

REPUBLIC OF KENYA



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL  
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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

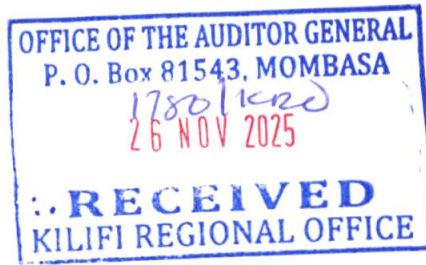
**LAMU COUNTY REFERRAL HOSPITAL**

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

PAPERS LAID	
DATE	18/09/2025
TABLED BY	W. K. G. W. G.
COMMITTEE	
CLERK AT THE TABLE	CHEROP

**COUNTY GOVERNMENT OF LAMU**

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# LAMU COUNTY REFERRAL HOSPITAL (Lamu County Government)

AMENDED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025

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



**COUNTY GOVERNMENT OF LAMU**  
Department of Medical Services  
**King Fahd Lamu County Referral Hospital**  
**Office of the Medical Superintendent**



E-mail: lamucountyhospital@lamu.go.ke

LAMU COUNTY REFERRAL HOSPITAL  
P.O. Box 45-80500  
LAMU

REF:CGL/HEALTH/NT/VOL.I/8

DATE: 25<sup>TH</sup> November,2025

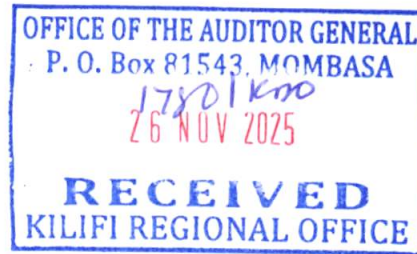
The Director

Office of the Auditor General

North Coast Regional Office

P.O BOX 95202-80100

Mombasa.



**SUBMISSION OF LAMU COUNTY REFERRAL HOSPITAL AMENDED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE, 2025.**

The above subject matter refers.

Forwarded herewith please find the Lamu County Referral hospital Amended Annual report and financial statements for the period ended 30<sup>th</sup> June, 2025.

Thank you.

**DR. ABDULKADIR OMAR**  
**MEDICAL SUPERINTENDENT .**

**Copy to: Director Accounting Services**

**The National Treasury**

**Nairobi.**

**Office of the Controller of Budget**

**P.O BOX 35616 – 00100**

**Bima House**

**NAIROBI.**

**Chief Executive Officer**

**Commission on Revenue Authority**

**14<sup>th</sup> Riverside Road**

**P.O Box 1310 – 00200**

**NAIROBI**

**The county Secretary & Head of Public Service.**

**County Government of Lamu.**

**P.O Box 74 – 80500**

**LAMU.**

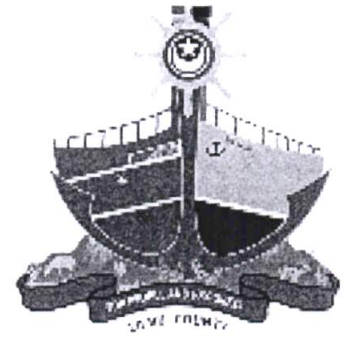
**The Clerk of the County Assembly**

**P.O Box 374 – 80500**

**LAMU**



OFFICE OF THE AUDITOR GENERAL  
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# LAMU COUNTY REFERRAL HOSPITAL (Lamu County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025

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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**

**Acronyms**

<b>CSR</b>	Corporate Social Responsibility
<b>OSHA</b>	Occupational Health & Safety Act
<b>PFMA</b>	Public Financial Management Act
<b>MED SUP</b>	Medical Superintendent
<b>FIF</b>	Facility Improvement Fund
<b>SHA</b>	Social Health Authority
<b>NHIF</b>	National Health Insurance Fund
<b>AIA</b>	Appropriation -In- Aid
<b>ICT</b>	Information and Communication Technology
<b>NBU</b>	New Born Unit
<b>OPD</b>	Out Patient Department
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>CEO</b>	Chief Executive Officer
<b>KEMSA</b>	Kenya Medical Supplies Authority

**Glossary of terms**

<b>Fiduciary Management</b>	Key management personnel who have financial responsibility in the entity.
<b>Hospital</b>	Lamu County Referral Hospital

### **Key Entity Information and Management**

**(a) Background information**

Lamu County Referral Hospital is a level (4) hospital established under gazette notice number 28782 and is domiciled in Lamu County under the Medical Service Department. The hospital is governed by a Board of Management.

**(b) Principal Activities**

The principal mandate of the hospital is to provide safe, high quality and patient centred medical care

**(c) Key Management**

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

- Board of Management
- Accounting Officer/ Medical Superintendent
- Hospital Management

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Medical Superintendent	<b>Dr. Abdulkadir Omar</b>
2.	Chief Officer – Medical Services	<b>Dr. Victor Tole</b>
3.	Head of supply chain	<b>Ms. Jamila Mitsanze</b>
4.	Hospital Administrator	<b>Mr. Jamal Awadh</b>

**(e) Fiduciary Oversight Arrangements**

The fiduciary oversight arrangement for the Hospital is under the following organs

Sno	Position	Name
1	Directorate of Accounting Service	The Directorate is headed by the Director Finance Services. It derives its mandate from the Constitution

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		2010, the Public Finance Management Act 2012. The main responsibility of the directorate is monitoring of expenditure and projects through vote controls, including program implementation on a periodic basis and ensuring that timely corrective action is taken
2	Directorate of Internal Audit	The Directorate is headed by the Ag. Director Internal Audit to provide independent assurance, advice and insight in order to enhance and protect organisational value, contribute towards evidence-based decision making, and promote organisational learning, transparency, integrity and accountability
3	County Assembly Public Accounts Investment Committee	The committee is headed by the Chairperson with primary mandate of oversight the expenditure of public funds by Lamu County entities, to ensure value for money.
4	Kenya Office of Auditor General	The Office is charged with the primary oversight / assurance role of ensuring accountability within the three arms of government i.e. the Legislature, the Judiciary and the Executive; as well as the Constitutional Commissions and Independent Offices.

**(f) Hospital Headquarters**

P.O. Box 45-80500  
Near Ministry of Public Works office, Lamu  
Kenyatta Road  
LAMU, KENYA.

**(g) Hospital Contacts**

Telephone: (+254) 748669465

E-mail: lamucountyhospital@lamu.go.ke

Website: www.lamu.go.ke

**(h) Hospital Bankers**

Kenya Commercial Bank

P.O Box

Lamu Branch.

**(i) Independent Auditors**

Auditor General

Office of Auditor General

Anniversary Towers, University 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**




Directorate of Legal Services




Department of Public Service Management & Administration

P.O. Box. 74 – 80500.

County Government of Lamu



**2. The Board of Management**

Name	Details
 <p data-bbox="336 958 624 1025"><b>Ms. Amina Kale Loo</b> Chairman</p>	<p data-bbox="778 528 1441 981">Ms. Amina Kale is 59 years born and raised in Lamu. She holds Bachelor of Arts (Education). She has over 11 years' experience in education sector having work as a teacher for various schools before joining Kenya National Museums as an Administrator for 5 years. In year 2013 she ventured into politics was nominated MCA for a period of 11 years from that date. She is also an executive director in community-based organisation in Lamu.</p>
 <p data-bbox="280 1480 679 1547">Ms. Ummulkheir Ahmed Salim Member</p>	<p data-bbox="778 1032 1441 1379">Ms. Ummulkheir Ahmed 47 Years born and raised in Lamu. Currently serving as a Gender Officer with the Muslim Women Advancement of Rights and Protection (MWARP). Her career began in 1998 as an Accounts Clerk with Kikozi Programme Group Holder of Certificate in Business Management Technical University of Mombasa.</p> <p data-bbox="778 1402 1441 1480">Currently pursuing a degree in Community Development.</p>
 <p data-bbox="344 1951 608 1980">Ms. Fatma Shee Lali</p>	<p data-bbox="778 1559 1441 1653">Ms. Fatma is 45 Years old and she holds Bachelor of Arts in Education. She has over 20 years' experience in teaching</p>




Member	
 <p data-bbox="323 707 616 775">Mr. Mohamed Shambe <b>Member</b></p>	<p data-bbox="770 259 1437 510">Mr. Mohamed Shambe is a retired Deputy Health Administrator for Lamu County Referral Level 4 Hospital. He has over 33 years' experience working in Government Health Service. He holds Diploma in Business Management and Health planning.</p>
 <p data-bbox="260 1227 679 1294">Mr. Mahmud Ahmed Abdulkadir <b>Member</b></p>	<p data-bbox="770 779 1437 1081">He is the senior most member in the Board in-terms of Age. Mr. Mahmud is a famous Islamic scholar with various lectures on Islamic Medias in the Country. He is also vocal in nutrition and advocate for physical wellness in the Community. He holds diploma in Islamic studies.</p>
 <p data-bbox="284 1738 659 1805">Mr. Mwambura Baka Munga <b>Member</b></p>	<p data-bbox="770 1299 1437 1547">Mr. Mwambura Baka Munga is 55 Years old holding Bachelor of Arts (Cultural Anthropology). He has 27 years working experience. He is also the Technical University of Mombasa – Lamu Campus Administrator.</p>

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 <p>Mr. Jamal Awadh <b>Member</b></p>	<p>Mr. Jamal Awadh Holder of A diploma in Community Development and Social Works.</p> <p>Served as Acting Mkomani ward administrator for 5 years.</p> <p>Currently the Hospital Administrator Officer at Lamu County Referral Hospital.</p>
 <p>Dr. Abdulkadir Omar <b>Secretary /Medical Superintendent</b></p>	<p>Dr. Abdulkadir Omar is 39 years old holding MD, MMED general surgery. He has 8 years' experience working as a medical officer and 3 years as a surgeon.</p>

3. Key Management Team

Designation	Name
 <p><b>Dr. Abdulkadir Omar</b>                      Medical Doctor, Master of Medicine                      General Surgery</p>	<p>Medical Superintendent                      Secretary to the Board of Management</p>
 <p><b>Mohamed Abbas Abubakar</b>                      B.COM Finance, Masters – Finance, CPA(K)</p>	<p>Head of finance</p>
 <p><b>Ms. Jamila Mitsanze</b>                      B.COM Procurement, Masters - Procurement</p>	<p>Head of supply chain</p>

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Designation	Name
 <p><b>Mr. Jamal Awadh</b> Diploma in community development and social works</p>	<p>Hospital Administrator</p>
 <p><b>Dr. Victor Tole</b> Bachelors in Pharmacy, Masters</p>	<p>Chief Officer Medical Service</p>

#### **4. Chairman's Statement**

I am pleased to present to you a highlight of key activities for the period under review under the facility improvement Fund (FIF). Through the Facility Improvement Fund (FIF), the hospital was able to procure the following essential items; Medical drugs, non-pharmaceutical supplies, Lab reagents, ICT equipment, Sanitary and general office supplies among other critical supplies.

