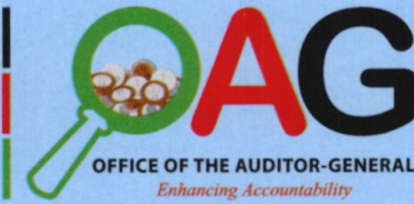


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REPORT

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OF

THE AUDITOR-GENERAL

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MUHURU SUB - COUNTY HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

MIGORI COUNTY GOVERNMENT

222



MUHURU SUBCOUNTY 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)**

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1. Acronyms & Glossary of Terms

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

2. Key Entity Information and Management

(a) Background information

Muhuru Sub County Hospital is a level 3A hospital established 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 efficient and cost-effective health care for all

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

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Felix Owuonda
2.	Head of supply chain	Kennas 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)

(f) Muhuru Sub-County Hospital Headquarters

P.O. Box 39-40409
Along Migori Muhuru Road
Migori, KENYA

(g) Muhuru Subcounty Hospital Contacts

Telephone: 0728523638
E-mail: muhurusubcountyhospital@gmail.com

(h) Muhuru Subcounty Hospital Bankers

Cooperative bank of Kenya
Migori Branch.

(i) Independent Auditors

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







(j) Principal Legal Adviser

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


(k) County Attorney

P.O. Box. 202
Migori, Kenya





3. The Board of Management

Ref	Directors	Details
1.		The Title : Medical superintendent Name: Felix Owuonda Age : 40 Academic Qualification: Diploma in Clinical Medicine and Surgery - The secretary to the facility board
2.		The Title: BOM Chair Name: Loice Adhiambo Ouma Age: 58 yrs Academic Qualification: Kenya junior certificate of education Chairs the Hospital board
3.		Name: Abok Washingtone Age: 34 Years DIPLOMA IN NURSING
4.		Name: Alphabet OWINO Ogwang Age: 68 Years Old Academic Qualifications: Bachelor of public Administration and Management
5.		Name: CARLTON OTIENO KAWA Age: 51 Years old Academic Qualifications: DIPLOMA IN BUSINESS ADMINISTRATION
6.		Name: Caroline Awuor Omollo Age: 41 Years old Academic Qualifications: certificate in Nursing

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

7.		Name: Emily Atieno NGOME Age: 40 Years Old
----	-----------------------------------------------------------------------------------	-----------------------------------------------

4. Key Management Team

Ref	Management	Details
1.	<p>Felix Owuonda</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</p> <ul style="list-style-type: none"> - The secretary to the facility board
2.	<p>Dave Mapesa –Nursing officer in-charge</p>  <p>Diploma in nursing</p>	<p>Functions</p> <ul style="list-style-type: none"> -coordinates all the nursing activities within the facility -oversees support staffs -assists the office of the medsup on delegated functions
3.	<p>Dawn Caxton –Pharmacy in-charge</p>  <p>Diploma in Pharmaceutical technology</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 -compile monthly rely commodity report
4.	<p>Danish Atito- Laboratory in-charge</p>  <p>Diploma in laboratory technology</p>	<p>Functions</p> <ul style="list-style-type: none"> -coordinate all laboratory services within the facility -Ensures quality sample taking, networking/testing and timely results -manages laboratory commodities by timely quantification, ordering, storage and appropriate use etc

5. Chairman's Statement

Dear Stakeholder,

With great honor I acknowledge to present the financial statement for Muhuru Sub- County Hospital for the financial year ending on 30th June 2025.

To begin with, I express my sincere acknowledgement and heartfelt recognition to the county government of Migori for timely response during any urgent need prioritization of the facility such as construction of a modern maternity wing, modern gate and renovation of depleted staff quarters.

Muhuru Sub- County Hospital has professionally demonstrated commitment to quality patient care, mutual engagements and reliability despite challenging circumstances such as inadequate staffs, shortage of some drugs, inadequate infrastructures and economic fluctuations.

However, we have successfully managed to strategize and achieve our convectional goals and objectives under healthcare delivery framework that accorded the facility ranked as the best performing one in the entire Migori County and awarded a trophy both by the partners and the County Government courtesy of our community engagements and hardworking staffs.

