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REPORT

OF

THE AUDITOR-GENERAL

ON

MARAFI SUB – COUNTY LEVEL 4
HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF KILIFI

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MARAFI LEVEL 4 HOSPITAL (Kilifi 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)

MEDICAL SUPERINTENDENT
MARAFI LEVEL 4 HOSPITAL
23 NOV 2025
P. O. Box 5 - 80207
MADINA

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

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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
BOM	Board of Management
NCD	Non-Communicable Diseases
RH	Reproductive Health
HMT	Health Management Team
CECM	County Executive Committee Member
SCH	Sub-County Hospital
SHA	Social Health Authority Fund
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

(a) Background information

Marafa Sub-County Hospital is a level 4 hospital established under gazette notice number 6340 of 3rd April 2022 and is domiciled in Kilifi County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activities at Marafa Sub-County Hospital, offers comprehensive primary care, specialized services, and serve as referral centre for lower-level facilities within Kilifi County. Provides a wider range of services, including inpatient and outpatient care, emergency services, specialized clinical and diagnostic services. The vision of Marafa Sub-County Hospital is to have a healthy and productive population in Kilifi County and the mission of the hospital is to provide effective leadership and participate in provision of quality health care services that are accessible, acceptable sustainable and equitable to the population of Kilifi county and beyond. The mandate of the hospital is to provide curative, preventive, promotive and rehabilitative health services as provided for in the Public Health Act. Cap 242 of the Laws of Kenya.

(c) Key Management

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

- Board of Management
- Accounting Officer/ Medical Superintendent
- Hospital Administrator
- Head of Departments
- Medical Officer
- Clinical Officer

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	DR SAM MWACHIBUA MWADZOMBO
2.	Hospital Administrator	REGINA KIPESHA
2.	Head of finance	FRED MUMBA
3	Clinical Officer In-charge	MAKA RASHID
4.	Nursing Officer In-charge	FRED DENJE
5.	Wards In-charge	HALIMA BAKARI

(e) Fiduciary Oversight Arrangements

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

Key Entity Information and Management

(f) Entity Headquarters

P.O. Box 5 - 80207
MADINA.
MAGARINI SUB-COUNTY
KILIFI, KENYA

(g) Entity Contacts

Telephone: (+254) 0105479823
E-mail: marafasch3@gmail.com

(h) Entity Bankers

Co-operative Bank
Kilifi Branch
P.O Box 96-80108

Kenya Commercial Bank
Kilifi Branch
P.O Box 48400-00100,
Nairobi, Kenya

(i) Independent Auditors

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

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(j) Principal Legal Adviser

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




(k) County Attorney

Kilifi Plaza
Hospital road
P.O. Box. 519-80108
Kilifi, Kenya

3. The Board of Management

Ref	Directors	Details
1.	 <p>MWALIMU K. MENZA CHAIRPERSON MSc. Horticulture</p>	<p>Born in 1981 Feb 15th, a holder of master's degree in Horticulture. Has a research extension experience of 17 years. worked as a CECM Agriculture, livestock and fisheries at the county government of Kilifi and part time lecturer at Kenyatta university, Pwani university and University of Nairobi. Currently working at KALRO.</p>
2.	 <p>MICHEAL MASHA KITSAO TREASURER Accounting Technicians Diploma (ATD)</p>	<p>Born in 1992 January 1st. With an 8 year experience, working as accountant with Marafa Community Development Program.</p>
3.	 <p>PETER CHANGAWA THOYA MEMBER Bachelors of Development Studies</p>	<p>Born on 10th October 1996. Has vast experience in project management. Working upto date as a program manager with Caris Foundation for 8 years and with Mulangaza Integrated Development program for 12 years.</p>
4.		

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	 <p>RAPHAEL BARAKA GARAMA MEMBER Bsc. Health System Management</p>	<p>Mr. Raphael was born on 8th May 1997, has a good touch in hospital operations and management with 3 years experience at Kilifi County Hospital as drugs store manager.</p>
5.	 <p>IDRIS MOHAMMED MAALIM MEMBER Dip. Public Relations</p>	<p>Born on 2nd October 1994, Worked as a personal assistant to member of parliament for 5 years upto 2022.</p>
6.	<p>SARAH KACHE KAPOMBE MEMBER Bachelor of Education (In Arts)</p>	<p>Born on 11th November 1967, Has good experience in management being upto date the deputy principal Adu Secondary school.</p>
7.	 <p>JOY REHEMA DAVID MEMBER Dip. Supplies And Chain Management</p>	<p>Born on 10th June 1991. Has a 5 years' experience in procurement having have worked as a procurement officer with NARIG program and in the office of Magarini Deputy County Commissioner.</p>

8.



DR SAM MWACHIBUA
SECRETARY /MED SUP
Bachelor of Medicine and Bachelor of
surgery.

Born on 24th April 1994, Has vast experience in medical practice of over 3 years. Have worked in different hospitals acting in several capacities in Kilifi County both in practice and management





9.







Michael Ngala Kahindi
Member
DOB:20/10/1983
Certificate In Information And Technology

Has a 13 years experience in information technology having worked as a computer tutor and data entry officer with AFYA PLUS, AMURT and Bright Junior academy.





4. Key Management Team



Ref	Management	Details
	 DR. SAM MWACHIBUA MWADZOMBO Bachelor of Medicine and Bachelor of surgery.	Medical Superintendent
2.	 REGINA NAISAE KIPESHA Bachelor of Business Management	Hospital Administrator
3.	 FRED DENJE TSUI Masters of Science in Nursing	Nursing Officer In-Charge
4.	 CPA FRED MUMBA Masters in Business administration. CPA-K	Head Of Finance

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5.	 <p>MAKA RASHID SIMAI</p> <p>Higher Diploma in Clinical Reproductive Health</p>	Head Clinical Services
6.	 <p>LIVINGSTONE BARAKA MUPE</p> <p>Diploma in Physiotherapy</p>	Head Of Rehabilitative Unit
7.	 <p>JOTHAM NYAHERA NJETA</p> <p>Diploma in Clinical Medicine and Surgery</p>	Head CCC
8.	 <p>RIZIKI KARISA MWENYA</p> <p>Diploma in Health Records and Information Officer</p>	Head Of Hospital Records

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9.	 EMMANUEL NYOKA MWANYANJE Kenya Registered Community Health Nurse	Head MCH and OPD
10.	 ABEDNEGO KAZUNGU KAINGU Diploma in Medical Laboratory Sciences	Head Laboratory Services
11.	 DR MARGARET MAINA Bachelor of Pharmacy(BPHARM)	Head Of Pharmacy
12.	 HALIMA BAKARI KRCHN-Diploma in Community Health Nursing	Head Maternal Unit

13.	 <p>ANDERSON FURAHA THOYA</p> <p>Diploma in Medical Engineering Technology</p>	Head Of Maintenance
14.	 <p>JOSEPHINE KARISA TAURA</p> <p>Diploma in Nutrition and Dietetics</p>	Head Of Nutrition

5. Chairman's Statement

The Board of Management (BOM) remains dedicated to guiding Marafa Level 4 Hospital towards excellence in fulfilling its healthcare delivery mandate within the available resources.

