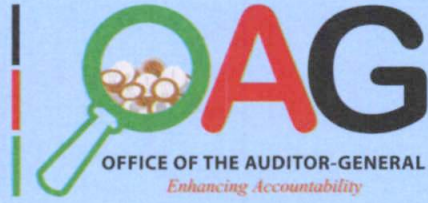


REPUBLIC OF KENYA



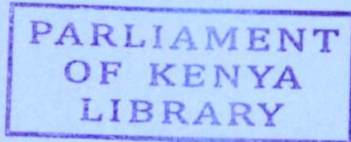
REPORT

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THE AUDITOR-GENERAL



ON

KARUNGU SUB-COUNTY HOSPITAL

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

MIGORI COUNTY GOVERNMENT

202



**KARUNGU SUB COUNTY HOSPITAL
MIGORI COUNTY GOVERNMENT**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

I.	Table of Contents	
1.	Acronyms & Glossary of Terms	ii
2.	Key Entity Information and Management	iii
3.	The Board of Management	v
4.	Key Management Team	vii
5.	Chairman’s Statement	viii
6.	Report of The Medical Superintendent	ix
7.	Statement of Performance Against Predetermined Objectives	x
8.	Corporate Governance Statement.....	xii
9.	Management Discussion and Analysis.....	xiv
10.	Environmental And Sustainability Reporting.....	xvi
11.	Report of The Board of Management	xviii
12.	Statement of Board of Management’s Responsibilities.....	xix
13.	Report of the Office of the Auditor General	xxi
14.	Statement Of Financial Performance For The Year Ended 30 th June 2025.....	1
15.	Statement Of Financial Position As At 30 th June 2025	2
16.	Statement Of Changes In Net Asset For The Year Ended 30 th June 2025	3
17.	Statement Of Cash Flows For The Year Ended 30 th June 2025	4
18.	Statement Of Comparison Of Budget And Actual Amounts For Year Ended 30 th June 2025.....	5
19.	Notes to the Financial Statements.....	7
20.	Appendices.....	31

Karungu Sub County Hospital (Migori County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

(a) Background information

Karungu Sub County Hospital is a level (4) hospital established and is domiciled in Migori County under the Health Medical Service Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The Vision of the hospital is to have a nationally and internationally competitive productive and healthy county

Mission: To provide integrated responsive and high-quality client centered promotive, preventive, supportive and rehabilitative health care services that is evidenced and technologically driven to the people of Migori County.

(c) Key Management

The hospital's management is under the following key organs:
 County department of health-Chief Officer Medical Services
 Medical Superintendent
 Board of Management
 Accountant
 Hospital departmental Heads

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Lynda Achieng Singer
2.	Head of Supply Chain	Kenas Odongo
3.	Head of Accounts	Stephen Nyainda

(e) Fiduciary Oversight Arrangements

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

Key Entity Information and Management (continued)

- Parliamentary committees
- Other oversight committees

(f) Entity Headquarters

P.O. Box 44-40401,
Karungu, Kenya

(g) Entity Contacts

Telephone: (+254) 714946999

(h) Entity Bankers

KCB
A/C No, 1318279194
A/C No, 1158858418






(i) Independent Auditors

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




**(j) Principal Legal Adviser
County Attorney**

P.O. Box. 202
MIGORI, Kenya




3. The Board of Management

Ref	Directors	Details
1.	Chair Person 	Name: Kepha Wycklife Otieno The Title: The hospital chairperson Age : 30yrs Academic Qualification: Degree in environment science with IT Work Experience: <ul style="list-style-type: none"> • RVVA, SETs And PO: Nyatike for One year • EIA Associate Expert- From 2022 to Date • BOM Teacher for 3 Years • On-Call-Enumerator for International Organization for Migration from June 2023 to Date
2.	MEDSUP-Secretary 	Name: Lyda Singer The Title: Secretary Age : 35 yrs. Academic Qualification: Diploma in clinical medicine and surgery Work Experience: Has more than 6 years as Hospital Medical Superintendent A registered Clinical Officer with more than 6 years of practice
3.		Name: Kennedy Owidhi Level of Education: Degree in Education Arts Work Experience 1.School management 16yrs 2. Dispensary chair for 6yrs Age 48yrs
4.		Name: Omondi Kenneth Joel. Age:27 Academic qualification: Degree Medical Laboratory science. Experience: Research Assistant: Mama Lucy Kibaki hospital 2021-2022
5.		Name: Kephias Ochola Age -35 Qualifications-O Levels Experience: Former affirmative Board Member Migori County (4 Years)

Karungu Sub County Hospital (Migori County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

6.		<p>Name: Nelly Agwanda Age 47 Work experience: Worked for LVCT -Kenya for 4 Years Level Of Education: O Level</p>
7.		<p>Name: Esther Nyasaya Age: 38yrs Education: diploma in health therapy Work experience: worked as a mobilizer during deworming. 10 years' work experience as a board member for hospitals.</p>
8.		<p>Name: Phoebe Atieno Opiyo Age:42 Qualifications: Post Primary Work Experience: Worked as revenue officer for more than five years</p>

4. Key Management Team

Ref	Management	Details
1.	<p>MED SUP - Lynda Singer</p>  <p>Diploma in clinical medicine and surgery</p>	<p>Work Experience Has more than 6 years as Hospital Medical Superintendent A registered Clinical Officer with more than 6 years of practice</p> <p>-Co-Ordinate the general Function of the Hospital</p> <ul style="list-style-type: none"> - Clinical, nursing, medical and referral Functions - Procurement and Accounting - Diagnostic Functions - Staff relations and Disciplines <p>Patients Welfare - The secretary to the facility board</p>
2.	<p>Pharmacy in charge - Erick Sospeter</p>  <p>Diploma in Pharmacy</p>	<p>Work Experience: Registered Pharmacist with more than five years of practice</p> <p>Functions</p> <ul style="list-style-type: none"> -timely ordering of pharmaceuticals and non-pharmaceuticals, storage and appropriate use -controls and manages use of commodities <p>-compile monthly rely commodity report etc</p>
3.	<p>Laboratory in charge - George Ojwang</p>  <p>Diploma in medical laboratory science</p>	<p>Work Experience More than 6 years as a lab technician</p> <p>Functions</p> <ul style="list-style-type: none"> -Laboratory in-charge -Ensures smooth running of laboratory services

5. Chairman’s Statement

I am much humble to openly present the financial statement for Karungu Sub- County Hospital for the fiscal year ending on 30th June 2025.