As it is, we shall remain much focused on making more improvements and providing non – beneficence services to our patients aiming to attain the highest and acceptable standards of medical value as outlined in our mission and vision.

Going forward, we are committed to sustain positive record and purse more opportunities for facility growth and development.



.....

Name: Loice Adhiambo Ouma

Chairman to the Board

6. Report of The Medical Superintendent

Muhuru Sub County Hospital Management from the office of medical superintendent acknowledges financial year ending on 30th June 2025 has efficiently demonstrated approach in managing its resources despite many setbacks, the performance reflects hospital budgeting and expenditure aimed at improved healthcare quality services as demonstrated under fundamentals of healthcare framework in regards to world health organization and ministry of health.

During the stated period, the hospital management has legitimately ensured that county government gets the revenue through patient quality service delivery in all the departments which have significantly impacted improved hospital financing reengineering due to implementation of SHA in the country. Regards to the presidential UHC policy implementation.

In stipulated period, the county government managed to allocate funds to the hospital which was in line with strategic priorities of the hospital including renovation of depleted building (staff quarters), construction of a modern maternity wing, modern gate, 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 and pharmaceuticals, which as enabled quality service delivery.

Nonetheless, the hospital has encountered several obstacles through the financial year including inadequate provision of enough funds and other drugs, lack of a modern fencing (parameter wall), modern washrooms, standardized power backups, but through targeted interventions and effective resource management, we have managed to achieve service delivery to our patients adequately.

Going forward, 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 Muhuru sub county hospital staffs, for the support, dedication, hard work and contribution towards improving our hospital goals.



.....
Name: Felix Owuonda

Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County Government entity’s performance against predetermined objectives.

Muhuru Sub County Hospital has 4 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2021- FY 2022. 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**

Muhuru Sub County Hospital develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis.

Annual Performance Targets

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 work plan developed
	To increase, develop, retain and motivate health personnel	No. of Annual Work Plans developed		
	To construct, expand, maintain and improve health infrastructure	No. of Strategic plans developed	Conducting performance reviews	Biannual and annual review conducted
	To accelerate scale up of Universal Health Coverage	% of performance reviews conducted		
		% quarterly support supervision conducted		
	% quarterly data quality audits conducted			
		% of Health Information tools printed and distributed		

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

<p>Preventive and Promotive health services</p>	<p>To reduce the burden of preventable diseases and promote healthy lifestyles among communities</p> <p>To reduce maternal and new-born mortality</p> <p>To increase community health 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 Pharmaceuticals</p> <p>% of hospitals supplied with Non Pharmaceuticals</p> <p>% of hospitals supplied with Laboratory Reagents</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>Supplying the hospital with pharmaceuticals, on pharmaceuticals, laboratory reagents and vaccines</p>	<p>MSCH was supplied with medical drugs, non-pharmaceuticals, laboratory 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 ambulances on referrals.</p>	<p>1 ambulance available for referrals.</p>

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 2022-2023 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 is yet to be 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

Financial performance

Muhuru Sub County Hospital registered a total of Ksh. 20,446,942 (Twenty Million Four Hundred and Fourty Six Thousand Nine Hundred and Fourty Two) as the revenue for financial year 2024/2025 which included Ksh 10,900,082 which were public contributions and donations mainly from KEMSA and MEDS. This resulted to more than 100% increase in revenue collected for the year compared to the Fy 2023-2024. This was majorly attributed by decrease in funding from the county government, uptake of National Hospital Insurance Fund and donation in-kind.

With this increase in total revenue for the year, the hospital reported an increase in Net Surplus for the period from Ksh. 795,978 to Ksh. 3,426,310. Further, the hospital also incurred a total of Ksh. 17,020,633 as operating expense for the year.

Clinical/operational performance

- Bed capacity of the hospital
 - Maternity Beds-8
 - General ward-25
- Overall patient attendance during for the year
 - Outpatient-13,722
 - In-Patient-976
- Accident and Emergency attendance -1,237
- Specialised clinic attendance – 17,759
- Average length of stay for in-patient 5 Days
- Bed occupancy rate -45%
- Mortality rate – 0.6%
- Sponsorships and partnerships
 - CIHEB
 - LWALA COMMUNITY

Revenue sources.