Key strengths of the facility include:

- **Strategic location:** Situated at Marafa Township, centrally positioned within Magarini Sub-County, the hospital is easily accessible and well-placed to handle referral cases from lower-level facilities within the sub-county.
- **Competent Board of Management:** The BOM comprises members with the necessary academic, professional, gender, youth, and special needs representation, all committed to service delivery.
- **Adequate land for expansion:** Occupying approximately 26 acres, the hospital has sufficient space to meet current needs and support future growth.
- **Strong community and stakeholder linkages:** The BOM actively fosters partnerships with the community to promote positive health-seeking behaviour and collaborates with various organizations to enhance hospital services.

According to policy guidelines, a Level 4 hospital should provide comprehensive services including medical, surgical, orthopaedic, paediatric, and gynaecological in-patient care, radiology, renal dialysis, tuberculosis and cancer management, mortuary, and autopsy services. The BOM is committed to advocating for the progressive development of Marafa Sub-County Hospital to meet these standards.

Recognizing that quality healthcare improvement is a continuous journey, the BOM extends gratitude to the Governor of Kilifi County, H.E. Gideon Mung'aro, and the County Government of Kilifi for the progress achieved during the reporting period.

Despite these achievements, several challenges persist, including:

- **Inadequate human resources:** The hospital lacks specialists in Dentistry, Nephrology, ENT, Oncology, Internal Medicine, Critical Care, Dermatology, Neurology, and Autopsy services. General services in outpatient, paediatrics, maternity, ophthalmology, gynaecology, and orthopaedics are available but limited. Clinical and nursing staff remain insufficient, and critical cases are still referred to Malindi Sub-County Hospital.
- **Limited equipment:** Essential medical equipment such as a CT scan, dental chair unit, dialysis machine, ophthalmic equipment, fullhaemogram testing equipment, ENT instruments, and critical care apparatus are missing, alongside the personnel to operate them.
- **Inadequate facilities:** The hospital lacks a mortuary, incinerator, pharmacy and drug store, and casualty unit. Existing facilities such as the pharmacy, kitchen, offices, generator, refrigeration, laundry, and water storage are insufficient. Several buildings are dilapidated, staff housing is inadequate, and ICT infrastructure is limited.
- **Insufficient support staff:** There is a shortage in key areas including procurement, health records management, internal audit, social services, administration, cleaning, kitchen, security, and community health volunteers. The accounting team is overstretched due to heavy workload.

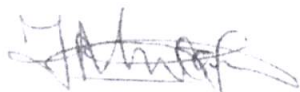
Marafa Sub-County Hospital (Kilifi County Government)
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- **Land security risks:** Absence of a perimeter fence and land title exposes the hospital to potential encroachment.

Therefore addressing these challenges is critical to improving healthcare delivery at Marafa Sub-County Hospital.

Immediate priorities include: operationalizing the surgical theatre and radiology unit, fully utilizing the newly constructed male and female wards, deploying critical medical and nursing officers, conducting medical camps, and securing the hospital land.

It is therefore my honor to present the Financial Statements for Marafa Sub-County Level 4 Hospital for the year ending 30th June 2025. These statements reflect the performance of the HSIF fund in ensuring affordable and quality healthcare services.



Mwalimu K Menza

Chairman to the Board.

6. Report of The Medical Superintendent

The Marafa Sub-County hospital is a level 4 hospital located in Magarini Sub-County and Kilifi County and the Coast region at large governed by a Board of Management.

The mission of the hospital is to provide competitive, accessible, acceptable, timely, and quality Health services at an affordable rate to the people of Magarini Sub-county and beyond.

The main mandate of this Hospital is to provide curative, preventive, promotive and rehabilitative health services as provided for in the Public Health Act. Cap 242 of the Laws of Kenya.

The HSIF has proved to be of good benefit to the hospital as envisioned in different aspects of its day to day running and management of the hospital enlisted as below:

➤ **Routine Hospital Maintenance Services**

Through the HSIF, the biomedical department was able to do repairs in different units and components in the hospital. This included connection of pipes to the water storage points and service points. Maintenance of different hospital equipments among others.

➤ **Human Resource / Workforce Increase.**

Through the HSIF, the hospital was able to facilitate payment of several employees on locum basis in order to increase service delivery in the wards, maternity and outpatient department. This has seen reduced time taken for a patient to receive the different services and also ensuring that there's proper personnel coverage in every service point. This has also boosted staff morale as no staff is left to strain for long ours or attend to many patients per shift hence also ensuring proper service delivery.

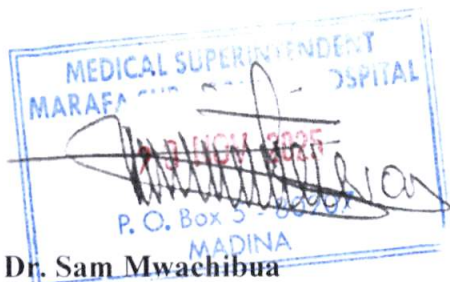
➤ **Multidisciplinary team camps**

Through the HSIF, the hospital was to conduct a number of medical camps. These camps brought together medical professionals of diverse speciality hence handling both acute to complex medical conditions, it also enabled provision of services to their door step and promoting community interaction with the staffs. This not only improved the bonding between the community and the hospital but also improved the welfare and health of the community.

The result of this in terms of hospital performance was that;

- Patients with complex conditions were identified and referred to the hospital for further management.
- Surgical cases were also identified and booked for surgery at the hospital.
- Hospital's outpatient and inpatient data greatly improved.
- The hospital observed an immediate improvement in revenue for the financial period.
- Through community education on SHA during those camps, many people were registered to SHA.

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



Dr. Sam Mwachibua
Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

Marafa Sub County Hospital has 3 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2024/2025. These strategic pillars/ themes/ issues are as follows:

- Service Quality Management
- Human resource for health
- Management of hospital infrastructure.

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

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Service Quality Management	<ul style="list-style-type: none"> • Enhance Continuous Quality Improvement 	Number of meetings for the Facility’s Stakeholders Forum	Strengthening the Engagement and Coordination of Hospital Partners	<ul style="list-style-type: none"> • Several Meetings Held • Several stakeholders Identified
Management of hospital infrastructure	To provide Modern Medical Equipment, plants and Machinery	<ul style="list-style-type: none"> • Purchase of medical equipments • Maintenance of existing structures and equipments. 	<ul style="list-style-type: none"> • Routine maintenance activities of hospital machines and equipments • Purchase of equipments. 	<ul style="list-style-type: none"> • Purchase of Printer for Linda/NHIF office • Connection of water from storage points to service points.

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Human resource for health	<ul style="list-style-type: none">• Staff Motivation To develop Staff	<ul style="list-style-type: none">• Implement rewards and sanctions policy• Conduct training need assessment	Human Resource Development and Motivation Improve staff performance culture	All Staffs are involved in decision making through various committees, HMT, Departmental meeting, staff meeting days,
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8. Corporate Governance Statement

Marafa Sub-County Hospital Board of Management is responsible for the corporate governance of the Hospital and is accountable to Ministry of Health, County department of health Kilifi County for ensuring that the Hospital complies with the laws and the highest standards of corporate governance and business ethics. The Board members attach great importance to the need to conduct the business and operations of the Hospital with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

a) Board of Management

The Board of Management is composed of non-executive members appointed by the C.E.C.M Health Kilifi County. The Appointed Board of Management to be held accountable and responsible for the efficient and effective governance of the hospital. Members of the Board have a range of skills and experience and each brings an independent judgment and considerable knowledge to the Board's discussions. The board term is two years renewal subject to performance.

