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REPORT

OF

THE AUDITOR-GENERAL

ON

MACALDER SUB-COUNTY HOSPITAL

FOR THE YEAR ENDED

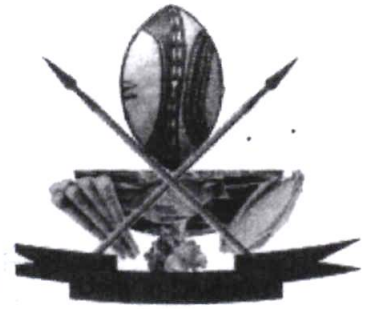
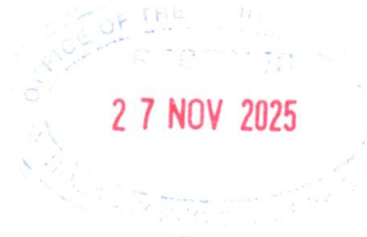
30 JUNE, 2025

COUNTY GOVERNMENT OF MIGORI

PAPERS LAID	
DATE	17/02/2023
TABLED BY	Lelegwe
COMMITTEE	---
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**MACALDER SUBCOUNTY HOSPITAL
(Migori County Government)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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1. Acronyms & Glossary of Terms

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

2. Key Entity Information and Management

(a) Background information

Macalder Sub County hospital is established under gazette notice number GK-010399 and is domiciled in Migori County under the Health Medical Service Department. The hospital is governed by a Board of Management.

(b) Principal Activities

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

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

(c) Key Management

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

- County department of health – Chief Officer Medical services
- Medical Superintendent
- Board of Management
- Accountant
- Hospital departmental heads

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Mr. Alphrick Odiwuor
2.	Hospital Administrator	Mr. Steven Ogega

(e) Fiduciary Oversight Arrangements

- Clinical Research and Standards Committee.
- Audit committee of the hospital
- Risk Committee and Management committee of the hospital
- County Assembly (Migori County Government-County Public Investment and Accounts Committee)
- Parliamentary committees (County Public Investments and Special Funds Committee)

Key Entity Information and Management (continued)

- Parliamentary committees
- Other oversight committees

(f) Entity Headquarters

P.O. Box 99-40402
NYATIKE-KENYA

(g) Entity Contacts

Telephone: 0704233759
E-mail: dh@gmail.com

(h) Entity Bankers

Cooperative Bank of Kenya
A/C No. 01100771783001
A/C No. 01120077178300

(i) Independent Auditors

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





(j) Principal Legal Adviser

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





(k) County Attorney

P.O. Box. 195-40400
Migori, Kenya




3. The Board of Management

Ref	Directors	Details
1.		<p>Title : Chairman Name: Peter Ocharo, ID : 9540325, Masters of education in curriculum studies, Age: 55 years Work experience: 36years as a teacher from the primary level to lecturing. I have led teachers in KNUT and various fora.</p>
2.		<p>Name: Mr. Alphrick Odiwour Title: The medical superintendent Age : 38 Years Academic Qualification: diploma in clinical medicine and surgery Work Experience: 14 Years as a Clinician</p>
3.		<p>Name: Odoyo Jared Okoth Rank: Youth representative ID : 30491407 Academics/Profession: Pharmaceutical technologist AGE :31 Years Work Experience: Pharmaceutical superintendent</p>
4.		<p>Name: Mr. Naftali Okuku Ogoye. ID Number: 13501458. Age: 64 Years Level Of Education: College: Diploma in printing Technology.</p>



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

		Work Experience/Occupation: Business in Supply & printing.
5.		Name: THOMAS ADEM ADEMBA Age: 62 Years Education Level: FORM 4 Work experience: Worked with the registrar of persons for four years under contract.
6.		Name: JENIFER AGUTU OMBUORO ID No: 12460421 Age: 51 Years Level Of Education: DIPLOMA Work Experience and Occupation: Teacher
7.		Name: Benard Oremo Rachore, AGE:37 Years Level of Education: Degree Work Experience/Profession: Teacher
8.		Name: Tobias Omondi Agao AGE:51 Years Level of Education: KCSE Work Experience/Profession: Businessman

4. Key Management Team

Ref	Management	Details
1.	<p>Medsup – Alphrick Odiwour Oswaggo</p>  <p>Diploma in Clinical medicine and surgery</p>	<p>Co-Ordinate the general Function of the Hospital</p> <ul style="list-style-type: none"> - Clinical, nursing, medical and referral Functions - Procurement and Accounting - Diagnostic Functions - Staff relations and Disciplines <p>Patients Welfare</p>
2.	<p>Hospital Administrator – Steven Ogega</p>  <p>Bachelor in Business Administration</p>	<ul style="list-style-type: none"> i. Co-ordinate administration issues in conjunction with Med sup ii. Ensuring the working environment is clean iii. In charge of Non-Medical Staff iv. Ensuring that the utility Vehicles and Ambulances are serviced and operational v. Secretary to then HMT <p>Assist in hospital day to day running and coordinating Revenues collected and Banking of the same</p>
3.	<p>Laboratory in charge – Collins Ajowi</p>  <p>Diploma in medical laboratory Technology</p>	<p>Functions</p> <ul style="list-style-type: none"> -coordinate all laboratory services within the facility -Ensures quality sample taking, networking/testing and timely results -manages laboratory commodities by timely quantification, ordering, storage and appropriate use etc

