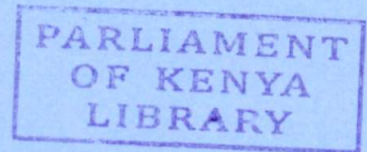


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

ON

228

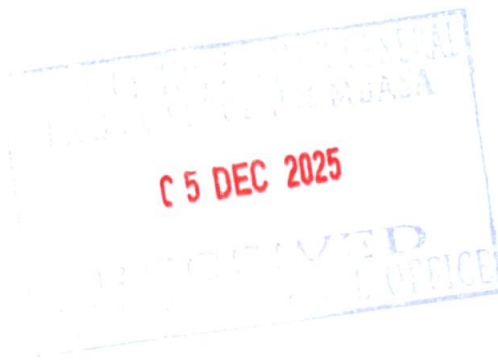
LUNGA LUNGA SUB-COUNTY LEVEL 4
HOSPITAL

PAPERS LAID	
DATE	17/02/2026
TABLED BY	Telegwe
FOR THE YEAR ENDED	←
30 JUNE, 2025	CLERK OF THE TABLE T. Henry

FOR THE YEAR ENDED
30 JUNE, 2025

KWALE COUNTY GOVERNMENT





Lunga Lunga Sub County Level 4 Hospital (Kwale 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)**

Table of Contents

1. Acronyms & Glossary of Terms	ii
2. Key Entity Information and Management	iii
3. The Board of Management	vi
4. Key Management Team.....	ix
5. Chairman’s Statement.....	x
6. Report of The Medical Superintendent.....	xi
7. Statement of Performance Against Predetermined Objectives	xiii
8. Corporate Governance Statement	xiv
9. Management Discussion and Analysis	xv
10. Environmental And Sustainability Reporting	xv
11. Report of The Board of Management	xviii
12. Statement of Board of Management’s Responsibilities	xix
13. Report of the Independent Auditor (Office of Auditor General)	xxi
14. Statement of Financial Performance for The Year Ended 30 June 2025	1
15. Statement of Financial Position As At 30 th June 2025.....	3
16. Statement of Changes in Net Asset for The Year Ended 30 June 2025.....	5
17. Statement of Cash Flows for The Year Ended 30 June 2025	6
18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2025.....	8
19. Notes to the Financial Statements	10
20. Appendices.....	56

1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
FY	Financial Year
MEDS	Mission for Essential Drugs & Supplies
KEMSA	Kenya Medical Supplies Agency
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
CHSSIP	County Health Sector Strategic and Investment Plan
KHSSP	Kenya Health Sector Strategic and Investment Plan
TBA	Traditional Birth Attendants
CIDP	County Integrated Development Plan
NGO	Non Governmental Organization
CECM	County Executive Committee Member
FIF	Facility Improvement Financing
PFM	Public Fund Management
IPSAS	International Public Sector Accounting Standards

2. Key Entity Information and Management

(a) Background information

Lunga Lunga Sub County Hospital is a level (4) hospital established under gazette notice number 786 and is domiciled in Kwale County under the Health Services Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activities of the hospital majored in the three essential programs highlighted as:

- Preventive & Promotive Health Services
- Curative Health Services
- General Administration, Planning & Support Services

This hospital performs its activities with regard to the 7 pillars of Health Systems Management which are Service delivery, Human Resources, Health Infrastructure, Health products, Health Information, Health Leadership and Health Financing. Service Delivery activities and targets are set according to the 5 life cycle cohorts:

- 1; Pregnancy and new born care,
- 2; Childhood,
- 3; Children and youth,
- 4; Adults and
- 5; Elderly. ...

Vision:

To have a functional and health services Sub County hospital that contributes to the holistic development in the County.

Mission:

A sub county hospital whose health services resonates with the health needs of its residents for sustained development in the County.

Goal:

To have a developed and well equipped health facility for improved health services.

Core Values

The Lunga –Lunga Sub County Hospital upholds to the values of Transparency and Accountability, integrity, inclusiveness and equity, Empowerment, Quality/ results oriented and Innovation.

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Health Administration Officer
- Nursing In-Charge

- Facility Accountant

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr Joy Nduku
2.	Head of finance	Suleiman M.Mtende
3.	Health Administration Officer	Bintiali Shee
4.	Nursing In-Charge	Mwanakombo Mwatsuluka

(e) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- Service Delivery Committee
- Infrastructure and Environmental Committee
- Finance Committee
- Audit and Assurance Committee

Key Entity Information and Management (continued)

(f) Entity Headquarters

Off Lunga Lunga-Horohoro Road
Adjacent to L/Lunga Primary School
P.O. Box 82-80402
L/Lunga.
KENYA

(g) Entity Contacts





Telephone: (254) 780729893
E-mail: rahmashee9@gmail.com





(h) Entity Bankers

Kenya Commercial Bank -KCB.
P.O. Box 6
Ukunda Branch,
Kenya

- (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**
County Legal Adviser
Office of the Governor
County Headquarters
P.O. Box.4-80405
Kwale, Kenya




3. The Board of Management

Ref	Directors	Details
1.		<p><u>FUJO JUMA HUSSEIN-CHAIRPERSON</u> Mr Fujo Juma Hussein was born in 1951 and still at the age of 73years, diligently performing his duties in both the Community work as well as being a chairperson to the hospital Board of Management. He holds AT4, a professional in teaching and has served Headteacher in various primary schools.</p>
2.		<p><u>ANJELEMY KIMEU-MEMBER</u> Anjelemy Kimeu attained his O Level education in 1987 at Komeundu Boys high school (1984-1987). Thereafter, served as a Storekeeper in Kemfro Africa Ltd and then as a Cashier at Agip Petroleum Company both situated in Nairobi.</p>
3.		<p><u>MWAKA NYUNDO MAGANGA-MEMBER BOARD OF MANAGEMENT</u> Born in 1976 at Kilimangodo Village in L/Lunga Sub County, Kwale County. Attained her CPE Certificate at Mtumwa Primary school in 1986</p>
4.		<p><u>DOMITILA KAMIRA-MEMBER BOARD OF MANAGEMENT</u> Born in 1963 at Mwangulu Village, Mwereni Ward in L/Lunga Sub County and in Kwale County. Attained her CPE Certificate at Mwangulu Primary school in 1979.</p>

5.		<p><u>ALI ISSA CHEMNI -MEMBER BOARD OF MANAGEMENT</u> An Entrepreneur in the Blue Economy sector and representing the people of Shimoni,Pongwe Kidimu Ward in L/Lunga Sub County.Ali Issa is a humble and a person with no haste decision playing a pivotal role in the Board of Management.</p>
6.		<p><u>JOSEPH MANDARA BOSSO -MEMBER BOARD MANAGEMENT</u> Born in 1974 at Vitsangalaweni Village ,Dzombo Ward ,L/Lunga Sub County and in Kwale County. Attained his CPE Certificate at Mrima Primary school in 1986 and finished KCSE in 1992.Has a skill in Carpentry and Joinery from polytechnic.</p>
7.		<p><u>TIMA SALIM-MEMBER BOARD OF MANAGEMENT</u> Born in 1977 at Ngweneni Village-Vanga Ward in L/Lunga Sub County. He attained his primary education at L/Lunga Primary school (1993), then proceeded to L/Lunga School between 1996. Has a vast knowledge in Tailoring, Clothes Designing and Computer.</p>
8.		<p><u>JOHN CHAMOTO-MEMBER BOARD OF MANAGEMENT</u> Born in 1959 at Kilimangodo Village-Mwereni Ward in L/Lunga Sub County.He attained his primary education at L/Lunga Primary school (1973), then proceeded to Kinango School between 1974. Has a vast knowledge in Education from Shanzu Teachers in 1980-1982, served as a trained teacher and thereafter promoted to the level of an Inspector of Schools. Attained a Diploma in ECDE 2012.</p>

9.	 A black and white portrait of an elderly man with a receding hairline, wearing a checkered shirt. He is looking directly at the camera with a neutral expression.	<p>RASHID MWAZANDI NGALA- MEMBER BOARD OF MANAGEMENT</p> <p>Born in 1941 at Kalani-Kilimangodo Village-Mwereni Ward in L/Lunga Sub County. He attained his primary education at Kilimangodo Primary school (1967). Has a vast knowledge in business in livestock-goats and cattle. Mzee Rashid has served for several years at Kalalani primary school as a member to the Board Of Management</p>
----	---	--