Summarized below are the key roles and responsibilities of the Board:

- Approve and adopt strategic plans and annual budgets, set objectives and review key risk and performance areas.
- Resource Mobilization
- Determine overall policies and processes to ensure integrity of the Hospital's management of risk and internal contracts; and
- Review at regular meetings Management's performance against approved budget.

The full Board meets at least 4 times a year and the Chairperson has regular meetings and consultations with the Medical superintendent. The Board members are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Medical superintendent. The Board nonetheless retains responsibility for establishing and maintaining the Hospital's overall internal control, financial, operational and compliance framework.

b) Board Meetings

The Board as per the Annual work plan meets quarterly or additionally when necessary to consider matters of overall control of the hospital. The Board agenda and work plan are prepared early in the year and adequate notice, agenda and Board papers are circulated within stipulated timelines. The Main Board held 4 meetings attended by selected members.

Name of Member	Designation	Meeting Attended
Mwalimu Katana Menza	Chairperson	3
Michael Masha Kitsao	Treasurer	3
Dr. Gilbert Katana Angore	Secretary	2
Peter Changawa Thoya	Member	3
Raphael Baraka Garama	Member	0
Idris Mohammed Maalim	Member	2
Joy Rehema David	Member	3
Michael Ngala Kahindi	Member	2

c) Board Remuneration

Board Members provide services to the hospital to which they are entitled to allowances in every sitting. The allowance is paid as per the government of Kenya allowance circulars.

9. Management Discussion and Analysis

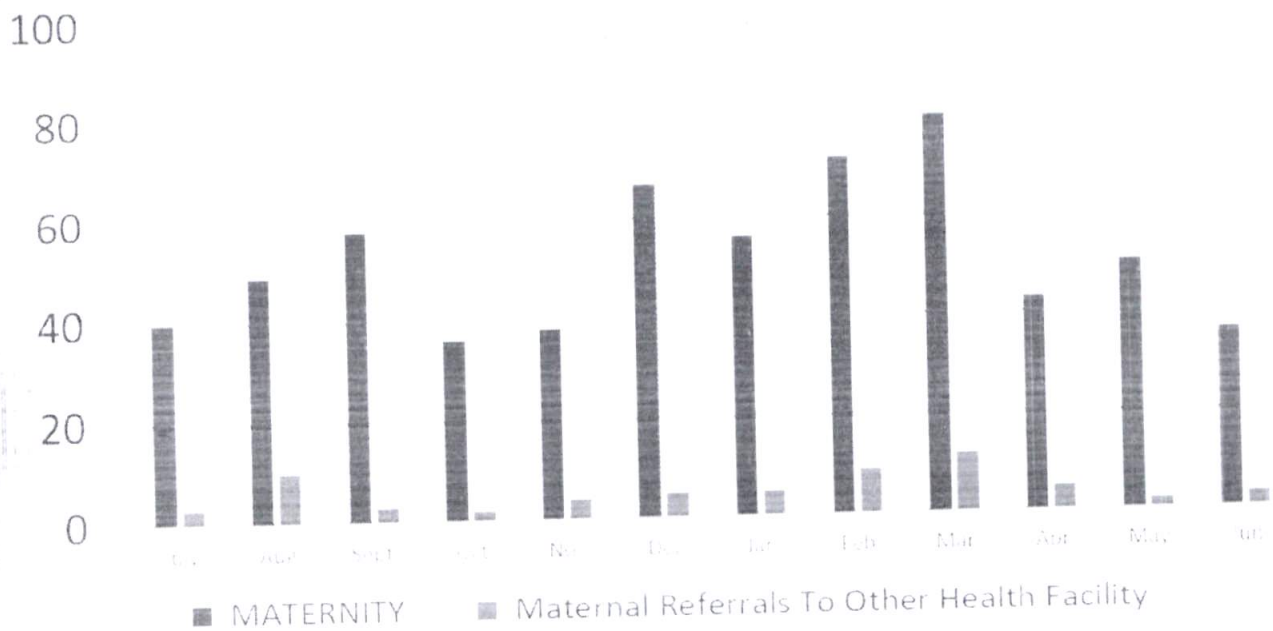
Marafa sub-county hospital boasts of a 120 bed capacity for that financial year divided into;

S/No	Service Point	Number of Beds
1	Maternity unit	9
2	Male ward	48
3	Female ward	47
4	Paediatric ward	8
5	Post operation ward	8
	Total	120

Clinical/operational performance

- Marafa sub-county hospital Maternal usage for the period of FY 2024/2025.

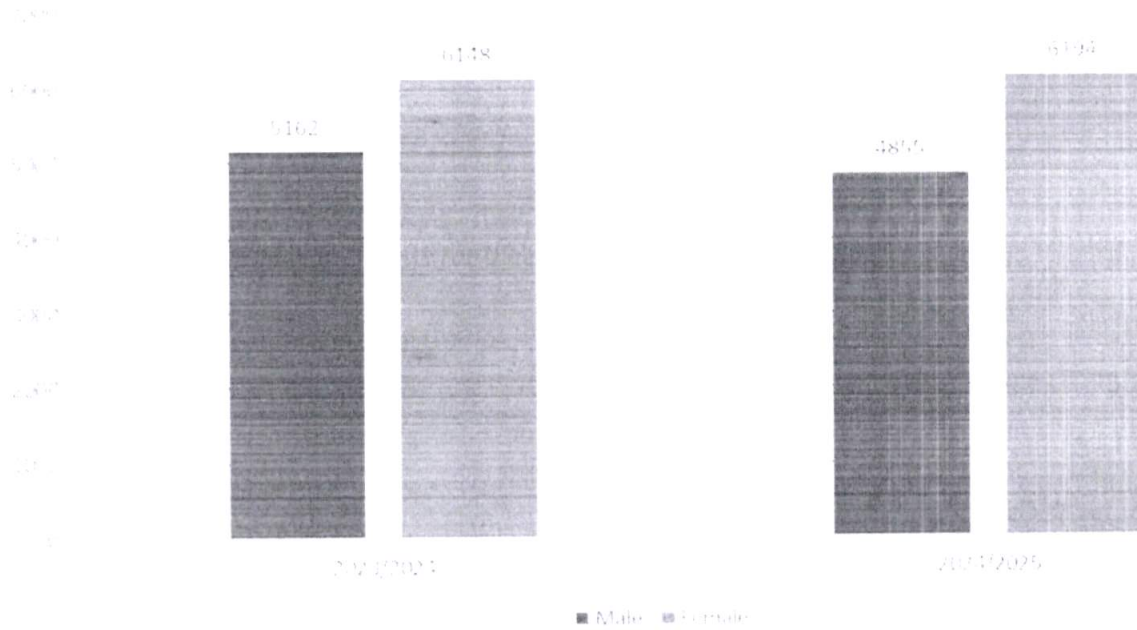
MSCH MATERNITY ATTENDANCE



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- Overall patient attendance during the year for outpatient.