The Revenue streams for the Hospital is mainly Facility Improvement Fund and Donor Funds.



.....
Name: Felix Owuonda

Secretary to the Board

10. Environmental And Sustainability Reporting

Muhuru 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 organization's policies and activities that promote sustainability.

i) Sustainability strategy and profile

The hospital is expanding its infrastructure to increase the provision of specialised services to the community. This in long run will increase the revenue base of the hospital which will make it self-sustainable in future.

ii) Environmental performance

Installation of microwave machine to control and treat health care waste reducing accidents and pollution
Formed committees to carryout infection prevention and control within the work environment
Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products

iii) Employee welfare.

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 Gazzette

iv) Market place practices-

The Muhuru Sub County Hospital encourages good market practices as outlined below:

a) Responsible competition practice.

Display of Service chatters
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, request for quotations and through direct procurement method.

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

Muhuru Sub County Hospital endeavours to maintain incinerators for better waste management.

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.

11. Report of The Board of Management

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

Principal activities

The principal activities of the Muhuru Sub County Hospital are provision of quality, accessible and affordable health services to the citizens.

Results

The results of the Muhuru Sub County Hospital 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 *Muhuru Subcounty Hospital* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



.....
Name: Felix Owuonda

Secretary to the Board

12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of the Muhuru Sub-County Hospital, 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 Muhuru Sub-County Hospital. 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.

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: Loice Adhiambo Ouma
Chairperson
Board of Management


.....
Name: Felix Owuonda
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 MUHURU 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 of the Muhuru Sub - County Hospital – Migori County Government set out on pages 1 to 39, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in

accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Failure to Disclose Property, Plants and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.22,500. However, audit verification revealed that the Hospital has 2 acres of land, buildings, Incinerator, furniture & fittings, medical equipment, ICT equipment, Motor vehicles a Toyota and a Nissan which were not recorded in the assets register or captured in the financial statements. Further, the Management did not maintain a detailed fixed asset register detailing the types and names of the assets, serial/log book number, location, opening balances, additions, dates of acquisitions, disposals, depreciation charged, accumulated depreciation to date and net book value of the assets. In addition, the Hospital did not have title deed for the land said to be donated despite the planned and ongoing structure development, log books for the two vehicles were not availed. Management also did not provide evidence that the major assets were revalued and did not provide records for assets count and verification carried at regular intervals to confirm existence and condition of the recorded assets.

In the circumstances, the property, plant and equipment balance of Kshs.22,500 could not be confirmed.

2. Unsupported Receivable from Exchange Transactions

The statement of financial position, and as disclosed in Note 17 to the financial statements, reflects receivables from exchange transactions amounting to Kshs.3,427,944. However, supporting ledgers and schedules for the debtor balances were not provided. Further, review revealed that the reported balance only related to the current year, while the opening balance of Kshs.5,778,335 was not reflected under long-term receivables. In addition, no movement schedule was presented to show reconciliation of the balances, nor was there any disclosure of provisions for doubtful debts or adjustments made to the reported figure.

In the circumstances, the disclosures, accuracy, completeness and recoverability of receivable from exchange transaction balances could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Muhuru Sub-County Hospital – Migori County Government Management in accordance with ISSAI 130 on the Code of

Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for qualified opinion section, I have determined that there are no other key audit matters communicated in my report.

Other Matter

Unresolved Prior Year Matters

In the prior year’s audit report, several issues were raised under the Report on Financial Statements, Report Lawfulness and Effectiveness in the Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Hospital in 2024/2025 revealed that the following matters remained unresolved:

S/No.	Financial Year	Audit Issue
1	2023/2024	Unconfirmed Property, Plant and Equipment Balance
2	2023/2024	Prolonged engagement of casual laborers
3	2023/2024	Deficiencies in implementation of universal health coverage
4	2023/2024	Risk Management and Fire Management Strategy
5	2023/2024	Lack of Information, Communication, and Technology (ICT) Policy

Other Information

The Management is responsible for the Other Information set out on page iii to xix, 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 Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management and Statement of Board of Management’s Responsibilities. The Other Information does not include the financial statements and my auditor’s 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 Funds at the Hospital