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

4.	<p>Pharmacy in charge - Washington Ochieng Amisi</p>  <p>Diploma in Pharmaceutical Technology</p>	<p>Functions</p> <ul style="list-style-type: none"> -timely ordering of pharmaceuticals and non-pharmaceuticals, storage and appropriate use -controls and manages use of commodities -compile monthly rely commodity report
5.	<p>Nursing in charge - Onyancha Clive Peter</p>  <p>Diploma in Community health nursing</p>	<p>Functions</p> <ul style="list-style-type: none"> -coordinates all the nursing activities within the facility -oversees support staffs -assists the office of the medsupt on delegated functions etc

5. Chairman's Statement

It is my greatest honour to present to all stakeholders and the thinktanks the report of Macalder Sub- County Hospital since taking over as a board, we have realized that health care industry is a dynamic one with a myriad of challenges that keeps on changing as days go by. Despite all the challenges, we have managed to achieve the following in collaboration with the county government of Migori under the stewardship of his excellency The Governor, Dr. George Ochilo Ayako;

- Construction of new maternity ward
- Construction of out-patient department storey block (in progress)
- Construction of new ablution block
- Mass SHA registration
- Equipping the lab with the necessary reagents
- Instilling discipline amongst the staff and the board for harmonize provision of services to the people
- Provision of food to all the patients

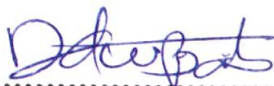
Our hospital is now the map of institution with all the structures required for accountability. Going forward, I want to call upon all our stakeholders to continue critiquing with honor so as to provide new ideas for improvement.

I extend my heartfelt gratitude to our dedicated staff, loyal supporters and the county staff for their continued support in the month. Together we can, Macalder is on the right trajectory.

Long live the board,

Long live Macalder Sub-County Hospital

Long Live Migori County Government



.....
Name: Peter Ocharo

Chairman to the Board

6. Report of The Medical Superintendent

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

In this period, the hospital management ensured that county government get the revenue through patient services (OPD, laboratory services, wards), which has increased significance when pay bill was introduced and also additional of revenue staffs, thanks to the county government.

In the period the health services fund board managed to allocate funds to the hospital which was aligned with strategic priorities of the hospital including purchasing of the already depleted commodities like non pharmaceutical repair of the equipment, cleaning materials, food for patients, tea for the staffs and other things, all those has ensured smooth running of the hospital effectively.

The hospital was able to provide adequate and consistent supply of the drug and other things so as to ensure smooth running of the hospital. We have greatly benefited from the renovation of the facility and contraction of new maternity and labor ward plus outpatient department which on going, hopefully will be finalized soon. All these as reduced the expenditure from the hospital side.

The county government has been able to provide staffing to reduce workload to increase good service delivery thus increase revenue. The revenue increased by a greater margin as the hospital reported in kind donations worth Ksh. 18,108,269 and Ksh. 6,895,662. This resulted to an increase in revenue by more than 3%.

Despite the above, the hospital has uncounted several challenges through the financial year including inadequate provision of enough funds and other drugs, however, through targeted

interventions and effective resource management, we have managed to achieve service delivery to our patients in a good measure.

Looking ahead, we are focused on sustaining our financial stability while giving quality care to our patients. We anticipate continued effort to maintain our financial status as we seek additional for additional funding from the county government to support various projects in the hospital.

I would like to thank the support we have received from the county government, staff, the community around the hospital for their dedication and hard work which has enabled the hospital to achieve its objectives and goals for the period ended June 2025



.....
Name: ALPHRICK ODIWUOR
Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

Macalder Sub-County Hospital has 4 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2024- FY 2025. These strategic pillars/ themes/ issues are as follows;

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

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

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

Macalder Hospital develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The *hospital* achieved its performance targets set for the FY 2024/2025 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Planning and administrative support services	To ensure efficient and effective well-coordinated health services	No Of health policies developed	Developing Annual work plans. Conducting performance reviews	As Macalder Sub county Sub County Hospital, One workplan developed Biannual and annual review conducted
	To increase, develop ,retain and motivate health personnel	No.of Annual Work Plans developed		
	To construct ,expand, maintain and improve health infrastructure	No.of Strategic plans developed		
	To accelerate scale up of Universal Health Coverage	% of performance reviews conducted		
		% quarterly support supervision conducted		
	% quarterly data quality audits conducted			
		%of Health Information tools printed and distributed		
Preventive and promotive health services	To reduce the burden of preventable diseases and promote healthy li	% of hospitals supplied with Pharmaceuticals	Supplying the hospital	Macalder Sub County Hospital