First,i express my sincere appreciation and extend my heartfelt gratitude to the county government of Migori for timely response during any urgent need and for construction of modern ablution bloc and OPD renovation.

Karungu Sub- County Hospital has impressively demonstrated passion patient care, mutual resilience and adaptability amidst challenging and rewarding prevalence’s i.e. inadequate staffs, shortage of some drugs, inadequate infrastructures and economic fluctuations. Despite all the challenges we have successfully managed to strategize and achieve our convectional desires courtesy of our loyal supporters and hardworking staffs.

Always, we shall remain much focused on making more improvements and providing exceptional services to our patients aiming to attain the highest and acceptable standards of medical value as stipulated in our mission and vision. Also, the dedication of the staffs, effective management by BOM, continuous support by loyal stakeholders and partners are indeed engines towards our achievement and success.

Going forward, we are committed to sustain positive record and purse more opportunities for facility growth and development. Our primary goal alongside strategic initiative will continue to prioritize equity and equality patient care, operational efficiency, more creativity works and innovations.

Sincerely,



.....
Name: Kepha Wickliffe

Chairman to the Board

6. Report of The Medical Superintendent

This financial year ending on 30th June 2025 has demonstrated committed approach in managing its resources despite many challenges, the performance mainly reflects hospital budgeting and expenditure aimed at making operational and patient care effectively.

In this period, the hospital management has ensured that county government get the revenue through patient services in all the departments which has increased tremendously due to introduction of SHA in the country all thanks to both the county government and the country at large.

In that period the county government managed to allocate funds to the hospital which was aligned with strategic priorities of the hospital including renovation of depleted building, construction of an ablution block, purchasing of the already depleted commodities like non pharmaceutical, repair of the equipment, cleaning materials, food for patients, tea for the staffs, laboratory reagents stationeries among others, which as enabled smooth running of the hospital.

Despite the above, the hospital has encountered several challenges through the financial year including inadequate provision of enough funds and other drugs, however, through targeted interventions and effective resource management, we have managed to achieve service delivery to our patients well.

Looking ahead we are focused in sustaining our financial stability while giving quality care to our patients we anticipate continued effort to maintain our financial status as we seek additional frequent funds from the county government to support our objectives as a hospital.

I would wish to express my sincere gratitude to the county government of Migori for their tremendous support, board members, the community, the entire Karungu sub county hospital staffs, for the support, dedication, hard work and contribution towards improving our hospital goals.



.....
Name: Lynda Singer
Secretary to the Board

Karungu Sub County Hospital (Migori County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

7. Statement of Performance Against Predetermined Objectives

Karungu Sub County Hospital has *three major* strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2024/25. These strategic pillars/ themes/ issues are as follows;

Pillar /theme/issue 1: Planning and administrative support services

Pillar/theme/issue 2: Preventive and promotive health services

Pillar/theme/issue 3 Curative, rehabilitative and referral services

Karungu Sub County Hospital develops its annual work plans based on the above 3 pillars/Themes/Issues.

Annual Performance Targets and Achievements

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Planning and administrative support services	To ensure efficient and effective well-coordinated health services	No Of health policies developed	Developing Annual work plans.	One annual work plan developed
		No. of Annual Work Plans developed		
	To increase, develop, retain and motivate health personnel	No. of Strategic plans developed	Conducting performance reviews	Biannual and annual review conducted
	To construct, expand, maintain and improve health infrastructure	% of performance reviews conducted		
	To accelerate scale up of Universal Health Coverage	% quarterly support supervision conducted		
	% quarterly data quality audits conducted			
		% of Health Information tools printed and distributed		
Preventive and promotive health services	To reduce the burden of preventable diseases and promote healthy lifestyles among communities	% of hospitals supplied with Pharmaceuticals	Supplying the hospital with pharmaceuticals, non-pharmaceuticals, laboratory	Karungu sub county hospital was supplied with medical drugs non pharmaceuticals , laboratory
		% of hospitals supplied with non-pharmaceuticals		
	To reduce maternal and new-born mortality	% of hospitals supplied with Laboratory Reagents		
	To increase community health			

Karungu Sub County Hospital (Migori County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

	<p>units to cover 100% of the county villages</p> <p>To improve coverage of facilities offering adolescent and youth friendly service</p> <p>To implement a robust and multisectoral approach in preventing and managing Covid 19 pandemic</p>	<p>% of hospitals supplied with Vaccines and sera</p> <p>% of hospitals supplied with medical equipment</p> <p>% of hospitals supplied with patient food and rations.</p>	<p>reagents and vaccines.</p>	<p>reagents and vaccines.</p>
<p>Curative, rehabilitative and referral services</p>	<p>To provide affordable curative, rehabilitative and referral services</p> <p>To improve access to essential health products and technologies</p>	<p>% of functional ambulances available for referral</p> <p>% of specialized services provided at primary health facilities</p>	<p>Functioning ambulance on referrals.</p>	<p>1 ambulance available for referrals.</p>

Karungu Sub County Hospital (Migori County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

8. Corporate Governance Statement

During the Financial Year 2024/25 the Board Member held quarterly meetings to discuss the performance of the hospital. Consequently, the meetings were convened every time the facility receive funds from Migori Health Services Fund Board to discuss and see the areas which need urgent funding so that facility to continue operating normally. These meetings were held in the medical superintendent boardroom. The Board members also were taken through the previous financial audit review report for the period 2024/25 where a discussion was made.

