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REPORT

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KALAWA LEVEL 4 HOSPITAL

**FOR THE YEAR ENDED
30 JUNE, 2024**

COUNTY GOVERNMENT OF MAKUENI

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OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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KALAWA Level 4 HOSPITAL (Makueni County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2024

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



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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
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

(a) Background information

Kalawa Hospital is a level 4 hospital established under gazette notice number 3979(of 8 February 2022) and is domiciled in Makueni County under the Health Services Department. The hospital is governed by a Board of Management.

The facility is located in Kalawa Ward in the eastern part of Mbooni sub county, Makueni County. It's 1.3 kilometers from Kalawa market, 40 kilometers from Makueni County Referral Hospital in Wote town and 156 kilometers from the Kenyatta National Hospital in Nairobi City.

The catchment population of Kalawa Sub county hospital is approximately 15,000 serving residents from Kalawa and Kako wards in Makueni county, and parts of Machakos and Kitui counties. The average workload per month is 1,600 clients.

The surrounding area is arid and Semi-Arid land, with occasional acute water shortage. The terrain is rugged and during the rainy season, most of the roads are impassable making it difficult for citizens to access health services.

(b) Principal Activities

The principal activities of the hospital are to promote and provide integrated Promotive, preventive, curative and rehabilitative health care services to all Kenyans.

The above services are provided under the following departments:

- Triage
- Clinical consultation
- HTS
- Laboratory
- Pharmacy
- Physiotherapy
- CCC
- ANC/MCH

- Mental health
- GBV support
- Nutrition
- In patient wards
- Maternity
- Theatre
- Mortuary
- Public health

Vision

To be an efficient, high-quality health care hospital that is accessible, equitable and affordable for all.

Mission

To promote and provide quality, integrated health care services to all Kenyans.

Core values

- Patient-centered/customer-focused
- Professionalism
- Integrity and transparency
- Impartiality
- Innovation and excellence

Strategic objectives

1. Eliminate communicable conditions
2. Halt, and reverse the rising burden of non-communicable conditions.
3. Minimize exposure to health risk factors
4. Provide essential health services
5. Health promotion at the community level

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
 - Hospital Management Team
 - Executive Expenditure committee

- Other special committees: tendering, disciplinary, quality improvement, infection prevention and haemovigilance committees

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Dennis Maima Mukunzi
2.	Head of finance	Japheth Kamau Maingi
3.	Head of supply chain	Mutisya Masyula
4.	Head of Nursing services	Joseph Mwongela Mwanzia
5.	Head of pharmacy	Michael Mulili
6.	Head of administration	Emmanuel Muia Musyoka

(e) Fiduciary Oversight Arrangements

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

Key Entity Information and Management (continued)

(f) Entity Headquarters

P.O. Box 543-90300
Kalawa Market
Off Kalawa-Wamunyu Road,
Kenya.

(g) Entity Contacts

Telephone: +254 745120283
E-mail: Kalawa.hospital@makueni.go.ke

(h) Entity Bankers

Kenya Commercial Bank
Account numbers 1158407971
1120984866

(i) Independent Auditors

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

(j) Principal Legal Adviser



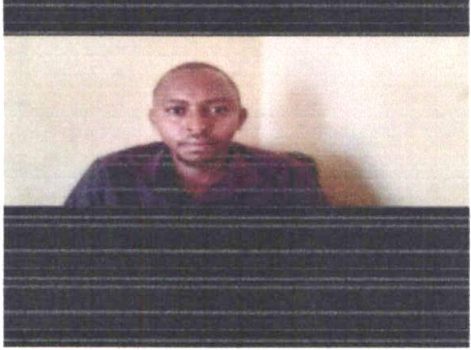

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya




(k) County Attorney

P.O. Box 78-90300, Makueni,

Kenya.




3. The Board of Management

Ref	Directors	Details
1.	 <p data-bbox="252 703 448 734">Nzioka Kavevo</p>	<p data-bbox="746 443 1406 636">Age: 63 years of age, he is the acting chairperson of the board. He has a diploma in nursing and is a retired nurse after serving for the KDF for thirty years.</p>
2.	 <p data-bbox="252 1050 536 1081">Joshua Otieno Onyithi</p>	<p data-bbox="746 808 1369 947">Age 36 years. He is a board member, Holds Bachelor's Degree in sociology. He has served as assistance county commissioner for nine years.</p>
3.	 <p data-bbox="252 1464 576 1496">Boniface Mutiso Makuka</p>	<p data-bbox="746 1189 1406 1328">Age; 30 years .He is a member of the board. He has worked with the government of Makueni for 5 years as ward development officer.</p>
4.	 <p data-bbox="252 1767 624 1798">Janniffer Kamanthe Mwanthi</p>	<p data-bbox="746 1525 1353 1821">Age 51 years: Business initiative for survival and education of poverty certificate 2007. Christian Impact mission certificate -2013. Kenya agricultural productivity programme certificate -2008.</p>

		She is a member of the board
5.	 <p>Dr. Dennis Maima Mukunzi Medical Superintendent</p>	<p>Age 31 years, He holds Bachelors of medicine and surgery (MBCHB)-Moi University, CPA level 4 Strathmore University.</p> <p>He has worked as medical officer for four years at Makindu, MCRH, Mbooni SCH and currently at Kalawa sub-county hospital and a secretary of the board.</p> <p>He has been a medical superintendent for the last two years</p>
6.	 <p>Elizabeth Mutheu Kalumba</p>	<p>Age 41 years. She is a member of the board. Holds a KCSE certificate, she has worked at kimeeni dispensary for four years and served as CHP for ten years.</p>
7.	 <p>Margaret Muoti Katenge</p>	<p>Age 35 years. She is a board member. She is as Community health promoter for nine years.</p>

4. Key Management Team

Ref	Management	Details
1.	 Dr.Dennis Maima Mukunzi	Age 31 years, He holds Bachelors of medicine and surgery (MBCHB)-Moi University, CPA level 4 Strathmore University. He is the medical superintendent
2.	 Emmanuel Muia Musyoka	Age 42 years. He is the health administrative officer.He has thirteen years experience in health administration.He holds a diploma in bussiness management.
3.	 Joseph Mwongela Mwanzia	Age 38 years. He heads the nursing department. He has worked for eight years as in charge of a dispensary and four years as the nurse manager Kalawa sub county hospital. He holds a bachelor’s degree in nursing.