In terms of developments, the hospital successfully installed CCTV cameras as a strategy to offer several advantages across security, management, accountability and patient care. Additionally, the hospital was able to provide maintenance services to various critical medical equipment such as renal machine, x ray machine anaesthesia machine ultrasound machine among others. This ensured that the equipment remained in optimal working condition, thereby enabling the hospital to deliver better and uninterrupted services to patients.

The board actively advocated for a dedicated procurement officer to be stationed at the facility. Which has significantly expedite the procurement processes, ensuring timely availability of essential supplies and improving overall operational efficiency.

The Board of management consist of right balance of skills and experience and background to support and challenge the management team. In my capacity as the Chairman, I on behalf of my Board members wish to sincerely thank His Excellency Governor and the County Executive Committee Members particularly for health for providing support and guidance throughout the year as we continue to discharge our mandate.

Finally, I wish to extend my appreciation to the hospital management team and staff for the commitment and dedication to ensure highest quality of delivery of service and improve performance during the year. I am confident as a team, our commitment and dedication will make Lamu County Referral Hospital a leading in healthcare provider in Lamu County.

  
.....  
Mrs. Annina Kale  
Chairperson.

**LAMU COUNTY REFERRAL HOSPITAL BOARD OF MANAGEMENT**

## **5. Report of The Medical Superintendent**

It is with great pleasure that I present to you annual report and financial statement for the period ended 30<sup>th</sup> June 2025 for Lamu County Referral Hospital under the Facility Improvement Fund. The FIF came into existences as a result of the Lamu County Health Facility Improvement Finance Act, 2023 was assented to ensure that health services are available, accessible, acceptable, affordable and of good quality and standard. Ensure that health facilities shall be well funded to offer quality care; accountability, transparency and integrity shall be upheld, observed, promoted and protected in the collection, management and use of revenue; and that revenue generated at public health facilities be considered to be additional to the budgets appropriated to public health facilities by the County Assembly or National Parliament and not a substitute.

The Lamu County Referral Hospital continued to make significant strides in improving healthcare service delivery during the 2024/2025 financial year. Despite facing several challenges including resource limitations and staff shortages, the hospital remained committed to its mission of providing accessible, affordable, and quality healthcare to the people of Lamu county and beyond.

### **Infrastructure and equipment maintenance**

During the year under review, the hospital prioritized the maintenance of critical medical equipment to ensure uninterrupted and effective service delivery. Maintenance services were successfully carried out on key machines including:

- ❖ x- ray machine
- ❖ anaesthesia machine
- ❖ ultrasound machine
- ❖ renal machine

this proactive approach to equipment maintenance has significantly improved the reliability of diagnostic and treatment services, thereby enhancing overall patient care.

### **Service delivery improvements.**

There was notable improvement in the following service areas:

- ❖ Outpatient services: increased efficiency through reorganization of patient flow and triage system.
- ❖ Inpatient care: enhanced by continuous staffing and improved drug availability.

- ❖ Emergency and surgical services: strengthened through the maintenance of operating theatre equipment and improved staff readiness.
- ❖ Maternal and child health services: continued support for safe deliveries, immunizations and antenatal care

#### **Security and surveillance.**

In a bid to enhance safety and accountability within the hospital premises, CCTV cameras were installed in strategic areas. This initiative has:

- ❖ Improved monitoring of hospital property and sensitive areas.
- ❖ Enhanced patient and staff safety
- ❖ Supported better incident management and reduced cases of theft or malpractice.

#### **Financial**

In our pursuit to improve on transparency and accountability, the Hospital has and will continue to manage its finances in accordance with the principles of fiscal responsibility as spelt out in the public finance management Act (2012) and its regulations and other applicable laws. The Hospital collected KES 86,572,661 in the FY 24/25. This collection arises from cash collection at our point of revenues and NHIF capitation and claims and SHA claim and CIC insurance claims. The revenue was budgeted by the Board and submitted to the Chief officer for issuance of Appropriation in Aid (AIA) to finance its operation on Medical/Clinical costs, Board of Management expenses, Repairs and maintenance, Purchase of computers, printers and other ICT, General office expenses among others.

#### **Appreciations**

I appreciate the unrelenting support from the Board of Management, Hospital Management Team and most importantly the Lamu County Referral Hospital medical and non- medical staff. I look forward to continuing partnership and cooperation in areas of mutual interest in the FY 2025/2026.

  
Abdulkadir Omar  
Medical Superintendent / Secretary to the Board,  
**LAMU COUNTY REFERRAL HOSPITAL**

**6. Statement of Performance Against Predetermined Objectives**

Lamu County Referral Hospital develops its annual work plans based on the CIDP, Strategic Plan and Annual workplan for Department of Medical Service. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Lamu County Referral Hospital achieved its performance targets set for the FY 2024/2025 period for its xx strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar/ theme/ issue 1: Effective and efficient curative and rehabilitative health care services to the county citizens.	To provide quality health care services.	1. Primary care treatment services. 2. General outpatient services. 3. Specialised outpatient services.	Procurements of blood pressure machines, digital thermometers. Hemodialysis machines.	
Pillar/ theme/ issue 1:	To strengthen collaboration with health-related sectors.	1. Health commodities. 2. Quality assurance. 3. Skills.	Commodities management. Having an active quality assurance team. Capacity building of health care workers.	
To provide effective and efficient preventive and		Staffing.	Promoting healthcare worker.	

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promotive health interventions.			Get together party.	
		Training.	Senior management trainings. Course trainings.	
		Recruitment and deployment.	Recruit 20 casuals. Increase number of healthcare workers per the gap identified.	

## **7. Corporate Governance Statement**

The Lamu County Health Facility Improvement Finance Act, 2023 was assented by the County Assembly of Lamu to ensure that health services are available, accessible, acceptable, affordable and of good quality and standard. Ensure that health facilities shall be well funded to offer quality care; accountability, transparency and integrity shall be upheld, observed, promoted and protected in the collection, management and use of revenue; and that revenue generated at public health facilities be considered to be additional to the budgets appropriated to public health facilities by the County Assembly or National Parliament and not a substitute.

### **A). The Hospital Management Board**

Section 13 of the Lamu County Health Facility Improvement Finance Act, 2023 is established a Hospital Management Board for whose members shall be nominated by the County Governor and gazetted by the County Executive Committee Member. The Hospital Management Board consist of-

- a. a chairperson, who shall not be a public officer;
- b. the hospital-in-charge, who shall be the secretary;
- c. hospital administrator;
- d. five members from the community taking cognizant of the special interest groups and gender; and
- e. sub-county administrator who will be an ex-officio member.

The Lamu County Referral Hospital has a 7-member hospital management board appointed by the His Excellency Governor and Gazetted.

### **Functions of the Board**

The Hospital Management Board shall have the following functions-

- a. provide oversight over the administration of the hospital;
- b. prepare and submit for approval to the Chief Officer the annual work plan and budgets;
- c. prepare and submit for approval to the Chief Officer the hospital quarterly budgets;
- d. ensure the quarterly implementation plans and budgets are based on available resources;
- e. formulate strategies on resource mobilization for the hospital;
- f. monitor the utilization of the County Health Facility

- g. approve the facility performance reports referred in section 12 (2) (f) and forward to the Chief Officer;
- h. take corrective action on challenges identified that hinders efficient collection and absorption of funds;
- i. provide oversight for all financial procedures and reporting requirements by the hospital management teams and ensure they conform to the Public Finance Management Act and related regulations;
- j. ensure strict adherence to procurement procedures as prescribed in the Public Procurement and Asset Disposal Act;
- k. promote the development of the hospital;
- l. make policy recommendations to the County Executive Committee Member on the use of the County Health Facility Improvement Financing; and
- m. liaise with Health Facility Management Team and community to strengthen the delivery of quality health services.

**Board meetings and attendance**

During the year under review, the Hospital Management Board held 4 board meetings with attendance as follows:

Name	Position	M1	M2	M3	M4	Total
Mrs. Amina Kale	Chairman	√	√	√	√	4
Ms. Fatma Shee lali	Member	√	√	√	x	3
Mr. Mohamoud Abdulkadir	Member	√	√	√	√	4
Mr. Mohamed Shambe	Member	√	√	√	√	4
Mr. Mwambura Baka Munga	Member	√	√	√	√	4
Mrs. Ummulkheir Ahmed Salim	Member	x	√	√	x	2
Dr. Abdulkadir Omar	Secretary (Medical Superintendent)	√	√	√	x	3

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Mrs. Fatma Hassan	Hospital Administrator	√	√	√	√	4
Dr. Nuru Salim	Medical superintendent	x	√	√	√	3

**Board induction and training.**

The hospital Management Board were inducted on government function and operations, corporate governance and their responsibilities as board of management. The training was held at the medical superintendent office at Lamu County Referral Hospital on 7<sup>th</sup> February 2024 and was facilitated by Lamu County Referral Hospital.