Review of revenue records obtained from the Muhuru Sub-County Hospital in Migori County revealed that the Sub-County Hospital collected a total Kshs.8,046,298 towards the health facilities improvement which was all transferred to Migori County Health Services Fund Account. However, the Management reimbursed a total of Kshs.4,176,106 to the Sub-County Hospital resulting in a deficit of Kshs.3,870,192. 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 Sub-County Hospitals

Review of the Hospital's operations and records revealed that the Hospital 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 programme were observed: -

2.1. Inadequate Staffing Requirements

The hospital did not meet the necessary requirement for staffing as detailed below:

Category	Recommended as per Kenya Quality Model for Health Checklist	In place (No)	Variance
Medical Officers	20	0	20
Anesthesiologists	3	0	3
General Surgeons	3	0	3
Gynecologists	3	0	3
Pediatricians	3	0	3
Radiologists	2	0	2

Category	Recommended as per Kenya Quality Model for Health Checklist	In place (No)	Variance
Kenya Registered Community Health Nurses	151	5	146
Total	185	5	180

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;

Equipment	Standard	Observed	Variance
Wards Bed capacity	300	50	250
Functioning ICU	6	0	6
Functioning HDU	6	0	6
Operational theatres	4	0	4
New Born Unit-Incubators	6	0	6
Total	322	50	272

Further, the hospital had only one ambulance whose log book was not provided for audit, policy documents such as risk management policy, assets management and store management were not provided.

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 programme could not be confirmed.

3. Failure to Retain Revenue Raised by the Hospital

The statement of financial performance reflects total revenue balance of Kshs.20,446,942 of which Kshs.9,546,860 relates to rendering of services – medical service income as disclosed in Note 8 to the financial statements. Audit review of the revenue cashbook and bank statement domicile in Cooperative bank revealed that the Hospital collected a total of Kshs.9,546,860 from rendering of services and transferred the entire amount to the Health Fund Board on different occasions within the financial year. However, the health fund board transferred only Kshs.6,118,917 back to the Hospital, contrary to Section 5(1) of the Facilities Improvement Financing Act 2023 which required retention of all monies raised or received by or on behalf of all public health facilities and Section 9(a) that states the county executive committee member shall support the implementation of the facility improvement financing by — facilitating effective collection and retention of facility improvement financing revenue by the public health facility in accordance with this Act.

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

4. Lack of an Approved Budget, Annual Procurement Plan and Operational Plans

Management did not provide for audit review, the approved budget for 2024/2025 financial year. Effectively, review of performance against the approved budget was impeded. Further, Management did not provide approved annual procurement plan that is aligned to the budget and annual operational plans for audit review.

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

5. Irregular Engagement of Casual Labors

The board of management of the hospital engaged casuals for 12 months consecutively against the labour law instead of contracting them as they are serving in core areas and also there was no evidence for approval from the County public service Board.

Further, these casuals did not have appointment letters or contractual documents on their engagements. This was contrary to section B.16(1) of the County Public Service Human Resource Manual, May,2013, which states that (1) Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and they shall not be engaged for more than three months, as stipulated in the Employment Act, 2007. In the absence of contractual documents on casual engagements, the Hospital may incur legal costs and damages as a result of legal actions by the casuals.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Internal Audit Function and Audit Committee

The review of the financial reports and other correspondences revealed that the hospital has not established an Internal Audit Function and an Audit Committee. This is contrary to Section 155 of the Public Finance Management Act, 2012 which provides for the establishment of the Internal Audit Function and an Audit Committee of the hospital. As such the hospital did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

In the circumstances, the effectiveness of the internal audit and the audit committee in discharging their mandate and assurance on the going concerns 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 processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

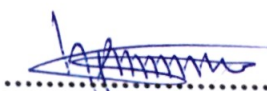
11 December, 2025

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

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

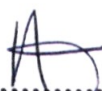
Description	Note	2024 - 2025	2023 - 2024
		Kshs	Kshs
Revenue from non-exchange transactions			
In-kind contributions from the County Government	6		827,496
Public Contributions and Donations	7	10,900,082	
		10,900,082	827,496
Revenue from exchange transactions			
Rendering of services- Medical Service Income	8	9,546,860	317,890
Transfers from other government entities	9	-	3,350,700
Revenue from exchange transactions		9,546,860	3,668,590
Total revenue		20,446,942	4,496,086
Expenses			
Medical/Clinical costs	10	14,885,082	1,379,500
Board of Management Expenses	11	199,200	199,500
Employee costs	12	113,287	1,059,082
Repairs and maintenance	13	409,600	65,757
General expenses	14	1,409,713	992,519
Depreciation	15	3,750	3,750
Total expenses		17,020,633	3,700,108
Net Surplus / (Deficit) for the year		3,426,310	795,978