4. Key Management Team

Ref	Management	Details
1.		<p><u>DR HAMISI SALIM TSINGWA-MEDSUPT</u> An MO (medical doctor) licensed by the Kenya Medical Practitioners and Dentists Council and holder of a degree in Bachelor of Medicine and Bachelor of Surgery (MBChB). I have done certificate Courses in Business and Leadership from the Kenya School of Government..</p>
2.		<p><u>MICHAEL KIOKO KILONZO- SHAO</u> A senior Health Administrative Officer who is eager to offer quality and efficient Administrative health services in Kwale County and Kenya at large as outlined in public health code of ethics.</p>
3.		<p><u>SULEIMAN MAZERA MTENDE-ACCOUNTANT</u> CPA Finalist, Msc Finance (In Progress) and Bsc Finance. Mazera is an analytical and accounting prowess endowed professional with extensive experience in numerous areas of the accounting function. Results-driven and team-oriented person whose accomplishments reflect superior business acumen, financial development skills and demonstrated commitments to organization growth.</p>
4.		<p><u>MWANAKOMBO MWATSULUKA-NURSING IN-CHARGE</u> Bachelors degree in nursing , registered and licensed to practice as a nurse by the Nursing Council of Kenya My academic qualification has enabled me to ensure that the Nursing profession becomes the centre of excellence for practice and service delivery in health care delivery system.</p>

5. Chairman's Statement

The Lunga-Lunga Sub-County hospital operates through adhering to the program based approach in accordance with the guidelines from the County. This system guarantees a bottom-up approach in which the service delivery priorities are adequately addressed and sufficiently costed.

The hospital also puts into consideration all the strategic priorities as stipulated in the County Health Sector Strategic and Investment Plan (CHSSIP) and the Kenya health sector strategic and Investment Plan (KHSSP) 2014-2030. In cognizant of the resource constraints facing the hospital, the Board of Management makes an attempt to address these challenges by proposing incorporation of both County and Non-County actors in raising resources for its implementation.

There have been numerous linkages which have come up as a result of the presence of the hospital board of management namely,

- Community sensitization on importance of clinical reviews to the expectant mothers
- Community dialogues regarding health services
- Outreaches where the physically impaired kids hidden as per culture as diagnosed and supported through Occupational Therapeutically sessions.
- Rewarding the TBAs (Traditional Birth Attendants) through monthly meetings lunches and technical support from the health care workers.



.....
Name

Fujo Juma Hussein

Chairman to the Board

6. Report of The Medical Superintendent

L/Lunga Sub County Hospital operates with a focus on performance based service delivery which is a framework for planning, management and monitoring budgets that relates the purposes of resource allocations to effectiveness in achieving desired outcomes. The hospital priorities are defined in the new Kenya Health Policy 2014-2030 and elaborated through the KHSSP III guided by the provisions and mandates of the Constitution 2010, goals of vision 2030 and the County Integrated Development Plan (CIDP) for the year 2019-2024

The three major programs highlighted in this plan are:

- Preventive & Promotive Health Services
- Curative Health Services
- General Administration, Planning & Support Services

This hospital performs its activities with regard to the 7 pillars of Health Systems Management which are Service delivery, Human Resources, Health Infrastructure, Health products, Health Information, Health Leadership and Health Financing. Service Delivery activities and targets are set according to the 5 life cycle cohorts:

- 1; Pregnancy and new born care,
- 2; Childhood,
- 3; Children and youth,
- 4; Adults and
- 5; Elderly.

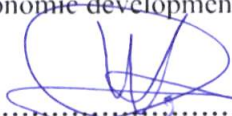
The health workforce / Human resource still remains a major challenge in the hospital. The gap has been identified and gradually reducing to the current number of 53 for FY 2024-2025 through the County employment Plan and gradually progressing towards implementation of level 4 Universal Health Coverage. The Hospital also has a well elaborated plan to ensure commodities and products are available in good time when required and kept in a conducive environment. A lot of support from the County Government, through the Kenya Medical Supplies Agency and MEDs is required for better performance.

The Lunga Lunga Sub-County Hospital has a rich data base of health information however the stakeholders supporting the health activities are inadequate. Leadership and Governance is essential for positive performance, implementation of the hospital activities and achievement of the targets and thus the hospital has a Board of Management comprising of nine members, being an oversight body of the hospital operations. The Board holds quarterly meetings apart from the prior sub-committee meetings. Financing is mainly through County Government and at a few times from health partners (NGO).

There has been a rise in the number of patients presenting with non-communicable diseases. Health education, screening services and availability of commodities for the NCDs has been given a high priority. Main causes of morbidity and mortality are due to preventable causes which forces us to concentrate more on preventive and health promotion health services than the curative services. The commonest causes of deaths are pneumonia, anaemia, malaria, Dehydration and meningitis.

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

In support of Kwale County department of health efforts, the hospital is committed to ensuring that quality health care is available, accessible and affordable to the community so that they can effectively contribute towards their socio-economic development.



.....
Name MICHAEL Kibwira

Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

This hospital performs its activities with regard to the 7 pillars of Health Systems Management which are

- 1) Service delivery.
- 2) Human Resources,
- 3) Health Infrastructure,
- 4) Health products.
- 5) Health Information,
- 6) Health Leadership and
- 7) Health Financing.

Service Delivery activities and targets are set according to the 5 life cycle cohorts:

- 1; Pregnancy and new born care,
- 2; Childhood,
- 3; Children and youth,
- 4; Adults and
- 5; Elderly.

The health workforce / Human resource still remains a major challenge in the hospital. The gap has been identified and strategies to improve this have been developed. The Hospital also has a well elaborated plan to ensure commodities and products are available in good time where they are required. A lot of support from the County Government, through the Kenya Medical Supplies Agency (KEMSA) and Mission for Essential Drugs (MEDS) is required for better performance.

The Lunga Lunga Sub-County Hospital has a rich data base of health information however the stakeholders supporting the health activities are inadequate. Leadership and Governance is essential for positive performance, implementation of the hospital activities and achievement of the targets. Financing is mainly through County Government and at a few times from health partners (Non Governmental Organizations). There has been a rise in the number of patients presenting with non-communicable diseases. Health education, screening services and availability of commodities for the NCDs has been given a high priority. Main causes of morbidity and mortality are due to preventable causes which forces us to concentrate more on preventive and health promotion health services than the curative services. The commonest causes of deaths are pneumonia, anaemia, malaria, Dehydration and meningitis.

In support of Kwale county department of health efforts, the hospital is committed to ensuring that quality health care is available, accessible and affordable to the community so that they can effectively contribute towards their socio-economic development.

8. Corporate Governance Statement

The Board of Management is comprised of 9 members where there is a Chairperson and eight members. Hospital Board normally conducts four quarterly meetings in every financial year. Apart from that, the Board of Management is divided into sub-Committees namely :

- Service Delivery Committee
- Infrastructure and Environmental Committee
- Finance Committee
- Audit and Assurance Committee

Prior to the general Board of Management Quarterly meeting, sub- committee meetings are held in the hospital to ensure all aspects are intact. At least two thirds of the total number of members should be present in order for a decision to be arrive at. However, there are sometimes where ad hoc or emergency meetings are conducted in order to come up with a quick solution to an emerging situation. The Hospital Medical Superintendent is always the Secretary to the Board of Management meetings.

Appointment of the Board members is usually done by the Executive principals with the help of CEC and Chief Officer health. After their names have been gazetted and inducted, that is when implementation of their activities commences. They are supposed to serve for a period of three years and thus their term come to its finis once the period has ended.

The board induction and training on hospital issues are normally organized and done by the department of Public Service and Administration in collaboration with the department of health. The whole Board and member performance is done by the County Executive Committee Member(CECM) in the department of health where meetings are held and evaluations conducted.

Additionally, the Board remuneration or allowances are guided by the rate depicted in the national gazette. In most cases, the level 4 Board allowances rates are clearly shown and they range from Ksh 5,000 for the members to Ksh 6,500 for the chairperson in each meeting. The Board members should conduct their affairs in accordance with the stipulated ethics.