**The Hospital Management Team**

The Lamu County Referral Hospital has a management team that assists the Board to undertake its mandates. The team is as follows:

<b>Name</b>	<b>Position</b>
Ms. Nuzla Masoud	Human Resource In -Charge
Ms. Zahra Said	Nursing In- Charge
Dr. Nuru Said Salim	Medical Officer in-charge
Dr. Swaleh Hassan	Head of Laboratory Service
Ms. Chimwana Tsumo	Maintenance Unit in charge
Ms. Swabra Ali Said	Public Health and Sanitation in-charge
Mr. Islam Mahadi Mohamed	Laboratory Manager
Mr. Geoffrey Nyandwaro Sereti	Health Records & Information Officer-In- Charge, Sub-County HRIO- Lamu Central.
Dr. Conrad Nyambono	Pharmacist
Peter Chege	Community Nurse
Mrs. Fatma Hassan	Health Administrator- Secretary
Mr. Abdulkadir Omar	Med Sup – Chairs the team

The team had 3 meetings during the year to deliberate on various issues regarding the hospital. The attendance of the meeting is as follows:

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<b>Name</b>	<b>Position</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>TOTAL</b>
Ms. Nuzla Masoud	Human Resource In - Charge	√	√	√	3
Ms. Zahra Said	Nursing In- Charge	√	√	√	3
Dr. Nuru Said Salim	Medical Officer in-charge	√	√	√	3
Dr. Swaleh Hassan	Head of Laboratory Service	x	√	√	2
Ms. Chimwana Tsumo	Maintenance Unit in charge	√	√	√	5
Ms. Swabra Ali Said	Public Health and Sanitation in-charge	√	√	√	3
Mr. Islam Mahadi Mohamed	Laboratory Manager	√	√	√	3
Mr. Geoffrey Nyandwaro Sereti	Health Records & Information Officer- In- Charge, Sub-County HRIO- Lamu Central	√	√	√	3
Mrs. Fatma Hassan	Health Administrator - Secretary	√	√	√	3
Dr. Abdulkadir Omar	Medical Superintendent – chairs the team.	√	√	√	3

**B). Hospital's compliance with statutory requirements**

The Lamu County Referral Hospital has and will continue to manage its finances in accordance with the principles of fiscal responsibility as spelt out in the public finance management Act (2012) and its regulations and other applicable laws. The Hospital complied with the following listed requirements but not limited to:

- ❖ Lamu County Health Facility Improvement Financing Act 2023

- ❖ Public Procurement and Disposal Act 2020
- ❖ Public Finance Management Act 2012 and its regulations

The Hospital has no pending or on-going court litigation.

**C). Key projects and investment decisions the hospital is planning/implementing.**

No investment is been done through the facility improvement financing.

**D). Major risks facing the hospital.**

The Hospital has no major risk. The Hospital target to develop a risk management framework and risk assessment which will guide the Fund in identifying, assessing and managing the risks and prescribe mitigating measures of all the risks both external and internal is facing the Fund.

**E). Material arrears in statutory/financial obligations**

The hospital has financial obligation pending as of the period ended 30<sup>th</sup> June 2025. The Hospital has no financial probity and nor serious governance issues noted during the period under review. The Hospital Management Board confirmed that the hospital had throughout the FY 2024/2025 complied with all statutory and regulatory requirements and that the fund had been managed in accordance with the principles of good corporate governance.

**Internal Control and Risk Management**

**Standing Instructions**

The fund is in the process to develop a Code of Ethics and Service Charter that will be applicable to all employees. This will entail a number of standing instructions to employees of the hospital designed to enhance internal control.

**Conflict of interest**

Mechanism have been put in place to ensure declaration of conflict of interest by the hospital management Board and Management Team.

### **Organization Structure**

The Board has an organizational structure that clearly details line of authority and control responsibilities in line with the Lamu County Health Facility Improvement Fund Act of 2023.

### **Risk Management**

The Management team is looking forward to capacity build staff on risk identifying and maintaining of risk register.

### **Management Team**

The management team headed by the Chairman, the Secretary and Chief Officers as shown on page xii – xiii implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board objectives are achieved effectively and efficiently.

### **Auditor**

The fund is audited by the Office of the Auditor - General.

## **8. Management Discussion and Analysis**

The Lamu County Health Facility Improvement Finance Act, 2023 was assented to ensure that health services are available, accessible, acceptable, affordable and of good quality and standard. Ensure that health facilities shall be well funded to offer quality care; accountability, transparency and integrity shall be upheld, observed, promoted and protected in the collection, management and use of revenue; and that revenue generated at public health facilities be considered to be additional to the budgets appropriated to public health facilities by the County Assembly or National Parliament and not a substitute.

### **1. Financial Performance**

#### **a) Revenue performance**

The Hospital collected KES 146,035,546.00 which comprised of rendering of services, grant and In Kind Contribution as tabulated below.

#### **FY 2024/ 2025 COLLECTION PERFORMANCE**

<b>Description</b>	<b>Amount</b>
InKind Contribution	49,462,885
Rendering of services	86,572,661
Grant	10,000,000
<b>TOTAL</b>	<b>146,035,546</b>

We have seen a progressive steady rise in our revenue collection. By June 2024 on average the hospital collected revenue of Kshs 76,194,700. Improvement of our revenue collection has been attributed by the below factors:

- ❖ **Strengthening of revenue collection** - Creation of subunits in the revenue department which made it easy to monitor performance and also easy to hold people accountable.
- ❖ **Monthly reconciliations**- Deployment of an accountant to our facility, we are able to do thorough reconciliation of our unpaid bills by NHIF.
- ❖ **Introduction of other new services** – This expanded our revenue collection streams
- ❖ **Automation of revenue system** – this has enhanced revenue accountability.

**b) Expenditure performance**

The hospital had a total expenditure of KES 120,960,329 inclusive of an in kind contribution of KES 14,264,264 which was used to pay Kenya Power. The under absorption is as a result of quarter four collection which its authority to incur expenditure was issued on FY 2025/2026. The table below shows breakdown of the expenditure.

<b>Description</b>	<b>Amount</b>
Medical/Clinical costs	33,585,842.90
Board of Management Expenses	120,000.00
Repairs and maintenance	11,364,607.35
Employee costs	40,925,856
General expenses	33,299,245.65
Depreciation and amortization expenses	1,664,777
<b>TOTAL</b>	<b>120,960,329</b>

**Clinical/operational performance**

❖ **Bed capacity of the hospital.**

<b>Male Ward</b>	<b>Female Ward</b>	<b>Paediatric Ward</b>	<b>Maternity Ward</b>	<b>NBU Ward</b>
20	20	20	20	10

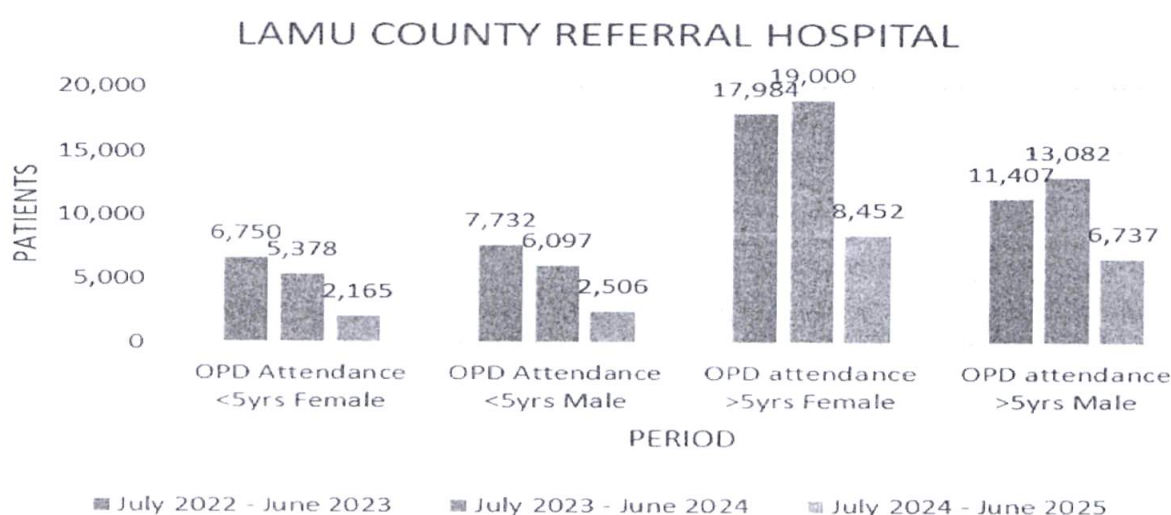
Lamu county referral hospital has five wards and each ward has a bed capacity: Male ward has 20 beds, Female ward has a capacity of 20 beds, Paediatric ward has 20 beds, Maternity ward has a capacity of 20 beds and NBU ward has 10 beds.

❖ **Overall patient attendance during the year for both inpatient and outpatient.**

Outpatient

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Lamu County Referral Hospital				
	OPD Attendance <5yrs Female	OPD Attendance <5yrs Male	OPD attendance >5yrs Female	OPD attendance >5yrs Male
July 2022 - June 2023	6,750	7,732	17,984	11,407
July 2023 - June 2024	5,378	6,097	19,000	13,082
July 2024 - June 2025	2,165	2,506	8,452	6,737



The outpatient's attendance in Lamu county referral hospital are distributed as shown in the above graphs, OPD – Outpatient Department attendance for under five years male and female and over five years male and female attendance, these are patients who are seen in our facility at the age of 0 day up to 5 years of age.

For under five years attendance-Female from the year 2022 July to June 2023 there were 6,750 children treated, July 2023 to June 2024 were 5,378 and July 2024 to June 2025 were 2,165.

Under five male who attended the hospital for the period from July 2022 to June 2025 are as follows. July 2022 having the highest number of attendances with 7,732 followed by the July 2023 to June 2024 with 6,097 patients and July 2024 to June 2025 with the lowest number of attendance of patients 2,506.

