 that was transferred to County Revenue Fund. This is contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that monies raised or received by or on behalf of Public Health Facilities be retained by the Facility and be paid into a separate Facility Improvement Financing Account.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Segregation of Duties in Revenue Collection

The statement of financial performance reflects Kshs.9,674,159 in respect to rendering of services – medical service income as disclosed in Note 8 to the financial statements. However, there was no segregation of duties in the revenue collection as one person receives revenue, issues receipts and carries out the banking of the revenue. This is contrary to Regulation 63.(1a) of the Public Finance Management (County Governments) Regulations, 2015. Further, revenue received from National Hospital Insurance Fund (NHIF) and Social Health Authority (SHA) were recorded in the cashbook as lumpsum without the details of what the receipts relate to.

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

2. Unconfirmed Inventory Management

The statement of financial position reflects inventories balance of Kshs.1,110,709 as disclosed in Note 18 to the financial statements. Review of the store's records on pharmaceuticals and non-pharmaceuticals supplies revealed that seventy-seven (77)

units of various drugs of undetermined value had expired as at 24 September, 2024. In addition, the Hospital's stock cards were not provided for audit review and there was no evidence of stock take having been conducted to confirm the quantities, value and status of closing inventories balance as at 30 June, 2025.

In the circumstances, internal controls on inventory management could not be confirmed.

3. Failure to Maintain an Updated Fixed Assets Register

Review of the list of assets owned by the Hospital revealed that the list did not include key details such as purchase date, number of items purchased, asset tag number, depreciation charge for the year, accumulated depreciation, and net book value. In addition, the assets were not tagged for ease of identification and reference.

In the circumstances, internal controls on fixed assets management could not be confirmed.

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

Responsibilities of Management and the Board of Management

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

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

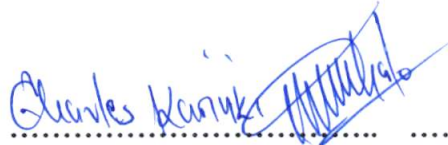
05 December, 2025

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

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	5,350,000	5,150,000
In- kind contributions from the County Government	7	35,778,734	36,262,147
		41,128,734	41,412,147
Revenue from exchange transactions			
Rendering of services- Medical Service Income	8	9,674,159	5,125,923
Revenue from rent of facilities	9	-	25,500
Revenue from exchange transactions		9,674,159	5,151,423
Total revenue		50,802,892	46,563,570
Expenses			
Medical/Clinical costs	10	1,127,005	3,232,348
Employee costs	11	1,392,908	35,055,383
Repairs and maintenance	12	221,090	125,940
General expenses	13	3,844,000	2,447,734
Refunds to the County Government	14	6,788,069	3,849,453
Waivers and exemptions		-	249,939
In- kind contributions	15	35,778,734	
Total expenses		49,151,806	44,960,797
Net Surplus / (Deficit) for the year		1,651,086	1,602,773

(The notes set out on pages 7 to 36 form an integral part of the Annual Financial Statements.)

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

..... 

Chairman
Board of Management

Head of Finance
ICPAK No: 31306

Medical Superintendent

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
At July 1, 2023		92,925	-	466,501
Revaluation gain				-
Surplus/(deficit) for the year		1,602,773		2,690,135
Capital/Development grants				-
At June 30, 2024	-	1,695,698	-	3,156,636
				-
At July 1, 2024	-	1,695,698	-	1,695,698
Revaluation gain				-
Surplus/(deficit) for the year		1,030,776		1,030,776
Capital/Development grants				-
At June 30, 2025	-	2,726,474	-	2,726,474

