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REPORT

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MALINDI SUB-COUNTY LEVEL 4
HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF KILIFI

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MALINDI SUB-COUNTY LEVEL 4 HOSPITAL

(Kilifi 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



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

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1. Acronyms & Glossary of Terms

PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
MSCH	Malindi Sub County Hospital
HMT	Hospital Management Team
HMB	Hospital Management Board
CECM	County Executive Committee member
DOH	Department of Health
CEO	Chief Executive Officer
CPA	Certified Public Accountant
ICPAK	Institute of Certified Public Accountants
IPASAS	International Public Sector Accounting Standards Board
OAG	Office of the Auditor General
ICT	Information & Communication Technology
NHIF	National Hospital Insurance Fund
ICU	Intensive Care Unit
MOH	Ministry of Health
HMIS	Health Management Information System
KEPH	Kenya Quality Model for Health
AMREF	African Medical and Research Foundation
OPD	Out Patient department
HSIF	Health Services Improvement Fund
PFM	Public Finance Management
DOH	Department of Health
FIF	Facility Improvement Fund
Fiduciary Management	Key management personnel who have financial

responsibility in the entity.

2. Key Entity Information and Management

(a) Background information

Malindi Sub-County Hospital is a level 4 hospital established under gazette notice number 786 of 4th February 2020 and is domiciled in Shela ward along Casuarina Road in Malindi Sub-County, Malindi Constituency in Kilifi County under the Health Department and is governed by a Board of Management. Malindi Sub-County Hospital has been in existence for more than 72 years, having been established in the mid-1900 to cater for the health needs of the residents of the then Malindi District. It was started as a Native Hospital in Malindi Town the major Urban Centre in the then Malindi District and second largest Urban Centre in the then Coast Province. After Independence, it became a Sub District Hospital, then a District Hospital in 1997. Since then, it has grown to become a referral Hospital for the Sub-County and for some North Coast District like; Lamu, Tana River, Garissa and Ijara Districts in the North Eastern Province..

(b) Principal Activities

The Vision of Hospital is to be a center of excellence in healthcare delivery and self- sustaining / autonomous reflection referral Hospital in the North Cost and beyond, while its mission is to provide affordable, accessible, acceptable and timely quality Health care to the people of Malindi District and beyond. The main mandate of Malindi Sub-County Hospital is to provide curative, preventive, promotive and rehabilitative health services as provided for in the Public Health Act. Cap 242 of the Laws of Kenya. Servicing the Health care needs of the people.

The following are the core values of the hospital;

- Servicing the Health care needs of the people.
- Performing to the highest standards of Professionalism.
- Respect and compassion for all patients / clients.
- Observation of individual contribution to the institution's success within the Health Team.

(c) Key Management

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

- County department of health
- Board of Management

- Accounting Officer/ Medical Superintendent
- Hospital Management Team

(d) Fiduciary Management

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

No.	Designation	Name
1.	Chief Executive Officer	Matron Emily Kabibi Karisa
2.	Head of finance	CPA Mumba Fred Nzai Martin Karisa_hospital Accountant
3.	Head of procurement	Miss Phedis Mlanda
4.	Head Administration	Mr. Said Ali Said
5.	Head of Nursing Services	Matron Gertrude Mbeyu
6.	Laboratory In charge	Mr. Joseph Kimani
7.	Head of Nutrition	Mrs Grace mwasho
8.	Head of Maintenance	Mr. Stanley chai
9.	Health Records In charge	Mrs Grace Kiura
10.	Head of Curative Services	Dr, Noreen were
11.	Pharmacy In charge	Dr. Aisha Monge

(e) Fiduciary Oversight Arrangements

The fiduciary oversight of the county is done by:

i The County Assembly

The County assembly, pursuant to the constitution of Kenya, 2010 and the County Government Act, 2012 under Article 8(1) has fiduciary oversight role over the execution of the functions of the County Government., it approves the budget and expenditure of the County Government in accordance with article 207of the constitution of Kenya. It also approves the borrowings of the County Government in accordance with article 212 of the Constitution of Kenya 2010.

ii The Controller of budget

The controller of budget has fiduciary oversight role of the County Government under article 22(5) of the Constitution of Kenya, 2010 by approving withdrawal from the public funds only when satisfied that the is authorized by law.

iii County executive committee

The County Executive Committee exercise executive authority in accordance with the constitution and county legislation.

iv. Internal Audit Department

The internal Audit Department of the County Government of Kilifi ensures that the internal controls exist and are adhered to. The internal Audit reports to the county Audit Committee.

Key Entity Information and Management (continued)

(f) Entity Headquarters

P.O. Box 4, Malindi
Casuarina Road
MALINDI, KENYA

(g) Entity Contacts

Telephone: (+254) 736 213701 /0702 744917
E-mail: malindimedicalsuperintendent@gmail.com
Website:

(h) Entity Bankers

Co-operative Bank of Kenya
Malindi Branch
P.O BOX 2022, 80200
Malindi Kenya

(i) Independent Auditors

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



(j) Principal Legal Adviser



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



(k) County Attorney


P.O. Box.519
Kilifi, Kenya


3. The Board of Management

<p>1.</p>	 <p>Mr Christopher Kambi 15th June 1969 Board Chairman</p>	<p>Mr. Kambi is the Board Chairperson. He is a graduate with a Bachelor of Management & Leadership degree (Business Administration Option) from Management University of Africa. He has also completed a Masters of Management and Leadership from the same University and is due for Graduation in December 2024. He has also done a Diploma in management & Leadership (Business Administration Option) From Management University of Africa and has over 25 years in Organization Management. He is also a member of Kenya Institute of Management.</p>
<p>2.</p>	 <p>Priscillah Githinji – Oluoch 12th July 1973 Vice Chair</p>	<p>Priscillah holds a Bachelor of Development Studies and Masters of Project Planning and Management from the University of Nairobi. In addition, she holds a Diploma in Water Engineering from the Technical University in Kenya and a Post Graduate Diploma in Land Regularization & Management from Erasmus University, Netherlands. As a professional, she is a Task Force member of Inclusive Urban Sanitation at International Water Association (IWA) and Africa Utility Data Collaborative of African Water and Sanitation Association (AfWASA). She is the Technical Manager - Sanitation of Malindi Water & Sewerage Company Ltd. with over 25 years' experience in water and sanitation service delivery. She the vice chairperson of the Board and represents</p>


		Professionals in the technical field.
3.	 <p>Mrs. Lucy Muli – Kina 1st January, 1962 Board Member</p>	<p>Mrs Muli is a graduate with a Bachelors of Law (LLB) – University of Nairobi. She also has a Diploma in Law from Kenya School of Law. She is a Certified Public Secretary and currently doing her MBA at Mt. Mount Kenya University. Mrs Lucy has a vast experience in law matters working as a Senior Partner with Muli & Ole Kina Advocates Malindi handling conveyancing and commercial legal work and company secretarial services.</p>
4.	 <p>Mr Attas S. Ali 17th February 1971 Board Member</p>	<p>Mr Attas is graduate with a degree in Human Resource. He is a notable businessman and has a wealth of experience in the business sector. He is also very versed with educational matters serving as board member of various educational institutions and he is one of the executive directors for MEDA foundation.</p>



<p>5</p>	 <p>Matron Emily Kabibi Karisa D.O.B 26th August 1972 Chief Executive Officer Emily is the acting Medical</p>	<p>She is a Principal Registered nurse with a Master degree in Public health, health promotion and international health from Maseno University. She is also a holder of Higher National Diploma in Epidemiology and a Diploma in Kenya Registered Community Health Nurse from KMTTC Nairobi Campus.</p> <p>She has more than 28 years of experience in health system management and service delivery having worked as a SCMOH, SCPHN, SCRHC, nursing officer in charge of Female ward, Maternity unit, Paediatric ward and Gede SCH.</p> <p>She has done Senior Management course at KSG and Monitoring & Evaluation course at AMREF.</p>
<p>6.</p>	 <p>CPA Michael Bidii Ngala 12th October 1977 Board Member Chair- Finance Committee</p>	<p>CPA Michael B Ngala is a member of the Malindi Hospital Management Board and the Chair of Finance and General-purpose Committee of the Board.</p> <p>He brings a wealth of experience from the public sector especially in public Finance administration having worked for the defunct Local Authorities and now currently working for the County Assembly of Kilifi as the Clerk of the Assembly.</p> <p>He is a CPA(K) holder and a member of ICPAK of good standing.</p> <p>He holds a Master Degree in Strategic Management from Taita Taveta University and Bachelor Degree in Commerce (Accounting option) from The University</p>


		<p>of Nairobi. He has also done Strategic Leadership Development Program (SLDP) at Kenya School of Government and is a member of Institute of Directors (IoD) Kenya.</p>
7	 <p>CPA Edwin Matara 22nd April 1987 Board Member</p>	<p>CPA Matara holds a Bachelor degree of Actuarial science with IT, a Master of Science in Finance and currently completing a PhD in Business Administration strategic management alongside being a qualified Certified Public Accountant (CPA-K). He is a highly resourceful cross-functional finance, accounting, business management and administration manager with a well-rounded skill set focusing on excellence in operations and service delivery, efficiency and strategic management of organizations. He possesses exemplary expertise in accounting, auditing and reporting, resource administration and organizational strategic planning, Enterprise Risk Management (ERM), Quality Management Systems (QMS), Integrity Assurance and Policies, strategy formulation and implementation, monitoring and evaluation as well as assets and financial management.</p>



8.	 <p>Mr Eric Mwashigadi D.O.B 26TH March 1959 Board Member</p>	<p>Eric Mwashigadi is a member of the board. He has a Diploma in cooperative management with a vast experience in finance and hotel industry having served for over 20 years in different capacities in the Hotel industry the notable one being financial controller.</p> <p>He is also the General Manger in Manufacturing o Activated Carbon.</p> <p>Mr. Mwashigadi serves in the audit sub-committee of the board</p>
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4. Key Management Team

Ref.	Management	Details
1.	 <p>Emily Kabibi Karisa D.O.B 26th August 1972 Emily is the acting CEO for MSCH.</p> <p>She is a Principal Registered nurse with a Master degree in Public health, health promotion and international health from Maseno University. She is also a holder of Higher National Diploma in Epidemiology and a Diploma in Kenya Registered Community Health Nurse from KMTTC Nairobi Campus.</p> <p>She has more than 28 years of experience in health system management and service delivery having worked as a SCMOH, SCPHN, SCRHC, nursing officer in charge of Female ward, Maternity unit, Paediatric ward and Gede SCH.</p> <p>She has done Senior Management course at KSG and Monitoring & Evaluation course at AMREF.</p>	<p>Medical Superintendent</p>