<p>4.</p>	 <p>Japheth Kamau Maingi</p>	<p>Age:34 years. He heads finance department.He has served as assistant accountant for five years. He holds certificates in information technology , in quickbooks and a pass in CPA foundation level.</p>
<p>5.</p>	 <p>Mutisya Musyula</p>	<p>Age 28years. He heads procurement department. He has worked as a procurement officer for three years, one year in private sector and two years in public sector. He holds diploma in supply chain management.</p>
<p>6.</p>	 <p>Michael Mulili Mbandi</p>	<p>Age 38 years. Heads pharmacy department. He has nine years' experience. Holds a diploma in pharmaceutical technologist.</p>

5. Chairman's Statement

Going into our second year as a level 4 facility, the hospital has made huge strides in service delivery.

We have been able to provide both outpatient and inpatient clinical services around the clock. This has seen an increase in our monthly workload and subsequently the revenue collections. This is attributed to the County posting additional staff to the facility (two nurses, an anaesthetist, a clinical officer and a psychologist)

The hospital land was surveyed and beacons this year with facilitation from the ministry of lands. It was noted that one neighbour had encroached by 3 acres. The relevant authorities are currently resolving this issue. The plan to begin fencing the facility in the areas without boundary disputes is underway. (The hospital was awarded **1.49 million** for fencing in the fiscal year 2023/2024 under the Kalawa Ward development fund)

The hospital also successfully lobbied for two projects under the Kalawa ward development fund for the coming fiscal year 2024/2025 through public participation

1. **Solarisation** of key departments-this will sort out the frequent disruptions in service delivery caused by occasional power black outs and breakdown of the back-up generator
2. **Radiology department**-The first phase is construction of the building with equipping scheduled later. Availability of x-ray and ultrasound services will greatly improve patient treatment and lessen the economic burden they suffer while seeking these services from the County Referral Hospital.

Going forward, the priority areas that need to be looked into include:

1. **Funding**-the hospital needs financial assistance from the county to help offset its pending debts majority of which were incurred during the upgrading from a health centre to a level 4 Hospital.
2. **Staffing**-the hospital management has been forced to contract additional staff to match the increased workload in some departments. This has made our wage bill take almost 80% of our quarterly budgets, making it difficult to offset pending debts.
3. **Ambulance**-the lack of ambulance for the facility has significantly increased the referral time leading to poor outcomes for our patients.

4. **Water**-the facility relies on buying water from the nearby school and water vendors. This has greatly increased the budgetary allocation for water, a problem that can be sorted by having a permanent water source for the facility.

I wish to thanks all the stakeholders for their continued support.

Mundo
.....

Name **MUNDO NZIOKA**
Chairman to the Board



6. Report of The Medical Superintendent

Our focus in the fiscal year 2023/2024 was ensuring provision of health services in accordance to the standards of a level 4 Facility. In our duty to achieve the above, the major challenge faced was scarcity of resources against and increased demand for services.

Our operations aimed at strengthening all the six pillars of health systems as prescribed by the WHO: human resource, an effective service delivery system, proper health infrastructures, access to critical health products and commodities, adequate health information, adequate health financing, and comprehensive health leadership and governance. These activities were in line with our facility's annual work plan and the county's annual strategic plan.

Health promotion activities

1. Weekly health talks at our OPD where comprehensive patient education is done
2. Weekly CMEs-the staff are updated on new practices in medicine, policies affecting patient care and feedback from trainings and meetings.
3. Monthly open maternity days where patients and their spouses are given health education
4. School health talks –students are mentored and the services available at the hospital made aware to them
5. Attending community meetings/events for sensitization on the major common health problems.

Health preventive services

1. Routine immunization-daily at the child welfare clinic
2. COVID-19 vaccination to eligible citizens
3. HPV vaccination to nearby schools for girls between 10-14 year of age
4. Cervical cancer screening at our MCH, OPD and CCC departments.
5. Daily NCDs screening at the OPD and at the community level via weekly outreaches
6. Daily HIV testing and counselling services at our outpatient
7. Daily TB screening at the OPD

Curative services

1. Outpatient services-triage, consultations, laboratory, pharmacy and emergency treatment
2. Inpatient services-admissions for maternity, paediatric, medical and surgical patients
3. Laboratory services-baseline blood works (haematology, biochemistry) and routine tests (microscopy, rapid antigen tests, TB testing). We also offer blood grouping, cross matching and transfusion services.
4. Theatre services-emergency and elective surgical treatment for obstetric and minor gynaecological, general surgery and orthopaedic conditions.
5. Specialised clinics-weekly MOPC, GOPC, ANC, CWC, Nutrition and psychology clinics. Our partner funded (CIHEB) CCC clinic provides TB and HIV treatment and follow up.
6. Provision of health commodities-provision of drugs and other health products to patients for their treatment
7. Referral services-linkage of patients requiring advanced investigations and specialised care to the County referral hospital for further management.

Rehabilitative Services

Physiotherapy department-daily outpatient consultation and treatment on weekdays. We also offer monthly community physiotherapy outreaches for screening and linkage to care.

The daily challenges faced by the facility in service delivery includes:

1. **Understaffing**- This has led to the weekly closure of the theatre and closure of the lab and pharmacy at night and on weekends. This has negatively affected the workload and revenue collections from the above departments. To sort out this issue, the facility urgently requires a medical officer, Clinical officers (4) nurses (10)), laboratory technologists (2), pharmaceutical technologists (3), a nutritionist and a social worker
2. **Underfunding**-the newly commissioned hospital has high need of new equipment, machines, furniture and infrastructure. The current collections are excessively low to support procurement of the above. This has led to high-accumulated debts over the preceding financial years.

3. **Commodities stock outs**-delayed restocking and inadequate commodity supply especially non-pharmaceuticals cause repeated shortages. The facility has to procure to bridge out this gap, subsequently causing an increase in the pending bills
4. **Lack of a facility ambulance**-this has significantly increased the average referral time from the surrounding peripheral facilities to the hospital and from our own facility to the county referral hospital.
5. **Lack of a permanent water source**- buying water for the facility has significantly led to increased daily running expenses.