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

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		5,350,000	5,150,000
Rendering of services- Medical Service Income		5,893,246	5,125,923
Revenue from rent of facilities		-	25,500
In- kind contributions from the County Government		-	36,262,147
Total Receipts		11,243,246	46,563,570
Payments			
Medical/Clinical costs		991,805	3,232,348
Employee costs		1,240,060	35,055,383
Repairs and maintenance		195,590	125,940
General expenses		3,401,725	2,447,734
Refunds paid out		6,788,069	3,849,453
Waivers and exemptions		-	249,939
Total Payments		12,617,249	44,960,797
Net cash flows from operating activities	21	(1,374,003)	1,602,773
Cash flows from investing activities			
Purchase of property, plant, equipment			(208,000)
Net cash flows used in investing activities			(208,000)
Cash flows from financing activities			
Net cash flows used in financing activities			-
Net increase/(decrease) in cash and cash equivalents			1,854,897
Cash and cash equivalents as at 1 July 2024		1,868,025	13,127
Cash and cash equivalents as at 30 June 2025	16	494,022	1,868,025

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	6,850,000		6,850,000	5,350,000	1,500,000	78%
Rendering of services- Medical Service Income	9,053,849		9,053,849	9,053,849	-	100%
Total income	15,903,849	-	15,903,849	14,403,849	1,500,000	91%
Expenses						
Medical/Clinical costs	1,000,000		1,000,000	1,127,005	(127,005)	113%
Employee costs	1,300,000		1,300,000	1,392,908	(92,908)	107%
Repairs and maintenance	250,000		250,000	221,090	28,910	88%
General expenses	4,300,000		4,300,000	3,844,000	456,000	89%
Refunds	9,053,849		9,053,849	6,788,069	2,265,779	75%
Total Payments	15,903,849	-	15,903,849	13,373,072	2,530,776	84%
Surplus for the period	-	-	-	1,030,776	(1,030,776)	
Capital expenditure						

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

Budget notes

1. Provide an explanation of differences between actual and budgeted amounts (any over/ 90% under) IPSAS 24.14
2. Provide an explanation of changes between the original and final budget, indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

Budget Reconciliation

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

20. Notes to the Financial Statements

1. General Information

Ikanga Hospital is established by and derives its authority and accountability from PFM Act (2012). The entity is wholly owned by the Kitui County Government and is domiciled in Kitui County in Kenya.

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 xx The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*. The financial statements have been prepared in accordance with the PFM Act, and (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

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

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

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard.</p>

Standard	Effective date and impact:
	<p>IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide</p>

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

Standard	Effective date and impact:
	transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year FY 2024/2025.

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income for each period.

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2024/2025 was approved. 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, Ikanga hospital recorded nil additional appropriations of on the FY 24/25 budget. The Ikanga hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 2 under section 18 of these financial statements.

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.

d. 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.

e. 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.

f. 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.

Notes to the Financial Statements (Continued)

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

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.

Financial liabilities

Classification

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

g. 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.

h. 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)

i. 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.

j. 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.

k. 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.

l. Nature and purpose of reserves

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

m. 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)

n. Employee benefits

Retirement benefit plans

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

o. Foreign currency transactions

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

p. 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.

q. 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.

r. 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.

s. Comparative figures

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

t. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	2024/2025	2023/2024
	KShs	KShs
Unconditional grants		
Operational grant	5,350,000	5,150,000
Total government grants and subsidies	5,350,000	5,150,000

6 b Transfers from The County Government

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	2023/24
	KShs	KShs			
			KShs	KShs	KShs
Kitui County Government	5,350,000	-	-	5,350,000	5,150,000
Total	5,350,000	-	-	5,350,000	5,150,000

7. In Kind Contributions from The County Government

Description	2024/2025	2023/2024
	KShs	KShs
Salaries and wages (County Government Staff)	32,867,583	33,612,633
Salaries and wages (Casual Wages)	-	
Donations from Kemsas	802,264	
Medical supplies-Drawings Rights (KEMSA)	1,033,448	2,649,514
Pharmaceuticals and Non-Pharmaceutical Supplies (MEDS)	1,075,439	
Total grants in kind	35,778,734	36,262,147