OUT PATIENT UTILISATION

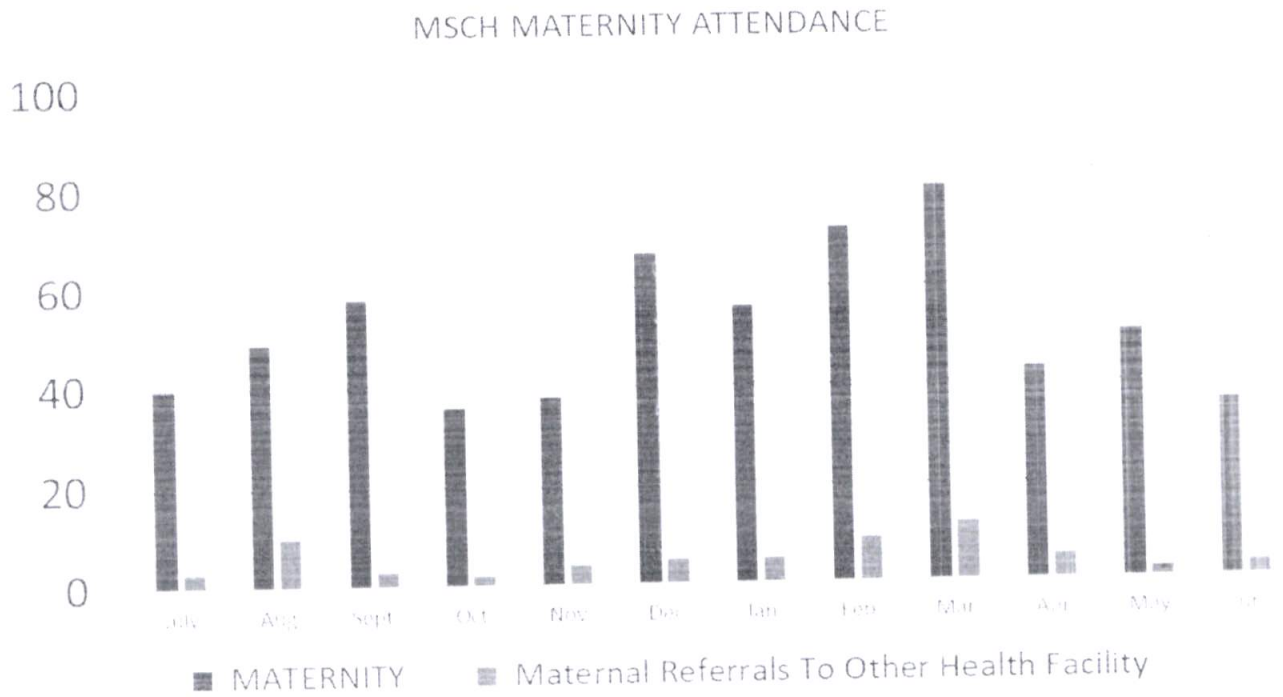


Specialised clinic attendance

Marafa sub-county hospital provides services to its clients in different specialised clinics in outpatient department. For the financial period of 2024/2025, the hospital was able to attend to its clients as in the below table;

Clinic Type	New clients	Re-visits	Total
ENT Clinic Attendance	0	0	0
Eye Clinic Attendance	79	9	88
TB and Leprosy attendance	13	131	144
Comprehensive Care Clinic (CCC)	20	334	354
Psychiatry Attendance	19	9	28
Orthopaedic Clinic Attendance	1250	737	1987
Occupational Therapy Attendance	0	0	0
Physiotherapy Attendance	306	583	889
Medical Attendance	46	266	312
Surgical Clinics attendances	155	131	286
Paediatrics attendances	24	16	40
Obstetrics Gynaecology Attendance	117	118	235
Nutrition Clinic	222	359	581
All other special clinics attendance			

Marafa sub-county hospital maternal usage for the period of FY 2024/2025



Percentage of Surgeries Done Against Special Clinic Attendance

Clinic Type	Total	Surgeries	%
ENT Clinic Attendance	0	0	
Eye Clinic Attendance	88	42	48%
Orthopaedic Clinic Attendance	1987	0	
Surgical Clinics attendances	286	185	65%
Obstetrics/Gynaecology Attendance	235	98	42%
Theatre Utilization		325	

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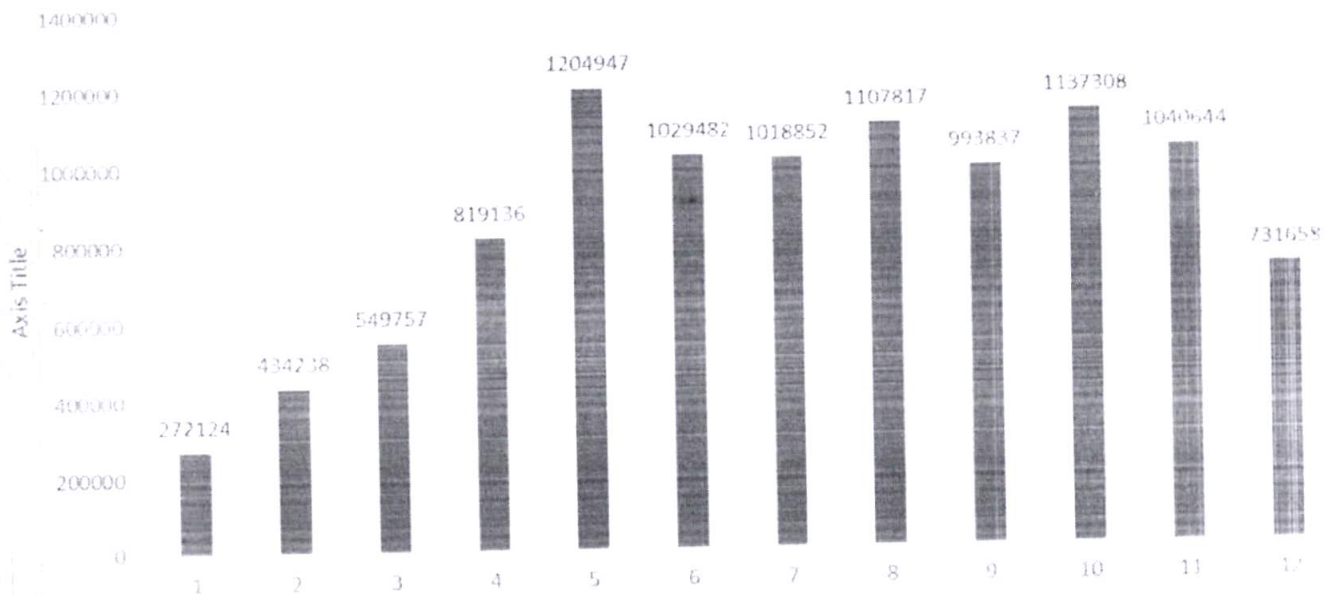
Financial performance that includes: -

- Revenue sources

Marafa sub-county hospital was able to receive resources as per the different services it offers in as below represented;

Months	J	A	S	O	N	D	J	F	M	A	M	J
Revenue	272124	434238	549757	819136	1204947	1029482	1018852	1107817	993837	1137308	1040644	731658