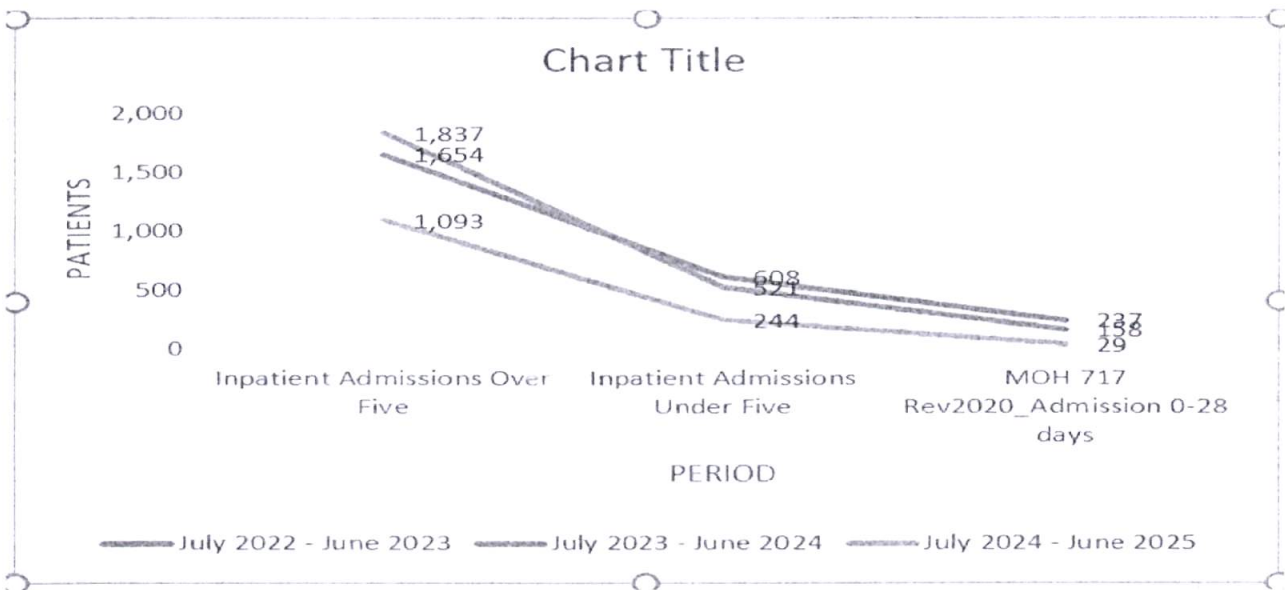
Over five years outpatients are patients who are treated from the age of five year Up to those of age of sixty and above. In the period between July 2022 to June 2023, there were 17,984 female who got services, 19,000 for the period between July 2023 – June 2024 and 8,452 for the period of July 2024

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to June 2025. The number of Male attendances who visited Lamu county referral hospital outpatient department in the period between July-2022 to June-2023 were 11,407 and for the period between July 2023 to June 2024 were 13, 082 and lastly 6,737 in the period of July 2024 to June 2025.

**Inpatient**

Lamu County Referral Hospital			
	Inpatient Admissions Over Five	Inpatient Admissions Under Five	MOH 717 Rev2020_Admission 0-28 days
July 2022 - June 2023	1,654	608	237
July 2023 - June 2024	1,837	521	158
July 2024 - June 2025	1,093	244	29



From July 2022 to June 2023 Lamu county referral hospital had 2499 patients admitted. Over five admissions were 1654, these are patients from male, female, maternity and some from paediatric ward. Under five were 608 mainly from paediatric ward; these are patient from the age of 28 days up to five

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years of age. 237 patients admitted are from NBU ward, these are babies with complication from the of 0 day to 28 days.

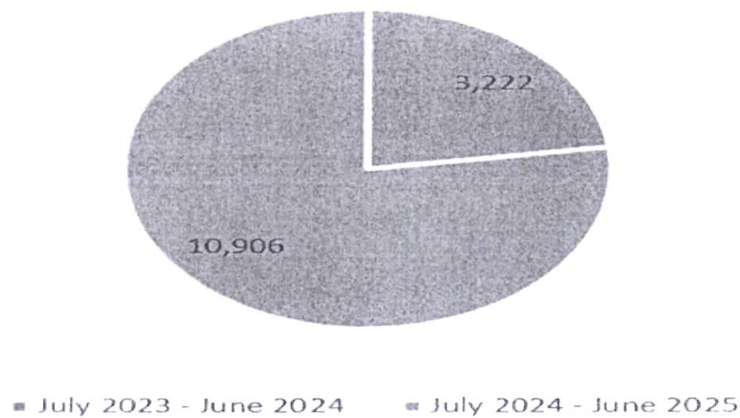
From July 2023 to June 2024 Lamu county referral hospital had 2516 patients admitted. Over five admissions were 1837, these are patients from male, female, maternity and some from paediatric ward. Under five were 521 mainly from paediatric ward; these are patient from the age of 28 days up to five years of age. One hundred and fifty eight patients admitted are from NBU ward, these are babies with complication from 0 day to 28 days.

From July 2024 to June 2025 Lamu county referral hospital had 1366 patients admitted. Over five admission were 1093, these are patients from male, female, maternity and some from paediatric ward. Under five were 244 mainly from paediatric ward; these are patient from the age of 28 days up to five years of age. Twenty-nine patients admitted are from NBU ward, these are babies with complication from the of 0 day to 28 days.

**Accident and Emergency attendance**

<b>Lamu County Referral Hospital</b>	
	<b>OPD Casualty attendance</b>
<b>July 2022 - June 2023</b>	
<b>July 2023 - June 2024</b>	<b>3,222</b>
<b>July 2024 - June 2025</b>	<b>10,906</b>

### OPD Casualty Attendance



In the year, July 2022 to June 2023 there was no data for Accident and emergency attendants, as the former medical record officer used not to capture it in the workload report. July 2023 to June 2024 the attendants were a few compared to July 2024 to June 2025 this is because the department started to capture that data early 2024.

❖ *Specialised clinic attendance*

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	Lamu County Referral Hospital		
	July 2022 - June 2023	July 2023 - June 2024	July 2024 - June 2025
All other special clinics attendance	1,219	1,611	551
ENT Clinic Attendance	1,543	1,944	1,124
Eye Clinic Attendance	3,474	3,205	2,825
MOH 717 Rev2020_Comprehensive Care Clinic (CCC)	1,889	4,368	2,213
MOH 717 Rev2020_Nutrition Clinic	464	517	558
MOH 717 Rev2020_Renal Clinic	158	265	63
Medical Attendance	529	523	491
Obstetrics/Gynaecology Attendance	612	453	601
Orthopaedic Clinic Attendance	934	1,398	573
Paediatrics attendances	20	164	70
Psychiatry Attendance	675	730	870
Surgical Clinics attendances	440	421	401
TB and Leprosy attendance	371	472	700

- *Average length of stay for inpatient.*
- *Bed occupancy rate*
- *Mortality rate*

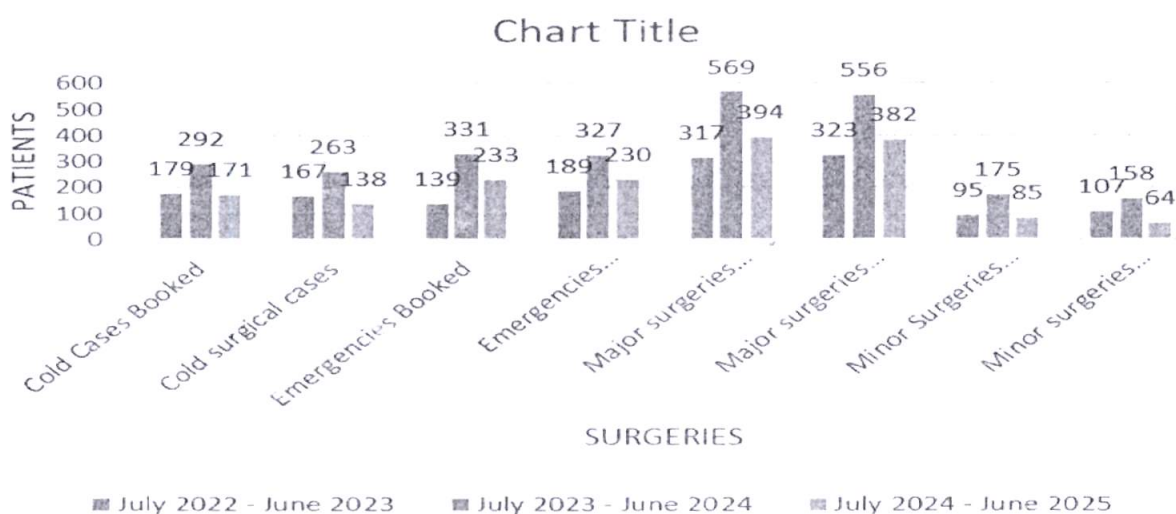
Period	Deaths
July 2022 – June 2023	130
July 2023 – June 2024	103
July 2024 – June 2025	121
<b>TOTAL</b>	<b>354</b>

354 divide by population at risk that is 55,744 multiple by 1000 =6 deaths per 1000 people

❖ *Surgical theatre utilisation (number of operations over a period of time)*

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Lamu County Referral Hospital								
	Cold Cases Booked	Cold surgical cases	Emergencies Booked	Emergencies Operated	Major surgeries Booked	Major surgeries Operated	Minor Surgeries Booked	Minor surgeries operated
July 2022 - June 2023	179	167	139	189	317	323	95	107
July 2023 - June 2024	292	263	331	327	569	556	175	158
July 2024 - June 2025	171	138	233	230	394	382	85	64



## 10. Environmental And Sustainability Reporting

### *i) Sustainability strategy and profile*

The core objective of the hospital is to provide safe, high-quality, patient-centred care. As part of our sustainability plan, the hospital aims to

- ❖ Manage budgets and diversify revenue to stay financially stable.
- ❖ Lobby for more staff and keep skilled staff and ensure their well-being.
- ❖ Streamline processes and using technology to improve service delivery.
- ❖ Continuous improvement of the care quality and using data to guide decisions.
- ❖ partner with development partners and health learning institutions.

We have also implemented a system in the main stores to track commodity consumption. This allows us to predict our consumption patterns and order supplies in a timely manner, thereby avoiding stock outs and ensuring uninterrupted services. The hospital also aims to advocate for the introduction of new departments, such as private wards, additional machines, and services.

### *ii) Environmental performance*

As a hospital, our environmental policy is committed to sustainability, lessening our environmental impact, and fostering health through responsible environmental practices. Our waste management policy includes the following components:

- ❖ **Segregation:** Clearly labelled bins and protocols for separating different types of waste, such as general waste, recyclables, biohazardous waste, sharps, and pharmaceutical waste.
- ❖ **Handling and Storage:** Safe handling practices and designated storage areas for different types of waste to prevent contamination and ensure safety.
- ❖ **Collection and Transportation:** Scheduled and secure collection of waste by trained personnel, ensuring that waste is transported safely to the appropriate disposal or treatment facilities.
- ❖ **Treatment and Disposal:** Proper treatment methods for different waste types, such as incineration for biohazardous waste, autoclaving for infectious waste
- ❖ **Training and Education:** Regular training programs for staff on waste segregation, handling, and safety procedures.
- ❖ **Community and Environmental Impact:** Efforts to minimise the environmental impact of waste through sustainable practices and community engagement.