Notes to Financial Statements Continued

8. Rendering of Services-Medical Service Income

Description	2024/2025	2023/2024
	Kshs	Kshs
Pharmaceuticals	331,261	
Laboratory	309,850	-
Inpatient	2,004,160	165,351
Consultation and injections	-	112,260
Nhif receivables	620,310	
NHIF	-	3,135,122
Waivers	-	31,941
Exemptions	-	217,998
Outpatient	6,408,578	436,720
Total revenue from the rendering of services	9,674,159	4,099,392

9. Revenue From Rent of Facilities

Description	2024/2025	2023/2024
	Kshs	Kshs
Residential property		25,500
Total Revenue from rent of facilities		25,500

10. Medical/ Clinical Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Food and Ration	981,005	915,680
Medical Records	85,200	
Sanitary and cleansing Materials	59,300	46,200
Pharmaceuticals	1,500	
Cost of dispensed pharms and non-pharms	-	2,270,468
Total medical/ clinical costs	1,127,005	3,232,348

Notes to Financial Statements Continued

11. Employee Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	902,520	1,406,350
Contributions to pension schemes	38,400	9,600
Staff medical expenses and Insurance cover	25,488	27,200
Locum	426,500	-
Employee paid by the county government		33,612,633
Employee costs	1,392,908	35,055,783

12. Repairs And Maintenance

Description	2024/2025	2023/2024
	Kshs	Kshs
Property- Buildings	221,090	125,940
Total repairs and maintenance	221,090	125,940

13. General Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Bank charges	29,365	16,524
Catering	101,620	
Electricity expenses	197,000	87,000
Fuel and Lubricants	1,496,000	1,511,050
Water and sewerage costs	173,620	60,000
Travel and accommodation allowance	775,550	
Purchase of office equipment	75,450	
Stationery	413,630	624,660
Printing and publishing	99,400	
General supplies	1,800	
Desktop computer	160,200	
Kitchen utensils	57,590	
Internet	112,375	138,500
Other Fuels	98,800	
Telephone and mobile phone services	51,600	10,000
Total General Expenses	3,844,000	2,447,734

Notes to Financial Statements Continued

14. Refunds to County Government

Description	2024/2025	2023/2024
	KShs	KShs
Refunds	6,788,069	3,849,453
Total cash and cash equivalents	6,788,069	3,849,453

15. In kind contributions cost

Description	2024/2025	2023/2024
	KShs	KShs
Salaries and wages (County Government Staff)	32,867,583	33,612,633
Salaries and wages (Casual Wages)	-	
Medical supplies-Drawings Rights (KEMSA)	1,033,448	2,649,514
Donations from kemsas	802,264	
Pharmaceuticals and Non-Pharmaceutical Supplies (MEDS)	1,075,439	
Total grants in kind	35,778,734	36,262,147

16. Cash And Cash Equivalents

Description	2024/2025	2023/2024
	KShs	KShs
Current accounts	494,022	1,868,028
Total cash and cash equivalents	494,022	1,868,028

16 . Detailed Analysis of Cash and Cash Equivalents

Description		2024/2025	2023/2024
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1156671523	6,826	8,139
Kenya Commercial bank	1156671841	487,196	1,859,887
Total		494,022	1,868,026

17. Receivables From Exchange Transactions

Description	2024/2025	2023/2024
	KShs	KShs
Medical services receivables	3,780,912	3,429,305
Total receivables	3,780,912	3,429,305

Notes to Financial Statements Continued

Analysis of Receivables From Exchange Transactions

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	2024/2025	% of the total	2023/2024	% of the total
Less than 1 year	3,780,912	100%	-	
Total (a+b)	3,780,912	100%	-	0%

18. Inventories

Description	2024/2025	2023/2024
	KShs	KShs
Pharmaceutical supplies	499,438	278,789
Non-Pharmaceutical supplies	552,121	-
Laboratory	59,150	-
Total	1,110,709	278,789