9. Management Discussion and Analysis

L /Lunga hospital has maternity wing, X-ray block, Kitchen, enough wash rooms both for patients and staff, Out Patient block, the Accident and Emergency part, Theatre , Mortuary ,female ward and the male ward. It has a capacity of holding 92 in patients. male ward 30, Female ward 30. Maternity wing 26 and the Accident and Emergency wing 6.

In a matter of safety and compliance to patients served, the facility has two sources of water i.e Kwale water and Sewerage Company supply, which ensures clean and safe water for drinking and cooking . Meanwhile, the other source is borehole water where a sample was examined at the national laboratory and was diagnosed that water is only suitable for washing clothes, utensils and be utilised on gardening at the facility but not for drinking since its salinity is of high concentration. In addition to that, the hospital has a public health officer who ensures that disposal of waste is done appropriately and desludging is done on quarterly basis to do away with the stinking and fetid odours.

In the Financial Year 2024-2025, the overall patient attendance for both inpatient and outpatient were sub divided in the following categories:

- i. Outpatient-15,886 from 17,124 last year
- ii. MCH-11,760 from 12,635 last year
- iii. In patient Department-4,211 from 3,910 last year
- iv. Dental-903 from 1,074 last year

- v. Special Clinics-12,572 from last year 5,285
- vi. Maternity Deliveries-2,503 from last year's 2,239

There were 384 from last year's 395 theatre surgeries from where 302 of those were Caesarean Section surgeries while 82 were other surgeries.

The hospital has bed occupancy rate of 63% from 37% in the previous year. Also ,the bed Occupancy for Paeds is 41% and Maternity is 50%. The Average length of stay for in patient is 2.4 days from 3 days. Peads has an average length of stay of 5.44 days and general medical has average length of stay of Female Ward 6.41 days, Male Ward 7.14 days and maternity has 1.7 days.The clients who attended specialized clinics which include eye clinic, hypertension and others were 12,572 from 5,285 last year. Accident and Emergency wing received 6 cases during the year and the mortality rate was 2% from the 3.7 %of last year.

L/Lunga hospital receives some support from other stakeholders like Naya Kenya, Stawisha Pwani and Base Tetanium in conducting of surgical camps that have been having a positive impact to the people of L/Lunga.

Sources of revenue to the hospital is mainly from the County Government through the department of health administration. This is done in three categories namely,

- i. The hospital imprest
- ii. Employee salaries (An in-kind contribution)
- iii. Medical drugs and pharmaceuticals (An in-kind contribution)

The hospital imprest is normally an amount which is monthly remitted to the hospital account for daily operations of the hospital activities from the County Treasury via Chief Officer Health account. It mainly

caters for Daily subsistence allowances, catering services, telephone services, domestic travel facilitations and minor maintenances. Employee salaries and their deductions are paid directly from the County Treasury to the individual accounts. On the other hand, the medical drugs and pharmaceutical materials are procured centrally from the department of health administration.

Lunga Lunga Sub County Hospital is a revenue collection centre and in the FY 24-25, commenced utilizing the FIF Act enacted in 2023 from September 2024 in adherence to the PFM Act 2012.

10. Environmental And Sustainability Reporting

L/Lunga Sub County Hospital is charged with the responsibility of providing and promoting quality, curative and preventive healthcare services that are responsive, accessible and affordable to the county citizens. Provision of quality health services will result in a healthy and productive population. The availability of accessible and affordable health services is critical for sustainable development.

The health-related challenges, including limited access to clean and health environment to prevent diseases. The department has a wide range of interventions designed to create and maintain an environment conducive to human health; reduce people's exposure to diseases by providing a clean environment in which to live; and measures to break the cycle of diseases. The department has also involved in the following corporate social responsibility:

1. Sustainable strategy and profile

The hospital provides and promotes quality, curative and preventive healthcare services under health services management. This include provision of medical drugs, conduct community sensitization, dialogues and outreaches where immunization services and other community health services are done. It is also composed of the strategies to protect the health wellbeing through the use of community health volunteer's and community health extension workers.

2. Environmental performance

The Hospital in collaboration with the Environment Committee has successfully:

- i. Maintained a clean friendly environment eg participating in community cleanup-25%
- ii. Developed and implemented environmental awareness creation programs-15%
- iii. Developed Waste management policies that includes: -
 - Construction of a burning chamber in the hospital -50%
 - Developing and implementing mechanisms for proper disposal of medical-waste, e.g. sharps, infectious waste and general wastes-90%
- iv. Established measures to mitigate against water, air, noise and other forms of pollution-10%

3. Employee welfare

Employee welfare has been achieved through the following:

- Strengthening the hospital culture by upholding the requirements of Chapter 6 of the Constitution on Leadership and Integrity by developing able and competent personnel with the highest standards of integrity;
- Regular monitoring, evaluation and reporting on the extent to which the Core Values and Principles of the hospital are adhered to within the hospital premises.
- Facilitate disciplinary control over persons holding or acting in public service officers and ensuring the staff code of conduct is adhered to by all hospital employees; and
- Promoting coherent, integrated human resource planning and budgeting and carrying out staff audits to discourage incidences of “ghost workers” and advise the health department on human resources development and management
- Promoting cordial relationship among health care workers in the hospital through having end of year get together where challenges are shared and amicable solutions arrived at.

4. Community Engagements-

Through public participation, the residents have played a role in decision making processes, participate in monitoring and evaluation of infrastructural projects erected in the hospital and provide advice where required in liaison with hospital management team.

11. Report of The Board of Management

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

Principal activities

The principal activities of the hospital are the three major programs highlighted as:

- Preventive & Promotive Health Services
- Curative Health Services
- General Administration, Planning & Support Services

This hospital performs its activities with regard to the 7 pillars of Health Systems Management which are Service delivery, Human Resources, Health Infrastructure, Health products, Health Information, Health Leadership and Health Financing. Service Delivery activities and targets are set according to the 5 life cycle cohorts:

- 1; Pregnancy and new born care,
- 2; Childhood,
- 3; Children and youth,
- 4; Adults and
- 5; Elderly.

Results

The results of the entity for the year ended June 30, 2025 are set out on page 1 to 7.

Board Of Management

The members of the Board who served during the year are shown on page(vi). During the year 2024/2025 ,the members to the Board of Management performed their duties well and there were four sub-committee meetings accompanied by the four quarterly full board meetings .

Auditors

The Auditor General is responsible for the statutory audit of the Lunga Lunga Sub County Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 by order of the Board.

Name:

Micahel Kibwiro

Signature:

Secretary to the Board



12. Statement of Board of Management's Responsibilities

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

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

The Board of Management accepts responsibility for the *Lunga Lunga Sub County Hospital* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the applicable health guidelines. The Board members are of the opinion that the *Lunga Lunga Sub County Hospital* financial statements give a true and fair view of the state of *Lunga Lunga Sub County Hospital's* transactions during the financial year ended June 30, 2025, and of the *Lunga Lunga Sub County Hospital's* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *Lunga Lunga Sub County Hospital*, which have been relied upon in the preparation of the *Lunga Lunga Sub County hospital'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 *disclosed under Note 43 (IV)-Capital Risk Management, where the hospital has a gearing of 5.48%*.

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 2/12/2025 and signed on its behalf by:

.....
Name: Fayo Juma Hussein
Chairperson
Board of Management

.....
Name: Michael Kilowzo
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 LUNGA LUNGA SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - KWALE 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 Lunga Lunga Sub-County Level 4 Hospital set out on pages 1 to 62, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance statement of changes

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

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 Lunga Lunga Sub-County Level 4 Hospital as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and comply with the County Governments Act, 2012, the Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Inaccuracies in Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.6,258,071 as disclosed in Note 34 to the financial statements. However, recalculation of the balance yielded a closing balance of Kshs.8,150,813, resulting in an unexplained variance of Kshs.1,892,742.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.6,258,071 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources.