We wish to appreciate the county leadership, the national government, our partners, the hospital staff and the community for their continued support

.....
Name *Dr. Dennis Mwangi*
Secretary to the Board



7. Statement of Performance Against Predetermined Objectives

Kalawa sub county hospital had six strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2023- FY as follows:

- Pillar 1: Health care financing
- Pillar 2: Health Human Resource
- Pillar 3: Medical products and commodities
- Pillar 4: Health information systems
- Pillar 5: Leadership and governance
- Pillar 6: Service delivery

Kalawa sub county hospital develops its annual work plans based on the above six pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2023/2024 period for its six strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:Financing	Increase revenue collection quarterly.	Increase in the funds available and payments done.	Budgeting for collected funds.	Yearly and quarterly budgets done and executed
Pillar 2:Health workforce	To ensure staff are appraised	Enlightened and motivated staff.	Quarterly appraisal of staff.	Appraising of all staff done biannually.
Pillar 3:Medical products and commodities	To ensure adequate supply of drugs and commodities.	Availability of commodities.	Procurement of drugs and non-pharms	Procurement of commodities done quarterly by the county government

				The hospital management procured commodities as per need basis
Pillar 4:Health information system	To ensure timely and accurate reporting of data.	Timely data availability.	Hold quarterly data review meetings. Monthly uploading of data in Kenya health information systems.	Four quarterly data review meetings held. Monthly data uploaded.
Pillar 5:Leadership and governance	To mentor HMT members Train HMC members	Enlightened staff and board members on leadership and governance.	Mentor and hold monthly HMT meetings. Facilitate HMC training Hold quarterly HMC meetings	HMT members mentored and held 12 monthly HMT meetings. HMC members trained on their roles and responsibilities. 4 HMC meetings held
Pillar 6:Service delivery	To provide effective and efficient Promotive, preventive and curative services.	Enlightened customers and improved health.	Conduct weekly health talks, weekly child immunizations and daily HIV	Health talks and Immunization done on weekly basis. Daily NCD, TB and

			,TB and NCDs screening	HIV screening done.
			Provide outpatient and inpatient treatment round the clock	Outpatient and inpatient services provided throughout the year, round the clock.

8. Corporate Governance Statement

Kalawa sub county hospital in the last financial year 2024-2023 held four-board meetings. The process of appointment of the board members is through the CECM Health with consultation with the hospital management. The selection process of new HMC members is done at least six months before the expiry of term of each member. They hold office for a period of 3 years, members must hold at least o-level certificate of education or its equivalent, and they should reside in the hospital service area.

The members of the board are committed to fostering a culture that values ethical behaviour, integrity and respect and the need to conduct business and operations of the hospital in accordance with accepted corporate practices.

Board appointment

Kalawa Sub County Hospital Board is well composed in terms of range and diversity of skills, knowledge, academic qualifications, gender, age and experience in various sectors, which makes it effective and provides balance for the oversight role of the board's mandate. The medical superintendent is the secretary to the board.

The roles and functions of the board members are:

- (i) Planning-the HMC has responsibility and authority for planning for the hospital in line with the health guide lines and government policies
- (ii) Ensuring development of hospital human resource-the HMC has responsibility for the organization, protection and enhancement of the hospitals human resources and ensuring a conducive work environment.
- (iii)Regulatory compliance-the HMC must ensure that the health care service delivery is in line with the set laws and regulations.
- (iv)Risk management –The HMC shall be concerned with the overall risk to the hospital and the impact a particular event could have on the hospital and the community it serves. It shall ensure the hospital has strategies and systems to identify and mitigate risk
- (v) Mobilizing resources-the HMC has a responsibility to ensure that adequate capital is available for the hospitals development and operations.
- (vi) Overseeing the financial operation of the hospital -It ensures a sound financial management system encompassing financial plans, performance evaluation and regular financial reporting to the chief officer.
- (vii) Overseeing the hospital performance improvement -the board members oversees the review and evaluation of the performance of the hospital and its programs, the quality of services, and the types and scope of services being offered and ensure that areas that require improvement are appropriately addressed.
- (viii) Ensuring community's rights are fulfilled and their needs are adequately met by evaluating the services of the hospital to ensure that they fulfil the rights of the communities and comprehensively address their needs.
- (ix)Maintaining a positive public image by regularly evaluating the hospitals public relations activities to ensure it maintains a positive image of the hospital by ensuring patients' right charters are developed and positioned at the right place.

Board committees

The Board has the following two standing committees, which hold regular meeting four times a year and supplementary meetings as and when necessary.

These committees are -

- Finance and General Purpose Audit
- Quality Health Care/Primary Health Care

9. Management Discussion and Analysis

In the FY 2023/2024 the hospital continued to provide quality health care, however we had several challenges, the major ones being financing and under staffing.

Clinical/Operational performance

The following represents a summary of the hospital’s operational performance during the financial year 2023/2024

Bed capacity of the hospital	17
Overall attendance both Inpatient and Outpatient	20127
Accident and emergency attendance	
Specialized clinic attendance	900
Average length of stay for inpatient	3days
Bed occupancy rate	73%
Mortality Rate	0.01%
Surgical theatre utilisation (number of operations over a period of time)	Caesarian sections- 51 Other procedures- 41

Financial performance

The facility revenue sources include the hospital pay bill collection and NHIF reimbursement (FIF) and the amount given by the County Government to finance recurrent expenditure (R11)

The table below represents the revenue and their utilisation over the last 1 fiscal year

Financial year	Revenue Source	Revenue	Utilization	Utilization Difference	Absorption Rate
2023/2024	FIF	6,912,095	100%	0	100%
	R11	3,200,000	100%	0	100%

Total pending debts as at 30 June 2024=Kshs 4,190,288

10. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

Kalawa sub county hospital exists to transform lives. It is what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence.

The hospital is committed in ensuring that its natural resources are well conserved to support health and well-being of its clients by ensuring a clean environment and maintaining the hospital free from toxic substances.