The primary method of disposal involves using an incinerator. The incinerator is located in a designated area where the waste is weighed, and the quantities are recorded. However, a significant challenge is constant supply of fuel which most of the time leads to accumulation of medical waste. Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

*iii) Employee welfare*

The hiring of staff is done by the County Public Service Board. The healthcare facility initiates the process by writing a request letter addressed to the Chief Officer of Medical Services, seeking additional staff. If the budget permits, the department will then forward this request to the County Public Service Board for the advertisement of vacant positions, conducting interviews, and selecting successful candidates.

In an effort to enhance the skills and expertise of its staff and keep them informed about current regulations in various fields, the facility conducts weekly CME's and also provides opportunities for staff members to attend training sessions. However, there have been concerns raised by staff regarding delayed promotions, which has led to demotivation.

*iv) Market place practices-*

Below are some of the efforts the hospital has deployed to ensure equitable and transparent participation in its procurement process.

- ❖ The hospital enforces strict anti-corruption measures, including transparent procedures, regular audits, and clear channels for reporting unethical behaviour. Employees are trained to recognize and prevent corruption.
- ❖ The hospital avoids political bias and maintains neutrality in its operations. It follows legal guidelines on political contributions and ensures transparency in any political engagements.
- ❖ The hospital competes fairly by prioritizing high-quality care, patient outcomes, and service innovation. It refrains from unfair practices such as price manipulation.
- ❖ The hospital maintains a respectful stance towards other healthcare providers, avoiding negative comparisons and focusing on enhancing its own services and patient care.

- ❖ The hospital maintains good business practices with its suppliers. Upon the supplier's delivery of all items in accordance with the purchase order, an inspection and acceptance committee appointed by the Medical Superintendent conducts an inspection of the delivered items. Once the committee approves the delivered items, the hospital promptly prepares a payment voucher. This payment voucher is then submitted to the accountant for payment.

## **11. Report of The Board of Management**

The board members submit their report together with the audited financial statements for the year that ended June 30, 2025, which show the state of the Lamu County Referral Hospitals Affairs.

### **Principal activities**

The principal activities of the hospital are to provide safe, high quality and patient centred medical care.

### **Results**

The results of the hospital for the period ended June 30 2025 are set out on pages 1 to 8

### **Board of Management**

The members of the Board who served during the year are shown on page VI - VII. There were changes of management during the period as shown below.

<b>Sno</b>	<b>Name</b>	<b>Designation</b>	<b>Period in Office</b>	<b>Replaced By</b>
1	Dr. Nuru Salim	Medical Superintendent	November 2024 to June 2025	Dr. Abdulkadir Omar

### **Auditors**

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

### **By Order of the Board**



.....  
Dr. Abdulkadir Omar.

**Secretary to the Board**

## **12. Statement of Board of Management's Responsibilities**

Section 164 of the Public Finance Management Act, 2012 and the Lamu County Health Facilities Improvement Fund Act 2023 requires the Board of Management to prepare financial statements in respect of that Hospital, which give a true and fair view of the state of affairs of the hospital at the end of the financial year and the operating results of the hospital for that year. The Board of Management is also required to ensure that the hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the hospital. The council members are also responsible for safeguarding the assets of the hospital.


The Board of Management is responsible for the preparation and presentation of the hospital financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial period ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the hospital, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the *hospital*; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

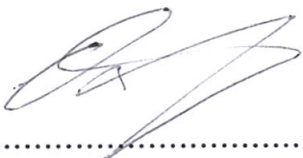
The Board of Management accepts responsibility for the Hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Lamu County Health Facilities Improvement Fund Act 2023. The Board members are of the opinion that the hospital's financial statements give a true and fair view of the state of Hospital's transactions during the financial period ended June 30, 2025, and of the hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital which have been relied upon in the preparation of the hospital's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Board members 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 Lamu County Referral 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 20<sup>th</sup> August 2025 and signed on its behalf by:

  
.....  
**Ms. Amina Kale**  
**Chairperson**  
**Board of Management**

  
.....  
**Dr. Abdulkadir Omar**  
**Medical Superintendent**  
**Lamu County Referral Hospitals**

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## REPORT OF THE AUDITOR-GENERAL ON LAMU COUNTY REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF LAMU

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Lamu County Referral Hospital – County Government Lamu set out on pages 1 to 44, which comprise of the

statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lamu County Referral Hospital – County Government of Lamu as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and comply with the Health Act, 2017 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in the Statement of Financial Performance**

The statement of financial performance reflects revenue and expenditure totalling Kshs.146,035,546 and Kshs.122,154,673 respectively. Review of the statement revealed the following:

- i. The supporting schedule for six (6) revenue and expenditure items reflects unexplained variances in amounts from those reflected in the statement of financial performance as indicated in the table below:

<b>Particulars</b>	<b>Statement of Financial Performance (Kshs)</b>	<b>Supporting Schedules Amount (Kshs)</b>	<b>Unexplained Variance (Kshs)</b>
Transfers from County Government	10,000,000	0	10,000,000
In Kind Contributions from County Government	49,462,885	7,283,404	42,179,481
Medical Service Income	86,572,661	86,099,489	473,172
Employee Costs	40,925,856	5,875,091	35,050,765
Depreciation and Amortization	1,664,777	1,460,978	203,799
General Expenses	34,495,590	26,240,086	8,255,504

- ii. The statement reflects depreciation and amortization expense totalling Kshs.1,664,777 whereas Note 32 to the financial statements reflects Kshs.1,687,421 resulting to unexplained variance of Kshs.22,644.
- iii. The statement reflects total revenue of Kshs.146,035,546 whereas the statement of comparison of budget and actual amounts reflects actual receipts totalling Kshs.96,148,487 resulting to unreconciled variance of Kshs.49,887,059.

In the circumstances, the accuracy and completeness of the statement of financial performance could not be confirmed.

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

The statement of comparison of budget and actual amounts reflects revenue from rendering of services (medical service income) totalling Kshs.86,572,661 while the statement of cash flows reflects a corresponding amount of Kshs.68,107,609 resulting to unexplained variance of Kshs.18,465,052. In addition, the statement of comparison of budget and actual amounts reflects budget carryovers from previous year of Kshs.21,250,666 while the opening cash and cash equivalents balance is Kshs.25,939,803 resulting to unreconciled variance of Kshs.4,689,137.

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

### **1. Inaccuracies in the statement of Financial Position**

The statement of financial position reflects a net assets balance of Kshs.57,685,560. Review of records revealed the following:

#### **i. Unsupported Receivables from Exchange Transactions Balance**

The statement reflects receivables from exchange transactions balance of Kshs.18,630,946 as disclosed in Note 29 to the financial statements. However, the movement schedule indicating the opening balance and claims made in the year against corresponding receipts to arrive at the balance were not provided for audit.

#### **ii. Unsupported Inventories Balance**

The statement reflects inventories balance of Kshs.7,240,238 as disclosed in Note 31 to the financial statements. However, the movement schedule indicating opening balance, purchases and usage of inventory during the year under review was not provided for audit. In addition, no records of expired drugs or their values were also provided for audit.

#### **iii. Unconfirmed Property, Plant and Equipment Balance**

The statement reflects a balance of Kshs.4,295,533 in respect to property, plant and equipment's as disclosed in Note 32 to the financial statements. However, Management did not disclose the value of buildings and the land on which the Hospital is build. In addition, ownership documents including allotment letters and land title deeds were not provided for audit review.

In the circumstances, accuracy and completeness of statement of financial position could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lamu County Referral Hospital – County Government of Lamu Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of

financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Emphasis of Matter**

#### **Budget Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.96,148,487, a 100% utilization of the budget. Similarly, the Hospital spent Kshs.72,691,788 against actual receipts of Kshs.96,148,487 resulting to an under-utilization of Kshs.23,456,699 or 24% of actual receipts.

The under-utilization affected the planned activities and may have impacted negatively on 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. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

#### **Unresolved Prior Year Matters**

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Hospital in 2024/2025 revealed that the following five (5) issues remained unresolved:

<b>No</b>	<b>Financial Year</b>	<b>Audit Issue</b>
1	2023/2024	Inaccurate Income
2	2023/2024	Failure to Remit Thirty Percent (30%) to County Health Services Accounts
3	2023/2024	Inadequate Staffing of Hospital
4	2023/2024	Shortage in bed Capacity
5	2023/2024	Inadequate Hospital Equipment and Machines
6	2023/2024	Inefficiencies in Manual Revenue Collection System

### **Other Information**

The Management are responsible for the Other Information set out on page iii to xxxv which comprise of Key Entity Information and Management, The Board of Management, Key Management Team, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis,

Environmental and Sustainability Reporting, Report of the Board of Management and Statement of Board of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

### Conclusion

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

### Basis for Conclusion

#### 1. Failure to Remit Thirty Percent (30%) to County Health Services Accounts

The statement of financial performance reflects revenue from exchange transactions amounting to Kshs.86,572,661 being income from rendering of medical services. It was however observed that the hospital management did not remit 30% of the revenue to the county health services accounts. This is contrary to section 24 (8) of the Lamu County Health Facility Improvement Financing Act, 2023 which states that except for Level 2 and 3 Hospitals, all other entities shall upon preparing quarterly budgets appropriate thirty percent (30%) of the budget to the County health services accounts to facilitate health management functions, primary health care services, and community health services.

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

#### 2. Role of Hospitals in Universal Health Coverage

##### 2.1 Inadequate Staffing of the Hospital

Review of records provided revealed that the Hospital had forty-one (41) technical staff against the recommended two hundred and nineteen (219) resulting to a deficit of one hundred and seventy-eight staff (178).

##### 2.2 Shortage In Bed Capacity

Records provided for audit indicates the Hospital had a total bed capacity of one hundred (100) instead of the recommended one hundred and fifty (150) beds leading to a shortage of fifty (50) beds or thirty-three percentage (33%).