Consequently, board members training was carried towards the end of the financial year on various matters pertaining to health and the new health insurance cover that has been adopted by the hospital and how it might affect the operation of the facility. The hospital board are appointed by the Chief Executive Officer- Health who are then gazetted in the Kenyan Gazette. For the new members, a mandatory induction is done to them so that they can be a par with various regulations and operations of health as a sector. The board are entitled to a sitting allowance and various transport and lunch reimbursement anytime they sit.

The Roles and Functions of The Board Members

- i. Responsibility for patient care and the overall quality of service in the hospital by demonstrating leadership in determining priorities for the hospital that is consistent with the available resources.
- ii. Provision of general oversight for the general operations and management of the hospital.
- iii. Represent community interests in resource allocation and planning within the hospital.
- iv. Health promotion agents to the hospital catchments population on behalf of the hospital.
- v. Articulate and represent local community interests on health matters in local development forums.
- vi. Facilitate feedback process to the community pertaining to the operations and management of the hospital.
- i. Mobilize community resources towards the development of health services within the hospital.

Ethics and Conduct of Board Members

The code of ethics outlines the principles and standards that guide the conduct of the board members in overseeing the hospital operations. Some of these principles include:

- Commitment to the hospital Mission and Vision ensuring that all the action plans and decisions are in line with the achievement of the later.
- Integrity and Accountability: This is where the hospital board members are required to operate with utmost honesty and transparency while making financial decisions of the hospital.
- Confidentiality: This is where the hospital board members are required to respect the patients and staff confidentiality and safeguard sensitive information from unauthorized disclosure.
- Conflict of Interest: This is where the board members are required to disclose any potential conflicts of interest and recuse oneself from related decision making.
- Compliance With Laws and Regulations: The hospital board members are required to comply with the hospital governing laws and regulations.
- Respect and Fairness: The hospital board members are required to respect one another's decision and to treat one with utmost respect, fairness and dignity.
- Ethical decision Making: The hospital board Members are encouraged and required to prioritize on issues which are geared towards the improvement of patients' wellbeing as opposed to personal interest.
- Financial Stewardship: The hospital board members are required to oversee the hospital financial health with diligence, ensuring resources are used effectively and responsibly to advance the hospital mission.
- Collaboration and Communication: Hospital board members are encouraged to work collaboratively with one another to ensure that best decisions are arrived at.

9. Management Discussion and Analysis

Karungu Sub County Hospital registered a total of Ksh. 14, 656, 006 (Fourteen Million Six Hundred and Fifty Six Thousand and Six) as the revenue for financial year 2024/25. This resulted to a Ksh. 10,976,721 increases in revenue collected for the year compared to the Fy 2023/24. This was majorly attributed by increase in funding from the donor funds, transfer from other government entities and Health Services Fund. With this increase in total revenue for the year, the hospital reported an increase in Net Surplus for the period to Ksh. 2,101,155 from Ksh. 1,454,242 resulting to Ksh. 646,913 increases in net income reported for the year.

Clinical/operational performance

- Bed capacity -42
- Overall, Out-patient attendance OPD-8,283
- Overall In-patient attendance IPD-516
- Accident and Emergency Attendance-73
- Specialized clinic attendance- 1,224
- Average length of stay for inpatient- 3 days
- Bed occupancy rate-90.5%
- Mortality Rate -0%
- Sponsorship and partnership

LWALA COMMUNITY ALLIANCE

CIHEB

BINTI SHUPAVU

NURU YA MTOTO

RAPADO

PS KENYA

Karungu Sub County Hospital (Migori County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Revenue sources.

The Revenue streams for the Hospital is mainly Facility Improvement Fund from Health services fund board and public donations through Kemsas and Meds Supplies.



.....
Name: Lynda Singer
Secretary to the Board

10. Environmental And Sustainability Reporting

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

i) Sustainability strategy and profile

The management of the hospital has enjoyed the political goodwill with the management of the county government of Migori which has seen it enjoys a cool environment for growth.

ii) Environmental performance

The management of the hospital has installed microwave machine which has assisted in reducing the pollution its surrounding. Moreover, it has Formed committees to carryout infection prevention and control within the work environment. Consequently, it has outlined 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.in the work environment

iii) Employee welfare.

Hiring Services is done by Migori County Public Service Board. The Process is competitive as the Gender ratio and others Factors are considered. The Opportunities are advertised in the local Gazette. Moreover, continuous career training is done to all the staffs through seminars organised by the hospital and the partners.

iv) Market place practices-

The entity encourages good market practices as outlined below:

a) Responsible competition practice.

- Display of Service charters
- Carryout exit visit interviews
- Provisions of complaints and suggestion box

b) Responsible Supply chain and supplier relations

The Hospital raises requisition to procurement who invites the public through open tenders and gazettelement process

The bidders are evaluated and the awarding is done committees formed by the management

c) Responsible marketing and advertisement

The facility being a public entity endeavours to uphold service to common mwanachi at all levels. All advertisements are targeting to ensure the public is aware of services being offered or any upcoming donor sponsored surgeries.

d) *Product stewardship*

Karungu Sub County Hospital endeavours to maintain incinerators for better waste management. The patients who are the major focus to the facility are treated with utmost respect and care whereby the patient is given humble environment to explain all their health issues before they can be sent for further tests and diagnostics. All the patient's information are recorded in their files for the in-patients and the out patients' cards for the out patients. All this information is explained to the patients or caretakers before drugs administration is done.

e) *Corporate Social Responsibility / Community Engagements*

The facility has been carrying out outreaches to different areas such as markets, schools, churches and other community engagement forums so as to encourage girls to avoid early pregnancies and in case they conceive, they should seek proper health care services like attending all antenatal visits so as to delivery in the formal way.