The hospital in conjunction with the county health leadership is working on risk management policy to protect the hospital from operational threats.

ii) Environmental performance

The hospital's main environmental impacts are the utilization of available resources, predominantly energy, through electricity consumption and water, and the disposal of healthcare risk waste. The hospital is fully aware of the need to use resources responsibly and is committed to minimizing its environmental impacts to the extent possible. The facility ensures that there is proper handling of waste from the point of use by provision of recommended waste bins proper transportation by use of designated trolleys to the disposal sites that are well secured to prevent access from animals and unauthorized persons.

iii) Employee welfare

The hospital management focused on creating conducive work environment in order to attract, train and retain workers. We have continuously through the human resource and advisory committee improved the capacity, skills and knowledge of staff through trainings, OJTs, mentorship and Continuous Medical Education.

Hiring of employees is guided by the County Human Resource manual and staff appraisals are done biannually for all staff.

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

The hospital management ensures all payment are made via hospital pay bill number and a receipt is issued to the client after payment. We are strictly guided by the county finance bill when pricing our commodities

b) Responsible Supply chain and supplier relations

At the start of our operations as level 4 hospital 2 years ago, we had not advertised for tenders and have been using the tender book for Mbooni sub county hospital for FY2022-FY2024. The tendering process for FY 2024-FY2026 has been successfully done and going forward we will use our own tender book for procurement. We always try to pay our suppliers in time though we have challenges of relative low collections and a huge wage bill

c) Responsible marketing and advertisement

When clients are served well, they advertise and inform others about the good quality services available, which are friendly and cost effective

d) Product stewardship

High priority in terms of accountability and honest is given on all items and supplies done, frequent checks are done on inventory to ensure accurate product management.

v) Corporate Social Responsibility / Community Engagements

In the FY2023/2024, the facility was involved in the following engagements in the community:

- Cataract screening-with facilitation from the county government, members of the public with visual impairment due to cataracts were identified and registered for surgery at the Makueni County Referral Hospital
- Fistula screening camp-mothers with obstetric fistulas were identified and registered for corrective surgery at the Makueni Mother and Child Hospital
- Diabetes/Hypertension camp-the facility in conjunction with Medtronic's and World Vision organised a free screening, consultation and treatment camp at Kalawa Market

11. Report of The Board of Management

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

Principal activities

The principal activities of the entity are providing quality health services to the citizens of Kenya.

Results

The results of the entity for the year ended June 30th 2024 are set out on pages 1 to 55

Board of Management

The members of the Board who served during the year are shown on page vii. During the year, one director resigned, and no director was appointed.

Auditors

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

By Order of the Board

.....
Name *Dennis Main*
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 the hospital, 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. The Board of Management is also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of Kalawa level 4 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 *entity* for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the *entity*; (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 hospital 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 hospital financial statements give a true and fair view of the state of *entity*’s transactions during the financial year ended June 30, 2024, and of the financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity*’s financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Fund’s ability to continue as a going concern

Nothing has come to the attention of the Board of management to indicate that the Kalawa 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

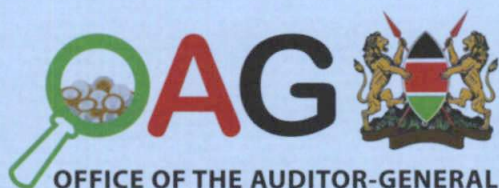
The Hospital’s financial statements were approved by the Board on 1/12/2024 and signed on its behalf by:


.....
Name: **Mumo Nzioka Kavevo**
Chairperson
Board of Management


.....
Name: **Dennis Muma Mukunzi**
Accounting Officer

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KALAWA LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2024 - COUNTY GOVERNMENT OF MAKUENI

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.

An Unmodified Opinion is issued when the Auditor-General concludes that 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 aim to address the Auditor-General's statutory roles and responsibilities 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

Opinion

I have audited the accompanying financial statements of Kalawa Level 4 Hospital - County Government of Makueni set out on pages 1 to 57, which comprise of the statement of financial position as at 30 June, 2024 and the statement of financial performance,

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kalawa Level 4 Hospital - County Government of Makueni as at 30 June, 2024 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 Public Finance Management Act, 2012, County Government Act, 2012 and the Health Act, 2017.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kalawa Level 4 Hospital - County Government of Makueni 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 opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.13,947,476 and Kshs.8,563,107 respectively resulting in under collection of Kshs.5,384,369 or approximately 39% of the budget.

The underfunding affected the planned activities and may have impacted negatively service delivery to the public.

My opinion is not modified in respect of this matter.

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. There were no key audit matters to report in the year under review.

Other Information

The Management is responsible for the Other Information set out on pages iii to xxv 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 Managements 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 effects of the matter 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

Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of the Hospital's records and interviews conducted to verify the services offered, equipment used, and the medical specialists present as at the time of the audit in October, 2025 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by ninety-six (96) or approximately 95% of the authorized establishment as shown in Table 1 below:

Table 1: Deficiencies in Staff Requirements

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	1	15	94
Anesthesiologists	2	1	1	50
Gynecologists	2	0	2	100
Pediatricians	2	0	2	100
General Surgeons	2	0	2	100
Radiologists	2	0	2	100
Registered Community Health Nurses	75	3	72	96
Total	101	5	96	95

In addition, the Hospital lacked adequate equipment and machines outlined in the Health Policy Guidelines as shown in Table 2 below:

Table 2: Deficiencies in Equipment

Equipment & Machines	Level 4 Standards	Number in Hospital	Variance	Percentage %
Incubators (Newborn)	5	0	5	100
Cots	5	0	5	100
Resuscitaire in Theatre	1	1	0	0
Resuscitaire in Labour Ward	2	1	1	50
Functional ICU Beds	6	0	6	100
HDU Beds	6	0	6	100
Renal Unit with Dialysis Machines	5	0	5	100
Functional Operating Theaters Maternity and General	2	1	1	50
Bed Capacity	150	40	110	73

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

In the circumstances, the Hospital may not be able to deliver on its mandate.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

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

Responsibilities of Management and Board of Management

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

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

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

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

The Board of Management is responsible for overseeing the 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