### **2.3 Inadequate Hospital Equipment and Machines**

It was also observed that the Hospital had one (1) resuscitaire in Labour ward against the recommended two (2) representing fifty percent (50%) deficit. There were no functional ICU or High Dependence Unit (HDU) beds against the recommended six (6) for each of them. This was because the ICU Department was not operational. The Hospital also has four (4) dialysis machines against the recommended five (5) representing twenty percent (20%) deficit.

These deficiencies contravene the first schedule of Health Act, 2017 and imply that accessing the highest attainable standards of health may not be achieved.

### **3. Non-Compliance with Public Sector Accounting Standards Board Financial Reporting Requirements.**

Review of the annual report and financial statements revealed the following:

- i. The management discussion and analysis report on page xxiii reflects expenditure performance amount of Kshs.120,960,329 instead of Kshs.122,154,673 reflected in the statement of financial performance.
- ii. The statement of comparison of budget and actual amounts reflects depreciation expense of Kshs.1,664,777 which has no effect on the cash outflows. The statement also reflects total receipts of Kshs.96,148,487 instead of the recomputed amount of Kshs.117,399,153.
- iii. The receivables amount of Kshs.18,630,946 is reflected both under revenue in Note 11 and receivables in Note 29 to the financial statements erroneously.

In the circumstances, Management did not comply with the Public Sector Accounting Standards Board Financial Reporting Requirements.

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

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

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

## **Basis for Conclusion**

### **Lack of an Internal Audit Function and Audit Committee**

Records provided for audit indicate that the Hospital did not have a functional Internal Audit Department or Audit Committee as at 30 June, 2025. Further, no evidence was provided to show sharing of internal audit function or audit committee with the County Treasury. There was no evidence of audit work done including audit plan/program or internal audit reports.

In the circumstances, the internal controls were inefficient due to lack of an internal audit function.

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

### **Responsibilities of the Management and Board of Management**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Accrual Basis and for maintaining effective internal 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**

**04 December, 2025**

*Lamu County Referral Hospital (Lamu County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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

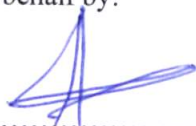
Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	10,000,000.00	-
In-kind contributions from the County Government	7	49,462,885.00	-
Grants from donors and development partners	8	-	-
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
		<b>59,462,885.00</b>	-
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	11	86,572,661.00	41,239,485
Revenue from rent of facilities	12	-	-
Finance /Interest Income	13	-	-
Miscellaneous Income	14	-	-
<b>Revenue from exchange transactions</b>		<b>86,572,661.00</b>	<b>41,239,485</b>
<b>Total revenue</b>		<b>146,035,546.00</b>	<b>41,239,485</b>
<b>Expenses</b>			
Medical/Clinical costs	15	33,585,843.00	10,970,088
Employee costs	16	40,925,856.00	-
Board of Management Expenses	17	120,000.00	87,000
Depreciation and amortization expense	18	1,664,777.00	777,041
Repairs and maintenance	19	11,364,607.00	3,434,416
Grants and subsidies	20	-	-
Transfers	20B	-	18,690,323
General expenses	21	34,493,590.00	7,884,263
Finance costs	22	-	-
<b>Total expenses</b>		<b>122,154,673.00</b>	<b>41,843,131</b>
<b>Other gains/(losses)</b>		-	-

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Description	Note	FY 2024-2025	FY 2023-2024
		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	(424,174)	34,732,513
Impairment loss	26	-	-
Gain on foreign exchange transactions		-	-
<b>Total other gains/(losses)</b>		<b>(424,174)</b>	<b>34,732,513</b>
<b>Net Surplus / (Deficit) for the year</b>		<b>23,456,699</b>	<b>34,128,867</b>

*(The notes set out on pages 9 to 41 form an integral part of the Annual Financial Statements.)*

The Hospital's financial statements were approved by the Board on 20<sup>th</sup> August 2025 and signed on its behalf by:



**Ms. Amina Kale**  
**Chairman**

**Board of Management**



**Mohamed Abbas**  
**Head of Finance**

**ICPAK No: 23585**



**Dr. Abdulkadir Omar**  
**Medical Superintendent**

*Lamu County Referral Hospital (Lamu County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

**15. Statement of Financial Position As At 30<sup>th</sup> June 2025**

Description	Note	FY 2024 -2025	FY 2023-2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	27	19,798,570.00	25,939,803
Prepayments	28		
Receivables from exchange transactions	29	18,630,946.00	-
Receivables from non-exchange transactions	30	11,222,547.00	1222,547
Inventories	31	7,240,238.00	5,075,558
<b>Total Current Assets</b>		<b>56,892,301.00</b>	<b>32,237,907</b>
<b>Non-current assets</b>			
Property, plant, and equipment	32	4,295,533.00	1,990,954
Intangible assets	33	-	-
Investment property	34	-	-
Biological Assets	35	-	-
<b>Total Non-current Assets</b>		<b>4,295,533.00</b>	<b>1,990,954</b>
<b>Total assets (A)</b>		<b>61,187,833.00</b>	<b>34,228,861</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	36	3,502,273.00	-
Refundable deposits from Patients/Prepayments	37	-	-
Provisions	38	-	-
Finance lease obligation	39	-	-
Current portion of deferred income	40	-	-
Current portion of borrowings	41	-	-
<b>Total Current Liabilities</b>		<b>3,502,273.00</b>	<b>-</b>
<b>Non-current liabilities</b>			
Provisions	38	-	-
Non-Current Finance lease obligation	39	-	-
Non-Current portion of deferred income	40	-	-

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Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
Non - Current portion of borrowings	41	-	-
Service concession Arrangements	42	-	-
<b>Total non-current liabilities</b>		-	-
<b>Total Liabilities (B)</b>		<b>3,502,273.00</b>	-
<b>Net assets (A-B)</b>		<b>57,685,560.00</b>	<b>34,228,861</b>
<b>Represented by:</b>			
Revaluation reserve		-	-
Accumulated surplus/Deficit		57,585,566.00	34,128,867
Capital Fund		99,994.00	99,994
<b>Net Assets</b>		<b>57,685,560.00</b>	<b>34,228,861</b>

*(The notes on pages 9 to 10 form an integral part of the Annual Financial Statements.)*

The Hospital's financial statements were approved by the Board on 20<sup>th</sup> August 2025 and signed on its behalf by:



.....  
**Ms. Amina Kale**  
**Chairman**  
**Board of Management**



.....  
**Mr. Mohamed Abbas**  
**Head of Finance**  
**ICPAK No: 23585**



.....  
**Dr. Abdulkadir Omar**  
**Medical Superintendent**

*Lamu County Referral Hospital (Lamu County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
<b>As at July 1, 2023 (previous year)</b>	-	-	<b>99,994.00</b>	<b>99,994.00</b>
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	34,128,867.00	-	34,128,867.00
Capital/Development grants	-	-	-	-
<b>As at June 30, 2024 (previous year)</b>	-	<b>34,128,867.00</b>	<b>99,994.00</b>	<b>34,228,861.00</b>
<b>At July 1, 2024(current year)</b>	-	<b>34,128,867.00</b>	<b>99,994.00</b>	<b>34,228,861.00</b>
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	23,456,699.00	-	23,456,699.00
Capital/Development grants	-	-	-	-
<b>At June 30, 2025 (current year)</b>	-	<b>57,585,566.00</b>	<b>99,994.00</b>	<b>57,685,560.00</b>

*Lamu County Referral Hospital (Lamu County Government)  
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**17. Statement of Cash Flows for The Year Ended 30 June 2025**

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Rendering of services- Medical Service Income		68,107,609.00	41,239,485
Gains/losses		(424,174).00	33,509,966
<b>Total Receipts</b>		<b>67,683,435.00</b>	<b>74,749,450</b>
<b>Payments</b>			
Medical/Clinical costs		33,585,843.00	16,045,644
Board of Management Expenses		120,000.00	87,000
Repairs and maintenance		11,364,697.00	3,434,416
General expenses		19,034,982.00	7,884,263
Transfer to County		0	18,690,323
Employee costs		5,727,235.00	
<b>Total Payments</b>		<b>69,832,667.00</b>	<b>46,141,646</b>
<b>Net cash flows from/(used in) operating activities</b>	41	<b>-2,149,233</b>	<b>28,607,804</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment, & intangible assets	32	3,992,000	2,767,995
<b>Net cash flows from /(used in) investing activities</b>		<b>3,992,000</b>	<b>2,767,995</b>
<b>Net cash flows from /(used in) financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(6,141,233)</b>	<b>25,839,809</b>
Cash and cash equivalents at 1 July	27	25,939,803	99,994
<b>Cash and cash equivalents at June 2025</b>	27	<b>19,798,570</b>	<b>25,939,803</b>

Direct Method

Lamu County Referral Hospital (Lamu County Government)  
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18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	21,250,666	-	21,250,666	21,250,666	-	100%
<b>Receipts</b>						
Transfers from the County Government	-	-	-	-	-	-
Grants from donors and devp partners	10,000,000	-	10,000,000	10,000,000	-	100%
Transfers from other Government entities	-	-	-	-	-	-
Public contributions and donations	-	-	-	-	-	-
Rendering of services- Medical Service Income	86,572,661	-	86,572,661	86,572,661	-	100%
Medical service contracts/gains	(424,174)	-	(424,174)	(424,174)	-	100%
Miscellaneous receipts ( <i>specify</i> )	-	-	-	-	-	-
<b>Total receipts</b>	<b>96,148,487</b>	<b>-</b>	<b>96,148,487</b>	<b>96,148,487</b>	<b>-</b>	<b>100%</b>
<b>Payments</b>						
Medical/Clinical costs	34,554,000	-	34,554,000	33,585,842.90	968,157.10	97%
Employee costs	6,429,334	-	6,429,334	5,727,235	702,099	90%
Board of mgt expenses	170,000	-	170,000	120,000.00	50,000	71%
Repairs and maintenance	11,683,461	-	11,683,461	11,364,607.35	318,853.65	97%
Grants and subsidies	-	-	-	-	-	-
General expenses	24,650,850	-	24,650,850	20,229,325.50	4,421,524.50	82%
Depreciation	-	-	-	1,664,777.00	-	100%
Refunds	-	-	-	-	-	%
<b>Total Operational Expenditure paid</b>	<b>77,487,645</b>	<b>-</b>	<b>77,487,645</b>	<b>72,691,787.75</b>	<b>4,795,857.25</b>	<b>93%</b>
<b>Capital Expenditure paid</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,456,699.25</b>	<b>-</b>	<b>-</b>

## **19. Notes to the Financial Statements**

### **1. General Information**

Lamu County Referral Hospital under FIF is established by and derives its authority and accountability from Lamu County Health Facility Improvement Financing Act 2023. The entity is wholly owned by the Lamu County Government and is domiciled in Lamu County in Kenya. The entity's principal activity is to provide medical care for Lamu Residents.