	<p>festylesamongcommunities</p> <p>To reduce maternal and new-born mortality</p> <p>To increase community health units to cover 100% of the county villages</p> <p>To improve coverage of facilities offering adolescent and youth friendly service</p> <p>To implement a robust and multisectoral approach in preventing and managing</p>	<p>% of hospitals supplied with Non Pharmaceuticals</p> <p>% of hospitals supplied with Laboratory Reagents</p> <p>% of hospitals supplied with Vaccines and sera</p> <p>% of hospitals supplied with medical equipment</p> <p>% of hospitals supplied with Patient food and rations</p>	<p>with pharmaceuticals, on pharmaceuticals, laboratory reagents, vaccines supplies</p>	<p>was supplied with medical drugs non pharmaceuticals, laboratory reagents, and vaccines supplies.</p>
<p>Curative, rehabilitative and referral services</p>	<p>To provide affordable curative, rehabilitative and referral services</p> <p>To improve access to essential health products and technologies</p>	<p>% of functional ambulances available for referral</p> <p>% of specialized services provided at primary health facilities</p>	<p>Functioning ambulances on referrals.</p>	<p>1 ambulance available for referrals</p>

8. Corporate Governance Statement

During the Financial Year 2024/25 the Board Member held quarterly meetings to discuss the performance of the hospital. Consequently, the meetings were convened every time the facility receive funds from Migori Health Services Fund Board to discuss and see the areas which need urgent funding so that facility to continue operating normally. The board had four meetings which were held in the medical superintendent boardroom. The Board members also were taken through the previous financial audit review report for the period 2023-2024 where a discussion was made.

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

The Roles and Functions of The Board Members

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

Ethics and Conduct of Board Members

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

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

Succession Plan and Appointment of Board Members

According to the Kenya Gazette notice Vol.CXXVI-No.185 and the appointment of the board members, the board members are expected to serve for a period of three years thereafter, a new board is re-appointed by the Governor.

Conflict of Interest, ethics and code of conduct

The hospital board members are required to disclose any information that may interfere either directly or indirectly with their daily management of the hospital. They shall avoid conflicts of

interest between their private activities and their duties in the hospital. Further, the board members are required to uphold the following code of conduct:

- Carry out their duties in a way that uphold public confidence
- Treat the public and fellow colleagues with respect and courtesy
- Respect, and promote the fundamental rights and freedom of persons without discrimination on the basis of race, ethnicity, political opinion, colour, creed, sexual orientation, disability, social status, culture and education level.

Board Remuneration and Trainings

The board are subjected to sitting allowances, transport reimbursement, lunch allowances and any other benefit as stipulated by the law. Further, the board members are subjected to trainings in every financial year so that they are at par with the current regulations of the health sector.

Board Performance

During the financial year 2024/25 the board in collaboration with the county government, received various human personnel from various cadres which helped in improving the provision of healthcare services to the community. Consequently, the hospital was actively involved in the creating more public awareness through Social Hospital Insurance registration which upscaled the uptake of insurance cover to the public.

Sustainability and Social Responsibility

The hospital is committed to the provision of affordable and sustainable healthcare to the community and general public at large. This includes conducting community health outreaches programs, transparent and responsible use of public resources and continuous improvement of services in line with the Universal Health Coverage.

9. Management Discussion and Analysis

Financial performance

Macalder Sub County Hospital registered a total of Ksh. 6,895,662 (Six Million Eight Hundred and Ninety-Five Thousand Six Hundred and Sixty-Two) as the revenue from exchange transaction for financial year 2024/2025. This resulted to a 73% in revenue growth compared to the Fy 2023-2024 which registered a total revenue of Ksh. 3,968,730 (Three Million Nine Hundred and Sixty-Eight Thousand Seven hundred and thirty). Moreover, the hospital registered a net surplus of Ksh. 4,054,485 (Four Million Fifty-Four Thousand, Four Hundred and Eighty-Five resulting to a net growth of 49%. This is a true indication that the hospital has laid down various mechanisms such automation of revenue system through paybill which has minimized pilferage of revenue in various hospital departments.

Clinical/Operational Performance

The following were some of the key operational performances realised by the entity during the financial year 2024/2025

1. Bed capacity of the hospital. 30
2. Overall patient attendance during the year for inpatient 4243
3. Accident and Emergency attendance 100
4. Specialised clinic attendance 0
5. Average length of stay for in-patient 2 Days
6. Bed occupancy rate 13.8%
7. Mortality rate 0.01%
8. Surgical theatre utilisation (number of operations over a period of time) Operation during FY 2024- 2025
9. Sponsorships and partnerships. 8 National and Local (CHEB, LWALA COMMUNITY NGO
4 International Bodies (UNFPA, UNDP, UNICEF, UNO)

Financial performance that includes

- Revenue sources.