Detailed disclosure on inventories

	2024/2025	2023/2024
	KShs	KShs
Opening balance	278,789	-
Additional Inventory in the year	2,108,887	2,649,514
Inventory expensed in the year	1,276,967	2,370,725
Closing balance	1,110,709	278,789

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

Notes to the Financial Statements (Continued)

19. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (specify)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
Cost									
At 1 July 2023 (previous year)				0					
Additions				208,000					
Disposals									
Transfers/adjustments									
Revaluation Adjustments									
At 30th Jun 2024				208,000					
At 1 July 2024 (current year)				208,000					
Additions				209,700					
Disposals									
Transfer/adjustments									
Revaluation Adjustments									
At 30th Jun 2025				417,700					
Depreciation and impairment									
At 1 July 2024(previous year)									
Depreciation for the year									
Disposals									

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

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (specify)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
Impairment									
At 30 June 2025				417,700					
At July 2024 (current year)									
Depreciation									
Disposals									
Impairment									
Transfer/adjustment									
At 30th June 2025				417,700					
Net book values									
At 30 th Jun 2024 (previous)				208,000					
At 30 th Jun 2025 (current)				417,700					

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

Notes to the Financial Statements (Continued)

19. Trade and other Payables

Description	2024/2025		2023/2024
	KShs		KShs
Trade payables	1,051,089		29,000
Employee dues	330,510		422,116
Third-party payments (SHIF AND NSSF)	657,260		
Total trade and other payables	2,038,859		451,116
Ageing analysis:	2024/2025	% of the Total	2023/2024
Under one year	913,570	45%	-
1-2 years	1,125,289	55%	451,116
Total	2,038,859	100%	451,116

20. Cash Generated from Operations

Description	2024/2025		2023/2024
	KShs		KShs
Surplus for the year before tax	1,651,086		2,690,135
Adjusted for:			
Depreciation			
Non-cash grants received			
Working Capital adjustments			
Increase in inventory	(831,920)		(896,970)
Increase in receivables	(3,780,912)		(2,054,805)
Increase in payables	1,587,743		196,910
Net cash flow from operating activities	(1,374,003)		(64,730)

Notes to the Financial Statements (Continued)

22. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024 (previous year)				
Receivables from exchange transactions	-			
Bank balances				
Total				
At 30 June 2025 (current year)				
Receivables from exchange transactions	3,780,912	3,780,912		
Bank balances				
Total	3,780,912	3,780,912	-	-

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 xxxx. 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 20xx				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				
At 30 June 20xx				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2025			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

Notes to the Financial Statements (Continued)

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2025			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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
20XX (previous year)			
Euro	10%		
USD	10%		
20XX (current year)			
Euro	10%		
USD	10%		

b) Interest rate risk

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

Management of interest rate risk

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

Notes to the Financial Statements (Continued)

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 xxx (20xx: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs xxx (20xx – KShs xxx).

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	Current Period	Comparative Period
	Kshs	Kshs
Revaluation reserve		
Retained earnings		
Capital reserve		
Total funds		
Total borrowings		
Less: cash and bank balances		
Net debt/ <i>(excess cash and cash equivalents)</i>		
Gearing		

Notes to the Financial Statements (Continued)

23. 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.

xxx 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	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to xxx		
Sales of services to xxx		
Total		
b) Grants from the Government		
Grants from County Government		
Grants from the National Government Entities		
Donations in kind		
Total		
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees		
Payments for goods and services for xxx		
Total		
d) Key management compensation		

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

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Directors' emoluments		
Compensation to the medical Sup		
Compensation to key management		
Total		

24. 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)

25. Contingent Liabilities

Contingent liabilities	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Court case xxx against the hospital		
Bank guarantees in favour of subsidiary		
Total		

(Give details)

26. Capital Commitments

Capital Commitments	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Authorised For		
Authorised And Contracted For		
Total		