### **2. Statement of Compliance and Basis of Preparation**

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

**3. Adoption of New and Revised Standards**

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

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

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

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></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><b><i>Applicable 1<sup>st</sup> January 2025</i></b></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>
	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that</p>

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Standard	Effective date and impact:
	<p>satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></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>

Standard	Effective date and impact:
IPSAS 48- Transfer Expenses	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>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.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1<sup>st</sup> January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ol>

*iii) Early adoption of standards*

The Lamu County Referral Hospital 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 *hospital* 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 hospital 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.

**b. Budget information**

The original budget for FY 2024/2025 was approved by Board as per the minutes record. 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 hospital upon receiving the respective approvals in order to conclude the final budget. The budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

**c. Taxes**

**Sales tax/ Value Added Tax**

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

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*Notes to the Financial Statements (Continued)*

- When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d. 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 (Continued)*

**f. Leases**

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

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

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Hospital 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 Hospital. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**g. Intangible assets**

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

*Notes to the Financial Statements (Continued)*

**h. Biological Assets**

The Hospital recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

**i. Research and development costs**

The Hospital 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.

**j. 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. *The hospital does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the hospitals financial statements.*

### **Notes to the Financial Statements (Continued)**

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

### **Financial assets**

#### **Classification of financial assets**

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

#### **Subsequent measurement**

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

#### **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

**Notes to the Financial Statements (Continued)**

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.

**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 hospital 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.

**Financial liabilities**

**Classification**

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

**Notes to the Financial Statements (Continued)**

**k. 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.

**l. Provisions**

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

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

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

*Notes to the Financial Statements (Continued)*

**m. 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 Hospital 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.

**n. Contingent liabilities**

The Hospital 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.

**o. Contingent assets**

The Hospital 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 Hospital 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.

**p. Nature and purpose of reserves**

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

**q. Changes in accounting policies and estimates**

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

*Notes to the Financial Statements (Continued)*

**r. Employee benefits**

**Retirement benefit plans**

The Hospital 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.

**s. Foreign currency transactions**

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

**t. 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.

**u. Related parties**

**Notes to Financial Statements Continued**

The Hospital 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 *Hospital*, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO/principal and senior managers.

**v. Service concession arrangements**

The Hospital 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 *Hospital* 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 *Hospital* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**w. 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.

**x. Comparative figures**

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

**y. Subsequent events**

## **Notes to Financial Statements Continued**

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

### **4. 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. 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**

**5. Transfers from the County Government**

Description	FY 2024/2025	FY 2023/2024
<b>Unconditional grants</b>		
Operational grant	-	-
<b>Conditional grants</b>		
<b>Total government grants and subsidies</b>	-	-

**6 a Transfers from The County Government**

Name of the Entity sending the grant	Amount recognized to Statement of financial performance KShs	Amount deferred to deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	Comparative Period KShs
Icu grant	10,000,000	-	-	10,000,000	-
<b>Total</b>	<b>10,000,000</b>	<b>-</b>	<b>-</b>	<b>10,000,000</b>	<b>-</b>

**7. In Kind Contributions from The County Government**

Description	FY 2024/2025	FY 2024/2025
	KShs	KShs
Salaries and wages	35,198,621.00	-
Electricity bill	7,995,646.75.00	-
Electrical transfermer	6,268,617.25.00	-
<b>Total grants in kind</b>	<b>49,462,885.00</b>	<b>-</b>

**8. Grants From Donors and Development Partners**

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
<b>Total grants from development partners</b>	<b>-</b>	<b>-</b>

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

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. KShs	Total grant income during the year KShs	Comparative Period KShs
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Notes to Financial Statements Continued

**9. Transfers From Other Government Entities**

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Total Transfers	-	-

**10. Public Contributions and Donations**

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Total donations and sponsorships	-	-

**10 (a) Reconciliations of amortised grants**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Balance unspent at beginning of year	-	-
Conditions to be met – remain liabilities	-	-

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Pharmaceuticals	6,153,533	1,424,385
Non-Pharmaceuticals	71,650	243,900
Laboratory	2,884,200	1,150,695
Radiology	3,497,250	1,162,520
Orthopedic and Trauma Technology	206,480	99,950
Theatre	-	112,200
Renal	185,600	551,800
Medical Examination	221,400	-
Ear Nose and Throat service	-	14,420
Mortuary	2,500	-
Incinerator services	-	9,600
Dental services	658,850	177,800
Consultation	2,196,988	1,580,920
Ward admission	4,476,110	6,405,619
Farewell home services	-	13,500
Other medical services	597,484	28,263,676
Corporate collection	507,220	28500
SHA	28,216,307	-
CIC insurance	6,629,953	-
Nhif claims	11,289,720	-
Receivables	18,630,946	-
Cheque	146,430	-
<b>Total revenue from the rendering of services</b>	<b>86,572,661</b>	<b>41,239,485</b>

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Total Revenue from rent of facilities	-	-

13. Finance /Interest Income

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Total finance income	-	-

14. Miscellaneous Income

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Total Miscellaneous income	-	-

15. Medical/ Clinical Costs

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Laboratory chemicals and reagents	7,804,855.35	3,800,113
Dressing and Non-Pharmaceuticals	12,247,230	1,642,038
Pharmaceutical supplies	13,533,757.55	5,527,938
<b>Total medical/ clinical costs</b>	<b>33,585,842.90</b>	<b>10,970,088</b>

15 b) Medical/ Clinical Costs

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Total medical clinical cost	33,585,842.90	10,970,088
Add: Cost closing inventory of the non - pharmaceuticals	2,164,680.85	5,075,557
<b>Total medical/ clinical costs for cashflow</b>	<b>35,750,523.75</b>	<b>16,045,644</b>

16. Employee Costs

Description	FY 2024/2025	FY 2023/2025
	Kshs	Kshs
Contractual services	4,570,235.00	-
Casuals	1,157,000	-
County salary payment	35,198,621	-
<b>Employee costs</b>	<b>40,925,856</b>	<b>-</b>

Notes to the Financial Statements (Continued)

**17. Board of Management Expenses**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Sitting allowance	120,000	87,000
<b>Total</b>	<b>120,000</b>	<b>87,000</b>

**18. Depreciation and Amortization Expense**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Depreciation for the year	1,664,777	777,041
<b>Total depreciation and amortization</b>	<b>1,664,777</b>	<b>777,041</b>

**19. Repairs And Maintenance**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Property- Buildings	5,285,909.75	2,913,066
Maintenance of plants and machineries	2,880,572.60	221,400
Repair of machines	3,149,885.00	299,950
Maintenance of computers	48,240	-
<b>Total repairs and maintenance</b>	<b>11,364,607.35</b>	<b>3,434,416</b>

**20. Grants And Subsidies**

Description	FY 2024/2025	FY 2023/2025
	Kshs	Kshs
<b>Total grants and subsidies</b>	<b>-</b>	<b>-</b>

**20b) transfers**

Description	FY 2024/2025	FY 2023/2025
	Kshs	Kshs
Transfers to County Revenue account	-	18,690,323
<b>Total grants and subsidies</b>	<b>-</b>	<b>18,690,323</b>

**Notes to the Financial Statements (Continued)**

**21. General Expenses**

Description	2024/2025	2023/2024
	Kshs	Kshs
Purchase of household items	65,520	192,110
Catering expenses	86,185	83,490
Telephone and mobile phones services	571,988	270,931
Sanitary and cleaning materials	181,835	336,425
Bank charges	91,395	127,056
Purchase of medical and dental items	148,300	467,200
Food and ratio	6,049,765	899,110
Purchase of uniforms	229,960	-
Electricity expenses	15,264,264.15	1,396,000
Fuel and Lubricants	3,599,675	999,990
Licenses and permits	118,430	-
Daily subsistence allowance	1,626,350	613,410
Travel and accommodation allowance	658,200	28,768
Membership fees	-	83,000
Fuel and others	719,855	-
Courier and postal services	863,700	315,810
General office supplies	543,005	635,243
Publishing and printing service	178,576	540,650
Other operating expenses	396,025	174,720
Purchase of ict and networking communication equipments	521,005	-
Supplies and accessories for computers and printers	1,144,189	554,350
Internet expenses	28,123	-
Tuition fees	212,900	150,000
<b>Total General Expenses</b>	<b>33,299,245.65</b>	<b>7,868,263</b>

For Cashflow presentation below is the presentation of general expenses

<b>Total general expenses</b>	<b>33,299,245.65</b>	<b>-</b>
<b>less: in -kind contribution (utility)</b>	<b>14,264,264.15</b>	<b>-</b>
<b>Total general expenses</b>	<b>19,034,981.50</b>	<b>-</b>

**Notes to the Financial Statements (Continued)**

**22. Finance Costs**

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
<b>Total finance costs</b>	-	-

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

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
<b>Total gain on sale of assets</b>	-	-

**24. Unrealized Gain On Fair Value Investments**

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Investments at fair value	-	-
<b>Total gain</b>	-	-

**25. Medical Services Contracts Gains /Losses**

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Comprehensive care contracts with NHIF/SHA	1,111,801	36,268,488
Non- Comprehensive contracts care with NHIF/SHA	-	-
Linda Mama Program	-	-
Waivers and Exemptions	(1,535,975)	(1,535,975)
<b>Total Gain/Loss</b>	<b>(424,174)</b>	<b>34,732,513</b>

**25 b) medical services contracts gains / losses**

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Total gain from medical service contracts	-	34,732,513
Less: increase in receivables from NHIF Capitation	(1,222,547)	(1,222,547)
<b>Total Cashflow Gain from medical service contracts</b>	<b>(1,222,547)</b>	<b>33,509,966</b>