Review of the status during audit of the Hospital in 2024/2025 revealed that the following four (4) issues remained unresolved:

No.	Audit Issue
1	Inaccurate statement of cash flows
2.	Inaccurate trade and other payables balance
3.	Unsupported over expenditure
4.	Deficiencies in implementation of Level 4 Hospital requirements

Other Information

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

In connection with my audit on the Hospital's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this Other Information and 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. Deficiencies in Implementation of Universal Health Coverage (UHC)

During the year under review, deficiencies were noted in implementation of Universal Health Coverage (UHC) at the Hospital as detailed below:

1.1 Lack of Key Personnel

Review of records and interviews of staff on services offered, equipment used and medical specialists done in the month of November, 2025 revealed that the Hospital had forty-eight(48) staff in-post against the authorized establishment of one hundred and one (101) for Level 4 Hospitals, resulting in a staff deficit of fifty-three (53) or 52% as detailed below:

Staff Requirements	Level 4 Hospital Standard Requirement	Number in Hospital	Variance	Percentage %
Medical officers	16	4	12	75
Anesthesiologists	2	2	0	0
General Surgeons	2	4	(2)	100
Gynecologist	2	1	1	50
Pediatrics	2	0	2	100
Radiologists	2	2	0	0
Kenya Registered Community Health Nurses	75	35	40	53
TOTAL	101	48	53	52

This was contrary to the requirements of Kenya Quality Model for Health Policy Guidelines.

1.2 Lack of Essential Equipment and Machines

The Hospital lacked the necessary equipment and machines as detailed below:

Service	Level 4 Hospital Standard Requirements	Actual Number in the Hospital	Variance	Percentage-(%)
Beds	150	92	58	39
New-born unit incubators	5	1	4	80
New-born unit cots	5	0	5	100
Functional ICU Beds	6	0	6	100
High dependency Unit (HDU)	6	0	6	100
Renal unit at least 5 dialysis machines	5	0	5	100
Total	177	93	84	47

This was contrary to the requirements of the Kenya Quality Model for Health Policy Guidelines. Further, these deficiencies contravene the First Schedule of Health Act,

2017 and imply that accessing the highest attainable standard of health, which includes the right of health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

In the circumstances, the Hospital may not be able to deliver on its mandate and Management was in breach of the law.

2. Non-Compliance with Facilities Improvement Financing Act, 2023

Review of revenue records revealed that the Hospital collected an amount of Kshs.18,993,171 in respect of Facilities Improvement Fund, out of which the Hospital transferred to County Revenue Fund Kshs.6,168,052. However, the amount reimbursed to the Hospital was Kshs.83,820, resulting to a deficit of Kshs.6,084,232. This was contrary to Section 5(1) the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities to be retained in the Hospital Facilities Improvement Financing account.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and Board of Management

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

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit


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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the

effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 December, 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			
Transfers from the County Government	6	-	13,024,189
In-kind contributions from the County Government	7	130,937,675	137,274,492
Grants from donors and development partners	8	8,247,587	5,238,318
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
		139,185,262	155,536,999
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	23,184,744	17,473,140
Revenue from rent of facilities	12	-	-
Finance /Interest Income	13	-	-
Miscellaneous Income	14	-	-
Revenue from exchange transactions		23,184,744	17,473,140
Total revenue		162,370,006	173,010,139
Expenses			
Medical/Clinical costs	15	25,428,625	22,177,913
Employee costs	16	114,930,115	113,774,106
Board of Management Expenses	17	697,500	191,300
Depreciation and amortization expense	18	8,818,912	9,181,897
Repairs and maintenance	19	882,403	109,960
Grants and subsidies	20	8,247,587	5,238,318
General expenses	21	12,022,534	14,040,086
Finance costs	22	-	3,830
Total expenses		171,027,676	164,717,410
Other gains/(losses)			

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Gain/Loss on disposal of non-Current assets	23	-	-
Unrealized gain on fair value of investments	24	-	-
Medical services contracts Gains/Losses	25		(12,007,840)
Impairment loss	26	-	(-)
Gain on foreign exchange transactions		-	-
Total other gains/(losses)			(12,007,840)
Net Surplus / (Deficit) for the year		(8,657,670)	(3,715,111)

NB: The depreciation figure of Ksh 8,818,912 is for the following assets

Building and Civil Works Ksh 1,719,939

Motor Vehicle- Ksh 4,684,050

Furniture & Fittings Ksh 190,440

ICT Equipment Ksh 41,741

Plant & Medical Equipt Ksh 2,182,742

(The notes set out on pages 10 to 59 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 2/12/2025 and signed on its behalf by:


.....

Chairman
Board of Management


.....

Head of Finance
ICPAK No: 13170


.....

Medical Superintendent

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	27	2,229,226	1,486
Receivables from exchange transactions	28	-	-
Receivables from non-exchange transactions	29	5,741,573	5,465,300
Inventories	30	2,821,678	799,223
Total Current Assets		10,792,477	6,266,009
Non-current assets			
Property, plant, and equipment	31	108,132,138	116,951,051
Intangible assets	32	-	-
Investment property	33	-	-
Biological Assets	35	-	-
Total Non-current Assets		108,132,138	116,951,051
Total assets (A)		118,924,615	123,358,719
Liabilities			
Current liabilities			
Trade and other payables	34	6,258,071	1,892,842
Refundable deposits from customers/Patients	35	-	-
Provisions	36	-	-
Finance lease obligation	37	-	-
Current portion of deferred income	38	-	-
Current portion of borrowings	39	-	-
Social Benefits	41	-	-
Total Current Liabilities		6,258,071	1,892,842
Non-current liabilities			
Provisions	36	-	-
Non-Current Finance lease obligation	37	-	-
Non-Current portion of deferred income	38	-	-
Non - Current portion of borrowings	39	-	-
Service concession Arrangements	40	-	-

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025


Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Social Benefits	41	-	-
Total non-current liabilities		0	0
Total Liabilities (B)		6,258,071	1,892,842
Net assets (A-B)		112,666,545	121,324,214
Represented by:			
Revaluation reserve		-	-
Accumulated surplus/Deficit		(10,472,222)	(1,814,553)
Capital Fund		123,138,767	123,138,767
Net Assets		112,666,545	121,324,214

(The notes set out on pages 9 to 50 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 2/12/2025 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
 ICPAK No: 13176



Medical Superintendent

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
At July 1, 2023	-	1,900,558		1,900,558
Revaluation gain	-		-	-
Surplus/(deficit) for the year	-	(3,715,111)	-	(3,715,111)
Capital/Development grants received during the year	-	-	-	-
At June 30, 2024	-	(1,814,553)	123,138,767	121,324,215
At July 1, 2024	-	(1,814,553)	123,138,767	121,324,215
Revaluation gain		-	-	-
Surplus/(deficit) for the year		(8,657,670)		(8,657,670)
Capital/Development grants received during the year				-
At June 30, 2025		(10,472,222)	123,138,767	112,666,545

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

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		-	5,761,778
Grants from donors and development partners		1,550,000	-
Transfers from other Government entities		-	-
Public contributions and donations		-	-
Rendering of services- Medical Service Income		17,443,171	-
Revenue from rent of facilities			-
Finance / interest income			-
Miscellaneous receipts			-
Total Receipts		18,993,171	5,761,778
Payments			
Medical/Clinical costs		9,421,065	4,054,618
Employee costs		-	-
Board of Management Expenses		697,500	191,300
Repairs and maintenance		882,403	109,960
Grants and subsidies		-	-
General expenses		5,764,463	1,400,584
Finance costs			3,830
Refunds paid out			-
Total Payments		16,765,431	5,760,292
Net cash flows from operating activities	43	2,227,740	1,486
Cash flows from investing activities			
Purchase of property, plant, equipment		-	-
Purchase of intangible assets		-	-
Proceeds from the sale of PPE		-	-
Acquisition of investments		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Capital grants received		-	-

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

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		2,227,740	1486
Cash and cash equivalents as at 1 July	27	1,486	
Cash and cash equivalents as at 30 June	27	2,229,226	1,486

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

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government						
In kind Contribution from County Government	-	-	-	-	-	-
Grants from donors and development partners	8,247,587	-	8,247,587	8,247,587	0	100%
Transfers from other Government entities	-	-	-	-	-	-
Public contributions and donations	-	-	-	-	-	-
Rendering of services- Medical Service Income	25,000,000	-	25,000,000	18,993,171	6,006,829	76%
Revenue from rent of facilities	-	-	-	-	-	-
Finance / interest income	-	-	-	-	-	-
Miscellaneous receipts	-	-	-	-	-	-
Total income	33,247,587	0	33,247,587	27,240,758	6,006,829	82%
Expenses						
Medical/Clinical costs	14,697,524	-	14,697,524	9,421,065	5,276,459	64%
Employee costs	0	-	0	0	0	
Remuneration of directors	850,000	-	850,000	697,500	152,500	82%
Repairs and maintenance	1,432,476	-	1,432,476	882,403	550,073	62%
Grants and subsidies	8,247,587	-	8,247,587	8,247,587	0	100%
General expenses	8,020,000	-	8,020,000	5,764,463	2,255,537	72%
Finance costs		-				
Refunds	-	-	-	-	-	-
	-	-	-	-	-	-
Total Expenses	33,247,587	0	33,247,587	25,013,018	8,234,569	75%
Surplus for the period	-	-	0	2,227,740		

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

Budget notes

1. Rendering of services-Medical Service Income:

This item had a budget of Ksh 25M and 23.16M was Claimed making a difference of Ksh 1.8M not met. In this way, the hospital managed to collect 93% of the targeted amount. This was due to drug stock -outs in between the financial year and also some shifts of the patients to opt to be served in the nearby dispensaries and health Centres where services are free.