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



.....
Name: ALPHRICK ODIWUOR

Secretary to the Board

10. Environmental And Sustainability Reporting

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

i) Sustainability strategy and profile

- ii)** The hospital is in the process of automating all its revenue streams to maximize on the income received from daily collection. Further the hospital enjoys a good political goodwill and partnerships with other non-governmental organisations which help in bridging the financial gap shortage.

iii) Environmental performance

Installation of microwave machine to control and treat health care waste reducing accidents and pollution

Formed committees to carryout infection prevention and control within the work environment

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.in the work environment

iv) Employee welfare.

Hiring Services is done by Migori County Public Service Board. The Process is competitive as the Gender ratio and others Factors are considered. The Opportunities are advertised in the local Gazette

v) Market place practices-

The entity encourages good market practices as outlined below:

a) Responsible competition practice.

Display of Service charters

Carryout exit visit interviews

Provisions of complaints and suggestion box

b) Responsible Supply chain and supplier relations

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

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

c) Responsible marketing and advertisement

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

d) Product stewardship

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

e) Corporate Social Responsibility / Community Engagements

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

11. Report of The Board of Management

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

Principal activities

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

Results

The results of the entity for the year ended June 30 2025 are set out on pages 1 to 6.

Board of Management

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

Auditors

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

By Order of the Board



.....
Name: ALPHRICK ODIWUOR

Secretary to the Board

12. Statement of Board of Management's Responsibilities

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

The Board of Management is responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (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 *entity*; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*– entities should quote applicable legislation as indicated under*). The Board members are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 20xx, and of the *entity's* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*) OR

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

Approval of the financial statements

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



.....
Name: Peter Ocharo
Chairperson
Board of Management



.....
Name: Alphrick Odiwuor
Accounting Officer

REPUBLIC OF KENYA

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website: www.oagkenya.go.ke



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

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

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 Macalder Sub-County Hospital - County Government of Migori set out on pages 1 to 42, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison

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

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

Basis for Qualified Opinion

1.0. Inaccuracies in the financial statement

The statement of financial position reflects receivables from exchange transactions balance of Kshs.4,080,743 which differs with the re-computed balance of Kshs.8,258,480 (calculated as shown below), resulting in an unreconciled variance of negative Kshs.4,177,737:

Particulars	Amount (Kshs.)
Receivables from exchange transactions balance as at 30 June, 2024 - Statement of financial position	4,177,738
<i>Add:</i> Rendering of services-medical service income earned in 2024/2025– Statement of financial performance	6,895,662
<i>Less:</i> Rendering of services-medical service income received in 2024/2025 - Statement of cash flows	(2,814,920)
Re-Computed receivables from exchange transactions balance as at 30 June, 2025	8,258,480

Further, the statement of comparison of budget and actual amounts reflects recurrent and capital expenditure budget amount of Kshs.39,128,042, while the approved budget provided for audit indicated Kshs.35,060,076. The resultant variance of Kshs.4,067,966 was not explained.

In addition, the statement of comparison of budget and actual amounts reflects a surplus of Kshs.3,414. However, recomputation of the balance gives an amount of Kshs. 80,663. The resultant variance of Kshs.77,249 was not explained or reconciled.

The budget reconciliation statement was not prepared in the prescribed format and does not indicate how the surplus amount as per the statement of budget reconciles with the cash and cash equivalent closing balance for the year.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Retain Facilities Improvement Funds (FIF) at the Hospital

Review of revenue records obtained from the Macalder Sub-County Hospital in Migori County revealed that the Sub-County Hospital collected a total Kshs.5,732,018 towards the health facilities improvement which was all transferred to Migori County Health Services Fund Account. However, the Management reimbursed a total of Kshs.2,431,709 to the Sub-County Hospital resulting in a deficit of Kshs.3,300,309. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing Account.

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

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

2. Non-Compliance with Gender Requirements

Review of the composition of Macalder Sub-County Hospital Board of Management revealed that out of seven (7) members, six (6) were male, making up 86% of the Board, contrary to Article 27(8) of the Constitution of Kenya, 2010, which puts a limit of 67%.

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

2.1 Non-compliance with Universal Health Coverage (UHC) Requirement for Level 4 Hospitals

Review of the Hospital's operations and records during the year under review revealed that it operated below the set standards as per the Kenya Quality Assurance Model for Health Checklist for level 4 hospitals. The following deficiencies in implementation of Universal Health Coverage programme were observed:

2.2 Inadequate Staffing Requirements

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

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

2.3 Inadequate Level 4 Hospital Equipment

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

Staff Requirements	Level 4 Std	No. in Hospital	Variance
Resuscitative	3	1	2
New born unit incubators	5	0	5
New born unit cots	5	0	5
ICU beds	6	0	6
HDU beds	6	0	6
Renal unit with 5 dialysis machines	5	0	5
Functional operation theatres	2	0	2
Beds	150	32	118

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

In the circumstances, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Segregation of Duties

Review of the Pharmacy, Laboratory and Food stores sections of the Hospital revealed that, due to inadequate staff, employees in these sections issue inventories to themselves without supervision. Further, the Hospital's Nutritionist, who is also the Sub-County Nutritionist, served as the in-charge of the food stores and the chef for the Hospital. The food store had no weighing machine or any measuring equipment for measuring food items being consumed.