03 December, 2025

Kalawa Level 4 Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

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

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	3,200,000	2,997,171
In-kind contributions from the County Government	7	25,473,561	6,351,399
Grants from donors and development partners	8	-	-
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
		28,673,561	9,348,570
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	6,912,095	1,501,035
Revenue from rent of facilities	12	-	-
Finance /Interest Income	13	-	-
Miscellaneous Income NHIF	14	-	2,030,181
		6,912,095	3,531,216
Total revenue		35,585,656	12,879,786
Expenses			
Medical/Clinical costs	15	7,707,048	1,878,205
Employee costs	16	23,118,295	1,744,087
Board of Management Expenses	17	75,200	46,500
Depreciation and amortization expense	18	1,267,868	917,675
Repairs and maintenance	19	244,709	827,570
In kind contribution from county government	20	-	6,351,399
General expenses	21	3,871,133	2,449,298
Finance costs	22	-	-
Total expenses		36,284,253	14,214,734
Other gains/(losses)			

Kalawa Level 4 Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

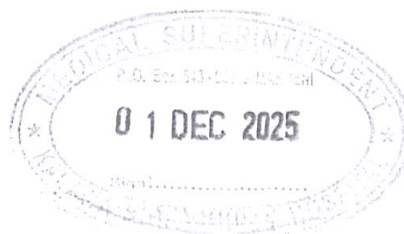
Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Gain/Loss on disposal of non-Current assets	23	-	-
Unrealized gain on fair value of investments	24	-	-
Medical services contracts Gains/Losses	25	-	-
Impairment loss	26	-	-
Gain on foreign exchange transactions			
Total other gains/(losses)			
Net Surplus / (Deficit) for the year		(698,597)	(1,334,948) <i>DB</i>

The Hospital's financial statements were approved by the Board on 11/12/2024 and signed on its behalf by:

MUNDO NDIRKA KAREVO
M Karevo
Chairman
Board of Management

[Signature]
Head of Finance
ICPAK No: 28785

[Signature]
Medical Superintendent



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

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	27	1,406,694	1,697,557
Receivables from exchange transactions	28	2,267,988	719,000
Receivables from non-exchange transactions	29	-	-
Inventories	30	653,210	325,801
Total Current Assets		4,327,892	2,742,358
Non-current assets			
Property, plant, and equipment	31	9,580,777	10,820,825
Intangible assets	32	36,180	54,000
Investment property	33	-	-
Total Non-current Assets		9,616,957	10,874,825
Total assets (A)		13,944,848	13,617,183
Liabilities			
Current liabilities			
Trade and other payables	34	4,190,288	3,164,026
Refundable deposits from customers/Patients	35	-	-
Provisions	36	-	-
Finance lease obligation	37	-	-
Current portion of deferred income	38	-	-
Current portion of borrowings	39	-	-
Social Benefits	41	-	-
Total Current Liabilities		4,190,288	3,164,026
Non-current liabilities			
Provisions	36	-	-
Non-Current Finance lease obligation	37	-	-
Non-Current portion of deferred income	38	-	-
Non - Current portion of borrowings	39	-	-
Service concession Arrangements	40	-	-

Kalawa Level 4 Hospital (Makueni County Government)
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Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Social Benefits	41	-	-
Total non-current liabilities			
Total Liabilities (B)		4,190,288	3,164,026
Net assets (A-B)		9,754,560	10,453,157
Represented by:			
Revaluation reserve			
Accumulated surplus/Deficit		(2,033,545)	(1,334,948)
Capital Fund		11,788,105	11,788,105
Net Assets		9,754,560	10,453,157

The Hospital's financial statements were approved by the Board on 11/12/2024 and signed on its behalf by:

MILINDO NRIOKA KAREVO
Karevo

.....
Chairman
Board of Management

[Signature]

.....
Head of Finance
ICPAK No: 28785

[Signature]

.....
Medical Superintendent



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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2022				
Revaluation gain		-	-	-
<i>Deficit</i> for the year		-	-	-
Capital/Development grants		-	-	-
As at June 30, 2023		(1,334,948)	11,788,105	10,453,157
At July 1, 2023		(1,334,948)	11,788,105	10,453,157
Revaluation gain		-	-	-
Surplus/(deficit) for the year		(698,597)	-	(698,597)
Capital/Development grants		-	-	-
At June 30, 2024		(2,033,545)	11,788,105	9,754,560

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

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		3,200,000	2,997,171
In kind contribution from county government		-	6,351,399
Transfers from other Government entities		-	-
Public contributions and donations		-	-
Rendering of services- Medical Service Income		5,363,107	1,501,035
Revenue from rent of facilities		-	-
Finance / interest income		-	-
Miscellaneous receipts-NHIF		-	2,030,181
Total Receipts		8,563,107	12,879,786
Payments			
Medical/Clinical costs		2,226,511	1,878,205
Employee costs		3,186,033	1,744,087
Board of Management Expenses		75,200	46,500
Repairs and maintenance		602,543	827,570
Grants and subsidies		-	-
General expenses		2,753,684	2,449,298
Finance costs		-	-
In kind contribution		-	6,351,399
Total Payments		8,843,971	13,297,059
Net cash flows from operating activities	42	(280,864)	2,027,753
Cash flows from investing activities			
Purchase of property, plant, equipment		(10,000)	-
Purchase of intangible assets		-	(602,000)
Proceeds from the sale of PPE		-	-
Acquisition of investments		-	-
Net cash flows used in investing activities		(10,000)	(602,000)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Capital grants received		-	-

Kalawa Level 4 Hospital (Makueni County Government)
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Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		(290,864)	1,425,753
Cash and cash equivalents as at 1 July	27	1,697,558	271,804
Cash and cash equivalents as at 30 June	27	1,406,694	1,697,557

**Kalawa Level 4 Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024**

18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 June 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	4,000,000.00		4,000,000	3,200,000	800,000	80%
Grants from donors and development partners	-	-	-	-	-	-
Transfers from other Government entities	-	-	-	-	-	-
Public contributions and donations	-	-	-	-	-	-
Rendering of services- Medical Service Income	5,877,476.00		5,877,476	3,225,825	2,651,651	55%
Revenue from rent of facilities	-	-	-	-	-	-
Finance / interest income	-	-	-	-	-	-
Miscellaneous receipts NHIF	4,070,000.00		4,070,000	2,137,282	1,932,718	53%
Total income	13,947,476.0		13,947,476	8,563,107	5,384,369	61%
Expenses						
Medical/Clinical costs	3,693,456		3,693,456	2,226,511	1,466,945	60%
Employee costs	3,922,406		3,922,406	3,186,033	736,373	81%
Remuneration of directors	90,000		90,000	75,200	14,800	84%
Repairs and maintenance	760,000		760,000	602,543	157,457	79%
Grants and subsidies	-	-	-	-	-	-
General expenses	5,481,614		5,481,614	2,753,684	2,727,930	50%
Finance costs	-	-	-	-	-	-
Refunds	-	-	-	-	-	-
Total operational expenditure paid	13,947,476.0		13,947,476.0	8,843,971	(280,864)	63%
Surplus for the period	-	-	-	(280,864)	-	-
Capital expenditure	-	-	-	10,000	-	-

Budget notes

The hospital did not achieve its budgeted revenue targets for the year, primarily due to lower-than-expected reimbursements from the National Hospital Insurance Fund (NHIF) and partial funding from the County Government. NHIF payments fell significantly short of projections, reducing the facility's internally generated revenue. In addition, the County Government did not fully disburse the budgeted allocations, resulting in funding gaps that affected planned operations and service delivery. Consequently, these combined shortfalls led to an overall underperformance against the approved budget.