Karungu Sub County Hospital (Migori County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

11. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2025, which show the state of the hospital's affairs.

Principal activities

The principal activities of the entity are provision of quality, accessible and affordable health services to the citizens.

Results

The results of the entity for the year ended June 30 2025 are set out on pages 1 to 5.

Board of Management

The members of the Board who served during the year are shown on page v. During the year no director retired or resigned.

Auditors

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



.....

Name: Lynda Singer

Secretary to the Board

12. Statement of Board of Management's Responsibilities

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

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

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

Karungu Sub County Hospital (Migori County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern or nothing has come to the attention of the Board of management to indicate that the entity 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 19th August 2025 and signed on its behalf by:



.....
Name: Wycklife Otieno
Chairperson
Board of Management



.....
Name: Lynda Singer
Accounting Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KARUNGU SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – MIGORI COUNTY GOVERNMENT

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 for Karungu Sub-County Hospital – Migori County Government set out on pages 1 to 35, which comprise of the statement

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

of financial position as at 30 June, 2025, and the statement of financial performance, statement of cash flows, statement of changes in net assets 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 respect, the financial position of Karungu Sub-county Hospital 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 Public Finance Management Act, 2012, County Government Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

Unconfirmed Property, Plant and Equipment Balance

The statement of financial position reflects a balance of Kshs.37,500 under property plant and equipment as disclosed in Note 18 to the financial statements. However, during a visit to the Hospital, the audit revealed that and as it had been previously reported, the facility was sitting on a piece of land whose ownership could not be confirmed. Further, the Hospital had buildings, medical equipment, furniture, motor vehicle, computers and tablets not disclosed in the financial statement, and Management did not maintain a complete fixed asset register as required by the board.

In circumstances, the completeness of the balance of property plant and equipment Kshs.37,500 as disclosed in the 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 Karungu Sub-county Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a total revenue budget and actual on a comparable basis of Kshs.14,657,517 and Kshs.12,551,129 respectively resulting in an underfunding of Kshs.2,106,388 or 14% of the budget. Similarly, the Hospital expenditure amounted to Kshs.12,548,602 against the realized receipts of Kshs.12,551,129 resulting in an underutilization of Kshs.2,527.

In the circumstances, the under-funding 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 judgment, are of most significance in the audit of the financial statements. Except for the effects of the matter described in the Basis for Qualified opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the prior years' audit report, several issues were raised under the Report on Financial Statement, Report on Lawfulness and Effectiveness in the Use of Public Resources, and Report of Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of 2024/2025 revealed that the following nine (9) issues remained unresolved.

S/No	Financial Year	Audit Issue
1	2023/2024	Unsupported Rendering of Services
2	2023/2024	Long Outstanding receivables from Exchange Transaction
3	2023/2024	Lack of approved budget
4	2023/2024	Resourcing Requirement for Hospital
5	2023/2024	Lack of Board Committee
6	2023/2024	Weak Control on inventories-Pharmaceutical and Non-Pharmaceutical
7	2023/2024	Lack of an internal Audit Function
8	2023/2024	Delay in the supplying of the essential drugs
9	2023/2024	Lack of Land Ownership Document

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Retain Facilities Improvement Fund at the Hospital

Review of revenue records obtained from the Karungu Sub-County Hospital in Migori County revealed that the Referral Hospital collected a total Kshs.4,410,494 towards the health facilities improvement which was all transferred to Migori County Health Services Fund Account. However, the Management reimbursed a total of Kshs.2,607,627 to the Sub-County Hospital resulting in a deficit of Kshs.1,802,867. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing Account.

In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

In the circumstances, Management of the Migori County Health Services Fund was in breach of the law.

2. Non-compliance with Universal Health Coverage Requirement for Level 4 Hospitals

Review of the Hospital's operations and records revealed that the health facility operated below the set standards as per the Kenya Quality Assurance Model for Health Checklist for Level 4 hospitals. The following deficiencies in implementation of Universal Health Care (UHC) programme were observed: -

2.1 Inadequate Staffing Requirements

The Hospital did not meet the necessary requirements for staffing outline as shown below:

Staff Requirements	Level 4 Std	No. in Hospital	Variance
Medical officers	16	0	16
Anaesthesiologists	2	0	2
General Surgeons	2	0	2
Paediatricians	2	0	2
Radiologists	2	0	2
Registered nurses	75	10	65

2.2 Inadequate Level 4 Hospital Equipment

The hospital lacked or had shortage of the necessary equipment and machines outlined in the Health Policy Guidelines as detailed below:

Staff Requirements	Level 4 Std	No. in Hospital	Variance
Resusitaire	3	0	0
New born unit incubators	5	2	3
New born unit cots	5	2	3
ICU beds	6	0	6
HDU beds	6	0	6
Renal unit with 5 dialysis machines	5	0	5
Functional operation theatres	2	1	1
Beds	150	18	132

The deficiencies contravene the First Schedule of Health Act, 2017 and implies that accessing highest attainable standards of health, which includes the right to health care services including reproductive health care as required by Article 43(1) of the Constitution of Kenya 2010 may not be achieved. Further, this contravenes the Kenya Quality Model for Health Policy Guidelines may have hindered the achievement of the Government program on Universal Health Coverage (UHC).