Revenue Analysis FY 2024/2025



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- Utilisation of funds etc

MARAFI SUB-COUNTY HOSPITAL				
FACILITY EXPENDITURE FY 2024/2025				
EXPENDITURE				
ITEM CODE	ITEM DESCRIPTION	APPROVED	EXPENDITURE/PAY	BALANCE
		ESTIMATES	FY 2024/2025 Q4	
		FY 2024/2025		
2110201	Contractual Employees	2,898,394.00	2,878,022.00	20,372.00
2110202	Casual Labor	2,396,700.00	2,378,900.00	17,800.00
2120101	Employer Contributions to NSSF	141,100.00	140,160.00	940.00
2210103	Purchase of cooking gas	30,050.00	29,900.00	150.00
2210201	Telephone , telex mobile phones	163,000.00	162,100.00	900.00
2210203	Courier and Postal Services	1,220.00	490.00	730.00
2210301	Travel Costs (airlines, bus, railway, mileage allow	150,000.00	149,600.00	400.00
2210303	Domestic-daily subsistence allowance	927,400.00	927,000.00	400.00
2210801	Catering services, gifts, food drinks	757,700.00	757,245.00	455.00
2210802	Boards, commtt, conference	388,800.00	388,500.00	300.00
2211002	Dressings and Other Non-Pharmaceutical Medi	168,000.00	167,676.00	324.00
2211005	Chemicals and Industrial Gases	49,900.00	49,500.00	400.00
2211008	Laboratory Materials, Supplies and Small Equip	19,950.00	19,832.00	118.00
2211001	Medical Drugs	263,000.00	262,780.00	220.00
2211015	Food and Rations	197,080.00	196,885.00	195.00
2211016	Purchase of Uniforms and Clothing - Staff	11,000.00	10,600.00	400.00
2210502	Publishing and Printing Services	96,090.00	95,285.00	805.00
2210504	Advertising, Awareness and Publicity Campaign	403,180.00	403,100.00	80.00
2210808	Purchase of coffins	51,200.00	50,000.00	1,200.00
2211101	General Office Supplies	147,800.00	147,300.00	500.00
2211102	Suplies and access for computers and printer	63,000.00	62,800.00	200.00
2211103	Sanitary and Cleaning Materials, Supplies and S	30,700.00	30,300.00	400.00
2211201	Refined Fuels	425,180.00	424,900.00	280.00
2211204	Other Fuels (wood, charcoal, cooking gas etc...)	8,350.00	8,200.00	150.00
2211301	Bank service commission and charges	14,900.00	13,200.00	1,700.00
2211310	Contracted Professional Services	234,000.00	233,400.00	600.00
2220101	Maintenance of Motor Vehicles	11,200.00	10,550.00	650.00
2220205	Maintenance of Buildings and stations	83,245.00	83,010.00	235.00
2220206	Maintenance of computers software and netwo	27,730.00	27,500.00	230.00
2220202	Maintenance of Office Furniture and Equipment	1,000.00	550.00	450.00
3110902	purchase of household & institutional appliance	60,239.00	60,105.00	134.00
3111000	Purchase of Computers, Printers and other IT Equi	30520.00	30,000.00	520.00
3111101	Purchase of Medical and Dental Equipment	5,280.00	5,000.00	280.00
		10,256,908.00	10,204,390.00	52,518.00

10. Environmental And Sustainability Reporting

Marafa sub-county hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client 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

Marafa SCH and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that Marafa SCH going concern is secured. The hospital has conducted a basic assessment of available options for feasible financing tools that would assure the hospital of its long-term sustainability. The hospital has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options, which include:

- Enhancing of specialized clinics such as NCD's.
- Public Private Partnership
- Enhancing Client satisfaction through quality service care

ii) Environmental performance

Marafa SCH is using the National Health Care Waste Management policy guideline which is guiding us in the management of the waste that we generate in the hospital which include:

- The hospital has a working incinerator to incinerate the infectious waste.
- The general cleanliness of the organization is well maintained both indoors and grounds.

Efforts to Reduce Environmental Impact of Waste Product

The incinerator burns the waste at a very high temperature and the products are harmless.

iii) Employee welfare

Hiring process involves bringing new employees on board. This is the mandate of the County Public Service Board reference made from the Public Service Commission Human Resource Manual and procedures May 2016, mentioned in section B which provides the rules governing recruitment and appointment of new officers.

Improvement of employee skills and career management is done through employee sponsorship to further their studies in line with their careers. This is done by sponsorship and supporting employees to attend short courses offered by the government institutions.

Training programs are based on the identified needs from the training needs assessments and are emphasized for performance improvement addressing both individual and organizational goals.

Performance management system is a process conducted by the employer to identify areas of weakness and support the individuals in order to get better results. It's an annual exercise intended to provide employees with clear understanding of job expectations, regular feedback on performance, advice and steps for improving performance, rewards for good performance and actions for poor performance. It helps to measure performance and ultimately the achievement of intended results for the organization.

The Human Resource Manual procedures also provides for guidelines and standards for the prevention and protection of officer against accidents and occupational hazards arising at the work place. It provides for guidelines, procedures and modalities for the administration and payment of compensation for work related injuries and accidents contracted while and in the course of employment.

iv) Market place practices

a) Responsible completion practices

This is effectively done through making good use of the instituted internal committees to help minimize corruption.

b) Responsible marketing and advertisement

Effectively done using the local community engagement

Corporate social responsibility

- Conducting of regular outreaches to create awareness on various healthcare issues.

11. 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 to provide quality and affordable preventive, promotive, rehabilitative and curative health services across the county

Results

The results of the entity for the year ended June 30 2025 are set out on pages 1 to 26

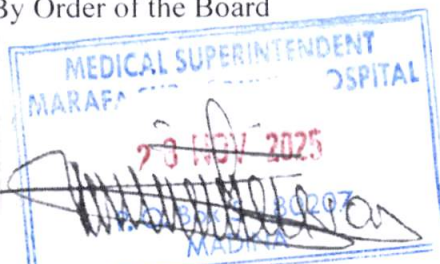
Board of Management

The members of the Board who served during the year are shown on pages Vi to Viii. During the year, no director(s) retired/ resigned, and no director (s) was appointed.

Auditors

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

By Order of the Board



A blue rectangular official stamp from Marafa Sub-County Hospital. The text on the stamp reads "MEDICAL SUPERINTENDENT" at the top, "MARAFI" on the left, and "OSPITAL" on the right. In the center, there is a red date stamp "20 JUN 2025". A handwritten signature in black ink is written across the stamp.

Dr. Sam Mwachibua

Secretary to the Board

12. 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 of Marafa SCH, which give a true and fair view of the state of affairs of the hospital at the end of the financial year/period and the operating results of the hospital for that year/period. The Board of Management is also required to ensure that the hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the hospital. The council members are also responsible for safeguarding the assets of the hospital.

The Board of Management is responsible for the preparation and presentation of the hospital's financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial period ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

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

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

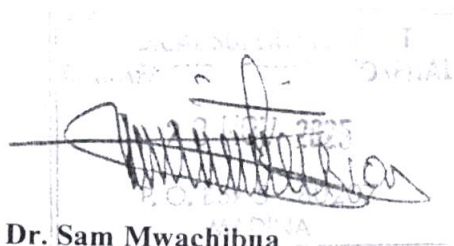
Nothing has come to the attention of the Board of management to indicate that Marafa Sub-county Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 14th August 2025 and signed on its behalf by:



Mwalimu K. Menza
Chairperson
Board of Management



The stamp contains the following text: "MARAFI SUB-COUNTY HOSPITAL", "KILIFI COUNTY GOVERNMENT", "30th JUNE 2025", and "P.O. BOX 254".