<p>2.</p>	 <p>Mr. Said Ali Said D.O.B 19th June 1983 Mr, Said is the Health Administrator of the hospital. He has a Bachelor of Business Administration (Accounts and Finance) from Zanzibar university (2008). He has work in Financial institutions for 8 years and Administration for more than 9 years. He is a Professional member of HeSMA (HeSMA2060K) and is Currently pursuing a Masters in Health System Management (HSM) at Kenya Methodist University</p>	<p>Hospital Administrator</p>
<p>3.</p>	 <p>Mrs Getrude Mbeyu Mwambui D.O.B 26th October 1989 Getrude Mbeyu Mwambui is the Nursing Officer In-charge of the hospital coordinating nursing services. She is a registered nurse, a midwife and health leader in Kenya. with over 10 years working experience focusing on provision of high-quality nursing services, health promotion and advocacy, health equity, community strategy advocacy in non-communicable diseases (NCD) care and control, MNCH services and health workforce capacity building. She has BSN degree from Kenya Methodist University and is currently pursuing an MSN in Oncology at Kenyatta University She is also serving in various local school boards and health committees, women and youth mentorship programs sharing her expertise in relief programs, outreaches, health education, NCD care and control, palliative care and cancer survivor support.</p>	<p>Nursing Officer In charge</p>

4.	 <p>Fredrick Mumba Fred Nzai Date of birth 20 April 1988 Fund Accountant Fred Nzai was appointed as the Fund accountant on 1 November 2022. Fred has more than ten years' experience as an accomplished accountant with strong background in Tax and Tax health checks and Internal control systems, Fred is currently an accountant at the County Government of Kilifi. He holds a Masters of Business Administration (Finance Major) and also, a Certified Public Accountant – Kenya</p>	FUND ACCOUNTANT
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5.	 <p>Martin Karisa D.O.B 23rd February 1974</p> <p>Martin Karisa is the Hospital Accountant. He a has Diploma in Business Management KNEC from Jusnet Business college has an experience of 5 years as accountant with CPA II</p>	Hospital Accountant
6.	 <p>Miss Phedis Mlanda D.O.B 16TH February 1994</p> <p>Miss Phedis Mlanda is the procurement officer for the hospital. she has a Diploma in Procurement and Logistics Management</p>	Procurement

<p>6</p>	 <p>Mr. Joseph Kimani DOB: 12/6/1969 Principal medical laboratory technologist</p> <p>Has a Degree in medical microbiology and a Higher diploma in medical Virology. A member of HMT and EEC</p>	<p>Laboratory In charge</p>
<p>7</p>	 <p>Miss Grace Mwasho</p> <p>BSc (Foods, Nutrition and Dietetics) has experience of over 7 years</p>	<p>Head of Nutrition</p>
<p>8</p>	 <p>Mr. Stanley Chai Biomedical Engineer and infrastructure</p> <p>Has a Diploma in Biomedical Engineering from Technical University of Mombasa has experience of over 10 years</p>	<p>Head of Maintenance</p>

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9.	 <p>Grace Kiura DOB 1985 Health Records Information Officer Has a Diploma in Health Records and Information Technology from KMTTC Nairobi compass has an experience of over 6 years.</p>	Health Records In charge
10.	 <p>Dr Noreen Nangira Were DOB 30/9/1981 Obstetrician Gynecologist Head of department obstetrics / Gynaecology. Member Human Resouce committe, AMS/IPC committee/ and medical officer intern coordinator. She has Masters of medicine in obstetrics and gynecology</p>	Head of clinical, preventive and Rehabilitative
11	 <p>Dr. Aisha Mongi DOB:30-05-1981 Clinical pharmacy Has Masters in pharmacy in clinical pharmacy from University of Nairobi She has experience of over 20 years</p>	Pharmacist In charge

5. Chairman's Statement

1. Introduction

Malindi Sub-County Hospital exists within a dynamic socio-economic and political context. A clear understanding of this environment is essential in positioning the hospital strategically to maximize emerging opportunities while addressing potential threats.

As a public health facility, the hospital operates under the policies and regulations of both the Ministry of Health and the County Department of Health Services. Guided by its mandate, the hospital provides curative, preventive, and rehabilitative services, while also offering specialized clinical care, training for medical professionals, and a platform for research activities.

Malindi Sub-County Hospital has earned recognition as a centre of excellence in healthcare delivery, and continues to adapt to the changing healthcare environment. By translating national and county health sector strategies into practical implementation, the hospital strives to provide accessible, affordable, and quality healthcare to all.

The hospital's core strengths include:-

- A highly skilled workforce
- Strategic geographical location
- Availability of medical specialists
- Competitive service pricing.
- Adequate land for future expansion
- Strong community linkages

Leveraging these strengths is critical in maintaining a competitive edge, ensuring sustainability, and meeting the growing healthcare demands of our community.

2. Key Challenges

Despite the progress achieved, the hospital continues to face significant challenges that hinder optimal service delivery. These include:

Human Resources: Inadequate staffing levels to meet increasing demand.

Infrastructure: Old and dilapidated buildings in need of rehabilitation.

Technology: Lack of integrated ICT systems and limited use of electronic medical records (EMR).

Equipment: Shortage of modern tools and reliance on obsolete machines.

Security: Insufficient surveillance and safety measure

Financing: Limited financial resources that constrain expansion, equipment acquisition, and staff development. particular concern is the delayed reimbursement from NHIF, especially under the *Linda Mama* program, which disrupts financial stability and timely service delivery. Without consistent and adequate funding, critical objectives such as infrastructure expansion, advanced surgeries, and specialized care cannot be fully realized.

3. Achievements and Progress

Despite these challenges, the hospital has continued to register notable achievements:

New Clinics and Services – A fully operational Civil Servants’ Clinic has been established to serve government employees. Plans are underway to expand services towards a 24-hour Outpatient Department (OPD), increased bed capacity, and advanced surgical procedures, including renal transplants, heart surgeries, and neurosurgery

Infrastructure Development

Construction of a modern Intensive Care Unit (ICU) is over 80% complete

Groundbreaking and site handover for a modern maternity wing with theatre has been completed Plans for

a new Accident and Emergency block are at an advanced stage

A modern funeral home is under construction, with completion expected in the coming year.

Strategic Partnerships – The hospital has partnered with county government and other stakeholders to strengthen infrastructure, upgrade facilities, and improve patient care standards

4. Way Forward

The Hospital Board remains committed to steering Malindi Sub-County Hospital towards improved efficiency, accountability, and service delivery. To achieve this, the following priority areas have been identified:

Internal Audit and Risk Management – Regular risk assessments to strengthen internal controls and enhance operational transparency

Diversification of Funding Sources – Reducing reliance on NHIF reimbursements by tapping into government allocations, donor grants, and private sector partnerships.

Capacity Building – Recruitment, training, and continuous professional development of healthcare personnel to enhance service delivery and risk management.

Strategic Partnerships – Enhanced collaboration with government agencies, NGOs, and healthcare providers to pool resources and expertise

Legal and Regulatory Compliance – Strict adherence to healthcare regulations to minimize legal risks and ensure quality standards.

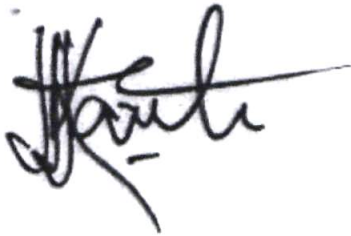
System Strengthening – Adoption of integrated hospital information systems and implementation of electronic medical records (EMR) to improve efficiency in revenue collection, planning, and patient management.

5. Conclusion

In conclusion, Malindi Sub-County Hospital stands at a critical juncture. While financial and infrastructural challenges persist, the hospital’s dedicated workforce, strategic partnerships, and ongoing development projects position it for significant growth.

As we continue to pursue our vision of providing affordable, accessible, and quality healthcare, I remain optimistic that with the support of the county government, development partners, and the community, the hospital will achieve its set objectives.

It is therefore my pleasure to present the Malindi Sub-County Level 4 Hospital Financial Statements for the year ended 30th June 2024, reflecting our commitment to prudent financial management and sustainable healthcare delivery.



.....
Christopher Kambi
Chairman to the Board

6. Report of The Medical Superintendent

Background

Malindi Sub-County Hospital has a long and distinguished history, having been established in the mid-1900s as a small dispensary to meet the health needs of the local population. Over the years, it has grown in size, capacity, and reputation, and today it stands as a Level IV Referral Hospital serving the people of Kilifi County and patients from more than five other counties within the Coastal Region. Together, this population exceeds three million people, making the hospital one of the most critical health facilities in the region.

The hospital was officially commissioned in 1969 and has since undergone significant development through both government investment and contributions from development partners. These efforts have focused on expanding inpatient capacity, strengthening outpatient facilities, and introducing specialized services.

Malindi Sub-County Hospital's mandate is clear: to provide curative and rehabilitative care, while also offering preventive and promotive services. It delivers specialized clinical services in multiple disciplines, serves as a training hub for medical students and health workers, and provides a platform for research and innovation in healthcare.

The hospital's current workforce stands at 696 personnel, broken down as follows:-

- 588 regular staff,
- 18 county-contracted employees
- 28 locum nurses,
- 11 locum clinical officers, and
- 64 casual workers directly contracted by the hospital.

Importantly, the hospital has not outsourced any of its services, ensuring direct oversight and accountability in operations.

2. Finance

Revenue

The hospital generates its revenue primarily from three key sources: Facility Improvement Funds (FIF), County Government Grants, and donor support. During the 2024/2025 financial year, the hospital recorded significant improvement in revenue compared to the previous year, despite disruptions caused by the doctors' strike in the third quarter.

For the first time in many years, the hospital's monthly cash collections exceeded Kshs. 7 million, sustained across more than three consecutive months. This achievement is a testament to the growing efficiency of revenue systems and the dedication of hospital staff. It also highlights the potential to surpass these milestones in future with the right strategies.

A key area for further revenue growth is the adoption of Electronic Medical Records (EMR). Implementing EMR would help

- Reduce pilferage and misuse of hospital resources,
- Strengthen financial accountability.
- Improve patient record management, and
- Support evidence-based decision-making

However, implementing a fully integrated EMR system is a cost-intensive and complex undertaking, requiring not only financial investment but also extensive staff training and cultural change within the hospital. Resistance to change is a foreseeable challenge, underscoring the need for capacity building, partnerships with the private sector, and NGO support to make this transformation a reality.

Expenditure

During the year, the hospital's total expenditure reached Kshs.130,632,843, representing 99% of the approved budget. This amount included allocations to Magarini and Malindi MOHs, in accordance with the HSIF Act, which entitles them to 20% of the revenue collected by Malindi Sub-County Hospital.

The primary drivers of expenditure included:-

- Procurement of medical drugs and supplies,
- Staff salaries and benefits,
- Non-pharmaceutical consumables,
- Laboratory reagents and supplies, and
- Maintenance of hospital buildings.

Despite careful management, the hospital experienced a budget shortfall of over Kshs. 20 million, largely caused by the prolonged nurses' and clinical officers' strikes. These strikes, which lasted for over two months, disrupted services and had a lasting effect on revenue collection for nearly four months.