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



Chairman: Loice Adhiambo Ouma

Board of Management



Head of Finance: Stephen Nyainda

ICPAK No: 31086



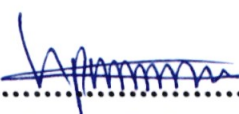
Medical Superintendent Felix Owuonda

Muhuru Subcounty Hospital (Migori County Government)
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	Kshs
Assets			
Current assets			
Cash and cash equivalents	16	2230.76	114
Receivables from exchange transactions	17	3,427,944	5,778,335
Inventories	18	5,973,555	195,220
Total Current Assets		9,403,729	5,973,669
Non-current assets			
Property, plant, and equipment	19	22,500	26,250
Total Non-current Assets		22,500	26,250
Total assets		9,426,229	5,999,919
Liabilities			
Current liabilities			
Trade and other payables	20	0	0
Total Current Liabilities		0	0
Net assets		9,426,229	5,999,919
Represented By:			
Revaluation reserve		0	0
Accumulated surplus/Deficit		9,426,229	5,999,919
Capital Fund		0	0
Total Net Assets and Liabilities		9,426,229	5,999,919

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



Chairman: Loice Adhiambo Ouma
Board of Management



Head of Finance: Stephen Nyainda
ICPAK No: 31086



Medical Superintendent
Felix Owuonda

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital	Total
			Fund	
At July 1, 2023		5,203,941		5,203,941
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	795,978	-	795,978
Capital/Development grants	-	-	-	-
At June 30, 2024	-	5,999,919	-	5,999,919
At July 1, 2024	-	5,999,919	-	5,999,919
Surplus/(deficit) for the year	-	3,426,310	-	3,426,310
At June 30, 2025	-	9,426,229	-	9,426,229

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

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

Description	Note	2024 - 2025	2023 - 2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Facility Improvement Fund		6,118,917	2,897,976
Transfers From Other Government Entities		-	-
Total Receipts		6,118,917	2,897,976
Payments			
Medical/Clinical costs		3,985,000	1,379,500
Board of Management Expenses		199,200	199,500
Employee costs		113,287	231,586
Repairs and maintenance		409,600	65,757
General expenses		1,409,713	992,519
Total Payments		6,116,800	2,868,862
Net cash flows from operating activities	21	2,116	29,114
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets		-	- 30,000
Proceeds from the sale of property, plant, and equipment		-	-
Acquisition of investments		-	-
Net cash flows used in investing activities		-	- 30,000
Cash flows from financing activities			
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		2,116	- 886
Cash and cash equivalents as at 1 July	16	114	1,000
Cash and cash equivalents as at 30 June	16	2,231	114

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	-	114	114	114	-	100%
Revenue						
Rendering of services- Medical Service Income	9,546,860	-	9,546,860	6,118,917	3,427,944	64%
Public Contributions and Donations	10,900,082	-	10,900,082	10,900,082		
Total income	20,446,942	114	20,447,057	17,019,113	3,427,944	83%
Expenses						
Medical/Clinical costs	3,985,000	10,900,082	14,885,082	14,885,082	-	100%
Board of Management Expenses	199,200	-	199,200	199,200	-	100%
Employee costs	113,287	-	113,287	113,287	-	100%
Repairs and maintenance	409,600	-	409,600	409,600	-	100%
General expenses	1,409,713	-	1,409,713	1,409,713	-	100%

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

Total Expenses	6,116,800	10,900,082	17,016,883	17,016,883	-	100%
Surplus for the period	14,330,142	-10,899,968	3,430,174	2,231	3,427,944	0%
Capital expenditure	-	-	-	-	-	

NOTE: The hospital registered 64% utilization in rendering of services as there was an outstanding Ksh. 3,427,944 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 17.