2. Remuneration of Directors:

This refers to the Board of Management meeting allowances paid once a meeting is held. It had a budget of Ksh 850,000 and Ksh 697,500 was the amount paid in the financial year making only 82%. The Board of Management of the Hospital is happy as most of their allowances were paid.

3. Repairs and Maintenance:

The maintenance part ranges from Property-Buildings, medical equipment, office equipment, furniture & fittings, Computer & accessories, Motor Vehicle and that of civil works. The budgeted amount was Ksh 1,432,476 against utilized amount of Ksh 882,403 making it 62%. The ambulances of the facility had breakdowns and were all maintained using the administration budget of Ksh 381,120, Furniture and Fittings of Ksh 75,500, Medical Equipments of Ksh 151,555 and Property and Residential of Ksh 274,228 bringing a total of Ksh 882,403.

4 Finance Costs:

The Finance Cost component had a budgeted amount of Ksh 20,000 to cater for withdrawal fees, monthly maintenance fee and certificate of balance costs. By the end the Financial Year 2024-2025, Revenue Collection account has bank charges totalling to Ksh 4,979.5 and Expenditure account Ksh 11,030 making a total of Ksh 16,009.50 which is 80% utilization.

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	2,227,740
1	Opening balance	1,486
	Closing Cash and Cash Equivalent as per the statement of Cash flows	2,229,226

19. Notes to the Financial Statements

1. General Information

Lunga Lunga Sub County Hospital entity is established by and derives its authority and accountability from PFM Act. The entity is wholly owned by the Kwale County Government and is domiciled in Kwale County in Kenya. The entity's principal activity is medical health and service delivery.

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 *Lunga Lunga Sub County Hospital's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 43(iv). The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Lunga Lunga Sub County Hospital*. The financial statements have been prepared in accordance with the PFM Act, and *health guidelines*, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

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

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

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously</p>

Standard	Effective date and impact:
	<p>excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial</p>

Standard	Effective date and impact:
	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.
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.
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. <p><i>State the expected impact of the standard to the Entity if relevant</i></p>

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2024-2025 was approved by Board on *1st July 2024*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *Lunga Lunga Sub County Hospital* recorded no additional appropriations on the FY 2024-2025 budget following the Board's approval. The *Lunga-Lunga Sub-County Hospital's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page *1* under section *14* of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Research and development costs

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

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

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

i. Financial instruments

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

Notes to the Financial Statements (Continued)

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

j. Inventories

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

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

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

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

k. Provisions

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

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

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

Notes to the Financial Statements (Continued)

l. Social Benefits

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

m. Contingent liabilities

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

n. Contingent assets

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

o. Nature and purpose of reserves

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

p. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

q. **Employee benefits**

Retirement benefit plans

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

r. **Foreign currency transactions**

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

s. **Borrowing costs**

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

t. **Related parties**

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

Notes to the Financial Statements (Continued)

u. Service concession arrangements

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

v. Cash and cash equivalents

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

w. Comparative figures

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

x. Subsequent events

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

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	2024-2025	2023-2024
	KShs	KShs
Unconditional grants		
Operational grant	-	13,024,189
Level 4/5 grants	-	-
Unconditional development grants	-	-
Other grants (<i>specify</i>)	-	-
	-	13,024,189
Conditional grants		
User fee forgone	-	-
Transforming health services for Universal care project (THUCP)	-	-
DANIDA	-	-
Wards Development grant	-	-
Paediatric block grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
Total government grants and subsidies	-	13,024,189

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
			KShs	KShs	KShs
Kwale County Government	-	-	-	-	13,024,189
Total	-	-	-	-	13,024,189

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	2024-2025	2023-2024
	KShs	KShs
Salaries and wages	114,930,115	113,774,106
Medical supplies-Drawings Rights (KEMSA)	6,083,705	10,746,656
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	2,374,311	12,753,730
Utility bills	7,549,544	-
Total grants in kind	130,937,675	137,274,492

8. Grants From Donors and Development Partners

Description	2024-2025	2023-2024
	KShs	KShs
Cancer Centre grant- DANIDA	-	-
World Bank grants	-	-
Paediatric ward grant- JICA	-	-
Research grants	-	-
Other grants (Global Fund Commodities)	6,697,587	5,238,318
Drug Distribution Program-African Institute Nairobi	1,550,000	-
Total grants from development partners	8,247,587	5,238,318

(This refers to the HIV and TB drugs supplied in the facility by Global Fund Organization)

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

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2023-2024
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	-	-	-	-	-
JICA	-	-	-	-	-
World Bank	-	-	-	-	-
Total	-	-	-	-	-

Notes to Financial Statements Continued

9. Transfers From Other Government Entities

Description	2024-2025	2023-2024
	KShs	KShs
Transfer from National Government (Ministry of Health)	-	-
Transfer from a National Hospital	-	-
Transfer from an Institute	-	-
Total Transfers	-	-

10. Public Contributions and Donations

Description	2024-2025	2023-2024
	KShs	KShs
Public donations	-	-
Donations from local leadership	-	-
Donations from religious institutions	-	-
Donations from other international organisations and individuals	-	-
Other donations(<i>specify</i>)	-	-
Donations in kind-amortised	-	-
Total donations and sponsorships	-	-

10 (a)Reconciliations of amortised grants

Description	2024-2025	2023-2024
	Kshs	Kshs
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Amortised and transferred to revenue	-	-
Conditions to be met – remain liabilities	-	-

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Description	2024-2025	2023-2024
	Kshs	Kshs
Pharmaceuticals	4,705,067	5,671,440
Non-Pharmaceuticals		-
Laboratory		-
Radiology		-
Orthopedic and Trauma Technology		-
Theatre		-
Accident and Emergency Service		-
Anesthesia Service		-
Ear Nose and Throat service		-
Nutrition service		-
Cancer centre service		-
Dental services		-
Reproductive health		-
Paediatrics services		-
Farewell home services		-
Ambulance services		-
Other medical services income (<i>NHIF Capitation, EduAfya , Lindamama and SHA</i>)	18,479,677	11,801,700
Total revenue from the rendering of services	23,184,744	17,473,140

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	2024-2025	2023-2024
	Kshs	Kshs
Residential property	-	-
Commercial property	-	-
Total Revenue from rent of facilities	-	-

13. Finance /Interest Income

Description	2024-2025	2023-2024
	Kshs	Kshs
Interest income from Cash investments and fixed deposits	-	-
Interest income from short- term/ current deposits	-	-
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
Total finance income	-	-

14. Miscellaneous Income

Description	2024-2025	2023-2024
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender	-	-
Services concession income	-	-
Sale of goods (water, publications, containers etc)	-	-
Write backs (Deposits, payments in advance etc)	-	-
Bad debts recovered	-	-
<i>Others (Specify)</i>	-	-
Total Miscellaneous income	-	-