Ensuring the sustainability of the Facility Improvement Fund (FIF) remains a central concern, particularly in light of frequent industrial unrest and political uncertainty. Moving forward, the hospital must diversify funding sources and establish internal revenue-generating strategies to safeguard predictable financing for critical services.

3. Achievements

Despite the challenges, the hospital recorded several important achievements during the reporting period:

Revenue Growth: Improved revenue generation compared to the previous financial year.

Infrastructure Development: Renovation of key facilities, including the Casualty Building and Renal Unit, was successfully completed.

Specialized Camps: The hospital hosted several eye surgery camps, which provided life-changing services to many patients while also boosting hospital revenue.

These milestones underscore the resilience of the hospital management, the Hospital Management Board (HMB), and staff in ensuring continued progress despite resource and operational challenges.

4. Challenges

Like many public hospitals in Kenya, Malindi Sub-County Hospital continues to face significant challenges

Human Resource Shortages – Persistent under staffing and frequent strikes disrupt the continuity of services.

Financial Constraints – Budget shortfalls and unpredictable funding sources weaken long-term planning

Aging Infrastructure – Many buildings are dilapidated and require urgent rehabilitation.

Technology Gaps – Slow adoption of ICT systems hampers efficiency and accountability.

External Pressures – Global economic conditions, industrial unrest, and political uncertainty continue to affect healthcare delivery.

These challenges collectively limit the hospital’s ability to consistently deliver high-quality services and require strategic interventions.

5. Looking Forward

The future of Malindi Sub-County Hospital lies in embracing modern technology and strengthening its operational systems. One of the pillars of the Hospital’s Strategic Plan is digital transformation, with a strong focus on implementing a comprehensive Hospital Information Management System (HMIS).

The HMIS will enable the hospital to:-

- Enhance operational efficiency,
- Deliver patient-centered services,
- Improve revenue collection and accountability, and
- Facilitate evidence-based decision-making through real-time data analytics

While this journey will require significant investment, capacity-building, and change management, it is a necessary step to position the hospital as a leading referral facility in the coastal region.

Finally, I wish to sincerely thank the Ministry of Health, the County Government of Kilifi, development partners, the Hospital Management Board, our staff, and the community for their unwavering support.

Their contributions have made it possible for us to achieve notable milestones in revenue growth, infrastructure development, and service delivery, despite the challenges faced.

As we move into the 2025/2026 financial year, I remain confident that with continued collaboration, Malindi Sub-County Hospital will strengthen its capacity, expand its services, and achieve its vision of providing accessible, affordable, and quality healthcare for all.



.....
Emily Kabibi Karisa

Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

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

Malindi 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;

1. Quality Service Management
2. Human resource for health
3. Management of hospital infrastructure
4. Development of a strategic Integrated Health Management Information System

Malindi Sub-County Hospital develops its annual work plans based on the above four 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 four strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issue	Objective	Key Performance Indicators	Activities	Achievements
Service Quality Management	<ul style="list-style-type: none"> • To Enhance customer care services 	<ul style="list-style-type: none"> • Presence of a Grievance Redress Committee • Presence of a 24hr customer care desk • Presence of a customer complaints and status register 	<ul style="list-style-type: none"> • Implementing a Customer Redress Mechanism • Introduction of a 24hr customer desk. 	<ul style="list-style-type: none"> • A customer desk introduced at outpatient, at the entrance • Suggestion/complaints box installed in key areas of the hospital
	<ul style="list-style-type: none"> • Enhance Continuous 	<ul style="list-style-type: none"> • Number of meetings for the Facility’s 	<ul style="list-style-type: none"> • Strengthening the 	<ul style="list-style-type: none"> • Several Meetings Held

	Quality Improvement	Stakeholders Forum	Engagement and Coordination of Hospital Partners	<ul style="list-style-type: none"> Several stakeholders Identified
	<ul style="list-style-type: none"> To gauge level of customer satisfaction 	<ul style="list-style-type: none"> Number of Implemented Open Days Number of customer satisfaction surveys conducted 	<ul style="list-style-type: none"> Strengthening Community Involvement/ Public Participation in Health Services Delivery 	<ul style="list-style-type: none"> Customer satisfaction survey conducted
	<ul style="list-style-type: none"> To improve service delivery 	<ul style="list-style-type: none"> Implementation of the KEPH service packages (%) 	<ul style="list-style-type: none"> Streamlining the Health Service Delivery Organization and Ensuring a Continuum of Care 	<ul style="list-style-type: none"> 60% Achievement
	<ul style="list-style-type: none"> To Enhance Effective Internal and External Referral Systems 	Presence of a health services referral framework that observes: <ul style="list-style-type: none"> Client movement Health provider movement Clients' specimen movement Clients' parameters movement Management and coordination of referral 	<ul style="list-style-type: none"> Implementation of a Comprehensive Health Services Referral Framework 	<ul style="list-style-type: none"> Referral guidelines implemented 80% Emergency Medical Services unit established

		services		
	<ul style="list-style-type: none"> To reduce the number of resources used in treating people 	Focusing on social-determinants of health <ul style="list-style-type: none"> Number of clean and safe water points in the facility Number of proper sanitation blocks in the facility 	<ul style="list-style-type: none"> Increase Focus on Preventive and Promotive Health Interventions 	<ul style="list-style-type: none"> Hand washing facilities installed in various points in the facilities Increased number of usable toilets in the hospital.
	<ul style="list-style-type: none"> To gauge level of customer satisfaction 	<ul style="list-style-type: none"> Evidence reports of customer satisfaction surveys 	Promoting Quality Improvement and Patient Safety	Customer survey for lab and outpatient done
	<ul style="list-style-type: none"> To manage customer expectations regarding the delivery of products and services 	<ul style="list-style-type: none"> Number of audited departmental delivery service charters 	Developing a Patient Navigation Program	<ul style="list-style-type: none"> Service charters displayed in service points
Human resource for health	<ul style="list-style-type: none"> Improved performance and management 	<ul style="list-style-type: none"> Increase in the number of health personnel 	<ul style="list-style-type: none"> Lobbying the Recruitment of Human Resource 	<ul style="list-style-type: none"> Hired additional staffs on Locum basis
	<ul style="list-style-type: none"> Staff Motivation To develop Staff 	<ul style="list-style-type: none"> Implement rewards and sanctions policy Payment of contracted 	<ul style="list-style-type: none"> Human Resource Development and 	<ul style="list-style-type: none"> All staff issued with gift packages for Christmas

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		<p>nonclinical staffs</p> <ul style="list-style-type: none"> • Conduct training need assessment • Hiring of Contracted technical staff 	<p>Motivation Improve staff performance culture</p>	<ul style="list-style-type: none"> • All Staffs are involved in decision making through various committees, HMT, Departmental meeting, staff meeting days,
Management of hospital infrastructure	<ul style="list-style-type: none"> • To provide Modern Medical Equipment, plants and Machinery 	<ul style="list-style-type: none"> • Construction of a specialized Intensive Care Unit • Increased Number of operating theatres • Expansion of Maternity Ward <p>Expansion of the Outpatient Dept.</p>	<ul style="list-style-type: none"> • Construction and Expansion of hospital service units • 	<ul style="list-style-type: none"> • Plans under way for operationalisation for 24/hr OPD services • Partners identified to put a modern maternity block with theatre facilities • ICU construction has been started
	<ul style="list-style-type: none"> • To enhance Routine Maintenance of 	<ul style="list-style-type: none"> • Construction of Hospital walkways 	<ul style="list-style-type: none"> • Maintenance of Hospital Infrastructure 	<ul style="list-style-type: none"> • Partners (AMREF) identified to

	Infrastructures	<ul style="list-style-type: none"> Equip Hospital call House Construction of a warehouse Construction of Oxygen plant 		<ul style="list-style-type: none"> construct a liquid oxygen plant Construction of a drug store completed All walkways in the hospital have been renovated.
Development of a strategic Integrated Health Management Information System	<ul style="list-style-type: none"> To facilitate accurate record keeping. 	<ul style="list-style-type: none"> Implementing a functional Electronic Medical Records System 	Strengthen health data and information flow at the facility	<ul style="list-style-type: none"> Procurement for a modern EMR system to be initiated in the upcoming financial year
	<ul style="list-style-type: none"> Facilitate prudent Financial Management To increase revenue Generation 	<ul style="list-style-type: none"> Installation of an EMR system Availability of a reliable Wi-Fi connection 	<ul style="list-style-type: none"> Automate health data and information flow at the facility 	<ul style="list-style-type: none"> Procurement for a modern EMR system to be initiated in the upcoming financial year

8. Corporate Governance Statement

- i. Malindi Sub-County Hospital Board of Management is responsible for the corporate governance of the Hospital and is accountable to Ministry of Health, County department of health Kilifi County for ensuring that the Hospital complies with the laws and the highest standards of corporate governance and business ethics. The Board members attach great importance to the need to conduct the business and operations of the Hospital with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

Process of appointment and Removal

The Board of Management is composed of non-executive members appointed by the C.E.C.M Health Kilifi County. The Appointed Board of Management to be held accountable and responsible for the efficient and effective governance of the hospital. Members of the Board have a range of skills and experience and each brings an independent judgment and considerable knowledge to the Board's discussions. The board term is three years renewal subject to performance. The Board of Management can be removed following recommendation to the CECM by the chairperson or secretary.

ii. Roles and functions of the board

- Approve and adopt strategic plans and annual budgets, set objectives and review key risk and performance areas.
- Resource Mobilization
- Determine overall policies and processes to ensure integrity of the Hospital's management of risk and internal contracts; and
- Review at regular meetings Management's performance against approved budget.

iii. Induction, training, and development

On appointment members of the HMB are taken for induction organised by the DOH, Kilifi.

iv. Board and members' performance

Member's performance is monitored through attendance patterns and contributions during meetings. In case of conflict of interest, the Board legislative expects the member to resign.

v. Number of Board meetings held and the attendance to those meetings by members

The full Board meets at least 4 times a year and the Chairperson has regular meetings/Consultations with the Chief Executive Officer. The Board members are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Chief Executive Officer. The Board nonetheless retains responsibility for establishing and maintaining the Hospital's overall internal control, financial, operational and compliance framework.

The Board as per the Annual work plan meets quarterly or additionally when necessary to consider matters of overall control of the hospital. The Board agenda and work plan are prepared early in the year and adequate notice, agenda and Board papers are circulated within stipulated timelines. The Main Board held 4 meetings attended by members as shown below.