Dr. Sam Mwachibua
Accounting Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MARAFA SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF KILIFI

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 Marafa Sub - County Level 4 Hospital set out on pages 1 to 26, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of

Report of the Auditor-General on Marafa Sub-County Level 4 Hospital for the year ended 30 June, 2025 – County Government of Kilifi

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Marafa Sub - County Level 4 Hospital at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and comply with the Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Non-disclosure of Property, Plant and Equipment

The statement of financial position reflects total net assets and liabilities balance of Kshs.1,472,097. As previously reported, a physical verification of the Hospital compound and offices revealed that Management is in possession of various assets including land and buildings, medical equipment, computers, furniture and fittings which were not disclosed in the financial statements. In addition, the ownership documents for the Hospital parcel of land measuring approximately 26.6 hectares was not provided for audit review.

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

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public

Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Hospital in 2024/2025 revealed that the following seven (7) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2023/2024	Inaccuracies in the annual report and financial statements
2	2023/2024	Inaccurate revenue from transfers from Hospital Services Improvement Fund (HSIF)
3	2023/2024	Inaccurate total assets balance
4	2023/2024	Non-compliance with the Kenya Quality Model for Health for Level 4 hospital requirements
5	2023/2024	Lack of quarterly revenue reports
6	2023/2024	Irregular payments on food and ration
7	2023/2024	Failure to act on internal audit reports

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Effect and Remit Statutory Deductions

The statement of financial performance reflects expenditure on employee costs totalling Kshs.5,630,482 as disclosed in Note 9 to the financial statements. However, a review of the documents provided for audit revealed that the Hospital did not deduct National Social Security fund (NSSF) and Social Health insurance Fund (SHIF) for the months of March, 2025 to June, 2025. In addition, the statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.849,313 as disclosed in Note 15 to the financial statements. Included in this balance is an amount totaling to Kshs.140,160 in respect to National Social Security Fund (NSSF) deductions which had been outstanding for more than one month.

This was contrary to Section 20(1) of the National Social Security Fund Act, 2013 which states that an employer shall pay to the Pension Fund in respect of each employee in his or her employment the employer's contribution at six per centum of the employee's monthly pensionable earnings; and the employee's contribution at six per centum of the employee's pensionable earnings deducted from the employee's earnings. An employer shall pay the contribution under subsection (1) on the ninth day of each month or on such later date as the Board may, in consultation with the Cabinet Secretary, prescribe.

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

2. Non-Compliance with Kenya Quality Assurance Model for Upgrade to Level 4 Hospital

The Marafa Sub County Hospital was upgraded to a Level 4 Hospital by Gazette Vol. 100 3-6-22 Main - 1 on 3 June, 2022. However, a review of its operations revealed the following:

- a. The facility had twenty-six (26) medical staff against the minimum requirement of one hundred and one (101) resulting to a shortage of seventy-five (75) or 74% as detailed in the table below:

Category	Kenya Quality Model for Health (KQMH) checklist specified capacity	Officers in place	Variance
Medical Officers	16	2	14
Anaesthesiologists	2	2	0
General surgeons & internal medicine	2	0	2
Gynaecologists	2	1	1
Paediatricians	2	1	1
Radiologists	2	2	0
Kenyan registered community health nurses	75	18	57
Total	101	26	75

- b. The Hospital has two hundred and eleven (211) infrastructure sub-items against a requirement of two hundred and eighty-eight (288) for Level 4 Hospitals, resulting to a shortage of seventy-seven (77) sub-items or 27%.
- c. The Hospital had one hundred and sixteen (116) equipment and machines against the requirement of one hundred and eighty-one (181) for a Level 4 Hospital resulting to a shortage of sixty-five (65) or 36%.
- d. The following machines held by the Hospital were not operational:

No.	Name of Equipment & Specifications	Equipment Serial No.
1	Digital adult weighing scale	C18018244
2	Microscope	980527
3	Anto-Chemistry Analyzer	WN-65106444
4	X-Ray machine	PUMA2L1023
5	X-Ray Machine	US2229
6	Ultrasound doppler	BHFB0111
7	Dry steriliser	18050731

This was contrary to the Kenya Quality Model for Health (KQMH) 2018 and the Kenya Health Strategic and Investment Plan, 2014-2018 which provides minimum staffing and equipment requirements for Level Four (4) Hospitals.

Further, the first schedule of the Health Act, 2017 stipulates the technical classification of levels of healthcare delivery in Kenya Hospitals whereby the functions are specified for Level Four (4) Hospitals to include clinical supportive supervision to lower level facilities; referral level out-patient care; in-patient services; emergency obstetric care and oral health services; surgery on in-patient basis; client health education; provision of specialized laboratory tests; radiology service; proper case management of referral cases through the provision of four (4) main clinical specialties (internal medicine, general surgery, gynae obstetrics and pediatrics) by general practitioners backed by appropriate technical devices; proper counter referral; provision of logistical support to the lower facilities in the catchment area and coordination of information flow from facilities in the catchment area.

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

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 effects of the matter 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

Inadequate Board Operations

The Marafa Sub - County Hospital Board members were appointed on 16 November, 2022. A review of the documents provided for audit revealed that during the year under review the board had three (3) meetings. However, the composition of the board does not meet a third gender requirement as it consisted of six (6) male or 75% and two (2) female or 25% members respectively. In addition, the evidence of board of constitution of board committees was not provided while annual work plan and calendar for the Board was not provided for audit. The composition of the Board Management did incorporate people living with disability.

In the circumstances, the effectiveness of internal controls, risk management and governance 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 the Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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


04 December, 2025

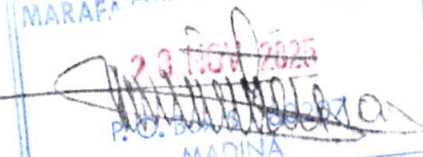
14. Statement of Financial Performance for The Year Ended 30 June 2025

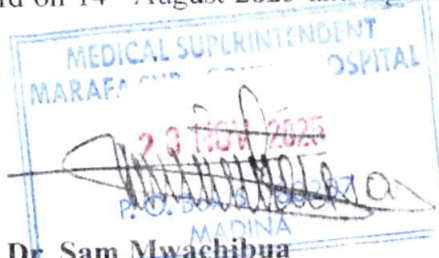
	Note	FY2024/2025 KShs	FY2023/2024 KShs
Revenue from non-exchange transactions			
Transfers from HSIF Fund	6	10,339,800	4,399,156
Total revenue		10,339,800	4,399,156
Expenses			
Medical/ Clinical Costs	8	726,973	159,145.00
Employee costs	9	5,630,482	3,664,898
Board of Management Expenses	10	120,500	372,290
General Expenses	12	3,604,825	1,424,121
Repair and Maintenance	11	121,610	172,370
Total expenses		10,204,390	5,792,824
Surplus/(deficit) for the period		135,410	(1,393,668)

The Hospital's financial statements were approved by the Board on 14th August 2025 and signed on its behalf by:


Mwalimu K. Menza
Chairman
Board of Management


Fred Mumba
Head of Finance
ICPAK No: 30736

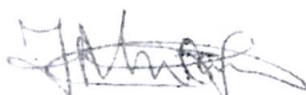

Dr. Sam Mwachibua
Medical Superintendent




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

	Note	FY2024/2025 KShs	FY2023/2024 KShs
Assets			
Current assets			
Cash and cash equivalents	13	3,598	64,014
Receivables from Non exchange transactions	14	1,468,499	734,547
Total assets		1,472,097	798,561
Current liabilities			
Trade and other payables from exchange transactions	15	1,586,154	1,167,260
Total liabilities		1,586,154	1,167,260
Accumulated surplus		(114,057)	(368,699)
Total net assets and liabilities		1,472,097	798,561

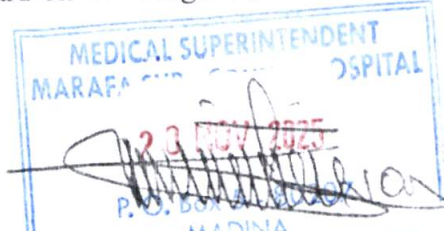
The Hospital's financial statements were approved by the Board on 14th August 2025 and signed on its behalf by:



Mwalimu K. Menza
Chairman
Board of Management



Fred Mumba
Head of Finance
ICPAK No: 30736



Dr. Sam Mwachibua
Medical Superintendent

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

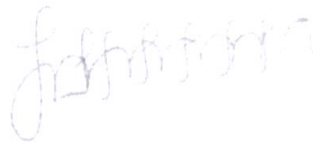
16. Statement of Changes in Net Assets for The Year Ended 30 June 2025

Accumulated surplus	
KShs	
Balance as at 1 July 2023	1,144,201.00
Surplus/(deficit) for the period	- 1,393,668.00
Balance as at 30 June 2024	- 249,467.00
Balance as at 1 July 2024	- 249,467.00
Surplus/(deficit) for the period	135,410.00
Balance as at 30th JUNE 2025	- 114,057.00

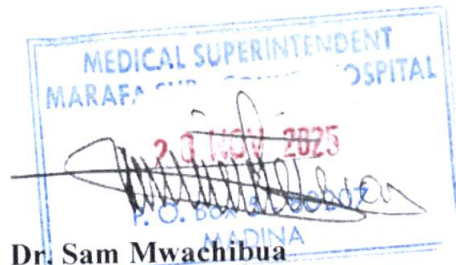
The Hospital's financial statements were approved by the Board on 14th August 2025 and signed on its behalf by:



Mwalimu K. Menza
Chairman
Board of Management



Fred Mumba
Head of Finance
ICPAK No: 30736




Dr. Sam Mwachibua
Medical Superintendent

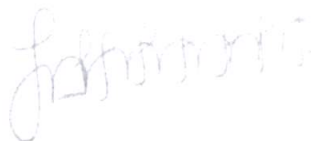
Marafa Sub-County Hospital (Kilifi County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

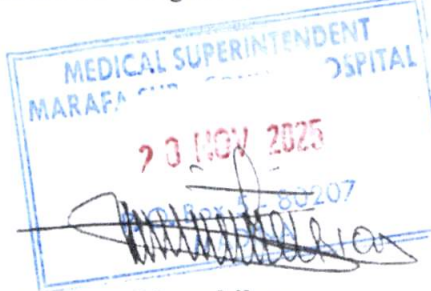
17. Statement of Cash Flows for The Year Ended 30 June 2025

	Note	FY2024/2025 KShs	FY2023/2024 KShs
Cash flows from operating activities			
Receipts			
Transfers from HSIF Fund	6	9,725,080	4,399,156
Total Receipts		9,725,080	4,399,156
Payments			
Medical/ Clinical Costs	8	655,688	159,145
Employee costs	9	5,402,073	2,497,638
Board of Management Expenses	10	120,500	372,290
General Expenses	12	3,485,625	1,424,121
Repair and Maintenance	11	121,610	172,370
Total Payments		9,785,496	4,625,564
Net cash flows from operating activities		(60,416)	(226,408)
Net increase/(decrease) in cash and cash equivalents		(60,416)	(226,408)
Cash and cash equivalents at 1 JULY 2024		64,014	290,422
Cash and cash equivalents at 30TH JUNE 2025	13	3,598	64,014

The Hospital's financial statements were approved by the Board on 14th August 2025 and signed on its behalf by:


Mwalimu K. Menza
 Chairman
 Board of Management


Fred Mumba
 Head of Finance
 ICPAK No: 30736


Dr. Sam Mwachibua
 Medical Superintendent

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

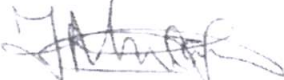
18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2025

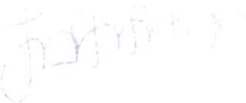
	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2025	2025	2025	2025	2025	2025
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Transfers from County Govt.	3,907,484	6,349,424	10,256,908	10,339,800	(82,892)	101%
Total income	3,907,484	6,349,424	10,256,908	10,339,800	(82,892)	101%
Expenses						
Medical/ Clinical Costs	162,000	566,630	728,630	726,973	1,657	100%
Employee costs	1,501,000	4,169,194	5,670,194	5,630,482	39,712	99%
Board of Management Expenses	100,000	25,000	125,000	120,500	4,500	96%
General Expenses	947,239	2,662,670	3,609,909	3,604,825	5,084	100%
Repair and Maintenance	1,197,245	(1,074,070)	123,175	121,610	1,565	99%
Total expenditure	3,907,484	6,349,424	10,256,908	10,204,390	52,518	99%
Surplus for the period	-	-	-	135,410	(135,410)	#DIV/0!

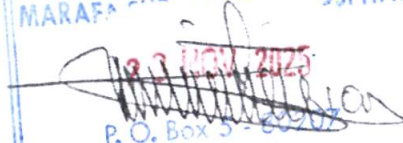
Budget Notes

The initial and final budget are different due to reallocation of resources with changes in demand of the initial intended priorities.

The Hospital's financial statements were approved by the Board on 14th August 2025 and signed on its behalf by:


Mwalimu K. Menza
 Chairman
 Board of Management


Fred Mumba
 Head of Finance
 ICPAK No: 30736


Dr. Sam Mwachibua
 Medical Superintendent

MARAFI SUB-COUNTY HOSPITAL
 MEDICAL SUPERINTENDENT
 MARAFI
 14 AUGUST 2025
 P. O. Box 5 - 60000
 MARAFI

19. Notes to the Financial Statements

1. General Information

Marafa sub-county hospital is established by and derives its authority and accountability from HSIF Act. The entity is wholly owned by the Kilifi County Government and is domiciled in Kilifi County in Kenya. The entity's principal activity is provide curative, preventive, promotive and rehabilitative health services..

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the hospital'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 Notes. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the facility. The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 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</p>

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Standard	Effective date and impact:
	<p>satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>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</p>

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Standard	Effective date and impact:
	for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	Applicable 1st January 2026 The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	Applicable 1st January 2027 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.

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 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.