In the circumstances, the effectiveness of the internal controls on Pharmacy, Laboratory and Food stores sections could not be confirmed.

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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

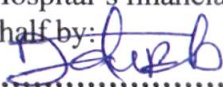
Nairobi

04 December, 2025

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

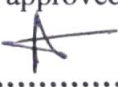
Description	Note	2024 - 2025	2023 - 2024
		Kshs	Kshs
Revenue from non-exchange transactions			
In Kind Contributions from The County Government	6	14,123,411	20,223,120
Public Donations and Contributions	7	18,108,269	-
Revenue from Non exchange transactions		32,231,680	20,223,120
Revenue from exchange transactions			
Rendering of services- Medical Service Income	8	6,895,662	1,316,390
Transfers From Other Government Entities	9	-	2,652,340
Revenue from exchange transactions		6,895,662	3,968,730
Total revenue		39,127,342	24,191,850
Expenses			
Medical/Clinical costs	10	19,759,109	479,000
Board of Management Expenses	11	142,000	162,000
Employee costs	12	14,299,635	20,398,072
Repairs and maintenance	13	412,575	55,000
General expenses	14	446,756	381,191
Depreciation	15	12,781	3,125
Total expenses		35,072,857	21,478,388
Net Surplus / (Deficit) for the year		4,054,485	2,713,462

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




Chairman: Peter Ocharo

Board of Management



Head of Finance: Stephen Nyainda

ICPAK No: 31086




Medical Superintendent Alphrick Odiwour

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


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

Description	Note	2024 - 2025	2023 - 2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	16	3,414	700
Receivables from exchange transactions	17	4,080,743	4,177,738
Inventories	18	5,001,517	848,779
Total Current Assets		9,085,673	5,027,217
Non-current assets			
Property, plant, and equipment	19	86,344	21,875
Total Non-current Assets		86,344	21,875
Total assets		9,172,017	5,049,092
Liabilities			
Current liabilities			
Trade and other payables	20	68,440	-
Total Current Liabilities		68,440	-
Net assets		9,103,577	5,049,092
Represented By:			
Revaluation reserve			-
Accumulated surplus/Deficit		9,103,577	5,049,092
Capital Fund			-
Total Net Assets		9,103,577	5,049,092


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



Chairman: Peter Ocharo
Board of Management



Head of Finance
ICPAK No: 21086



Medical Superintendent
Alphrick Odiwuor

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital	Total
			Fund	
At July 1, 2023 (current year)	-	2,335,630	-	2,335,630
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	2,713,462	-	2,713,462
Capital/Development grants	-	-	-	-
At June 30, 2024 (current year)	-	5,049,092	-	5,049,092
At July 1, 2024 (current year)	-	5,049,092	-	5,049,092
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	4,054,485	-	4,054,485
Capital/Development grants	-	-	-	-
At June 30, 2025 (current year)	-	9,103,577	-	9,103,577

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

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Rendering of services- Medical Service Income		2,814,920	1,276,843
Total Receipts		2,814,920	1,276,843
Payments			
Medical/Clinical costs		1,557,400	479,000
Board of Management Expenses		142,000	162,000
Employee costs		176,224	174,952
Repairs and maintenance		412,575	55,000
General expenses		446,756	381,191
Total Payments		2,734,956	1,252,143
Net cash flows from operating activities	21	79,964	24,700
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets		(77,250)	(25,000)
Proceeds from the sale of property, plant, and equipment			-
Acquisition of investments			-
Net cash flows used in investing activities		(77,250)	(25,000)
Cash flows from financing activities			
Capital grants received		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		2,714	(300)
Cash and cash equivalents as at 1 July	16	700	1,000
Cash and cash equivalents as at 30 June	16	3,414	700

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	
Budget carryovers from the previous year	-	700	700	700	-	100%
Revenue						
In Kind Contributions from The County Government	14,123,411	-	14,123,411	14,123,411	-	100%
Rendering of services- Medical Service Income	6,895,662	-	6,895,662	2,814,920	4,080,743	41%
Public Donations and Contributions	-	18,108,269	18,108,269	18,108,269	-	100%
Total income	21,019,073	18,108,969	39,128,042	35,047,299	4,080,743	90%
Expenses						
Medical/Clinical costs	5,640,857	18,108,969	23,749,826	19,665,669	4,084,156	83%
Board of Management Expenses	142,000	-	142,000	142,000	-	100%
Employee costs	14,299,635	-	14,299,635	14,299,635	-	100%
Repairs and maintenance	412,575	-	412,575	412,575	-	100%
General expenses	446,756	-	446,756	446,756	-	100%
Total Expenses	20,941,824	18,108,969	39,050,792	34,966,636	4,084,156	90%

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

Surplus for the period	-	-	-	3,414	(3,414)	
Capital expenditure Paid	77,250	-	77,250	77,250	-	100%

NOTE: The hospital registered 41% utilization in rendering of services as there was an outstanding Ksh. 4,080,743 rendering services income from the health services which the hospital did not receive for the period ended 30th June 2025. This particular figure is reflected in the trade receivable ledger.

Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	3,414
<u>Total</u>	<u>3,414</u>

19. Notes to the Financial Statements

1. General Information

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

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

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

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> <p>This standard did not have a significant impact on the correctness and completion of the financial statement as the hospital did not have any lease agreement.</p>
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>

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

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

Standard	Effective date and impact:
	This standard did not have a significant impact on the correctness and completion of the financial statement as the hospital did not have any lease agreement.
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>This standard did not have a significant impact on the correctness and completion of the financial statement as the hospital did not have any lease agreement.</p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>This standard did not have a significant impact on the correctness and completion of the financial statement as the hospital did not have any lease agreement.</p>
IPSAS 50: Exploration For &	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p>

Standard	Effective date and impact:
Evaluation of Mineral Resources	<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>This standard did not have a significant impact on the correctness and completion of the financial statement as the hospital did not have any lease agreement.</p>

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

b. Budget information

The original budget for FY 2024/2025 was approved amalgamated by the budget of medical services. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *entity* recorded additional appropriations on the FY 2024/2025 budget following the Board's approval. The *entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

c. Taxes

Sales tax/ Value Added Tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- 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 *one* year. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e. Property, plant and equipment

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

f. Leases

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

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

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

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

g. Intangible assets

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

h. Biological Assets

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

i. Research and development costs

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

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset

- The asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

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

j. Financial instruments

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

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

Financial assets

Classification of financial assets

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

on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

k. Inventories

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

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

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

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

l. Provisions

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

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

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

m. Social Benefits

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

n. Contingent liabilities

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

o. Contingent assets

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

p. Nature and purpose of reserves

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

q. Changes in accounting policies and estimates

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

r. Employee benefits

Retirement benefit plans

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

s. Foreign currency transactions

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

t. Borrowing costs

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

u. Related parties

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

v. Service concession arrangements

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

w. Cash and cash equivalents

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

x. Comparative figures

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

y. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts

of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx. 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. In Kind Contributions from The County Government

Description	2024-2025	2023-2024
	KShs	KShs
Salaries and wages (Temporary Employees)	1,996,603	1,508,052
Salaries and wages (Permanent Employees)	12,126,808	18,715,068
Total grants in kind	14,123,411	20,223,120

7. Public Contributions and Donations

Description	2024-2025	2023-2024
	KShs	KShs
Public donations	18,108,269	-
Total donations and sponsorships	18,108,269	-

8. Rendering of Services-Medical Service Income

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Facility Improvement Fund	6,895,662	1,316,390
	6,895,662	1,316,390

9. Transfers From Other Government Entities

Description	2024 - 2025	2023 - 2024
	KShs	KShs
SHA Claim	-	100,800
Linda Mama Program		2,551,540
Total	-	2,652,340

10. Medical/ Clinical Costs

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Laboratory chemicals and reagents, medical drugs, on pharms	18,803,859	187,000
Food and Ration	440,000	140,000
Sanitary and cleansing Materials	127,000	63,000
Chemicals and Industrial gases		24,000
Medical Records	388,250	65,000
Total	19,759,109	479,000

11. Board of Management Expenses

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Description	2024 - 2025	2023 - 2024
	KShs	KShs
Sitting allowance	142,000	162,000
Total	142,000	162,000

12. Employee Costs

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Employee costs (Temporary employees)	176,224	174,952
Employee costs (In Kind) Paid by County	14,123,411	20,223,120
Total	14,299,635	20,398,072

13. Repairs And Maintenance

Description	2024-2025	2023-2024
	Kshs	Kshs
Property- Buildings and repairs	412,575	55,000
Total repairs and maintenance	412,575	55,000

14. General Expenses

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Bank Charges	29,756	18,326
Telephone and mobile phone services	-	41,000
Office Stationeries	35,000	40,365
Office Tea	127,000	105,000
Local travel and subsistence allowance	255,000	126,000
Water And Sewerage	-	24,000
ICT and Automation	-	26,500
Total	446,756	381,191

15. Depreciation and Amortization Expense

Description	2024 - 2025	2023 - 2024
	Kshs	Kshs
Property, plant and equipment	12,781	3,125
Total depreciation and amortization	12,781	3,125

16. Cash And Cash Equivalents

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Current accounts	3,414	700
Total cash and cash equivalents	3,414	700