No.	Name	Q1	Q2	Q3	Q4	Total
1	Christopher Kambi-Chair	1/1	1/1	1/1	1/1	4/4
2	Priscillah Oluoch- Vice Chair	1/1	1/1	1/1	1/1	4/4
3	Mr. Attas S Ali	1/1	NIL	NIL	1/1	2/4
4	Matron Emily Karisa	1/1	1/1	1/1	1/1	4/4
5	Eric Mwashigadi	1/1	NIL	1/1	1/1	3/4
6	Mrs. Lucy Muli-Kina	1/1	NIL	1/1	1/1	3/4
7	CPA Michael Bidii Ngala	1/1	NIL	1/1	1/1	3/4
8	CPA Edwin Matara	NIL	NIL	NIL	NIL	NIL
9	Mary Wambui Mathenge	NIL	NIL	NIL	NIL	NIL

vi. Succession Plan.

Members have been organised in a structured manner to ensure smooth running of the board so as to actualize their purpose in overseeing operations in the facility.

vii. Policy to manage conflict of interest.

Our Policy on Related Party Transactions is designed to prevent conflicts of interest and ensure that all transactions involving directors, key management, or their related entities are conducted ethically and in the best interest of the hospital.

viii. Board Remuneration

Non-Executive Members provide services to the hospital to which they are entitled to an allowance. The allowance is paid as per the government of Kenya allowance circulars.

ix. Ethics and Conduct

The HMB are overseen by the member of the County Health Management Board who strive to ensure compliance to ethical issues and code of conduct of public officers.

x. Governance audit

HMB is committed to upholding the highest standards of corporate governance.

xi. Communication policy

The Board prioritize clear, honest, and timely communication with all stakeholders. Our Communication Policy outlines the principles for internal and external communication, ensuring consistency and accuracy. This includes guidelines for disclosing information related to patient care outcomes, financial performance, and operational changes. The policy emphasizes the need to protect patient confidentiality and personal data in all communication. We believe that transparent communication builds trust with our patients and the community, fostering a collaborative environment that supports our mission of providing compassionate care.

xii. Terms of Reference of Committees

To effectively manage its responsibilities, the Board has established several committees, each with a specific mandate. The Terms of Reference (ToR) for each committee;

a) Committees of the Board

The Board has three standing committees, which meet under the terms of reference set by the Board. The standing committees as follows:

- Finance and general-purpose committee
- Quality Primary Healthcare Committee
- Audit Sub Committee

The membership and functions of the committees is as tabulated below;

Finance and General-Purpose Committee

1. Michael B. Ngala - Committee Chairman
2. Priscila Githinji - Member
3. Lucy Muli-Kina - Member
4. Matron Emily Karisa - Member
5. Martin Karisa - Ex-Official Member

The finance committee ensures that the facility has sound financial management strategies, policies and systems that promote, accountability, prudent use of resources and compliance with statutory and all regulatory requirements. The committee has the following duties and responsibilities as directed by the Board:

- a) Review the hospitals annual work plans and associated budgets prepared by the management and submit them to the Board for approval.
- b) Ensure that the allocation of resources is aligned to the priority areas identified within the strategic plan.
- c) Review quarterly financial reports submitted by management and submit the same to the Board for discussion and adoption.
- d) Provide general direction in the Hospital's budgeting matters.
- e) Advise the CEO and the Board on financial management approaches that enhances internal controls to improve efficiency, transparency and accountability.
- f) Review major audit issues raised by both internal and external auditors.

Primary Health Care Committee

1. Mr Attas Sharif - Committee Chairman
2. Madam Mary Mathenge - Member
3. Matron Emily Karisa - Ex-official Member
4. Matron Getrude Mbeyu Mwambui - Ex-official Member
5. Mr. Alex Mathia - Ex-official Member

The Primary Health Committee ensures that the facility has sound primary health management strategies, policies and systems that promote the availability of quality services, accessibility and predictability of standardized primary health care services through effective leadership and governance

The committee has the following duties and responsibilities as directed by the Board:

- a) Promote and fulfil the rights of all persons in served by the facility towards the progressive realization of their right to the highest attainable standards of health care.
- b) Promote the implementation of primary health care through a systemic approach and clear delineation of roles of all stakeholders towards realization of universal health coverage;
- c) Provide for the establishment of primary health care networks, community health units and other stakeholder centred engagement forums for sustainable provision of primary health care services;
- d) Provide for the role of the multi-disciplinary team in the provision of primary health care services;
- e) Provide for the role of community health officers, community health assistants and community health promoters in the provision of community based primary health care services.

Audit Committee

1. Mr. Eric Mwashigadi - Committee Chairman
2. Mr. Edwin Matara - Member
3. Madam Mary Mathenge - Member
5. Mr. Said Ali - Member

The Audit Committee ensures that the facility has sound financial management strategies, policies and systems that promote, accountability, prudent use of resources and compliance with statutory and all regulatory requirements. The committee has the following duties and responsibilities as directed by the Board:

- a) Advise the CEO and the Board on financial management approaches that enhances internal controls to improve efficiency, transparency and accountability.
- b) Review major audit issues raised by both internal and external auditors
- c) Periodic review of the adequacy of management procedures with regard to issues relating to risk management, control and governance.
- d) Review special audits/ investigations on any concerns and complaints regarding corruption, lack of accountability and transparency brought to the attention of the committee by management and present to the Board for discussion and direction.

xiii. Policy on related party transactions

Our Policy on Related Party Transactions is designed to prevent conflicts of interest and ensure that all transactions involving directors, key management, or their related entities are conducted ethically and in the best interest of the hospital.

9. Management Discussion and Analysis

The considerations in restructuring an organization are effective coordination of roles and responsibilities to avoid overlap and duplication of roles and effort; clear accountability for results; enhanced teamwork and effective communication; and career development for staff. Appropriate structures also allow the organization to resource and sustain essential skills and expertise in the organization.

The overall leadership and governance of MSCH will be vested in the Hospital Management Board. The Board members are appointed in accordance with the policies of the County Government of Kilifi. The day-to-day management of the hospital is vested on the Chief Executive Officer.

The Chief Executive Officer will be assisted in performing the functions of his or her position by the Senior Management Team (SMT), which consists of the CEO with the four key managers and the Hospital Management Team (HMT). The HMT is made up of the divisional heads and heads of departments. MSCH has developed a governance framework defining the respective roles of the Management.

The overall annual performance is as illustrated below:

Summary table:

MALINDI SUB COUNTY HOSPITAL		Q1 FY 2022-2023	Q2 FY 2023-2024	Q3 FY 2024-2025
Bed capacity		194	194	194
Patient Attendance: Inpatient and Out-patient	Out-patient	32784	38764	79775
	In- patient	32784	38764	79775
Accident and Emergency (Casualty) attendance		26,673	20,864	18,156
Specialized Clinics attendance		76934	39362	40566
Average Length of Stay (In-patients) in Days		9	7	10
Bed Occupancy rate		81%	92%	95%
Surgical Theatre utilization	Major	2,404	2,056	2,226
	Minor	485	540	560
	Total	2889	2596	2786

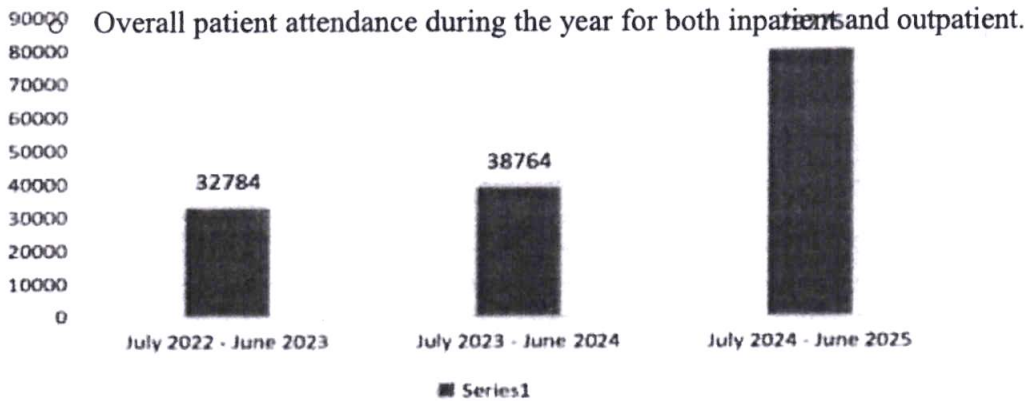
Maternity (Total Deliveries)	5166	4272	5023
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Clinical/operational performance

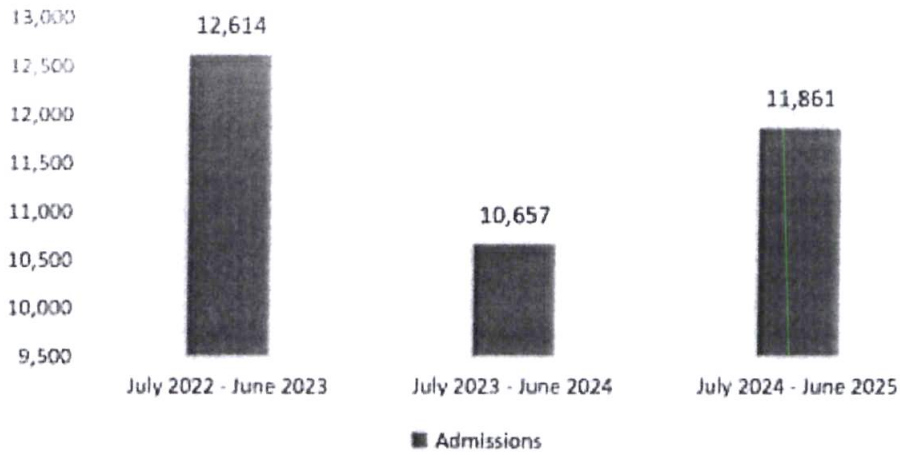
- Bed capacity of the hospital.