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

-Description	2024-2025	2023-2024
	Kshs	Kshs
Dental costs/ materials		-
Laboratory chemicals and reagents	1,054,431	1,019,000
Drawing rights for Laboratory Reagents	7,549,544	
Public health activities		-
Food and Ration	3,085,521	5,237,123
Uniform, clothing, and linen		-
Dressing and Non-Pharmaceuticals	1,132,923	1,426,580
Medical supplies-Drawings Rights for Non Pharms (KEMSA & MEDS)	2,374,311	
Pharmaceutical supplies	2,620,000	12,753,730
Medical supplies-Drawings Rights (KEMSA)	6,083,705	
Health information stationery		-
Reproductive health materials		-
Sanitary and cleansing Materials	145,400	1,185,680
Purchase of Medical gases	794,230	350,000
X-Ray/Radiology supplies	542,560	205,800
Other medical related clinical costs-fungicides	46,000	-
Total medical/ clinical costs	25,428,625	22,177,913

16. Employee Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Salaries, wages, and allowances	114,930,115	113,774,106
Contributions to pension schemes		-
Service gratuity		-
Performance and other bonuses		-
Staff medical expenses and Insurance cover		-
Group personal accident insurance and WIBA		-
Social contribution		-
Other employee costs		-
Employee costs	114,930,115	113,774,106

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Chairman's Honoraria	-	-
Sitting allowance	697,500	191,300
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	-
Airtime allowances	-	-
Total	697,500	191,300

18. Depreciation and Amortization Expense

Description	2024-2025	2023-2024
	Kshs	Kshs
Property, plant and equipment		
<i>Buildings</i>	1,719,939	
<i>Motor Vehicle</i>	4,684,050	6,245,400
<i>Furniture & Fittings</i>	190,440	282,600
<i>ICT Equipment</i>	41,741	159,334
<i>Plant & Medical Equipment</i>	2,182,742	2,494,563
Intangible assets		-
Investment property carried at cost		-
Total depreciation and amortization	8,818,912	9,181,896

19. Repairs And Maintenance

Description	2024-2025	2023-2024
	Kshs	Kshs
Property- Buildings	274,228	72,110
Medical equipment	151,555	-
Office equipment		-
Furniture and fittings	75,500	-

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

Computers and accessories		10,000
Motor vehicle expenses	381,120	27,850
Maintenance of civil works	-	-
Total repairs and maintenance	882,403	109,960

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Description	2024-2025	2023-2024
	Kshs	Kshs
Community development and social work	-	-
Education initiatives and programs	-	-
Free/ subsidised medical camp	-	-
Disability programs	-	-
Free cancer screening	-	-
Social benefit expenses	-	-
Other grants and subsidies(Global Fund Commodities)	6,697,587	5,238,318
Drug Distribution Program-African Institute Nairobi	1,550,000	
Total grants and subsidies	8,247,587	5,238,318

21. General Expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Advertising and publicity expenses	96,000	-
Catering expenses	134,660	4000
Waste management expenses		-
Insecticides and rodenticides		-
Audit fees		-
Bank charges	16,010	-
Conferences and delegations	242,700	-
Consultancy fees		-
Contracted services		-
Electricity expenses		-
Fuel and Lubricants	2,394,526	1,227,060
Other Fuels	222,000	1,245,622
Insurance		-
Research and development expenses		-
Travel and accommodation allowance	795,260	108,000
Legal expenses		-
Licenses and permits		-
Courier and postal services	30,000	4,948
Printing and stationery	32,320	12,880
Hire charges		-
Rent expenses		-

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Description	2024-2025	2023-2024
	Kshs	Kshs
Water and sewerage costs	558,255	325,270
Skills development levies		-
Telephone and mobile phone services	176,500	51,500
Internet expenses	21,000	-
Medical drugs		10,746,656
General Office Supplies	1,045,232	314,150
Staff training and development		-
Subscriptions to professional bodies		-
Subscriptions to newspapers periodical, magazines, and gazette notices		-
Library books/Materials	-	-
Other payables	6,258,071	-
Total General Expenses	12,022,534	14,040,086

22. Finance Costs

Description	2024-2025	2023-2024
	KShs	KShs
Borrowings (amortized cost) *		-
Finance leases (amortized cost)		-
Bank charges for the year		3,830
Interest on Bank overdrafts/Guarantees		-
Interest on loans from commercial banks		-
Total finance costs		3,830

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

Description	2024-2025	2023-2024
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised	-	-
Total gain on sale of assets	-	-

24. Unrealized Gain On Fair Value Investments

Description	2024-2025	2023-2024
	KShs	KShs
Investments at fair value	-	-
Total gain	-	-

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	2024-2025	2023-2024
	KShs	KShs
Comprehensive care contracts with NHIF		(5,671,440)
Non- Comprehensive contracts care with NHIF		(5,103,100)
Linda Mama Program		(658,200)
EduAfya		(575,100)
Waivers and Exemptions		-
Total Gain/Loss		(12,007,840)

26. Impairment Loss

Description	2024-2025	2023-2024
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Investments	-	-
Total impairment loss	-	-

27. Cash And Cash Equivalents

Description	2024-2025	2023-2024
	KShs	KShs
Current accounts(KCB BANK-1107465605)	119,169.22	1,486
(KCB BANK-1332274919)	2,110,057.55	
On - call deposits		-
Fixed deposits accounts		-
Cash in hand		-
Others- Mobile money		-
Total cash and cash equivalents	2,229,227	1,486

Notes to the Financial Statements (Continued)

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

Description		2024-2025	2023-2024
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1107465605	119,169.22	1,486
Kenya Commercial bank	1332274919	2,110,057.55	-
Sub- total			-
b) On - call deposits			
Kenya Commercial bank			-
Equity Bank – etc			-
Sub- total			-
c) Fixed deposits account			
Bank Name			-
Sub- total			-
d) Others(specify)			-
cash in hand			-
Mobile money- Mpesa, Airtel money			-
Sub- total			-
Grand total		2,229,227	1,486

28. Receivables From Exchange Transactions

Description	2024-2025	2023-2024
	KShs	KShs
Medical services receivables	5,741,573	5,465,300
Rent receivables	-	-
Other exchange debtors	-	-
Less: impairment allowance	(-)	(-)
Total receivables	5,741,575	5,465,300

Analysis of Receivables From Exchange Transactions

Description	2024-2025		2023-2024	
	Kshs		Kshs	
	2024-2025	% of the total	2023-2024	% of the total
Less than 1 year	5,741,573	%	5,465,300	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	5,741,573	%	5,465,300	%

29. Receivables From Non-Exchange Transactions

Description	2024-2025	2023-2024
	KShs	KShs
Transfers from the County Government	-	-
Undisbursed donor funds	-	-
Other debtors (<i>non-exchange transactions</i>)-NHIF Claims	-	-
Less: impairment allowance		(-)
Total	-	-

Analysis of Receivables From Non-Exchange Transactions

Description	2024-2025		2023-2024	
	Kshs		Kshs	
	2024-2025	% of the total	2023-2024	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years		100%	-	%
Between 2-3 years		%	-	%
Over 3 years		%	0	%
Total (a+b)	-	100%	-	%

30. Inventories

Description	2024-2025	2023-2024
	KShs	KShs
Pharmaceutical supplies	2,719,885	-
Maintenance supplies		313,900
Food supplies	101,794	54,202
Linen and clothing supplies		369,921
Cleaning materials supplies		61,200
General supplies		-
Less: provision for impairment of stocks		(-)
Total	2,821,678	799,223

Lunga Lunga Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025
Notes to the Financial Statements (Continued)

31. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Rate of Depreciation	-	2.50%	25%	10%	25.00%	12.50%		
Cost/Valuation								
Opening carrying value as at 1st July 2023	-	-	-	538,000	351,113	-	-	889,113
Additions during the year	9,884,000	68,797,550	24,981,600	1,772,800	180,000	19,956,500	-	125,572,450
Disposal	-	-	-	-	-	-	-	0
Reclassification to Low asset value	-	-	-	-	-	-	-	0
TOTALS (30th June 2024)	9,884,000	68,797,550	24,981,600	2,260,800	531,113	19,956,500	-	126,411,563
Opening carrying value as at 1st July 2024	9,884,000	68,797,550.00	24,981,600	2,260,800	531,113	19,956,500	-	126,411,563
Additions during the year	-	-	-	-	-	-	-	0
Disposal	-	-	-	-	-	-	-	0
Reclassification to Low asset value	-	-	-	-	-	-	-	0
TOTALS (30th June 2025)	9,884,000	68,797,550	24,981,600	2,260,800	531,113	19,956,500	0	126,411,563
Depreciation								
As at 1st July 2023		0	0	73,800	204,816	0		278,616
Charge for the year	0		6,245,400	282,600	159,334	2,494,563		9,181,897
Disposal		(-)	(-)	(-)	(-)	(-)		0
Reclassification to Low asset value		0	6,245,400	356,400	364,150	2,494,562.5		9,460,513
TOTALS(30th June 2024)	0	0	6,245,400.00	356,400	364,150	2,494,563		9,318,853