19. Notes to the Financial Statements

1. General Information

Kalawa sub county hospital is established by and derives its authority and accountability from Act. The entity is wholly owned by the County Government of Makueni and is domiciled in Makueni County in Kenya. The entity's principal activity is to provide healthcare services.

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024

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

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

Standard	Effective date and impact:
IPSAS 43	<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.</p> <p>IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the</p>

Standard	Effective date and impact:
	<p>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>

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	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements

b. Budget information

The original budget for FY 2023/2024 was approved by Board on *14/7/2023*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *entity* recorded additional appropriations of on the FY budget following the Board's approval. The *entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page under section of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements

d. Investment property

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

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

e. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Notes to the Financial Statements

f. Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g. Intangible assets

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

Notes to the Financial Statements

h. Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- The asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i. Financial instruments

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

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

Notes to the Financial Statements

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 cash flows 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

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*.

Financial liabilities

Classification

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

Notes to the Financial Statements

j. Inventories

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

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

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

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

k. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Notes to the Financial Statements

l. Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

m. Contingent liabilities

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

n. Contingent assets

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

o. Nature and purpose of reserves

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

p. Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

Notes to the Financial Statements

q. Employee benefits

Retirement benefit plans

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

r. Foreign currency transactions

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

s. Borrowing costs

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

t. Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the *Entity*, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO/principal and senior managers.

Notes to the Financial Statements

u. Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Entity* recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

v. Cash and cash equivalents

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

w. Comparative figures

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

x. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	2023/2024	2022/2023
	KShs	KShs
Unconditional grants		
Operational grant	3,200,000	2,400,000
Level 4/5 grants	-	-
Unconditional development grants	-	-
Other grants	-	-
	-	-
Conditional grants	-	-
User fee forgone	-	-
Transforming health services for Universal care project (THUCP)	-	-
DANIDA	-	597,171
Wards Development grant	-	-
Paediatric block grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
Total government grants and subsidies	3,200,000	2,997,171

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
			KShs	KShs	KShs
Makueni County Government	3,200,000			3,200,000	2,997,171
Total	3,200,000			3,200,000	2,997,171

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	2023/2024	2022/2023
	KShs	KShs
Salaries and wages	19,620,662	-
Medical supplies-Drawings Rights (KEMSA)	5,262,616	6,351,399
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	-	-
Utility bills	590,283	-
Total grants in kind	25,473,561	6,351,399

8. Grants from Donors and Development Partners

Description	2023/2024	2022/2023
	KShs	KShs
Cancer Centre grant- DANIDA	-	-
World Bank grants	-	-
Paediatric ward grant- JICA	-	-
Research grants	-	-
Other grants	-	-
Total grants from development partners	-	-

8 (a) Grants from donors and development partners

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

Notes to Financial Statements Continued

9. Transfers from Other Government Entities

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

10. Public Contributions and Donations

Description	2023/2024	2022/2023
	KShs	KShs
Public donations	-	-
Donations from local leadership	-	-
Donations from religious institutions	-	-
Donations from other international organisations and individuals	-	-
Other donations	-	-
Donations in kind-amortised	-	-
Total donations and sponsorships	-	-

10 (a) Reconciliations of amortised grants

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

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Description	2023-2024	2022-2023
	Kshs	Kshs
Pharmaceuticals	984,848	359,910
Non-Pharmaceuticals	119,590	-
Laboratory	609,350	343,450
Inpatient	277,550	-
Physiotherapy	44,800	-
Theatre	52,840	16,445
Nutrition	24,053	50
Clinics	5,700	-
Records	-	-
Orthopaedic and trauma Technology	-	700
Cancer centre service	-	-
Dental services	-	600
Reproductive health	19,274	300
Paediatrics services	81,000	-
Farewell home services	289,600	279,300
Ambulance services	491,000	-
Other medical services income	102,000	500,280
AAR CLAIMS	124,220	-
NHIF RECEIPTS	2,137,282	-
NHIF CLAIMS	1,548,988	-
Total revenue from the rendering of services	6,912,095	1,501,035

Notes to the Financial Statements

12. Revenue from Rent of Facilities

Description	2023-2024	2022-2023
	Kshs	Kshs
Residential property	-	-
Commercial property	-	-
Total Revenue from rent of facilities	-	-

13. Finance /Interest Income

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

14. Miscellaneous Income

Description	2023-2024	2022-2023
	KShs	KShs
Insurance recoveries NHIF	-	2,030,181
Waivers and exemptions	-	-
NHIF Receivables	-	-
Sale of goods (water, publications, containers etc)	-	-
Write backs (Deposits, payments in advance etc)	-	-
Bad debts recovered	-	-
<i>Others (Specify)</i>	-	-
Total Miscellaneous income	-	2,030,181

Notes to the Financial Statements

15. Medical/ Clinical Costs

Description	2023-2024	2022-2023
	Kshs	Kshs
Dental costs/ materials	-	-
Laboratory chemicals and reagents	270,361	191,252
Public health activities	-	-
Food and Ration	999,021	586,663
Uniform, clothing, and linen	-	23,300
Dressing and non-pharmaceuticals	395,342	569,120
Pharmaceutical supplies	5,273,940	317,420
Health information stationery	-	-
Reproductive health materials	-	-
Sanitary and cleansing Materials	275,134	190,450
Purchase of Medical gases	-	-
X-Ray/Radiology supplies	-	-
Other medical related clinical costs	493,250	-
Total medical/ clinical costs	7,707,048	1,878,205