In the circumstances, the effectiveness of the medical services offered and the Universal Health Coverage program could not be confirmed.

3. Lack of Approved Budget

An audit review of the records provided revealed that the Hospital did not have an approved budget by the Hospital Board for the financial year under review. However, the budget provided for review was amalgamated budget of all health facilities, hence making it difficult to determine the specific budget allocated to the Karungu Sub-County hospital.

In the absence of the key planning and control document, it was not possible to confirm the basis upon which income was collected and expenditure incurred during the year under review which was in contrary to Regulation 26(1) of the Public Finance Management (County Government) Regulation, 2015, which requires each spending unit to prepare an annual budget to guide its operation.

In circumstances, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of a Key Management Policies and Procedures and Strategic Plan

During the year under review, the Management did not institute policies and procedures to guide key financial and managerial processes and controls for management such as Risk Management policy and risk management framework, procurement policy and disaster recovery plan or business continuity plan policy to guide the operations in the areas of revenue, expenditure, personnel, inventory, liabilities to enable effective and efficient running of the institution, and to cushion and/or guarantee business, contrary to Regulation 165 (1) of the Public Finance Management Regulations, 2015 states that the Accounting Officer shall ensure that the national government entity develops— (a) risk management strategies, which include fraud prevention mechanism; and (b) a system of risk management and internal control that builds robust business operations

In circumstances, the existence of effective internal control, risk management and governance systems could not be confirmed.

2. Competency of the Board

The audit revealed that the Hospital gazetted an 8-member Board through Gazette Notice number 14232 on 31 October, 2024. However, the advertisements for the positions of board members, personal files for board members were not provided for review. Further, the financial statement provided for audit, under Key entity information and management on fiduciary oversight arrangements, disclosed that the hospital had five committees, with three under its own control, which were clinical research and standards committee, audit committee and risk committee. However, the audit revealed that no board member is a financial expert with qualifications and expertise in financial management or accounting, casting doubt on the recruitment selection and competency of the board on financial matters. In addition, the audit committee, despite being fully constituted, did not sit to discuss internal and external audit reports.

In circumstances, the effectiveness of the audit committee in discharging their mandate and assurance on governance could not be confirmed.

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

Responsibilities of the Management and those Charged with Governance

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

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

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

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

Those charged with governance are overseeing the Hospital's financial reporting process, reviewing the effectiveness of how the 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


09 December, 2025

Karungu Sub County Hospital
Annual Report and Financial Statements for The Year Ended 30th June 2025


14. Statement Of Financial Performance For The Year Ended 30th June 2025

Description	Note	2024-2025	2023-2024
			Kshs
Revenue from non-exchange transactions			
In Kind Contribution from County Government	6	-	1,164,802
Public Donations and Contributions	7	3,160,350	-
Revenue from non-exchange transactions		3,160,350	1,164,802
Revenue from exchange transactions			
Rendering of services- Medical Service Income	8	6,762,151	789,733
Transfer From other Government Entities	9	4,733,506	1,724,750
Revenue from exchange transactions		11,495,657	2,514,483
Total revenue		14,656,006	3,679,285
Expenses			
Medical/Clinical costs	10	4,430,206	315,000
Board of Management Expenses	11	214,510	234,630
Employee costs	12	88,113	1,252,117
Depreciation and Amortization Expenses	13	6,250	6,250
Repairs and maintenance	14	250,000	141,000
General expenses	15	803,622	276,046
Transfer To other Government Entities	16	6,762,151	-
Total expenses		12,554,852	2,225,043
Net Surplus / (Deficit) for the year		2,101,155	1,454,242

The Hospital's financial statements were approved by the Board on 19th August 2025 and signed on its behalf by:



Chairman: Kepha Wickliffe
Board of Management



Head of Accounts:
Stephen Nyainda
 ICPAK No: 31028



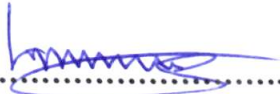
Medical Superintendent:
Lynda Singer

Karungu Sub County Hospital
Annual Report and Financial Statements for The Year Ended 30th June 2025


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

Description	Note	2024-2025	2023-2024
		Kshs	
Assets			
Current assets			
Cash and cash equivalents	17	2,527	1,511
Receivables from exchange transactions	18	2,106,389	2,396,908
Inventories	19	2,969,311	572,403
Total Current Assets		5,078,227	2,970,822
Non-current assets			
Property, plant, and equipment	20	37,500	43,750
Total Non-current Assets		37,500	43,750
Total assets		5,115,727	3,014,572
Liabilities			
Current liabilities			
Trade and other payables	21	-	-
Total Current Liabilities		-	-
Net assets		5,115,727	3,014,572
Represented By:			
Revaluation reserve		-	
Accumulated surplus/Deficit		5,115,727	3,014,572
Capital Fund		-	
Total Net Assets and Liabilities		5,115,727	3,014,572


The Hospital's financial statements were approved by the Board on 19th August 2025 and signed on its behalf by:



Chairman: Kepha Wickliffe
Board of Management



Head of Accounts:
Stephen Nyainda
ICPAK No: 31080



Medical Superintendent:
Lynda Singer

Karungu Sub County Hospital
Annual Report and Financial Statements for The Year Ended 30th June 2025

16. Statement Of Changes In Net Asset For The Year Ended 30th June 2025

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital	Total
			Fund	
As at July 1, 2022				
Surplus/(deficit) for the year	-	1,560,330	-	1,560,330
As at June 30, 2023	-	1,560,330	-	1,560,330
At July 1, 2023	-	1,560,330	-	1,560,330
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	1,454,242	-	1,454,242
Capital	-	-	-	-
At June 30, 2024	-	3,014,572	-	3,014,572
At July 1, 2024	-	3,014,572	-	3,014,572
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	2,101,155	-	2,101,155
Capital	-	-	-	-
At June 30, 2025	-	5,115,727	-	5,115,727