	FY 2022-2023	FY 2023-2024	FY 2024-2025
Available Beds	194	194	194
	FY 2022-2023	FY 2023-2024	FY 2024-2025
Available Beds	194	194	194

Outpatient Attendance

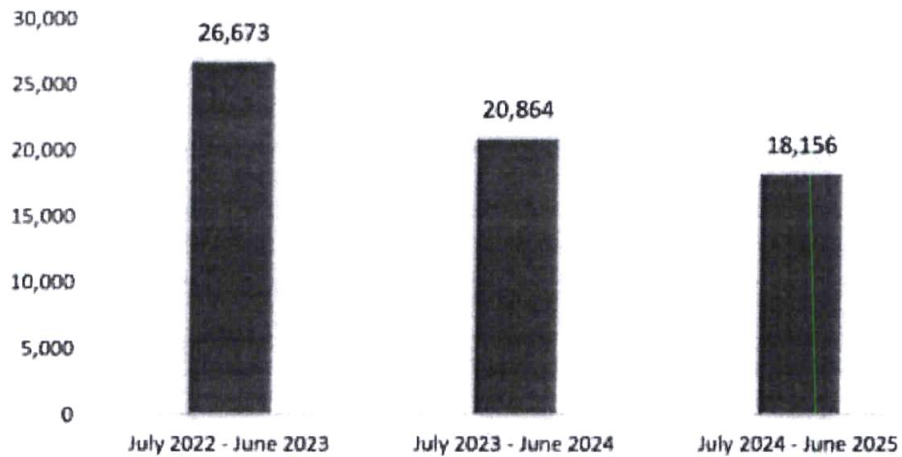


Admissions

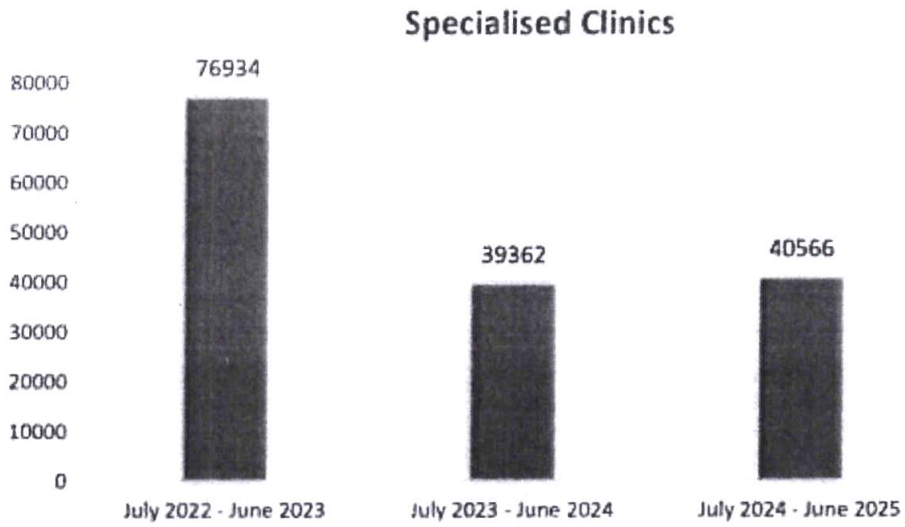


○ Accident and Emergency attendance

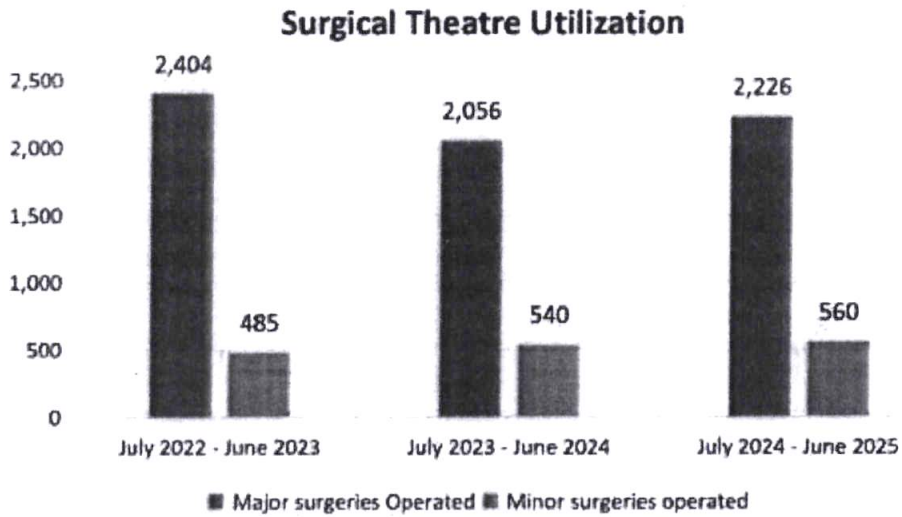
Casualty Attendance



○ Specialised clinic attendance



○ Surgical theatre utilization



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Financial performance that includes

Revenue Sources

MSCH main revenue Sources is Grants from HSIF

Analysis of revenue performance for the two financial years is as listed below:

DATE	FIF	NHIF	TOTALS
Jul-24	7,256,860	1,554,955	8,811,815
Aug-24	7,612,859	-	7,612,859
Sep-24	8,293,943	5,437,380	13,731,323
Oct-24	10,583,320	1,550,102	12,133,422
Nov-24	7,207,501	6,384,504	13,592,005
Dec-24	6,075,896	2,382,460	8,458,356
Jan-25	7,682,860	5,818,490	13,501,350
Feb-25	6,845,301	6,938,813	13,784,114
Mar-25	7,399,728	4,400,837	11,800,565
Apr-25	6,810,090	23,246,420	30,056,510
May-25	5,242,664	14,530,181	19,772,845
Jun-25	6,432,089	5,645,787	12,077,876
TOTAL	87,443,111	77,889,930	165,333,041

	FIF	NHIF	TOTALS
Jul-22	4,967,292.00	5,876,740.00	10,844,032.00
Aug-22	5,372,868.00	1,051,660.00	6,424,528.00
Sep-22	5,384,231.00	12,148,442.50	17,532,673.50
Oct-22	5,768,021.00	5,453,030.00	11,221,051.00
Nov-22	6,208,520.00	3,537,230.00	9,745,750.00
Dec-22	5,840,347.00	1,878,300.00	7,718,647.00
Jan-23	7,420,439.00	4,951,325.00	12,371,764.00
Feb-23	7,021,789.00	905,060.00	7,926,849.00
Mar-23	5,721,850.00	324,420.00	6,046,270.00
Apr-23	2,104,016.00	7,371,570.00	9,475,586.00
May-23	4,083,283.00	30,597,515.00	34,680,798.00
Jun-23	6,378,617.00	1,383,415.00	7,762,032.00
TOTAL	66,271,273.00	75,478,707.50	141,749,980.50

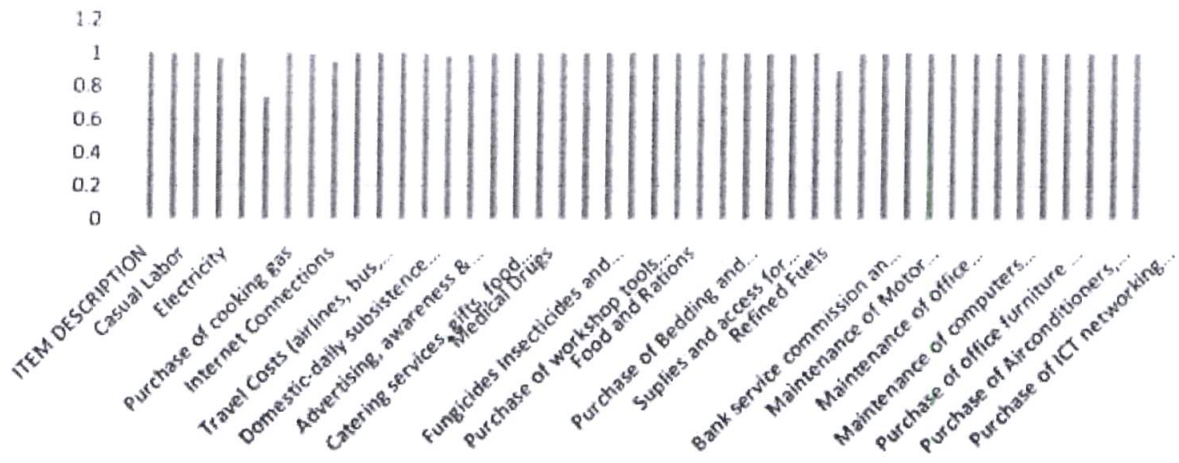
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ANALYSIS OF EXPENDITURE FY 2024/2025

MALINDI SUB COUNTY HOSPITAL CONSOLIDATED BUDGET

ITEM	ITEM DESCRIPTION	BUDGET	EXPENDITURE	BALANCE
2110201	Contractual Employees	40,377,487.00	40,361,146.00	16,341.00
2110202	Casual Labor	520,000.00	518,550.00	1,450.00
2120101	Employer Contributions to Natio	2,263,190.00	2,262,610.00	580.00
2210101	Electricity	40,000.00	38,900.00	1,100.00
2210102	Water and sewerage	53,000.00	52,900.00	100.00
2210103	Purchase of cooking gas	5,000.00	3,680.00	1,320.00
2210201	Telephone , telex mobile phones	1,475,500.00	1,475,400.00	100.00
2210202	Internet Connections	375,000.00	370,905.00	4,095.00
2210203	Courier and Postal Services	39,250.00	37,159.00	2,091.00
2210301	Travel Costs (airlines, bus, railwa	2,815,000.00	2,808,760.00	6,240.00
2210302	Domestic Accomodation & Com	5,079,750.00	5,079,550.00	200.00
2210302	Domestic-daily subsistence allow	16,193,060.00	16,191,810.00	1,250.00
2210502	Publishing and Printing Services	358,000.00	356,900.00	1,100.00
2210504	Advertising, awareness & public	415,900.00	408,400.00	7,500.00
2210604	Hire of Transport	70,000.00	69,000.00	1,000.00
2210711	Tuition Fees	-	-	-
2210801	Catering services, gifts, food driv	3,905,423.00	3,905,386.00	37.00
2210802	Boards, commtt, conference	3,926,400.00	3,921,337.00	5,063.00
2210807	Medals, Awards and Honors	-	-	-
2211001	Medical Drugs	8,190,900.00	8,183,594.00	7,306.00
2211002	Dressings and Non-pharmaceutic	6,051,900.00	6,050,693.00	1,207.00
2211004	Fungicides Insecticides and sprai	209,000.00	208,900.00	100.00
2211005	Chemical and Industrial Gases	6,672,500.00	6,657,339.00	15,161.00
2211006	Purchase of workshop tools spar	950,000.00	949,712.00	288.00
2211008	Lab materials, supplies and smal	9,541,551.00	9,530,797.00	10,754.00
2211015	Food and Rations	3,160,000.00	3,158,345.00	1,655.00
2211016	Purchase of Uniforms and Clothi	183,000.00	182,947.00	53.00
2211021	Purchase of Bedding and Linen	20,000.00	20,000.00	-
2211028	Purchase of X ray supplies	-	-	-
2211031	Specialised Materials - Other	-	-	-
2210502	General Office Supplies	4,852,135.00	4,846,164.00	5,971.00
2211102	Suplies and access for computery	845,100.00	841,245.00	3,855.00
2211103	Sanitary and cleaning materials	2,117,402.00	2,110,873.00	6,529.00
2211201	Refined Fuels	11,212,000.00	11,208,434.00	3,566.00
2210103	Other Fuels (wood, charcoal, co	15,000.00	13,420.00	1,580.00
2211301	Bank service commission and ch	32,300.00	32,203.29	96.71
2211306	Membership fees, Dues & sub to	397,000.00	396,087.00	913.00
2220101	Maintenance of Motor Vehicles	4,151,600.00	4,150,652.00	948.00
2220201	Maintenance of Plant, Machiner	2,467,020.00	2,453,392.00	13,628.00
2220202	Maintenance of office furniture	20,000.00	20,000.00	-
2220205	Maintenance of Buildings and st	10,773,637.00	10,770,363.00	3,274.00
2211102	Maintenance of computers softw	332,639.00	332,057.00	582.00
3110902	purchase of household & institut	510,100.00	510,075.00	25.00
3111001	Purchase of office furniture & fi	79,500.00	79,460.00	40.00
3111002	Purchase of computers, printers	2,670,000.00	2,669,050.00	950.00
3111003	Purchase of Airconditioners, Far	1,137,508.00	1,131,456.00	6,052.00
3111101	Purchase of Medical & Dental E	1,577,000.00	1,576,720.00	280.00
3111111	Purchase of ICT networking & cc	1,360,000.00	1,359,018.00	982.00
	TOTALS	157,440,752.00	157,305,389.29	135,362.71

EXPENDITURE



10. Environmental And Sustainability Reporting

MSCH 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

MSCH and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that MSCH going concern is secured. The hospital has conducted a basic assessment of available options for feasible financing tools that would assure the hospital of its long-term sustainability. The hospital has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options, which include:

- Enhancement of our specialized services such renal services, palliative services etc.
- Introduction of a civil servant's clinic
- Public Private Partnership
- Enhancing Client satisfaction through quality service care
- Bringing on board more financial institutions i.e. lobbying for more engagement with other insurance firms

ii) Environmental performance

MSCH is using the National Health Care Waste Management policy guideline, which is guiding us in the management of the waste that we generate in the organization, and we have a copy of the policy.