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	2,231
	Closing Cash and Cash Equivalent as per the statement of Cash flows	2,231

19. Notes to the Financial Statements

1. General Information

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

3. Adoption of New and Revised Standards

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

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

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

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees

Standard	Effective date and impact:
	<p>and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>This standard did not have a significant impact on the correctness and completion of the financial statement as the hospital did not have any lease agreement.</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, 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: 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>This standard did not have a significant effect on the financial statement for the facility.</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>

Standard	Effective date and impact:
	This standard did not have a significant impact on the accuracy and correctness of the financial statement.
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47- Revenue	<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>The entity is yet to adopt the standard hence it did not have a significant impact on the financials presented.</p>
IPSAS 48- Transfer Expenses	<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>

Standard	Effective date and impact:
	The standard did not have a significant impact on the financial statement.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. This standard did not have an impact on the financial statement as the facility is yet to establish a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. The standard did not have impact on the financial statement.

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if

the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Muhuru Sub-County Hospital and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

b. Budget information

The original budget for FY 2024/2025 was approved by Board. 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 2024-2025 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.

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 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 Muhuru Sub County Hospital. 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 Muhuru Sub-County Hospital also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

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

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

g. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets,

excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

h. Biological Assets

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

i. Research and development costs

The 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.

j. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the hospital's financial statements.*

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

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 *Notes*.

Financial liabilities

Classification

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

k. Inventories

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

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

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

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

l. Provisions

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

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

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

m. Social Benefits

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

n. 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.

o. 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.

p. Nature and purpose of reserves

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

q. 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.

r. Employee benefits

Retirement benefit plans

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

s. 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.

t. Borrowing costs

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

u. Related parties

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.

v. 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.

w. Cash and cash equivalents

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

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

x. Comparative figures

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

y. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. 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.

6. In Kind Contributions from The County Government

Description	2024-2025	2023-2024
	KShs	KShs
Salaries and wages	-	827,496
Total grants in kind	-	827,496

7. Public Contributions and Donations

Description	2024-2025	2023-2024
	KShs	KShs
Public donations	10,900,082	-
Total donations and sponsorships	10,900,082	-

8. Rendering of Services-Medical Service Income

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Facility Improvement Fund	9,546,860	317,890
Total	9,546,860	317,890

9. Transfers from Other Government Entities

Description	2024 - 2025	2023 - 2024
	KShs	KShs
NHIF capitation Claims	-	198,100
Linda Mama Program and NHIF	-	3,152,600
Total	-	3,350,700

10. Medical/ Clinical Costs

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Laboratory chemicals and reagents	461,000.00	190,200
Food and Ration	1,121,000.00	599,500
Dressing and Non-Pharmaceuticals	937,000.00	330,000
Sanitary and cleansing Materials	381,000.00	159,800
Pharmaceuticals	11,835,082.35	100,000
Medical Records	150,000.00	-
Total	14,885,082.35	1,379,500

11. Board of Management Expenses

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Description	2024-2025	2023-2024
	KShs	KShs
Sitting allowance	199,200	199,500
Total	199,200	199,500

12. Employee Costs

Description	2024-2025	2023-2024
	KShs	KShs
Employee costs (Casuals)(Paid by facility)	113,287	231,586
Employee costs (Casuals Paid by county government)	-	827,496
Employee costs	113,287	1,059,082

13. Repairs And Maintenance

Description	2024-2025	2023-2024
	KShs	KShs
Property- Buildings	409,600	65,757
Total repairs and maintenance	409,600	65,757

14. General Expenses

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Fuel	-	150,000
Travel and accommodation allowance	453,800	120,000
Printing and stationery	684,100	401,575
Water and sewerage costs	75,000	60,000
ICT and Automation	-	52,086
Consultancy Services	-	35,000
Telephone and Mobile Services	-	50,000
Bank Charges	4,313	5,058
Office Tea	-	50,000
Other Fuel	192,500	68,800
Total	1,409,713.14	992,519

15. Depreciation and Amortization Expense

Description	2024-2025	2023-2024
	KShs	KShs

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Property, plant and equipment	3,750	3,750
Total depreciation and amortization	3,750	3,750