27. Events after the Reporting Period

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

28. Ultimate and Holding Entity

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

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

29. Currency

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

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

21. Appendices Auditors observation

4	Inaccuracy of inventory balance	The managements acknowledges the auditors observation and commits to addressing this issue to ensure a similar issue will not recur in the subsequent years.	Not resolved	31 August 2025
	Observations on lawfulness in the use of public funds			
1.	Deficiencies in implementation of universal health coverage	The managements acknowledges the auditors observation	Not resolved	
2	Failure to dispose unserviceable assests	The management acknowledges the auditors observation	Not resolved	
3	Lack of quarterly revenue reports	The management acknowledges the auditors observation	Not resolved	
4	Long outstanding trade and other payables	The management acknowledges the auditors observation on longoutstanding payables and confirms that efforts are on going to settle them progressively as shown in the financial statements.	Partially resolved	
	Report on effectiveness of internal controls,Risk management and governance	The management acknowledges the auditors observation	Not resolved	
1	Lack of hospital board	The management acknowledges the auditors observation	Not resolved	
2	Failure to maintain asset	The management acknowledges the	Not resolved	

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

	register	auditors observation		
3.	Poor maintenance of buildings within the facility	The management acknowledges the auditors observation on poor maintenance of the building and notes that repairs have been carried out progressively as evidenced on the ground.	Partially resolved	
4	Inventory management	The management acknowledges the auditors observation	Not resolved	
5	Expiry of medical supplies	The managements acknowledge the auditors observation	Not resolved	
6	Inadequate storage space	The managements acknowledges the auditors observation	Not resolved	



.....
Accounting Officer

Appendix II: Projects Implemented by The Entity

Projects

Sno.	LPO Number (Where Applicable)	Delivery Note number	Name of the Supplier	Amount	Date received	Source (County or Facility)
1	Purchase order no 1555	NA	WIFLO AGENCIES	1,152,000	12/6/2025	COUNTY
2	Purchase Order no 1566	NA	AFROSYAMINICK K. LTD	2,807,500	17/06/2025	COUNTY
				<u>3,959,500</u>		

Appendix II: Projects Implemented by The Entity

Projects

Sno.	LPO Number (Where Applicable)	Delivery Note number	Name of the Supplier	Amount	Date received	Source (County or Facility)
1	Purchase order no 1555	NA	WIFLO AGENCIES	1,152,000	12/6/2025	COUNTY
2	Purchase Order no 1566	NA	AFROSYAMINICK K. LTD	2,807,500	17/06/2025	COUNTY
				<u>3,959,500</u>		

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

Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity...COUNTY GOVERNMENT OF KITUI.....

Name of Beneficiary entity.....IKANGA SUBCOUNTY HOSPITAL



Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30th June 2025

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
REC/0001103707 KI	8/16/2024	500,000		500,000	Received
REC/0001104413 KI	10/3/2024	500,000		500,000	Received
REC/0001105456 KI	10/7/2024	500,000		500,000	Received
KITUI COUNTY/KE/NAIROBI/NAI	11/5/2024	500,000		500,000	Received
KITUI COUNTY/KE/NAIROBI/NAI	11/27/2024	500,000		500,000	Received
KITUI COUNTY/KE/NAIROBI/NAI	12/31/2024	850,000		850,000	Received
KITUI COUNTY/KE/NAIROBI/NAI	12/31/2024	500,000		500,000	Received
KITUI COUNTY/KE/NAIROBI/NAI	31/01/2025	500,000		500,000	Received
KITUI COUNTY/KE/NAIROBI/NAI	5/3/2025	500,000		500,000	Received
KITUI COUNTY/KE/NAIROBI/NAI	4/4/2025	500,000		500,000	Received
Total		5,350,000		5,350,000	

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

Head of Accounts Department - Disbursing Entity:

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

Name ..f.v.c.t.....Mwendu.....Paul..... Sign  Date26.11.2025.....	
Head of Accounts Department - Beneficiary Entity:	
NameCharles Agriuk..... Sign  Date.....	