Successes

- We are having colour-coded bins [receptacles] at all generation points in the departments.
- The hospital has one of the best working incinerators in the north coast region to incinerate the infectious waste
- There are segregation posters alongside the receptacles to guide in the segregation of waste.
- We have waste treatment equipment within the organization that helps us treat our waste and we only dispose-off non-contaminated waste to the dumping site.
- The general cleanliness of the organization is well maintained both indoors and grounds.

Challenges

- Frequent breakdown of the equipment and the cost of repair and maintenance.
- High cost fuel bill.
- Shortage of staffs

Efforts to Reduce Environmental Impact of Waste Products

The waste passes through a microwave during treatment process, which renders it harmless before they are taken to the dumpsite.

The incinerator burns the waste at a very high temperature and the products are harmless.

iii) Employee welfare

Hiring process involves bringing new employees on board. This is the mandate of the County Public Service Board reference made from the Public Service Commission Human Resource Manual and procedures May 2016, mentioned in section B which provides the rules governing recruitment and appointment of new officers.

Improvement of employee skills and career management is done through employee sponsorship to further their studies in line with their careers. This is done by sponsorship and supporting employees to attend short courses offered by the government institutions.

Training programs are based on the identified needs from the training needs assessments and are emphasized for performance improvement addressing both individual and organizational goals.

Performance management system is a process conducted by the employer to identify areas of weakness and support the individuals in order to get better results. It's an annual exercise intended to provide employees with clear understanding of job expectations, regular feedback on performance, advice and steps for improving performance, rewards for good performance and actions for poor performance. It helps to measure performance and ultimately the achievement of intended results for the organization.

The Human Resource Manual procedures also provide for guidelines and standards for the prevention and protection of officer against accidents and occupational hazards arising at the work place. It provides for guidelines, procedures and modalities for the administration and payment of compensation for work related injuries and accidents contracted while and in the course of employment.

iv) Market place practices

a) Responsible completion practices

This is effectively done through making good use of the instituted internal committees to help minimize corruption.

b) Responsible supply chain and supplier relations

Ensures best involvement of suppliers in the tendering process and feedback given to suppliers in good time.

c) Responsible marketing and advertisement

Effectively done using the local community engagement

v.) Corporate social responsibility

- Conducting of regular outreaches to create awareness on various healthcare issues.
- Cancer patients supported by various partners through MSCH to visit their homes and give them support in various ways in their homes.
- Organization of free medical camps
- Based on assessment, patients have reduced medical cost including waivers given by the hospital.

11. Report of The Board of Management

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

Principal activities

The principal activities of the entity are to provide quality and affordable preventive, promotive, rehabilitative and curative health services in Kilifi County and neighbouring Counties such as Tana River and Lamu.

Results

The results of the entity for the year ended June 30 2025 are set out on page 1 to 29.

Board of Management

The members of the Board who served during the year are shown on page x.

Auditors

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

By Order of the Board



.....
Emily Kabibi Karisa
Secretary to the Board

12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect MSCH, which give a true and fair view of the state of affairs of the hospital 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 MSCH 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 MSCH'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: Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, 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, Safeguarding the assets of the Hospital Selecting and applying appropriate accounting policies, and Making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the MSCH's financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 The Board members are of the opinion that the MSCH's financial statements give a true and fair view of the state of entity's transactions during the financial year period ended June 30, 2024 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 Hospital, 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.

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 2/12/25 and signed on its behalf by:



.....
Christopher Kambi
Chairperson
Board of Management



.....
Emily Kabibi Karisa
Accounting Officer

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON MALINDI SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF KILIFI

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 Malindi Sub-County Level 4 Hospital - County Government of Kilifi set out on pages 1 to 41, 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 Malindi Sub-County Level 4 Hospital - County Government of Kilifi 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, County Governments Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccurate Depreciation and Amortization Expense

The statement of financial performance reflects expenditure on depreciation and amortization expense totalling Kshs.4,214,436 as disclosed in Note 11 to the financial statements. However, the corresponding depreciation on property, plant and equipment as indicated in Note 17 to the financial statements was Kshs.366,566 resulting to a variance of Kshs.3,847,870 attributed to use of accumulated depreciation expense instead of depreciation for the year under review.

In the circumstances, the accuracy and completeness of depreciation and amortization expense could not be confirmed.

2. Inaccurate Expenditure and Deficit Amounts

The statement of financial performance reflects expenditure totalling Kshs.161,519,825 and a deficit of Kshs.18,966,081. Included in the expenditure is Kshs.4,214,436 on depreciation and amortization expense. However, depreciation charge for the year was Kshs.366,566 as disclosed in Note 17 to the financial statements resulting to overstatement of total expenditure and deficit by Kshs.3,847,870 attributed to use of accumulated depreciation expense instead of depreciation for the year under review.

In the circumstances, the accuracy and completeness of total expenditure of Kshs.161,519,825 and deficit of Kshs.18,966,081 could not be confirmed.

3. Inaccurate and Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects property plant and equipment balance of Kshs.14,493,462 as disclosed in Note 17 to the financial statements. Included in this balance is Kshs.7,503,796 in respect of ICT equipment for which additions during the year amounted to Kshs.1,221,888. However, the list and details of the additions to ICT equipment was not provided for review. In addition, the Department of Health

purchased one hundred and twenty-six (126) computers and Uninterruptible Power Supply (UPS) for Malindi and Kilifi Sub-County Hospitals at a cost of Kshs.25,132,116. Kilifi Sub County Hospital is indicated as having received thirty-two (32) computers and UPSs while Malindi Sub County Hospital is indicated as having received ninety-four (94) computers and UPSs which are not indicated as having been received. Further, the ownership documents detailed schedule and updated asset register were not provided for audit.

In the circumstances, the ownership, existence and valuation of property, plant and equipment balance of Kshs.14,493,462 could not be confirmed.

4. Unsupported Trade and Other Payables from Exchange Transactions Balance

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.20,633,436. However, the movement schedule and detailed aging analysis including date of purchase, LPO/LSO numbers, Invoice numbers and delivery notes numbers and dates among other details was not provided for audit.

In the circumstances, the accuracy, completeness and existence of trade and other payables from exchange transactions balance of Kshs.20,633,436 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on the Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Effectiveness on Internal Controls, Risk Management and Governance. Review of the status during audit of the Hospital in 2024/2025 revealed that the following six (6) issues remained unresolved:

No	Financial Year	Audit Issue
1	2023/2024	Variance between financial statements and supporting schedules
2	2023/2024	Misclassification of expenditure
3	2023/2024	Inaccurate bank balance
4	2023/2024	Lack of audit committee and internal audit function
5	2023/2024	Non-compliance with Public Sector Accounting Standards Board (PSASB) reporting requirements
6	2023/2024	Non-compliance with Kenya Quality Model for Health Policy

Other Information

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

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

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance 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 effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non-compliance with the Kenya Quality Model for Health for Level 4 Hospital Requirements

Review of documents revealed that the Hospital had one hundred ten (110) medical staff against the minimum requirement of two hundred and nineteen (219) resulting to

understaffing by one hundred and nine (109) members of staff or 50% which included the shortage of specialists such as Anesthesiologists, Gynecologists and Pediatrics. In addition, the Hospital had thirty-two (32) equipment and machines against the requirement of forty-four (44) for a Level 4 Hospital resulting to a shortage of twelve (12) or 12% which included shortage of vital services such as functional Intensive Care Unit (ICU) beds and High Dependency Unit (HDU) which require a minimum of six (6) beds.

This was contrary to Gazette Notice No. 786 Vol.CXXII No. 24 of 4 February, 2020 which provides for classification of healthcare facilities, including the basic essential primary services each level should carry out. Article 43(1) of the Constitution of Kenya, 2010 provides that every person has the right to the highest attainable standard of health, which includes the right to health care services, including reproductive health care.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Failure to Adhere to Medical Waste Disposal Guidelines

The statement of financial performance reflects clinical costs amount of Kshs.37,471,308. However, a physical inspection revealed that the Hospital has inadequate incineration facilities for medical waste disposal and has not adopted the burn-and-bury method. Consequently, medical waste has remained undisposed within the Hospital premises for a period of three (3) years.

In the circumstances, the effectiveness of waste Management system and procedures 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 those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Board 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.

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


Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 December, 2025

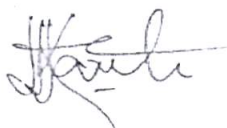
Malindi Sub County Hospital (Kilifi County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

	Note	2024-2025	2023-2024
Revenue from non-exchange transactions			
Transfers from HSIF Fund	6	142,553,744	126,363,365
Transfers from FIF Revenue		-	-
Total revenue		142,553,744	126,363,365
Expenses			
Medical/ Clinical Costs	8	37,471,308	9,959,699.00
Employee costs	9	43,142,306	41,988,158
Board of Management Expenses	10	-	1,404,800
Depreciation and amortization expense	11	4,214,436	3,847,870
General Expenses	12	58,124,066	44,737,136
Repair and Maintenance	13	18,567,709	16,936,426
Total expenses		161,519,825	118,874,089
Gain/loss on disposal of assets		-	-
Surplus/(deficit) for the period		(18,966,081)	11,758,704

The notes set out on pages 18 to 22 form an integral part of the Annual Financial Statements.