16. Cash And Cash Equivalents

Description	2023 - 2024	2023 - 2024
	KShs	KShs
Current accounts	2,231	114
Total cash and cash equivalents	2,231	114

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

Description		2024 - 2025	2023 - 2024
Financial institution		KShs	KShs
a) Current account			
Co-operative Bank of Kenya(Operations)	01102028343001	1655	114
Co-operative Bank of Kenya (Revenue)	01141202834300	576	0
Sub- total		2,231	114
Grand total		2,231	114

17. Receivables From Exchange Transactions

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Receivable	3,427,944	5,778,335
Total receivables	3,427,944	5,778,335

Analysis of Receivables from Exchange Transactions

Description	2024 - 2025	2023-2024
	KShs	Kshs
Less than 1 year	3,427,944	3,350,700
Between 1 - 2 years	-	2,427,635
Total	3,427,944	5,778,335

18. Inventories

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Pharmaceutical supplies	5,973,555	91,192
Non - Pharmaceutical supplies	-	104,028
Total	5,973,555	195,220

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Notes to the Financial Statements (Continued)

19. Property, Plant and Equipment

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

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At 30th Jun 2025	-	-	-	30,000	-	-	-	30,000
Depreciation and impairment								
At 1 July 2023 (previous year)		-	-	-	-	-		-
Depreciation for the year		-	-	3,750	-	-		3,750
Disposals		-	-	-	-	-		-
At 30 June 2024		-	-	3,750	-	-		3,750
At July 2024 (current year)		-	-	3,750	-	-		3,750
Depreciation		-	-	3,750	-	-		3,750
Disposals		-	-	-	-	-		-
Impairment		-	-	-	-	-		-
Transfer/adjustment		-	-	-	-	-	-	-
At 30th June 2025		-	-	7,500	-	-	-	7,500
Net book values								
At 30th June 2024	-	-	-	26,250	-	-	-	26,250
At 30th June 2025	-	-	-	22,500	-	-	-	22,500

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Notes to the Financial Statements (Continued)

Item	Depreciation rate
Buildings and Civil works	2.00%
Motor vehicles	25%
Furniture, fittings, and office equipment	12.50%
ICT Equipment	33%
Plant and medical equipment	12.50%

20. Trade Payable

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

21. Cash Generated from Operations

Description	2024-2025	2023-2024
	KShs	KShs
Surplus for the year before tax	3,426,310	795,978
Adjusted for:		
Depreciation	3,750	3,750
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	(5,778,335)	(145,220)
Increase in receivables	2,350,391	(575,394)
Increase in deferred income	-	-
Increase in payables	-	(50,000)
Increase in payments received in advance	-	-
Net cash flow from operating activities	2,116	29,114

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Notes to the Financial Statements (Continued)

22. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The 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 hospital's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Receivables from exchange transactions	5,778,335	0	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total		0	0	0
At 30 June 2025				
Receivables from exchange transactions	3,427,944	0	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	3,427,944	0	0	0

Notes to the Financial Statements (Continued)

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

(ii) Liquidity risk management

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

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

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	2024/2025	2023/2024
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	0	0
Capital reserve	0	0
Total funds	0	0
Total borrowings	0	0
Less: cash and bank balances	(1,655)	(114)
Net debt/ (<i>excess cash and cash equivalents</i>)	(1,655)	(114)
Gearing	0%	0%

23. Related Party Balances

Nature of related party relationships

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

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

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

Description	2024/2025	2023/2024
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Total	0	0
b) Grants from the Government		
Grants from County Government	0	0
Grants from the National Government Entities	0	0
Donations in kind	0	0
Total	0	0
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	0	0
Payments for goods and services	0	0
Total	0	0
d) Key management compensation		
Directors' emoluments	0	0
Compensation to the medical Sup	0	0
Compensation to key management	0	0
Total	0	0

24. Segment Information

No segmentation to facility during the year under review

25. Contingent Liabilities

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Contingent liabilities	2024-2025	2023-2024
	Kshs	Kshs
Bank guarantees in favour of subsidiary	0	0
Total	0	0

26. Capital Commitments

Capital Commitments	2024-2025	2023-2024
	Kshs	Kshs
Authorised For	0	0
Authorised And Contracted For	0	0
Total	0	0

There was no capital commitments under the financial year under review

27. Events after the Reporting Period

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

28. 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.