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

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
As at 1st July 2024	0	-	6,245,400.00	356,400	364,150	2,494,563	-	9,460,513
Disposal			-	-	-	-	-	0
Charge for the year	-	1,719,939	4,684,050	190,440	41,741	2,182,742		8,818,912
Reclassification to Low asset value	-	-	-	-	-	-	-	0
TOTALS(30th June 2025)	-	1719938.75	10929450	546840	405890.75	4677305.125	0	18,279,425
NBV As at 1st July 2024	9,884,000	68,797,550	18,736,200	1,904,400	166,963	17,461,938	0	116,951,051
NBV As at 1st July 2025	9,884,000	67,077,611	14,052,150	1,713,960	125,222	15,279,195	0	108,132,138

(The Office furniture & Fittings are depreciated at a rate of 10%,ICT Equipments at 25% using straight line method)

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

Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

Description	2024-2025	2023-2024
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
Additions-Internal development	-	-
Disposal	(-)	(-)
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization for the period	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

33. Investment Property

Description	2024-2025	2023-2024
	KShs	KShs
At beginning of the year	-	-
Additions	-	-
Disposals during the year	(-)	(-)
Fair value gain	-	-
Depreciation (<i>where investment property is at cost</i>)	(-)	(-)
Impairment	(-)	(-)
At end of the year	-	-

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

Notes to the Financial Statements (Continued)

34. Trade and other Payables

Description	2024-2025		2023-2024	
	KShs		KShs	
Trade payables	6,258,071		1,892,846	
Employee dues			-	
Third-party payments (e.g. unremitted payroll deductions)			-	
Audit fee			-	
Doctors' fee			-	
Total trade and other payables	6,258,071		1,892,846	
Ageing analysis:	2023-2024	% of the Total	2023-2024	% of the total
Under one year	2,381,152	56%	1,313,846	%
1-2 years	3,876,919	44%	579,000	%
2-3 years		%	-	%
Over 3 years		%	-	%
Total	6,258,071	%	1,892,846	%

35. Refundable Deposits from Customers/Patients

Description	2024-2025		2023-2024	
	KShs		KShs	
Medical fees paid in advance	-		-	
Credit facility deposit	-		-	
Rent deposits	-		-	
Others	-		-	
Total deposits	-		-	
Ageing analysis:	2024-2025	% of the Total	2023-2024	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

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

Notes to the Financial Statements (Continued)

36. Provisions

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

37. Finance Lease Obligation

Description	2024-2025	2023-2024
	Kshs	Kshs
Current Lease obligation	-	-
Long term lease obligation	-	-
Total	-	-

38. Deferred Income

Description	2024-2025	2023-2024
	KShs	KShs
Current Portion	-	-
Non-Current Portion	-	-
Total	-	-

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

Notes to the Financial Statements (Continued)

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

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

39. Borrowings

Description	2024-2025	2023-2024
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	(-)	(-)
Repayments of domestic borrowings during the year	(-)	(-)
Balance at end of the period	-	-

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

Description	2024-2025	2023-2024
	KShs	KShs
Current Obligation	-	-
Non-Current Obligation	-	-
Total	-	-

Notes to the Financial Statements (Continued)

40. Service Concession Arrangements

Description	2024-2025	2023-2024
	KShs	KShs
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	(-)	-
Net carrying amount	=	=
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	(-)	(-)
Service concession liability at end of the year	=	=

41. Social Benefits

Description	2024-2025	2023-2024
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	=
People Living with Disabilities benefit Scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
Total	-	-
Current social benefits	-	-
Non- current social benefits	-	-
Total (tie to totals above)	-	-

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

Notes to the Financial Statements (Continued)

42. Cash Generated from Operations

Description	2024-2025	2023-2024
	KShs	KShs
Surplus for the year before tax	(8,657,670)	-
Adjusted for:		
Depreciation	8,818,912	-
Non-cash grants received	(-)	(-)
Impairment	-	-
Gains and losses on disposal of assets	(-)	(-)
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working Capital adjustments		
Increase in inventory	(2,298,731)	(-)
Increase in receivables	(-)	(-)
Increase in deferred income	-	-
Increase in payables	4,365,229	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	2,227,740	-

Notes to the Financial Statements (Continued)

43. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2025				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	5,741,573	5,741,573	-	-
Bank balances	2,229,226	2,229,226	-	-
Total	7,970,779	7,970,779	-	-

Notes to the Financial Statements (Continued)

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

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2025				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

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

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

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

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Notes to the Financial Statements (Continued)

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

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2023-2024			
Euro	10%	-	-
USD	10%	-	-
2024-2025			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

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

Management of interest rate risk

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

Lunga Lungu Sub County Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Notes to the Financial Statements (Continued)

Sensitivity analysis

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

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	-	-
Retained earnings	-	-
Capital reserve	128,413,495	125,522,450
Total funds	128,413,495	125,522,450
Total borrowings	6,334,109	6,875,021
Less: cash and bank balances	(2,229,226)	(1,486)
Net debt/ <i>(excess cash and cash equivalents)</i>	4,104,883	6,873,535
Gearing	3.2%	5.48%

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

Notes to the Financial Statements (Continued)

44. Related Party Balances

Nature of related party relationships

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

Kwale County Government is the principal shareholder of the *Lunga Lunga Sub County 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		
Services to Employees	-	-
Sales of services to Employees	-	-
Total	-	-
b) Grants from the Government		
Grants from County Government	-	-
Grants from the National Government Entities	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services for management	-	-
Total	-	-
d) Key management compensation		

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

Description	2024-2025	2023-2024
	Kshs	Kshs
Directors' emoluments	-	-
Compensation to the medical Sup	-	-
Compensation to key management	-	-
Total	-	-

45. Segment Information

Lunga Lunga Sub County hospital operates in Kwale County Government and thus no segmental information is required.

46. Contingent Liabilities

Contingent liabilities	2024-2025	2023-2024
	Kshs	Kshs
Court case against the hospital	-	-
Bank guarantees in favour of subsidiary	-	-
Total	-	-

(Give details)