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



Christopher Kambi
Chairman



Fredrick Mumba
Head of Finance



Emily Kabibi Karisa
Medical Superintendent

Board of Management

ICPAK No: 30736

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

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

	Note	2024-2025	2023-2024
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	14	5,736,483	54,966
Receivables from Non exchange transactions	15	5,683,711	8,655,551
Inventories	16	5,021,673	
Total Current Assets		16,441,867	8,710,517
Non-current assets			
Property, plant, and equipment	17	14,493,462	8,012,742
Intangible assets		-	-
Total Non-current Assets		14,493,462	8,012,742
Total Non-current Assets			
Total assets		30,935,329	16,723,259
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	20,633,436	13,772,432
Provisions		-	-
Current portion of borrowings		-	-
Employee benefit obligations		-	-
Non-current liabilities			
Non-current employee benefit obligation		-	-
Long term portion of borrowings		-	-
Total liabilities		20,633,436	13,772,432
Net assets		10,301,893	2,950,827
Revolving Fund		-	-
Reserves		-	-
Accumulated surplus		(16,015,254)	2,950,827
Total net assets and liabilities		14,920,075	19,674,086

The notes on pages 21 to 24 form an integral part of the Annual Financial Statements.

The Hospital's financial statements were approved by the Board on 2/12/25 and signed on its behalf by:

.....
Christopher Kambi
 Chairman

.....
Fredrick Mumba
 Head of Finance

.....
Emily Kabibi Karisa
 Medical Superintendent

Board of Management

ICPAK No: 30736

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

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2023	-	-	8,807,877	8,807,877.00
Adjustments			-	-
Surplus/(deficit) for the period	-	-	11,758,704.00	11,758,704.00
Balance as at 30 June 2024	-	-	2,950,827	2,950,827.00
Balance as at 1 July 2024	-	-	2,950,827	2,950,827
Adjustments			-	-
Surplus/(deficit) for the period	-	-	(18,966,081)	
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2025	-	-	16,015,254	2,950,827

Note:

1. The Capital Fund represents initial or special-purpose funds contributed to the entity by donors or founders to support its establishment and/or long-term objectives. No movements occurred in the Capital Fund during the years ended 30 June 2024 and 30 June 2025.

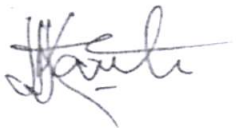
2. The Revaluation Reserve arises from the periodic revaluation of property, plant, and equipment in accordance with the entity's accounting policy. The balance reflects the difference between the carrying amount and the revalued amount of assets. No revaluation was undertaken in the reporting periods ended 30 June 2024 and 30 June 2025; hence, no movements were recorded.

Malindi Sub County Hospital (Kilifi 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

	Note	2024-2025	2023-2024
		KShs	KShs
Cash flows from operating activities			
Receipts			
Transfers from HSIF Fund	6	142,553,744	126,363,365
Transfers from FIF Revenue		-	-
Interest received		-	-
Total Receipts		142,553,744	126,363,365
Payments			
Medical/ Clinical Costs	8	37,471,308	8,090,743
Employee costs	9	43,142,306	41,988,158
Board of Management Expenses	10	-	1,404,800
General Expenses	12	58,124,066	55,715,666
Repair and Maintenance	13	18,567,709	16,936,426
Total Payments		157,305,389	124,135,793
Net cash flows from operating activities		(14,751,645)	2,227,572
Cashflow from Investing activities			-
Purchase of Property, Plant and Equipments		20,488,128	-
Net cash flows used in investing activities			-
Net increase/(decrease) in cash and cash equivalents		(14,751,645)	-
Cash and cash equivalents at 1 JULY 2024		54,966	54,966
Cash and cash equivalents at 30 JUNE 2025	14	5,736,483	54,966


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



.....
Christopher Kambi
Chairman



.....
Fredrick Mumba
Head of Finance



.....
Emily Kabibi Karisa
Medical Superintendent

Board of Management

ICPAK No: 30736

*Malindi Hospital (Kilifi County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025*

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

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		% utilisation
	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025	
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	
Revenue											
Transfers from County Govt & FIF Revenue	134,008,632	23,432,120	23,432,120	157,440,752	142,553,744	14,887,008	91%				
Total income	134,008,632	23,432,120	157,440,752	142,553,744	14,887,008	91%					
Expenses											
Medical/ Clinical Costs	22,256,902	15,257,351	37,514,253	37,471,308	42,945	100%					
Employee costs	47,596,420	(4,397,843)	43,198,577	43,142,306	56,271	100%					
Board of Management Expenses	-	-	-	-	-	-					
General Expenses	40,444,921	17,705,005	58,149,926	58,124,066	25,860	100%					
Repair and Maintenance	23,710,389	(5,132,393)	18,577,996	18,567,709	10,287	100%					
Total expenditure	134,008,632	23,432,120	157,440,752	157,305,389	135,363	100%					
Surplus for the period	-	-	-	(14,751,645)	14,751,645						

Budget notes

1. The original budget was approved by the Board/County Government at KShs 134,008,632. During the year, adjustments amounting to KShs 23,432,120 were made, resulting in a final budget of KShs 157,440,752. Increase of KShs 23,432,120 arising from supplementary allocations from the County Government.

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

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	(14,751,645)
1	Reason for differences	xx
2	Reason for differences	xx
3	Reason for differences	xx
4	Reason for differences	xx
	Closing Cash and Cash Equivalent as per the statement of Cash flows	xxx

19. Notes to the Financial Statements

1. General Information

MSCH is established by and derives its authority and accountability from HSIF Act. The entity is wholly owned by the Kilifi County Government and is domiciled in Malindi Kenya. The entity's principal activity is to provide curative, preventive, promotive and rehabilitative health services.

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><i>State the expected impact of the standard to the Entity if relevant</i></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> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously</p>

Standard	Effective date and impact:
	<p>excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <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> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 48- Transfer</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer</p>

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

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) **Revenue from non-exchange transactions**

Transfers from other Government entities

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

ii) **Revenue from exchange transactions**

Rendering of services

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

b. **Budget information**

The original budget for FY 2024/2025 was approved by Board on *17 September 2024*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *entity* recorded additional appropriations of 23,432,120 on the FY 2024/25 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.

Notes to the Financial Statements (Continued)

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.

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 ~~xxx~~ years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service

potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e. Property, plant and equipment

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

f. 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

Notes to the Financial Statements (Continued)

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.

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.

Financial liabilities

Classification

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

g. 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.

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

- 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.

h. 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.

i. 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.

j. 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.

k. Comparative figures

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

l. 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

8. Medical/ Clinical Costs

Description	Jun-25 KShs	Jun-24 KShs
Sanitary and cleaning Materials	2,110,873	476,295
Dressing and Non-Pharmaceuticals	6,050,693	1,173,555
Purchase of medical gases	6,657,339	102,785
Laboratory chemicals and reagents	9,530,797	3,946,656
Pharmaceutical supplies	8,183,594	3,099,988
Food and ration	3,158,345	593,560
Bedding and linen	20,000	-
Uniforms and Clothing	182,947	336,110
X-Ray/Radiology supplies		-
Medical and dental equipment	1,576,720	-
Other medical related clinical costs (Rehabilitative and therapy appliances)		230,750
Total	37,471,308	9,959,699

9. Employee Costs

Description	Jun-25 KShs	Jun-24 KShs
Salaries, wages, and allowances	40,879,696	40,755,985
Employer Contributions to Compulsory National Social Security Schemes	2,262,610	1,232,173
Staff medical expenses and Insurance cover	-	-
Total	43,142,306	41,988,158

10. Board of management expenses

Description	Jun-25 KShs	Jun-24 KShs
Sitting allowance	-	1,404,800.00
Total	-	1,404,800

11. Depreciation and Amortization expense

Description	FY2024/2025 KShs	FY2023/2024 KShs
Property, plant and equipment	4,214,436	3,847,870.00
Intangible assets	-	-
Total	4,214,436	3,847,870

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12. General Expenses

Description	Jun-25 KShs	Jun-24 KShs
Telephone and mobile phone services	1,475,400	1,639,670
Electricity	38,900	-
Water & sewerage	52,900	5,000
Courier and postal services	37,159	31,048
Travel and accomodation allowances	2,808,760	18,412,804
Advertising and publicity expenses	408,400	429,000
Staff training and development		-
Hire charges	69,000	-
Catering expenses	3,905,386	7,417,327
Conference and delegation	3,921,337	-
Insecticides and Rhodenticides	208,900	265,822
Workshop tools and small equipment	949,712	232,440
Printing and stationery	5,203,064	3,033,316
Refined fuels	11,208,434	12,142,380
Other fuels(cooking gas and charcoal)	17,100	32,500
Bank charges	32,203	21,300
Membership fees, Dues & sub to professional	396,087	-
Licence & Permits		15,500
Medals, Awards and Honors		-
Household and Institutional appliances	510,075	410,475
Internet Expenses	370,905	407,859
Daily subsistence allowances	21,271,360	-
Purchase Computers and other IT equipment	2,669,050	240,695
Purchase Furniture and fittings	79,460	-
Purchase of Airconditioners, Fans and Heating Appliances	1,131,456	-
Purchase of ICT networking & communication equipment	1,359,018	-
Total	58,124,066	44,737,136

13. Repairs And Maintenance

Description	Jun-25 KShs	Jun-24 KShs
Motor vehicle expenses	4,150,652.00	3,449,424.00
Computers	1,173,302.00	1,417,560.00
Plant and Machinery	2,453,392.00	62,100.00
Office furniture and fittings	20,000.00	2,794,115.00
Buildings	10,770,363.00	9,213,227.00
Total	18,567,709	16,936,426

Notes to the Financial Statements (Continued)

14. Cash And Cash Equivalents

Description	Jun-25 KShs	FY2023/2024 KShs
On – call deposits	-	-
Current account	5,736,483	54,966
Others	-	-
Total cash and cash equivalents	5,736,483	54,966

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

Detailed analysis of the cash and cash equivalents are as follows:

Description	Account number	Jun-25 KShs	FY2023/2024 KShs
Current account			
Co-Operative Bank			
KCG-HSIF EXPENDITURE ACCOUNT	01141264373900	52,772	54,966
PBF	01001018366800	5,683,711	2,669
Grand total		5,736,483	57,635

15. Receivables From Non-Exchange Transactions

Description	Jun-25 KShs	FY2023/2024 KShs
Current Receivables		
Transfers from county HSIF Fund	5,683,711	8,655,551
Total receivables from exchange transactions	5,683,711	8,655,551

Analysis of Receivables From Non-Exchange Transactions

Description	FY2024/2025		FY2023/2024	
	Kshs		Kshs	
	2024/2025FY	% of the total	2023/2024 FY	% of the total
Less than 1 year	5,683,711	100%	8,655,551	100%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	5,683,711	100%	8,655,551	100%

16. Inventories

Description	Jun-25 KShs	FY2023/2024 KShs
Current Receivables		
General Supplies,Non pharmaceuticals & Pharmaceuticals	5,021,673	-
Total	5,021,673	-

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Notes to the Financial Statements (Continued)