Karungu Sub County Hospital
Annual Report and Financial Statements for The Year Ended 30th June 2025

17. Statement Of Cash Flows For The Year Ended 30th June 2025

Description	Note	2024-2025	2023-2024
			Kshs
Cash flows from operating activities			
Receipts			
Rendering of services- Medical Service Income		2,627,117	1,104,502
Transfer from Other Government Entities		-	-
Total Receipts		2,627,117	1,104,502
Payments			
Medical/Clinical costs		1,269,856	315,000
Board of Management Expenses		214,510	234,630
Employee costs		88,113	87,314
Repairs and maintenance		250,000	141,000
General expenses		803,622	276,046
Total Payments		2,626,101	1,053,991
Net cash flows from operating activities	22	1,016	50,511
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets			(50,000)
Proceeds from the sale of property, plant, and equipment			-
Acquisition of investments			-
Net cash flows used in investing activities			(50,000)
Cash flows from financing activities			
Proceeds from borrowings			-
Repayment of borrowings			-
Capital grants received			-
Net cash flows used in financing activities			-
Net increase/(decrease) in cash and cash equivalents		1,016	511
Cash and cash equivalents as at 1 July	17	1,511	1,000
Cash and cash equivalents as at 30 June	17	2,527	1,511

Karungu Sub County Hospital
Annual Report and Financial Statements for The Year Ended 30th June 2025

18. Statement Of Comparison Of Budget And Actual Amounts For Year Ended 30th June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	-	1,511	1511	1,511	-	100%
Revenue						
Rendering of services- Medical Service Income	6,762,151	-	6,762,151	6,762,151	-	100%
Transfer from Other Government Entities	4,733,506	-	4,733,506	2,627,117	2,106,389	56%
Public Donations and Contributions	-	3,160,350	3,160,350	3,160,350	-	100%
Total income	11,495,657	3,161,861	14,657,517	12,551,129	2,106,389	86%
Expenses						
Medical/Clinical costs	1,269,856	3,160,350	4,430,206	4,430,206	-	100%
Board of Management Expenses	214,510	-	214,510	214,510	-	100%
Employee costs	88,113	-	88,113	88,113	-	100%
Repairs and maintenance	250,000	-	250,000	250,000	-	100%
General expenses	803,622	-	803,622	803,622	-	100%
Transfer to Other Government Entities	6,762,151	-	6,762,151	6,762,151	-	100%
Total Operational	9,388,252	3,160,350	12,548,602	12,548,602	-	100%

Karungu Sub County Hospital
Annual Report and Financial Statements for The Year Ended 30th June 2025

Expenditure Paid						
Capital expenditure Paid	-	-	-	-	-	0%
Surplus for the period	2,107,405	1,511	2,108,916	2,527	2,106,389	0%

Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	2,527
Closing Cash and Cash Equivalent as per the statement of Cash flows	2,527

NOTE: The hospital registered 56% utilization in rendering of services as there was an outstanding Ksh. 2,106,389 rendering services income from the health services which the hospital did not receive for the period ended 30th June 2025. This particular figure is reflected in the trade receivable ledger in note 18.

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

19. Notes to the Financial Statements

1. General Information

Karungu Sub County Hospital entity is established by and derives its authority and accountability from PFM Act. The entity is wholly owned by the Migori County Government and is domiciled in Migori County in Kenya. The entity’s principal activity is provision of medical services to the society.

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.

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p>

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Standard	Effective date and impact:
	<p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>This standard did not have material effect in the financial statement for the hospital.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>There was no impact of this standard in the financial statement as there were no assets which were held for sale for the year under review.</i></p>
<p>IPSAS 45- Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.

**Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025**

Standard	Effective date and impact:
	<p>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</p> <p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>This standard had no significant impact in the financial statement.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>Not applicable for the financial year under review.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>Not applicable for the financial year under review.</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st 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> <p>Not applicable for the financial year under review.</p>

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

b. Budget information

The original budget for FY 2024/25 was approved by Board. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *entity* recorded no additional appropriations on the FY 2024/25 budget. The *entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

c. Taxes

Sales tax/ Value Added Tax

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

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

d. 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

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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 *one* year. 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.

f. Leases

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

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

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

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

g. Intangible assets

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

h. Research and development costs

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

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

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

i. Financial instruments

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

Karungu Sub County Hospital (Migori County)

Annual Report and Financial Statements for The Year Ended 30th June 2025

for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).*

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

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Financial liabilities

Classification

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

j. Inventories

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

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

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

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

k. Provisions

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

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

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

l. Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

m. Contingent liabilities

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

n. Contingent assets

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

o. Nature and purpose of reserves

The entity creates and maintains reserves in terms of specific requirements. *(Entity to state the reserves maintained and appropriate policies adopted.)*

p. Changes in accounting policies and estimates

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

q. Employee benefits

Retirement benefit plans

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

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

r. Foreign currency transactions

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

s. Borrowing costs

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

t. Related parties

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

u. Service concession arrangements

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

v. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

w. Comparative figures

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

x. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

- 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. 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.

There was no provision for the period under review.