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

Description		2024-2025	2023 - 2024
Financial institution			KShs
a) Current account	Account number		
Co-operative Bank	01120077178300	2,358	700
Co-operative Bank	01100771783001	1,056	
Sub- total		3,414	700
Grand total		3,414	700

17. Receivables From Exchange Transactions

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Medical services receivables FIF	4,080,743	4,177,738
Total receivables	4,080,743	4,177,738

Analysis of Receivables From Exchange Transactions

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	4,080,743	100%	2,652,340	63%
Between 1- 2 years	-	0%	1,525,398	37%
Total (a+b)	4,080,743	%	4,177,738	100%

18. Inventories

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs

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Pharmaceutical supplies	4,997,837	273,254
Food supplies	3,680	40,000
Non-Pharms	-	137,407
Lab Items	-	398,118
Total	5,001,517	848,779

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Notes to the Financial Statements (Continued)

19. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost								
At 1 July 2023	-	-	-	-	-	-	-	-
Additions	-	-	-	25,000	-	-	-	25,000
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments		-		-			-	-
At 30th Jun 2024	-	-	-	25,000	-	-	-	25,000
At 1 July 2024	-	-	-	-	-	-	-	-
Additions	-	-	-	77,250	-	-	-	77,250
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments		-		-			-	-
At 30th Jun 2025	-	-	-	102,250	-	-	-	102,250

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At 30 th Jun 2024 (previous)	-	-	-	21,875	-	-	-	21,875
At 30 th Jun 2025 (current)	-	-	-	86,344	-	-	-	86,344

Depreciation Rates

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

20. Trade and Other Payables

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Trade payables	68,440	-
Total	68,440	-

Trade Payable Ageing Analysis

Ageing analysis:	Current FY	% of the Total
Under one year	68,440	100%
Total	68,440	

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Notes to the Financial Statements (Continued)

21. Cash Generated from Operations

Description	2024-2025	2023-2024
	KShs	KShs
Surplus for the year before tax	4,054,485	2,713,462
Adjusted for:		
Depreciation	12,781	3,125
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	(4,152,738)	(848,779)
Increase in receivables	96,995	(1,843,108)
Increase in deferred income		-
Increase in payables	68,440	-
Increase in payments received in advance		-
Net cash flow from operating activities	79,964	24,700

22. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The 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

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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 (previous year)				
Receivables from exchange transactions	4,177,738	0	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	4,177,738	0	0	0
At 30 June 2025 (current year)				
Receivables from exchange transactions	4,080,743	0	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	4,080,743	0	0	0

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

(ii) Liquidity risk management

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

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

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market

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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:

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.

Foreign currency sensitivity analysis

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

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The 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.

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

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

Description	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	0	0
Capital reserve	0	0
Total funds	0	0
Total borrowings	0	0
Less: cash and bank balances	(3,414)	(700)
Net debt/ (<i>excess cash and cash equivalents</i>)	(3,414)	(700)
Gearing	0%	0%

23. Related Party Balances

Nature of related party relationships

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

Migori County Government is the principal shareholder of the *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		

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Description	2024-2025	2023-2024
	Kshs	Kshs
Services to Macalder Hospital	0	0
Sales of services to Macalder Hospital	0	0
Total	0	0
b) Grants from the Government		
Grants from County Government	0	0
Grants from the National Government Entities	0	0
Donations in kind	0	0
Total	0	0
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	14,123,411	20,223,120
Total	14,123,411	20,223,120
d) Key management compensation		
Directors' emoluments	0	0
Compensation to the medical Sup	0	0
Compensation to key management	0	0
Total	14,123,411	20,223,120

24. Segment Information

The facility has no segment.

25. Contingent Liabilities

Contingent liabilities	2024/25	2023/24
	Kshs	Kshs
Court case against the hospital	0	0
Bank guarantees in favour of subsidiary	0	0
Total	0	0

The institution never engaged in the any court case for the financial year under review.

26. Capital Commitments

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

27. Events after the Reporting Period

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

28. Ultimate and Holding Entity

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

29. Currency

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

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p>Review of the financial statements revealed inaccuracies and misstatements affecting various amounts and balances, as detailed below;</p> <p>i. Note 4(e) on summary of significant accounting policies did not disclose whether depreciation was based on pro rata basis or full cost in the year of acquisition and the adopted depreciation rates for the property, plant and equipment. Further payment vouchers for Kshs.25,000 for the additions during the year were not provided for audit.</p> <p>ii. Further, the statement of cash flows reflects revenue from rendering of services amount of Kshs.1,276,843 which differs with the statement of financial performance amount of Kshs.1,316,390, resulting in unreconciled variance of Kshs.39,547. In the circumstances, the accuracy, completeness, presentation and disclosure of the financial statements could not be confirmed.</p>	<p>The management noted the auditor’s observation and provided vouchers for review</p>	<p>Resolved</p>	