16. Employee Costs

Description	2023-2024	2022-2023
	Kshs	Kshs
Salaries, wages, and allowances	1,539,353	1,280,707
DSA	-	104,840
Contracted professionals	21,267,342	255,400
Social Contribution	-	103,140
Staff medical expenses and Insurance cover	-	-
Group personal accident insurance and WIBA	-	-
Social contribution	-	-
Other employee costs-locum	311,600	-
Employee costs	23,118,295	1,744,087

Notes to the Financial Statements

17. Board of Management Expenses

Description	2023-2024	2022-2023
	Kshs	Kshs
Chairman's Honoraria	-	-
Sitting allowance	75,200	46,500
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	-
Airtime allowances	-	-
Total	75,200	46,500

18. Depreciation and Amortization Expense

Description	2023-2024	2022-2023
	Kshs	Kshs
Property, plant and equipment	1,250,048	881,675
Intangible assets	17,820	36,000
Investment property carried at cost	-	-
Total depreciation and amortization	1,267,868	917,675

19. Repairs and Maintenance

Description	2023-2024	2022-2023
	Kshs	Kshs
Property- Buildings	68,970	463,610
Medical equipment	175,739	11,000
Office equipment	-	177,160
Furniture and fittings	-	-
Computers and accessories	-	147,500
Motor vehicle expenses	-	28,300
Maintenance of civil works	-	-
Total repairs and maintenance	244,709	827,570

Notes to the Financial Statements

20. Grants and Subsidies

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

21. General Expenses

Description	2023-2024	2022-2023
	Kshs	Kshs
Advertising and publicity expenses	-	-
Catering expenses	345,857	183,903
Daily subsistence allowance	-	-
Electrical Expenses	699,648	-
Bank charges	19,970	17,497
Purchase of computers and accessories	-	-
Consultancy fees	-	-
Contracted services	-	632,700
Electricity expenses	-	86,693
Fuel and Lubricants	1,040,596	363,795
Insurance	-	-
Research and development expenses	-	-
Travel and accommodation allowance	565,160	324,380
Software installation	-	-
Other fuels	60,600	-
Courier and postal services	-	-
Printing and stationery	83,420	81,921
Kitchen ware	-	-
Purchase of computers and accessories	-	-
Water and sewerage costs	73,000	93,100
Skills development levies	-	-

Description	2023-2024	2022-2023
	Kshs	Kshs
Telephone and mobile phone services	90,176	83,740
Internet expenses	32,200	-
Staff training and development	-	-
Subscriptions to professional bodies	-	-
Subscriptions to newspapers periodical, magazines, and gazette notices	-	-
General office supplies	860,506	-
Other expense	-	581,569
Total General Expenses	3,871,133	2,449,298

22. Finance Costs

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

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

Description	2023-2024	2022-2023
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised wavers	-	-
Total gain on sale of assets	-	-

24. Unrealized Gain On Fair Value Investments

Description	2023-2024	2022-2023
	KShs	KShs
Investments at fair value	-	-
Total gain	-	-

Notes to the Financial Statements

25. Medical Services Contracts Gains /Losses

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

26. Impairment Loss

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

27. Cash and Cash Equivalents

Description	2023-2024	2022-2023	
	KShs	KShs	
Current accounts	1,406,694	1,697,557	
On - call deposits	-	-	
Fixed deposits accounts	-	-	
Cash in hand	1,406,694	1,697,557	
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1158407971	1,309	511,633
Kenya Commercial bank	1120984866	1,405,385	1,185,925
Sub- total		1,406,694	1,697,558
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
Sub- total		-	-
c) Fixed deposits account			
Bank Name		-	-
Sub- total		-	-
d) Others(specify)			
cash in hand		-	-
Mobile money- Mpesa. Airtel money		-	-
Sub- total		-	-
Grand total		1,406,694	1,697,558

28. Receivables from Exchange Transactions

Description	2023-2024	2022-2023
	KShs	KShs
Medical services receivables-NHIF	2,143,768	719,000
AAR INSURANCE	124,220	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total receivables	2,267,988	719,000

Analysis of Receivables From Exchange Transactions

Description	2023-2024		2022-2023	
	Kshs		Kshs	
		% of the total	Comparative FY	% of the total
Less than 1 year	2,267,988	100%	719,000	100%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	2,267,988	100%	719,000	100%

29. Receivables from Non-Exchange Transactions

Description	2023-2024	2022-2023
	KShs	KShs
Transfers from the County Government	-	-
Undisbursed donor funds	-	-
Other debtors (<i>non-exchange transactions</i>)	-	-
Less: impairment allowance	-	-
Total	-	-

Analysis of Receivables from Non-Exchange Transactions

Description	2023-2024		2022-2023	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

30. Inventories

Description	2023/2024	2022/2023
	KShs	KShs
Pharmaceutical supplies	240,310	121,100
Maintenance supplies	-	-
Food supplies	50,650	25,101
Dressing and non-pharms	252,650	-
Cleaning materials supplies	-	134,400
General supplies	109,600	45,200
Less: provision for impairment of stocks	-	-
Total	653,210	325,801

*Kalawa Level 4 Hospital (Makueni County Government)
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Notes to the Financial Statements

31. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost								
At 1 July 2022	2,500,000	-	-	1,327,000	165,000	7,108,500	-	11,100,500
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30th Jun 2023	2,500,000	-	-	1,327,000	165,000	7,108,500	-	11,100,500
At 1 July 2024	2,500,000	-	-	1,327,000	165,000	7,108,500	-	11,100,500
Additions	-	-	-	10,000	-	-	-	10,000
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	120,000	218,000	-	-	338,000
At 30th Jun 2024	2,500,000	-	-	1,457,000	383,000	7,108,500	-	11,448,500
Depreciation and impairment								
At 1 July 2022	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	159,748	264,748	825,758	-	1,250,048
Disposals	-	-	-	-	-	-	-	-

Notes to the Financial Statements

32. Intangible Assets-Software

Description	2023-2024	2022-2023
	KShs	KShs
Cost	-	-
At beginning of the year	-	-
Additions	54,000	90,000
Additions-Internal development	-	-
Disposal	-	-
At end of the year	54,000	90,000
	-	-
Amortization and impairment	-	-
At beginning of the year	-	-
Amortization for the period	17,820	36,000
Impairment loss	-	-
At end of the year	17,820	-
NBV	36,180	54,000