**Notes to the Financial Statements (Continued)**

**26. Impairment Loss**

Description	FY 2024/2025		FY 2023/2024	
	KShs		KShs	
<b>Total impairment loss</b>	-		-	

**27. Cash And Cash Equivalents**

Description	FY 2024/2025		FY 2023/2024	
	KShs		KShs	
Current accounts	19,798,569.90		25,939,558	
Mpesa paybill			245	
<b>Total cash and cash equivalents</b>	<b>19,798,569.90</b>		<b>25,939,803</b>	

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

Description	Financial Institution	FY 2024/2025		FY 2023/2024	
		KShs		KShs	
<b>a) Current account</b>					
Kenya Commercial bank – operation account	1324744847	3,167,492		4,688,893	
Kenya commercial bank – revenue account	1211409341	16,631,077		21,250,666	
Mpesa paybill		-		245	
<b>Grand total</b>		<b>19,798,569.90</b>		<b>25,939,803</b>	

**28. Prepayments**

Description	FY 2024/2025		FY 2023/2024	
	KShs		KShs	
<b>Total</b>	-		-	

**29. Receivables From Exchange Transactions**

Description	FY 2024/2025		FY 2023/2024	
	KShs		KShs	
Cic insurance	6,481,908		-	
SHA	10,020,138		-	
NHIF	2,128,900		-	
<b>Total receivables</b>	<b>18,630,946</b>		-	

**Notes to the Financial Statements (Continued)**

**Analysis of Receivables From Exchange Transactions**

	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	18,630,946	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total (a+b)</b>	-	%	-	%

**30. Receivables From Non-Exchange Transactions**

Description		
Nhif capitation	1,222,547	1,222,547
Grants receivables	10,000,000	-
<b>Total</b>	<b>11,222,547</b>	<b>1,222,547</b>

**Analysis of Receivables From Non-Exchange Transactions**

	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	10,000,000	%	-	%
Between 1- 2 years	1,222,547	%	1,222,547	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total (a+b)</b>	<b>11,222,547</b>	<b>%</b>	<b>1,222,547</b>	<b>%</b>

**31. Inventories**

Description		
Medical drugs	7,240,237.85	5,075,557
<b>Total</b>	<b>7,240,237.85</b>	<b>5,075,557</b>

Notes to the Financial Statements (Continued)

32. Property, Plant and Equipment

Description	Furniture and fittings	Computers and ICT equipments	Portable and attractive items	Plant and machinery	Medical equipments	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Cost</b>						
As at 1st July 2024	304,900	1,052,860	579,535	299,700	531,000	2,767,995
Additions during the year	1,641,260.00	1,398,240	376,700	575,800		3,992,000
Disposals during the year	-	-	-	-	-	0
Transfers/adjustments during the year	-	-	-	-	-	0
<b>As at 30th June 2025</b>	<b>1,946,160.00</b>	<b>2,451,100</b>	<b>956,235</b>	<b>875,500</b>	<b>531,000</b>	<b>6,759,995</b>
<b>Depreciation and impairment</b>						
As at 1st July 2024	38,113	315,858	173,861	89,910	159,300	777,042
Depreciation for the year	243,270.00	735,330	286,871	262,650	159,300	1,687,421
Disposals	-	-	-	-	-	0
Impairment	-	-	-	-	-	0
<b>As at 30th June 2025</b>	<b>281,383.00</b>	<b>1,051,188</b>	<b>460,732</b>	<b>352,560</b>	<b>318,600</b>	<b>2,464,463</b>
<b>Net book values</b>						
As at 30th June 2025	1,664,777.00	1,399,912	495,504	522,940	212,400	4,295,533

Notes to the Financial Statements (Continued)

**33. Intangible Assets-Software**

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Cost		
NBV	-	-

**34. Investment Property**

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
At end of the year	-	-

**35. Biological Assets**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Total	-	-

**36. Trade and other Payables**

Description	FY 2024/2025		Period ended 30 <sup>th</sup> June 2024	
	KShs		KShs	
Trade payables	3,502,273			
<b>Total trade and other payables</b>	<b>3,502,273</b>			
<b>Ageing analysis:</b>	<b>Period ended 30<sup>th</sup> June 2025</b>	<b>% of the Total</b>	<b>Period ended 30<sup>th</sup> June 2024</b>	<b>% of the total</b>
Under one year	3,502,273	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	<b>3,502,273</b>	<b>%</b>	<b>-</b>	<b>%</b>

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Notes to the Financial Statements (Continued)

37. Refundable Deposits from Customers/Patients

Description	2025	2024
	KShs	KShs
Total deposits	-	-
Ageing analysis:		
	Period ended 30 <sup>th</sup> June 2025	% of the Total
	Period ended 30 <sup>th</sup> June 2024	% of the Total
Total	-	-

38. Provisions

Description	Lease provision	Health provision	Other provision	Total
	KShs	KShs	KShs	KShs
Total Provisions	-	-	-	-

39. Finance Lease Obligation

	2025	2024
	Kshs	Kshs
Total	-	-

40. Deferred Income

Description	2025	2024
	KShs	KShs
Total	-	-

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

	2025	2024
	KShs	KShs
Balance C/F	-	-

**Notes to the Financial Statements (Continued)**

**41. Borrowings**

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
<b>Balance at end of the period</b>	-	-

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

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
<b>Total</b>	-	-

**42. Service Concession Arrangements**

Description	FY 2024/2025	FY 2023/2024
	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	=	=

**43. Cash Generated from Operations**

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Surplus for the year before tax	24,651,043.10	32,934,523
<b>Adjusted for:</b>		
Depreciation	1,664,777.00	777,041
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	2,142,035.85	(5,075,557)
Increase in receivables	28,630,946	(1,222,547)
Increase in deferred income	-	-
Increase in payables	2,307,929.00	1,194,344
Increase in payments received in advance	-	-
<b>Net cash flow from operating activities</b>	<b>2,149,232.75</b>	<b>28,607,804</b>

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Net cash flow from operating activities	2,149,232.75	28,607,804
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**Notes to the Financial Statements (Continued)**

**44. Financial Risk Management**

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2024 (previous year)</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	11,222,547	11,222,547	-	-
Bank balances	25,939,803	25,939,803	-	-
<b>Total</b>	<b>27,162,350</b>	<b>27,162,350</b>	-	-
<b>At 30 June 2025 (current year)</b>				
Receivables from exchange transactions	18,630,946	18,630,946	-	-
Receivables from –non-exchange transactions	10,000,000	10,000,000	-	-
Bank balances	19,798,570	19,798,570	-	-
<b>Total</b>	<b>48,429,516</b>	<b>48,429,516</b>	-	-

*(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)*

**Notes to the Financial Statements (Continued)**

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The 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 hospital's short, medium and long-term funding and liquidity management requirements. The hospital 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
<b>At 30 June 2024</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2025</b>				
Trade payables	-	-	2,307,929	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	<b>2,307,929</b>	-

**Notes to the Financial Statements (Continued)**

**(iii) Market risk**

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

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

**a) Foreign currency risk**

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

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

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

Notes to the Financial Statements (Continued)

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

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
<b>20XX (previous year)</b>			
Euro	10%	-	-
USD	10%	-	-
<b>20XX (current year)</b>			
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

**Notes to the Financial Statements (Continued)**

exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (20xx: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs xxx (20xx – KShs xxx).

**iv) Capital Risk Management**

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

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	58,779,910	34,128,867
Capital reserve	99,994	99,994
<b>Total funds</b>	<b>58,879,904</b>	<b>34,228,861</b>
Total borrowings	-	-
Less: cash and bank balances	(25,939,803)	(25,939,803)
Net debt/ ( <i>excess cash and cash equivalents</i> )	32,940,101	8,289,058
<b>Gearing</b>	<b>56%</b>	<b>24%</b>

**45. 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.

Lamu 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

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Notes to the Financial Statements (Continued)

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Capitation from NHIF</b>		
Medical services contracts gain	(424,174)	36,268,488
<b>Total</b>	<b>(424,174)</b>	<b>36,268,488</b>
<b>b) Grants from the Government</b>		
Grants from County Government	59,462,885	-
Grants from the National Government Entities	-	-
Donations in kind	-	-
<b>Total</b>	<b>59,462,885</b>	<b>-</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees	5,727,235	-
Payments for goods and services	82,638,256.40	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>d) Key management compensation</b>		
Sitting allowance	120,000	87,000
<b>Total</b>	<b>147,948,376.40</b>	<b>87,000</b>

**46. Segment Information**

*The Hospital operates only at the Lamu County Referral Hospital Buildings in Amu Island.*

**47. Contingent Liabilities**

Contingent liabilities	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>Total</b>	<b>-</b>	<b>-</b>

**20. Appendices**

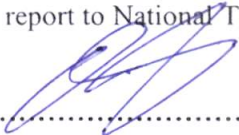
**Appendix 1: Progress on Follow Up of Auditor Recommendations**

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)
	Revenue automation	The revenue automation system has started	resolved	
	Transfer of 30% as per the FIF Act	The act is in the process of amendment to 5% transfer. The process has been initiated	Not resolved	

**Guidance Notes:**

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

.....  


**Dr. Abdulkadir Omar**  
**Medical Superintendent**

Notes to the Financial Statements (Continued)

**48. Capital Commitments**

Capital Commitments	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
<b>Total</b>	-	-

**49. Events after the Reporting Period**

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

**50. Ultimate and Holding Entity**

The Lamu County Referral Hospital under FIF is a semi – Autonomous Government Agency under the Department of Medical. Its ultimate parent is the County Government of Lamu.

**51. Currency**

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

**Appendix II: Projects Implemented by The Hospital**

**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**

*(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)*

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

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**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 <sup>th</sup> June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					


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

**Head of Accounts Department - Disbursing Entity:**

Name Mohamed Abbas Sign  .....

Date 29/08/2025 .....

**Head of Accounts Department - Beneficiary Entity:**

Name D. Abdulkadir Omer Sign  .....

Date 29/08/2025 .....

**Appendix IV Reporting of Climate Relevant Expenditures**

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source Of Funds	Implementing Partners
				Q 1	Q 2	Q 3	Q 4		

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**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