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Notes to Financial Statements Continued

6. In Kind Contributions

Description	2024-2025	2023-2024
	KShs	KShs
Salaries and wages		1,164,802
Total grants in kind	-	1,164,802

7. Public Donations and Contributions

Description	2024-2025	2023-2024
	KShs	KShs
Public donations (KEMSA and MEDS)	3,160,350	-
Total donations and sponsorships	3,160,350	-

8. Rendering of Services-Medical Service Income

Description	2024-2025	2023-2024
	KShs	KShs
Health Fund Board (FIF)	6,762,151	789,733
Total	6,762,151	789,733

9. Transfer from Other Government Entities

Description	2024-2025	2023-2024
		KShs
NHIF capitation Claims	-	15,400
Linda Mama Program	-	1,709,350
Health Services Fund	4,733,506	-
Total	4,733,506	1,724,750

10. Medical/ Clinical Costs

Description	2024-2025	2023-2024
	KShs	KShs
Pharms	3,160,350	105,000
Lab Items	158,966	-
Non pharms	99,450	25,000

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Food and Ration	460,000	130,000
Sanitary and cleansing Materials	122,560	55,000
Medical Records	428,880	-
Total	4,430,206	315,000

11. Board of Management Expenses

Description	2024-2025	2023-2024
	KShs	KShs
Sitting allowance and related expenses	214,510.00	234,630
Total	214,510.00	234,630

12. Employee Costs

Description	2024-2025	2023-2024
	KShs	KShs
Temporary Employees	88,113	87,314
Employee cost (Paid by the county)	-	1,164,803
Total	88,113.00	1,252,117

13. Depreciation and Amortization

Item Description	2024-2025	2023-2024
	KShs	KShs
Property, Plant and Equipment	6,250	6,250
Total	6,250	6,250

14. Repairs and Maintenance

Description	2024-2025	2023-2024
	KShs	KShs
Property- Buildings,	250,000	141,000
Total	250,000	141,000

15. General Expenses

Description		2023-2024
		KShs
Contracted Security Guards	100,000	-
Bank Charges	7,882	8,571
Travel and accommodation allowance	125,000	73,000
Printing and stationery	175,600	37,475
Water and sewerage costs	115,000	36,000
Telephone and mobile phone services	70,140	41,000

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Service Charter	-	20,000
Office Tea	210,000	60,000
Total	803,622	276,046

16. Transfer To Other Government Entities

Description	2024-2025
Health Services Fund	6,762,151
Total cash and cash equivalents	6,762,151

17. Cash And Cash Equivalents

Description	2024-2025	2023-2024
		KShs
Current accounts	2,527	1,511
Total cash and cash equivalents	2,527	1,511

(a). Detailed Analysis of Cash and Cash Equivalents

		2024-2025	2023-2024
Financial institution	Account number		KShs
a) Current account			
KCB	1318279194	27	-
KCB	1158858418	2,500	1,511
Sub- total		2,527	1,511
Grand total		2,527	1,511

18. Receivables From Exchange Transactions

Description	2024-2025	2023-2024
		KShs
Trade Receivables	2,106,389	2,396,908
Total receivables	2,106,389	2,396,908

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Analysis of Receivables from Exchange Transactions

Description	2024-2025		2023-2024	
	Kshs		Kshs	
			Current FY	% of the total
Less than 1 year	2,106,389	100%	1,724,750	72%
Between 1-2 years	-		672,158	28%
Total	2,106,389		2,396,908	

19. Inventories

Description	2023-2024	2023-2024
	KShs	KShs
Pharmaceutical, non-pharms supplies	2,969,311	572,403
Total	2,969,311	572,403

20. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost								
At 1 July 2023 (current year)	-	-	-	-	-	-	-	-
Additions	-	-	-	50,000	-	-	-	50,000
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30th Jun 2024	-	-	-	50,000	-	-	-	50,000
As at 1 July 2024	-	-	-	50,000	-	-	-	50,000
Additions	-	-	-	-	-	-	-	-

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30th Jun 2025	-	-	-	50,000	-	-	-	50,000
Depreciation and impairment								
At July 2023 (current year)		-	-	-	-	-		-
Depreciation		-	-	6,250	-	-		6,250
Disposals		-	-	-	-	-		-
Impairment		-	-	-	-	-		-
Transfer/adjustment		-	-	-	-	-		-
At 30th June 2024		-	-	6,250	-	-		6,250
At 1 July 2024		-	-	6,250	-	-		6,250
Depreciation		-	-	6,250	-	-		6,250
Disposals		-	-	-	-	-		-
Impairment		-	-	-	-	-		-
Transfer/adjustment		-	-	-	-	-		-
At 30th June 2025		-	-	12,500	-	-		12,500
Net book values								
At 30 th Jun 2024	-	-	-	43,750	-	-	-	43,750
At 30 th June 2025	-	-	-	37,500	-	-	-	37,500

Depreciation Rates

Item	Depreciation rate
Buildings and Civil works	2.00%

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Motor vehicles	25%
Furniture, fittings, and office equipment	12.50%
ICT Equipment	33%
Plant and medical equipment	12.50%

21. Trade and other Payables

	2024-2025	2023-2024
	KShs	KShs
Trade payables	-	-
Total	-	-

22. Cash Generated from Operations

Description	2024-2025	2023-2024
	KShs	KShs
Surplus for the year before tax	2,101,155	1,454,242
Adjusted for:		
Depreciation	6,250	6,250
Non-cash grants received		-
Impairment		-
Gains and losses on disposal of assets		-
Contribution to provisions		-
Contribution to impairment allowance		-
Working Capital adjustments		
Increase in inventory	(2,396,908)	(572,403)
Increase in receivables	290,519	(837,578)
Increase in deferred income	-	-
Increase in payables	-	-

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Increase in payments received in advance	-	-
Net cash flow from operating activities	1,016	50,511

23. In Kind Contributions from The County Government

Description	2024-2025	2023-2024
	KShs	KShs
Salaries and wages	-	1,164,802
Total grants in kind	-	1,164,802

24. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company'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 company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Receivables from exchange transactions	2,106,389	0	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	2,527	0	0	0

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Total	2,108,916	0	0	0
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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 company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

There was no non derivative financial liabilities for the entity for the period under review.