33. Investment Property

Description	2023-2024	2022-2023
	KShs	KShs
At beginning of the year	-	-
Additions	-	-
Disposals during the year	-	-
Fair value gain	-	-
Depreciation	-	-
Impairment	-	-
At end of the year	-	-

Notes to the Financial Statements

34. Trade and other Payables

Description	2023-2024		2022-2023	
	KShs		KShs	
Trade payables	4,190,288		2,480,492	
Employee dues	-		596,840	
Third-party payments	-		-	
ELECTRICITY	-		86,694	
Doctors' fee	-		-	
Total trade and other payables	4,190,288		3,164,026	
Ageing analysis:	2023-2024	% of the Total	2022-2023	% of the total
Under one year	3,918,942	94%	3,164,026	100%
1-2 years	271,346	6%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	4,190,288	100%	3,164,026	100%

35. Refundable Deposits from Customers/Patients

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

Notes to the Financial Statements

36. Provisions

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

37. Finance Lease Obligation

Description	2023-2024	2022-2023
	Kshs	Kshs
Current Lease obligation	-	-
Long term lease obligation	-	-
Total	-	-

38. Deferred Income

Description	2023-2024	2022-2023
	KShs	KShs
Current Portion	-	-
Non-Current Portion	-	-
Total	-	-

Notes to the Financial Statements

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

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

39. Borrowings

Description	2023-2024	2022-2023
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	-	-
Balance at end of the period	-	-

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

Description	2023-2024	2022-2023
	KShs	KShs
Current Obligation	-	-
Non-Current Obligation	-	-
Total	-	-

Notes to the Financial Statements

40. Service Concession Arrangements

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

41. Social Benefits

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

Notes to the Financial Statements

42. Cash Generated from Operations

Description	2023-2024	2022-2023
	KShs	KShs
Surplus for the year before tax	(698,597)	(1,334,948)
Adjusted for:		
Depreciation	1,267,868	917,675
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working Capital adjustments	-	(417,273)
Increase in inventory	(327,409)	
Increase in receivables	(1,548,988)	(719,000)
Increase in deferred income		
Increase in payables	1,026,262	3,164,026
Increase in payments received in advance	-	-
Net cash flow from operating activities	(280,864)	2,027,753

43. Financial Risk Management

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

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

(i) Credit risk

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

Description	At 30 June 2023			At 30 June 2024		
	Fully performing	Past due	Impaired	Fully performing	Past due	Impaired
Total amount	-	-	-	-	-	-
Kshs	-	-	-	-	-	-
Receivables from exchange transactions	-	-	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-	-	-
Bank balances	-	-	-	-	-	-
Total	-	-	-	-	-	-
At 30 June 2024	-	-	-	-	-	-
Receivables from exchange transactions	-	-	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-	-	-
Bank balances	-	-	-	-	-	-
Total	-	-	-	-	-	-

Notes to the Financial Statements

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

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023	-	-	-	-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2024	-	-	-	-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

Notes to the Financial Statements

(iii) Market risk

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

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

a) Foreign currency risk

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

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

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

Notes to the Financial Statements

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

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2023 (previous year)		-	-
Euro	10%	-	-
USD	10%	-	-
2024 (current year)		-	-
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

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

Management of interest rate risk

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

Notes to the Financial Statements (Continued)

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

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

iv) Capital Risk Management

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

Description	2023/2024	2022/2023
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
Total funds	-	-
	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/ (<i>excess cash and cash equivalents</i>)	-	-
Gearing	-	-

Notes to the Financial Statements

44. Related Party Balances

Nature of related party relationships

Entities and other parties related to the entity include those parties who have the ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates, and close family members.

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

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

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

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

45. Segment Information

46. Contingent Liabilities

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

47. Capital Commitments

Capital Commitments	2023-2024	2022-2023
	Kshs	Kshs
Authorised For	-	-
Authorised And Contracted For	-	-
Total	-	-

48. Events after the Reporting Period

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

49. Ultimate and Holding Entity

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

50. Currency

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

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.	Material Uncertainty Related to Sustainability of Services.	The management has put measures on NHIF claims to make sure that there is hundred per cent claims. This has increased hospitals revenue.	Resolved	Immediately
2.	Non-disclosure of employee Costs Paid by the County Government.	The management took note of the auditors observation and it reported the employees cost paid by the county government in subsequent years.	Resolved	Immediately
3.	Non -disclosure of Property ,Plant and Equipment	The management is engaging the county government management to fast track valuation of its assets.	Not resolved	Two years
4.	Board member without the requisite qualification	The term of the board with a member who had not requisite qualification ended and a new board was gazetted. All members of the new board have the required qualification.	Resolved	Immediately
5.	Failure to Prepare Quarterly Revenue reports	The management took note of auditors observation and has being preparing	Resolved	Immediately

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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)
		quarterly revenue reports in subsequent years.		
6.	Non-compliance with Requirements on Universal Health Coverage.	The management has lobbied for more staffs from county government it has also engaged staffs on contract basis to reduce the effect of understaffing. The management has also lobbied for more medical equipment's from the county government.	Not resolved	Two years
7.	Failure to Establish Internal Audit Unit Function.	The management to note of the auditors observation and it has established internal audit committee.	Resolved	Immediately
8.	Lack of Risk Management Policy	The management as since developed risk management policy.	Resolved	Immediately

Guidance Notes:

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

*Kalawa Level 4 Hospital (Makueni County Government)
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.....
Debo
Accounting Officer



*Kalawa Level 4 Hospital (Makueni County Government)
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Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 th June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
		1,200,000		1,200,000	
		2,000,000		2,000,000	
Total		3,200,000		3,200,000	

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

Head of Accounts Department - Disbursing Entity:
 Name *Eunice Kibani* Sign *[Signature]* Date *11/12/2024*

Head of Accounts Department - Beneficiary Entity:
 Name *EVELINE NJUHI* Sign *[Signature]* Date *11/12/2024*



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Appendix IV Reporting of Climate Relevant Expenditures

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

Appendix V: Disaster Expenditure Reporting Template

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