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2024/2025 was approved by Board on 18th July 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, Marafa sub-county hospital recorded additional appropriations of ksh. 6,349,424.00 on the FY 2024/2025 budget following the Board's approval. The Hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts, and the actuals as per the statement of cash flows.

c. Taxes

Sales tax/ Value Added Tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from. or payable to, the

taxation authority is included as part of receivables or payables in the statement of financial position.

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. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

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.

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Notes to the Financial Statements (Continued)

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.

o. Cash and cash equivalents

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

p. Comparative figures

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

q. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the 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.

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Notes to Financial Statements Continued

6. Transfers from the County Government

Description	FY2024/2025 KShs	FY2023/2024 KShs
Transfers from HSIF Fund		
Payments by County on behalf of the entity	10,339,800	4,399,156
Total	10,339,800	4,399,156

7. Rendering of Services-Medical Service Income

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Pharmaceuticals	1,089,153.00	562,482.00
Non-Pharmaceuticals	600,597.00	0.00
Laboratory	843,268.00	230,909.00
Radiology	498,194.00	138,410.00
Theatre	1,915,822.00	16,850.00
Ear Nose and Throat service	0.00	31,500.00
Nutrition service	379,003.00	75,683.00
Medical Health records	0.00	46,120.00
Outpatient services	1,150,562.00	384,422.00
Reproductive health	1,673,237.00	234,898.00
Maternal Health	1,492,222.00	415,000.00
Inpatient services	1,426,039.00	54,780.00
Total revenue from the rendering of services	11,068,097.00	2,191,054.00

8. Medical/ Clinical Costs

Description	FY2024/2025	FY2023/2024
	KShs	KShs
Sanitary and cleansing Materials	30,300	16,829
Dressings and Other Non-Pharmaceutical Medical Items	167,676	30,440
Fungicides, Insecticides and Sprays	-	-
Laboratory Materials, Supplies and Small Equipment	19,832	44,050
Medical Drugs	262,780	8,000
Chemicals and Industrial Gases	49,500	
Food and Rations	196,885	59,826
Total	726,973	159,145

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Notes to the Financial Statements (Continued)

9. Employee Costs

Description	FY2024/2025 KShs	FY2023/2024 KShs
Basic Wages - Temporary Employees	5,256,922	3,443,600
Loan processing costs	-	
Professional services costs	233,400	
Employer Contributions to Compulsory National Social Security Schemes	140,160	221,298
Total	5,630,482	3,664,898

10. Board of Management Expenses

	FY2024/2025 KShs	FY2023/2024 KShs
Board of Members allowances	120,500	372,290
Key Management Compensation	-	-
Total	120,500	372,290

11. Repairs And Maintenance

Description	FY2024/2025 KShs	FY2023/2024 KShs
Buildings and stations	83,010	127,045.00
Routine maintenance – vehicles and other transport equipment	10,550	9,600
Routine maintenance – other assets(computer & Printer)	27,500	25,745
Maintenance of Office Furniture and Equipment	550	9,980
Total cash and cash equivalents	121,610	172,370

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Notes to the Financial Statements (Continued)

12. General Expenses

Description	FY2024/2025 KShs	FY2023/2024 KShs
Communication, supplies and services (telephone & courier)	162,590	65,210
Domestic travel and subsistence	149,600.00	567,400
Training expenses	268,000	
Advertising, Awareness and Publicity Campaigns	403,100.00	
Travel and accommodation allowance (DSA)	927,000	134,500
Purchase of coffins	50,000	
Catering Services	757,245	396,840
Office and general supplies and services	147,300	61,972
Refined Fuels	424,900	68,624
Bank charges	13,200	14,600
Purchase of Household Furniture and Institutional Equipment	60,105	30,169
Purchase of Medical and Dental Equipment	5,000	
Other Fuel	8,200	
Purchase of Uniforms and Clothing – Staff	10,600	
Purchase of computers	30,000	
Supplies & Accessories for Computer	62,800	34,991
Publishing & Printing	95,285	29,915
Purchase of cooking gas	29,900	19,900
Total	3,604,825	1,424,121

13. Cash And Cash Equivalents

Description	FY2024/2025 KShs	FY2023/2024 KShs
Current account	3,598	64,014
Total cash and cash equivalents	3,598	64,014

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Notes to the Financial Statements (Continued)

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

Description	Account number	FY2024/2025 KShs	FY2023/2024 KShs
Current account			
Co-Operative Bank			
KCG MARAFA SUB-COUNTY HOSPITAL HSIF ACCOUNT	01141654777600	3,598	64,014
Sub- total			
Grand total		3,598	64,014

14. Receivables From Non-Exchange Transactions

Description	FY2024/2025 KShs	FY2023/2024 KShs
Current Receivables		
CURRENT RECEIVABLES	731,658	116,938
MARAFA HSSF FACILITY FUND	736,841	617,609
Total Current receivables	1,468,499	734,547
Total Non current receivables	-	-
Total receivables from exchange transactions	1,468,499	734,547

15. Trade and other Payables

Description	FY2024/2025 KShs	FY2023/2024 KShs
Trade payables	1,586,154	1,167,260
Total trade and other payables	1,586,154	1,167,260

16. Cash Generated from Operations

	FY2024/2025 KShs	FY2023/2024 KShs
Surplus for the year before tax	135,410	(1,062,153)
Increase in receivables	(614,720)	116,938
Increase in payables	418,894	-
Net cash flow from operating activities	(60,416)	(945,215)

Notes to the Financial Statements (Continued)

17. 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	608,200	0.00	0.00	0.00
Receivables from –non-exchange transactions	126,347	0.00	0.00	0.00
Bank balances	64,014	0.00	0.00	0.00
Total	798,563	0.00	0.00	0.00
At 30 June 2025 (current year)				
Receivables from exchange transactions		0.00	0.00	0.00
Receivables from –non-exchange transactions	731,658	0.00	0.00	0.00
Bank balances	3,598	0.00	0.00	0.00
Total	735,256	0.00	0.00	0.00

Notes to the Financial Statements (Continued)

18. Related Party Balances

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.

Kilifi County Government is the principal shareholder of the Marafa Sub-county hospital, holding 100% of the Marafa sub-county hospital 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	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Transactions with related parties		
a) Grants from HSIF	10,339,800.00	4,399,156
Total	10,339,800.00	4,399,156.00

19. Events after the Reporting Period

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

20. Ultimate and Holding Entity

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

21. Currency

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

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20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Lack of quarterly revenue reports	Henceforth the reports are done and properly submitted	Resolved	N/A
2.1	Undisclosed PPE balance	A person was nominated to do the valuation, the process is ongoing	Not resolved	30/09/2025
2.2	Failure to maintain Fixed Asset register	Indeed plant, property and Equipment form an integral part in service delivery and management of the hospital, therefore form part of the net value of the hospital. In so regard, the hospital will undertake proper measures in liaison with the county in valuation of the hospital assets and maintaining an asset register.	Resolved	N/A
3.0	Undisclosed Receivables from NHIF	The management is keen in follow-up with monthly and quarterly reports kept to track claims, re-imbursments and outstanding claims with NHIF at every moment	Resolved	N/A
4.0	Undisclosed inventories	A team was nominated to look into the	Not Resolved	30/09/205

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	balance	inventories and report on findings		

Guidance Notes:

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

Dr. Sam Mwachibua
Accounting Officer