(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 company'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 no transactional currency exposures as there were no purchases of goods and services that were done in foreign currencies.

Foreign currency sensitivity analysis

There was no transactions made in foreign currency hence there was no risk relating to exchange rates.

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 company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Sensitivity analysis

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

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	2024/25
	Kshs
Revaluation reserve	0
Retained earnings	0
Capital reserve	0
Total funds	0
Total borrowings	0
Less: cash and bank balances	(2,527)
Net debt/ (<i>excess cash and cash equivalents</i>)	(2,527)
Gearing	0%

25. 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. Migori 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

Karungu Sub County Hospital (Migori County)
Annual Report and Financial Statements for The Year Ended 30th June 2025

26. Segment Information

The entity had no segment

27. Contingent Liabilities

Contingent liabilities	2024/25
	Kshs
Bank guarantees in favour of subsidiary	0
Total	0

28. Capital Commitments

There were capital commitments under the financial year under review

29. Events after the Reporting Period

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

30. Ultimate and Holding Entity

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

31. Currency

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

Karungu Sub County Hospital (Migori County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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:	Timeframe:
1	The statement of financial performance reflects Rendering of Services-Medical Service Income of Kshs.789,733 which was not supported with daily revenue collection schedules contrary to Regulation 63(1)(a) and (c) of the Public Finance Management (County Governments) Regulations, 2015. In circumstances, the accuracy, completeness and propriety could not be confirmed	The management has currently automated its revenue collection through mpesa paybill where details for all patients making payment are generated automatically.	Resolved	
2	Statement of financial position reflect receivables from exchange transactions Kshs.2,396,908 as disclosed in Note 18 to the financial statements, represent medical services receivables-NHIF of Kshs.672,158 which has been outstanding for a period of over one year. The management failed to provide any evidence or measures that have been put in place to recover the outstanding receivables. In circumstance, the recoverability of the long outstanding of Kshs.672,158 could not be confirmed	The management noted the auditor's observation and wish to state that currently the collection of revenue is done by the Migori Health services fund board which is responsible for following up on the debt on behalf of the facility.	Resolved	
3	The statement of financial position reflects property, plant and equipment of Kshs.43,750as disclosed in Note 20 to the financial	The management noted the auditor's observation and wish to state that its	Not resolved	

Karungu Sub County Hospital (Migori County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	statements, However, the balance excludes unvalued parcels of land that had no ownership documents. In the circumstances, the ownership, accuracy and completeness of the property, plant and equipment balance of Kshs.43,750 as at 30 June,2024 could not be confirmed.	waiting for these major assets to be handed over to the facility and there after engage a valuer who will give true values of these assets.		
4	<p>Resourcing Requirement for Hospital</p> <p>During the audit, it was established that Karungu Sub County Hospital does not have a holding room for dead bodies, a minor theatre room, dedicated laundry, kitchen, cloak room for patients, ramps/disability friendly walkways, ICT system and a CCTV system, as per the Kenya Quality Model for Health for level 3 hospitals and as per the checklist for categorization of health facilities</p> <p>Further, the facility has only one public health officer, three clinical officers, one graduate nurse, eight community health nurses one pharmacist and four promotion health officers. The rest of the essential cadres like medical officers, public health technicians, general clinical officers, graduate clinical officer, ENT clinical officer, lung and skin clinical officer, paediatrics officer, reproductive health officer among others were not staffed</p> <p>In circumstances, sufficient quality health care services offered to the public could not be ascertained.</p>	The management noted the auditor’s observation and is working hand in hand with the department of medical services so as to bridge the gap in human resource requirement and major development expenditures as highlighted the auditor.	Partially resolved	
5	Review of the financial statements revealed that the Board did not establish any of the Board Committees as required by Chapter 1:7:1 of the Mwogozo. This was contrary to Mwogozo.	The management noted the auditor’s observation and wish to state that it has various committees which oversee the performance of the hospital.	Resolved	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	In the circumstances, the effectiveness of risk management systems could not be confirmed			
6	No evidence was provided indicating whether the facility's pharmacy was registered with the Pharmacy and Poisons Board (PPB) as required by Section 23(1) of the Pharmacy and Poisons Act, Cap 244 2012 which states that it shall not be lawful for any person to carry on the business of a pharmacist except in premises registered in accordance with this section.	The management noted the auditor's observation and wish to state that this is a new regulation but is committed to ensure that the pharmacy is registered.	Not Resolved	
7	The facility lacked Facility Tracer Health Products and Technologies (HPT) data report form (MOH 647) for the year under review resulting in many essential drugs running out of stock without being replaced, Lack of the categorized essential pharmaceuticals in the facility for a longer duration could damage the entity's credibility with stakeholders and affects its ability to meet the needs of its clients. This may lead to disruption of service delivery caused by delay in service of essential drugs In circumstances, effectiveness of internal controls could not be confirmed.	The management noted the auditor's observation and wish to state that currently the hospital is stocked with essential drugs and in case of stock outs, the hospital procures through meds or kemsas to bridge the gap.	Resolved	
8	Karungu Sub County Hospital has not established an audit committee and internal audit function. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires County Government entities to establish audit committees in accordance with prescribed regulations to monitor the entities governance process, accountability process and control systems, offer	The management noted the auditor's observation and wish to state that it has an audit committee and relies on the county government for internal audit functions.	Resolved	

Karungu Sub County Hospital (Migori County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	objective advice on issues concerning risk, control, regulatory requirements and governance. In the circumstances, the effectiveness of internal controls and risk management could not be confirmed.			

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Lynder Singer