*Macalder Subcounty Hospital (Migori County Government)
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2	Non-Disclosure and doubtful Ownership of Property, Plant and Equipment	The Management noted the auditor's observation and wishes to state that the above assets are still under the ownership of the county government executive and is still waiting for the assets to be handed to the facility. After the handing over, the management will engage the valuer to give the true values of the assets.	Not resolved	
3	The statement of financial performance reflects employee costs of Kshs.20,398,072 as disclosed in Note 12 to the financial statements which includes salaries paid on behalf of the Hospital by the County Government of Migori amounting to Kshs.20,223,120 as further disclosed in Note 23 to the financial statements. However, the payments were not supported by payroll. Further included in the employee costs is an amount of Kshs.174,952 in respect of wages for casuals. However, the casuals payroll reflects an amount of Kshs.1,683,005, resulting in an unreconciled variance of Kshs.1,508,052. In addition, casual employees were paid below the statutory minimum wage of Kshs.12,473, which is currently set at Kshs.15,120.	The management noted the auditors observation and provided payroll for the casual staff for review.	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Similarly, the cost of drugs purchased by/the County Government of Migori on behalf of the Hospital were not disclosed in the financial statements, contrary to Regulation 74(4)of the Public Finance Management (County Governments) Regulations, 2015 which states that 'where grants and donations are receivable in kind, the value of such donations shall be determined and included in the estimate and reflected as expenditure in the financial year'.			
4	Long Outstanding Receivables from Exchange Transactions	The management noted the auditors observation and provided letters to NHIF requesting for payment of the receivables.	Resolved	
5	Unresolved Prior Year Matters	The management noted the auditors observation and wishes to state that it continuously strive to resolve the prior year matters	Not resolved	
6.	Non-Compliance With Minimum Requirements for Level 4 Hospital	The management noted the auditors observation and wishes to state that it has a registered pharmacy technician and provided their registration details, further the management has employed new staff to help bridge the gap of staff levels required.		



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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
7	Irregularities in Employee Costs	The management noted the auditors observation and wishes to state that the casual employees are engaged by the county public service board and will strive to achieve ethnic diversity in future engagement of staff	Partially resolved	
8	<p>The statement of comparison of budget and actual amounts reflects final receipts and expenditure budget of Kshs.24,191,850 and Kshs.21,475,263, respectively. However, the Hospital did not prepare a budget, contrary to Section 149 (2) (h) and (i) of the Public Finance Management Act, 2012 requires each accounting officer for a County Government entity to prepare estimates of expenditure of the entity in conformity with the strategic plan and submit the estimates of an entity, which is not a county corporation, to the County Executive Committee member for finance.</p> <p>In the absence of budget, the accuracy and completeness of the final budget amounts in the statement of comparison of budget and actual amounts could not be confirmed.</p>	The management noted the auditor's observation and wishes to state that the budget for the hospital was amalgamated with that of other hospitals whereby the total allocation for all hospitals were Kshs. 145,950,000. Further, the management will provide a line budget for each hospital in the main budget and a budget was attached for review.	Resolved	
9	Failure to Dispose Unserviceable Assets	The management noted the auditor's observation and wishes	Not resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		to state that transfer of ownership documents to various facilities and department of the County is awaiting the Intergovernmental Relation Technical Committee (IGRTC) report that contains all the assets and liabilities inherited from the defunct Local authority.		
10	Lack of Segregation of Duties under Revenue	The management noted the auditor's observation and wishes to state that currently it has 3 revenue officers, where one collects and receipts revenue, the other carries out banking of revenue and the other one is SHA clerk.	Resolved	
11	Lack of Operational Risk Management Policy	The management noted the auditors observation and wish to state that it has not developed its own risk management policy but relies on the ones developed by the county government. Attached extract of Risk management policy review	Partially resolved	
12	Lack of Autonomy in Operations of the Hospital			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
13	Failure to prepare and Present Procurement Plan	The management noted the auditors observation and wish to state that the hospital uses the procurement plan for medical services where all the plans for the facility is anchored.	Resolved	
14	Lack of Requisitions for Pharmaceutical and Non-pharmaceutical items	The management noted the auditors observation and wishes to state that the requisitions are done and maintained. Attached are requisitions for review.	Resolved	
15	Long Outstanding Receivables from Exchange Transactions	The management noted the auditor's observation and wish to state that the management has done letters and reminders to NHIF for the payments for their long outstanding receivables.	Resolved	
16	The statement of financial performance reflects rendering of services-medical income amount of Kshs.1,316,390 as disclosed in Note 7 to the financial statements. However, the Hospital did not provide quarterly reports prepared and	The management noted the auditor's observation and wish to state that it prepares quarterly revenue reports which are submitted to the county receiver	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	submitted to the County Treasury with a copy to the Auditor-General as per the requirements of Regulation 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that 'the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly reports not later than the 15th day after the end of the quarter'.	of revenue, which then compiles this report with other revenue resources and submits to the county treasury. Going forward the management will submit these reports to county treasury and copy the auditor general.		



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Accounting Officer