29. Currency

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

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
1	The statement of financial position reflects receivables from exchange transactions balance of Kshs.5,778,335 as disclosed in Note 13. The balance is made up of Kshs.2,427,635 that was outstanding for more than one year and Kshs.3,350,700 outstanding for less than one year as disclosed in Note 16 to the financial statements. The composition of the balance is medical services receivables from National Hospital Insurance Fund (NHIF) and Facility Improvement Fund (FIF) collected by the hospital on provision	The management noted the auditors observation and wishes to state that it has written a letter to NHIF to recover the receivables from exchange transactions. Letter to NHIF was attached for review.	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	of services and transferred to the County Revenue Fund (CRF). However, there were no records from the hospital to NHIF deranding for the outstanding unpaid claims despite the hospital having provided the services and raising the claims in the NHIF health management system which is no longer in use.			
2	The statement of financial position reflects Kshs.26,250 property, plant and equipment balance and as disclosed under Note 18 to the financial statements. However, review of Hospital records and physical verification revealed various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further,	The management has noted the auditors observation and is working to ensure that all the assets of the facility are valued and the asset register is updated accordingly	Not resolved	2 years

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	the ownership documents for land and motor vehicles were not provided for audit verification.			
3	Unresolved Prior Year Matters	The management noted the auditor's observation and is committed to continuously resolve the issues as raised in the auditor's report.	Not resolved	2 years
4	Audit review of the employee costs revealed the following that the board of management of the hospital engaged casuals for 12 months consecutively against the labour law instead of contracting them as they are serving in core areas. Further, there was no evidence for approval from the County Public Service Board. In addition, these casuals did not have appointment letters or contractual documents on their engagements. This	The management noted the auditor's observation and wishes to state the County Government of Migori through the Public Service Board is currently working towards full compliance and implementation of employment equity plan as prescribed in the revised county government act.	Not resolved	2 Years

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	was contrary to section B.16(1) of the County Public Service Human Resource Manual, May, 2013, which states that (1) Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and they shall not be engaged for more than three months, as stipulated in the Employment Act, 2007.			
5	Deficiencies in Implementation of Universal Health Coverage (UHC)	The management noted the auditor's observation and wish to state that it relies on the county government to bridge the above-mentioned gaps and at the moment, the hospital received some medical staff from county government. This	Not resolved	2 years

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		has helped to continuously reduce the above-mentioned deficits.		
6	During the year under review, the Hospital operated without an approved budget, and it is therefore not clear how the hospital incurred expenditures that were not budgeted for and approved contrary to Regulation 50(2) of Public Finance Management (County Government) Regulation, which states that expenditure commitments for goods and services shall be controlled against spending and procurement plans approved by the responsible Accounting Officer, based on allocations and allotments from approved budgets.	The management noted the auditor's observation and wishes to state that the budget for the hospital was amalgamated with that of other hospitals whereby the total allocation for all hospitals were Kshs. 145,950,000. Further, the management will provide a line budget for each hospital in the main budget. Find attached budget for your review.	Resolved	
7	Failure to Maintain Fixed Asset Register	The management noted the auditor's observation and wishes to	Not resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		state that it has an up-to-date asset register but it lacks the date of acquisition, supplier name and costs as these particular assets have not been handed over to the facility.		
8	During the year, it was noted that the Hospital's operations in terms of procurement of good and services was still centralized at the County Headquarters. The Hospital makes requisitions for the supply of goods and provision of services to the County's Department of Health and Medical Services. Once the goods are supplied and services provided, the Hospital submits the necessary documents to the County's Department	The management noted the auditor's observation and wish to state that it is working towards the achievement of full autonomy as currently it procures and pays for goods and services rendered. Further in the subsequent years, the hospital will have its own stand-alone budget.	Not resolved	2 years

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>of Health and Medical Services for onward payment.</p> <p>In the circumstances, the lack of operational autonomy in terms of procurement and payments may lead to delay in provision of services to the residents.</p>			



Felix Owuonda