47. Capital Commitments

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

48. Events after the Reporting Period

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

49. Ultimate and Holding Entity

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

50. Currency

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

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

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Basis for Qualified Opinion				
1 Inaccuracy in the statement of Comparison of Budget and Actual Amounts	Review of the statement of Comparison of the Budget and actual balance reflects a total budgeted revenue of Ksh 113,890,921 and actuals Ksh 111,911,507. However, the total balance of the budgeted expenses and actual balance has been omitted in the statement.	The totals done and the statement of comparison of budget amended	Resolved	
2 Unconfirmed Inventory Balance	The statement of Financial position reflect inventory of Ksh nil balance as disclosed in Note 30 to the financial statements. However, there was no evidence of conducting annual stock take to confirm the quantities, value and status of closing inventory balances as at 30 th June 2023.	Stock taking done at the end of Financial Year and stock balances brought to books.	Resolved	
3 Non - Disclosure of	The statement of Financial position reflects a balance of Ksh 747,754 in respect of Property, plant and equipment balance as disclosed in Note 31 to the	All assets as per the Valuation Report induced in the asset register and also	Resolved	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																																								
Property, Plant and Equipment	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 ownership documents for land were not provided for audit.	included in Note 31 for depreciation. The title deed was obtained and thus the hospital has full ownership of land.																																										
Report on Lawfulness and Effectiveness in use of Public Resources																																												
Deficiencies in implementation of Universal Health Coverage (UHC)	<table border="1"> <thead> <tr> <th data-bbox="488 916 725 1018">Staff requirements</th> <th data-bbox="732 916 819 1018">Level 4 std</th> <th data-bbox="826 916 943 1018">No. in hospital</th> <th data-bbox="949 916 1081 1018">Variance</th> <th data-bbox="1088 916 1160 1018">%</th> </tr> </thead> <tbody> <tr> <td data-bbox="488 1023 725 1059">Medical officers</td> <td data-bbox="732 1023 819 1059">16</td> <td data-bbox="826 1023 943 1059">7</td> <td data-bbox="949 1023 1081 1059">9</td> <td data-bbox="1088 1023 1160 1059">45</td> </tr> <tr> <td data-bbox="488 1064 725 1101">Anesthesiologist</td> <td data-bbox="732 1064 819 1101">2</td> <td data-bbox="826 1064 943 1101">3</td> <td data-bbox="949 1064 1081 1101">-1</td> <td data-bbox="1088 1064 1160 1101">101</td> </tr> <tr> <td data-bbox="488 1106 725 1166">General Surgeons</td> <td data-bbox="732 1106 819 1166">2</td> <td data-bbox="826 1106 943 1166">0</td> <td data-bbox="949 1106 1081 1166">2</td> <td data-bbox="1088 1106 1160 1166">100</td> </tr> <tr> <td data-bbox="488 1171 725 1208">Gynecologist</td> <td data-bbox="732 1171 819 1208">2</td> <td data-bbox="826 1171 943 1208">1</td> <td data-bbox="949 1171 1081 1208">1</td> <td data-bbox="1088 1171 1160 1208">50</td> </tr> <tr> <td data-bbox="488 1212 725 1249">Pediatrics</td> <td data-bbox="732 1212 819 1249">2</td> <td data-bbox="826 1212 943 1249">0</td> <td data-bbox="949 1212 1081 1249">2</td> <td data-bbox="1088 1212 1160 1249">100</td> </tr> <tr> <td data-bbox="488 1254 725 1291">Radiologists</td> <td data-bbox="732 1254 819 1291">2</td> <td data-bbox="826 1254 943 1291">0</td> <td data-bbox="949 1254 1081 1291">2</td> <td data-bbox="1088 1254 1160 1291">100</td> </tr> <tr> <td data-bbox="488 1295 725 1348">Kenya Registered</td> <td data-bbox="732 1295 819 1348">75</td> <td data-bbox="826 1295 943 1348">17</td> <td data-bbox="949 1295 1081 1348">58</td> <td data-bbox="1088 1295 1160 1348">80</td> </tr> </tbody> </table>	Staff requirements	Level 4 std	No. in hospital	Variance	%	Medical officers	16	7	9	45	Anesthesiologist	2	3	-1	101	General Surgeons	2	0	2	100	Gynecologist	2	1	1	50	Pediatrics	2	0	2	100	Radiologists	2	0	2	100	Kenya Registered	75	17	58	80	The Kwale County Government is ensuring that gradually the personnel gap is sealed as per the requirement of UHC and also essential machines and equipments are purchased in phases to ensure service delivery is met	Not Resolved	Dec 2025
Staff requirements	Level 4 std	No. in hospital	Variance	%																																								
Medical officers	16	7	9	45																																								
Anesthesiologist	2	3	-1	101																																								
General Surgeons	2	0	2	100																																								
Gynecologist	2	1	1	50																																								
Pediatrics	2	0	2	100																																								
Radiologists	2	0	2	100																																								
Kenya Registered	75	17	58	80																																								

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																									
	<table border="1" data-bbox="488 427 1137 496"> <tr> <td>Community0 Health Nurses0</td> <td></td> <td></td> <td></td> <td></td> </tr> </table> <p data-bbox="472 504 1122 743">Review of the hospital records and interviews on verification of services offered, equipment used and medical specialists in the hospital at the time of the time of audit revealed that the hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by 73 staff requirements or 72% of the authorized establishment.</p> <p data-bbox="472 783 1122 879">In addition , the hospital lacked the necessary equipment and machines outlined in the Health Policy Guidelines as detailed:</p> <table border="1" data-bbox="472 919 1122 1353"> <thead> <tr> <th>Service</th> <th>Level 4 std</th> <th>Actual in hospital</th> <th>Variance</th> </tr> </thead> <tbody> <tr> <td>Beds</td> <td>150</td> <td>43</td> <td>107</td> </tr> <tr> <td>Resuscitative (2 in labor & 1 in theatre)</td> <td>2</td> <td>0</td> <td>2</td> </tr> <tr> <td>New born unit incubators</td> <td>5</td> <td>0</td> <td>5</td> </tr> <tr> <td>New boprn units cots</td> <td>5</td> <td>0</td> <td>5</td> </tr> </tbody> </table>	Community0 Health Nurses0					Service	Level 4 std	Actual in hospital	Variance	Beds	150	43	107	Resuscitative (2 in labor & 1 in theatre)	2	0	2	New born unit incubators	5	0	5	New boprn units cots	5	0	5			
Community0 Health Nurses0																													
Service	Level 4 std	Actual in hospital	Variance																										
Beds	150	43	107																										
Resuscitative (2 in labor & 1 in theatre)	2	0	2																										
New born unit incubators	5	0	5																										
New boprn units cots	5	0	5																										

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Functional ICU beds	6	0	6
	High Dependency Unit(HDU) Beds	6	0	6
	Renal Unit with at least 5 dialysis machines	5	0	5
	Two functional operational Theatres- Maternity and General	2	0	2
<p>The deficiencies contravene the first schedule of the Health Act 2017 and imply that accessing the highestcontravene the first schedule of the Health Act 2017 and imply that accessing the highest attainable standard of health which includes the right to health</p>				

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

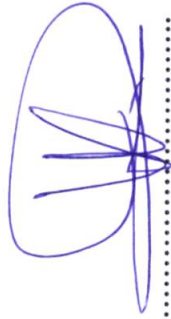
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	care services including reproductive health care as required by the article 43(1) of the Constitution of Kenya 2010 may not be achieved. In the circumstances, the hospital may not deliver on its mandate.			
Basis for Conclusion				
1 Inadequate Storage space	Physical verification of the hospital pharmaceutical stores revealed that the store did not have a functional air conditioner and therefore a section of the store did not have the proper temperature of drug storage. Further, a section of the ceiling had been damaged by pests posing a risk of water leakage into the store which could damage the unused drugs. It was also noted that the non-pharmaceutical stores had inadequate storage space with no shelves and partitions and was manned by the nurse -in-charge instead of a store keeper. In the circumstances, the effectiveness of internal controls on stores management could not be confirmed.	The Air Conditioner repaired and temperature are at the required standards. A store keeper was inducted from support staff and now manning the store	Resolved	
2.Lack of Revenue Collecting system	Review of the hospital revenue process and billing system revealed that patients were billed and paid using MPESA paybill and point of sale (POS) system. The daily and monthly income reports generated from different services offered were not done in the Integrated Hospital Information	The hospital with aid from STAWISHA PWANI soon to get electronic system-Electronic Management of Records	Not Resolved	April 2025

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Management System for ease of trail of the revenue earned. In the circumstances, the effectiveness of internal controls designed in the revenue collection could not be confirmed.	(EMR) that will support the operations of the hospital.		
3 Lack of Risk Management Policy	During the year ended 30 th June 2023, the hospital did not have in place a risk management policy. This was contrary to Regulation 158(1)a)(b) of the public Finance Management (County Governments) Regulation, 2015 which requires the Accounting officer to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism; and the County Government entity develops a system of risk management and internal control that builds robust business operations. In the circumstance, the ability of management to identify threats or risks and various strategies of minimizing their impact could be compromised.	To adopt the County Risk Management policy	Not resolved	By March 2025
4 Lack of strategic plan and approved Disaster Recovery plan	No strategic plan and Disaster Recovery Plan	Strategic plan in draft and County Disaster plan to be adopted	Resolved	
5 Expired Medical supplies	No inventory balances for drugs and 12,970 drug units of undetermined value had expired.	Stock taking at the end of every Financial Year conducted and stock	Resolved	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>balances ascertained. Expired drugs removed from drug store and taken to Msambweni for destruction as per the drug destruction procedures.</p>		



.....
Accounting Officer

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

Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

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

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

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

Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....

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

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

Head of Accounts Department - Disbursing Entity:
 Name Sign Date

Head of Accounts Department - Beneficiary Entity:
 Name Sign Date.....

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

Appendix IV Reporting of Climate Relevant Expenditures

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

Appendix V: Disaster Expenditure Reporting Template

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