17. Property, Plant and Equipment

Description	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
Cost	Shs	Shs	Shs	Shs
Depreciation Rate	12.50%	30%	12.50%	
At 1st July 2023	3,365,990.00	9,348,875.00	1,972,200.00	14,687,065.00
Additions	2,650,000.00	148,945.00	-	2,798,945.00
At 30th June 2024	6,015,990.00	9,497,820.00	1,972,200.00	17,486,010.00
At 1 st July 2024	6,015,990.00	9,497,820.00	1,972,200.00	17,486,010.00
Additions	-	1,221,888	-	1,221,888
At 30th June 2025	6,015,990	10,719,708	1,972,200.00	18,707,898
Depreciation and impairment				
At 1st July 2023	420,748.75	2,804,662.50	591,660.00	3,817,071.25
Depreciation for the year	331,250.00	44,683.50	-	375,933.50

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At 30 June 2024	751,998.75	2,849,346.00	591,660.00	4,193,004.75
At July 2024	751,998.75	2,849,346.00	246,525.00	3,847,869.75
Depreciation for the year	-	366,566.40	-	366,566.40
At 30 th June 2025	751,998.75	3,215,912.40	246,525.00	4,214,436.15
Net book values				
At 30 th June 2024	5,263,991	6,648,474	1,380,540	13,293,005.25
At 30 th June 2025	5,263,991	7,503,796	1,725,675	14,493,462

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Notes to the Financial Statements (Continued)

18. Trade and other Payables

Description	FY2024/2025		FY2023/2024	
	KShs		KShs	
Trade payables	20,633,436		13,772,432	
Refundable deposits	-		-	
Accrued expenses	-		-	
Other payables	-		-	
Total trade and other payables	20,633,436		13,772,432	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the total
Under one year	20,633,436	100 %	-	%
1-2 years	-	%	2,171,089.00	16%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	20,633,436	%	2,171,089.00	%
Description	FY2024/2025		FY2023/2024	
	KShs		KShs	
Trade payables	20,633,436		13,772,432	
Refundable deposits	-		-	
Accrued expenses	-		-	
Other payables	-		-	
Total trade and other payables	20,633,436		13,772,432	
Ageing analysis:	Current FY	% of the Total	Compa rative FY	% of the total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

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Notes to the Financial Statements (Continued)

19. Cash Generated from Operations

	Jun-25	FY2023/2024
	KShs	KShs
Surplus for the year before tax	(18,966,081)	-
Adjusted for:		
Depreciation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	(2,971,840)	-
Increase in payables	6,861,004	-
Net cash flow from operating activities	(15,076,917)	-

Notes to the Financial Statements (Continued)

20. 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 minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The hospital does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	KSh	KSh	KSh	KSh
At 30 June 2024				
Receivables from exchange transactions	-		-	-
Receivables from –non-exchange transactions	8,469,536	8,469,536	-	-
Bank balances	2,601,101		-	-
Total	11,070,637	8,469,536	-	-
At 30 June 2025				
Receivables from exchange transactions			-	-

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Receivables from –non-exchange transactions	5,683,711	5,683,711	-	-
Bank balances	6,811,655		-	-
Total	12,495,366	5,683,711	-	-

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 recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from June 30 2025. The board of management sets the hospital’s credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Trade payables			20,633,436	20,633,436
Total			20,633,436	20,633,436
At 30 June 2024				
Trade payables			13,772,432	13,772,432
Total			13,772,432	13,772,432

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing 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.

iv) Capital Risk Management

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

Description	Current Period	Comparative Period
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	(18,966,381)	11,758,704
Capital reserve	-	-
Total funds	(18,966,381)	11,758,704
Total borrowings	-	-
Less: cash and bank balances	6,864,428	2,656,067.50
Net debt/ (<i>excess cash and cash equivalents</i>)	12,101,953	9,102,637
Gearing	136%	77%

Notes to the Financial Statements (Continued)

21. 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.

Kilifi County Government is the principal shareholder of the MSCH, 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	Jun-25	FY2023/2024
	Kshs	Kshs
Transactions with related parties		
a) Grants from the HSIF Fund		
Grants from HSIF Fund	142,553,744	130,632,793
Total	142,553,744	130,632,793
b) Key management compensation		
Directors' emoluments	-	1,404,800.00
Compensation to the medical Sup	-	-
Compensation to key management	-	-
Total	142,553,744	129,227,993

22. Segment Information

(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segments)

23. Events after the Reporting Period

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

24. Ultimate and Holding Entity

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

25. 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/ Observation from the Report	Management Comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>1. Variances between the Financial Statements and Supporting Schedules</p> <p>The financial statements reflect amounts that differ with the supporting schedules</p>	<p>The management acknowledges the auditor's observation and wish to respond as follows;</p> <ul style="list-style-type: none"> i. The variance on Employee Costs have been reconciled. See Note 8 on page 15 of the financial statement and supporting schedules attached as appendix 1A ii. The correct Board of Management Expenses is 1,319,000. See Note 9 on page 15 of the financial statement (appendix 1B) and supporting schedules attached as appendix 1C. The supporting schedules for Boards, Committees, Conferences and Seminar is Kshs 3,422,455 and represents the total money spent on that vote head. It is important to note 	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)												
	amounts detailed below: -	that the figure of Kshs 1,319,000 for board of management represents the expenditures that are specific to the hospital board activities and it was pulled out of the whole document to show a picture of how the board conducts its activities and how much money they utilised for those activities.														
	2. The statement of financial performance reflects repairs and maintenance and general expenses of Kshs 16,936,426 and Kshs 44,737,136 respectively.	<p>2. Misclassification of Expenditure The statement of financial performance reflects repairs and maintenance and general expenses of Kshs 16,936,426 and Kshs 44,737,136 respectively. However the amounts include expenditures that have been erroneously been misclassified as detailed below:</p> <table border="1"> <thead> <tr> <th>Component</th> <th>Amount (Kshs)</th> <th>Correct Classification</th> </tr> </thead> <tbody> <tr> <td>Repair and Maintenance - Buildings</td> <td>6,651,232</td> <td>Property Plant and Equipm</td> </tr> <tr> <td>Computers & Other IT Equipment</td> <td>148,945</td> <td>Intangible Assets</td> </tr> <tr> <td>Travel and accommodation allowances</td> <td>6,097,350</td> <td>Domestic Travel and Subsidi</td> </tr> </tbody> </table>	Component	Amount (Kshs)	Correct Classification	Repair and Maintenance - Buildings	6,651,232	Property Plant and Equipm	Computers & Other IT Equipment	148,945	Intangible Assets	Travel and accommodation allowances	6,097,350	Domestic Travel and Subsidi	Not Resolved	
Component	Amount (Kshs)	Correct Classification														
Repair and Maintenance - Buildings	6,651,232	Property Plant and Equipm														
Computers & Other IT Equipment	148,945	Intangible Assets														
Travel and accommodation allowances	6,097,350	Domestic Travel and Subsidi														

Malindi Sub County Hospital (Kilifi County Government)
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Reference No. on the external audit Report	Issue Observed from		Amount	Account	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Conferences & Delegation	2,017,645	Catering Services		
		<p>Management Response</p> <p>The management acknowledges the auditor's observation and wish to respond as follow;</p> <ul style="list-style-type: none"> i. On Repair and Maintenance -Buildings, we wish to clarify that the figure of Kshs 6,651,232 represents money used on maintenance of various buildings in the hospital and therefore classified as general expenses and not capitalized because doing so will amount to partial capitalization of buildings. We shall report and classify the value of the whole building(s) (including the improvements as a result of the renovation) under PPE after due process of valuation and depreciation is done as required. ii. The amount of 148,945 under Computers & Other IT Equipment has been properly classified under Intangible Asset in the statement of Financial Position. See pages 2 of the Financial Statement. iii. The amount of 6,097,350 under Conferences & Delegation has been properly classified under Domestic Travel and Subsistence in the statement of Financial Position. See note 12 of the Financial 				

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Reference No. on the external audit Report	Issue / Observations from Auditor		Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p align="center">Statement on page 16.</p> <p>iv. The amount of Kshs 2,017,645 under Travel and accommodation allowances has been properly classified under Catering Services in the statement of Financial Position. See note 12 of the Financial Statement on page 16.</p>		
	<p>3. Inaccurate Bank Balance</p> <p>The statement of financial position reflects cash and cash equivalent balance of Kshs.54,966. However, the balance excludes</p>	<p>4. Inaccurate Bank Balance</p> <p>The statement of financial position reflects cash and cash equivalent balance of Kshs.54,966. However, the balance excludes Kshs.2,670 held in Account Number 1018366800 at a local bank and whose cash books together with bank reconciliation statements were not provided for audit.</p> <p>In the circumstances, the accuracy and completeness of the cash and cash equivalent balance of Kshs.54,966 could not be confirmed</p> <p>Management Response</p> <p>The management acknowledges the auditor's observation and wish to confirm that the said amount has now been disclosed in note 13 on page 17 of the</p>	Not Resolved	

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Reference No. on the external audit Report	Issue Observed from Audit		Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Kshs.2,670 held in Account Number 1018366800 at a local bank and whose cash books together with bank reconciliation statements were not provided for audit.</p> <p>In the circumstances, the accuracy and completeness of the cash and cash equivalent balance of</p>	<p>financial statement. The amount has also been included in the statement of financial position and other statements. See page 2 of the financial statement. Cash books together with bank reconciliation statements have been provided for your review. See Appendix 3</p>		

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Reference No. on the external audit Report	Date / Observation from Auditor		Status: (Resolved / Not Resolved)	Timeframes: (Put a date when you expect the issue to be resolved)
	<p>Kshs. 54,966 could not be confirmed</p> <p>4. The statement of comparison of budget and actual amounts reflects approved final receipts budget and actual on comparable basis of Kshs. 115,165,757 and Kshs. 99,095,236 respectively resulting in net under funding of Kshs. 16,070,521 or 14% of the</p>	<p>The management acknowledges the auditor's observation and wish to clarify as follows;</p> <ul style="list-style-type: none"> i. That Kshs 115,165,757 was the total approved budget for the whole financial year 2023-2024. ii. The Kshs 101,253,787 was the total expenditures as at the end of the financial including both paid and pending commitments. iii. That the Kshs 99,095,236 was the actual cash or revenue which had been received or earned as at 30th June 2024. iv. That the Kshs 2,158,551 was not an over utilization on the approved budget or ceiling but rather an amount that was part of the pending commitments as at the end of the financial year. Most importantly the expenditure of Kshs 101,253,787 was within the approved budget. <p>We have noted with concern the potential negative impact on service delivery that the under collection can cause and we are making steps to mitigate that. Apart from the efforts to automate service delivery through an EMR system we have also embarked on engaging with more health insurance providers like Britam, MINET, Kenya alliance insurance among others in a bid to boost our pool</p>		

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Reference No. on the external audit Report	Issue Observed from		Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	budget. Similarly, Management spent Kshs.101,253,787 against actual receipts of Kshs.99,095,236 resulting to an overutilization of Kshs.2,158,551 or 2% of the actual receipts.	of potential clients hence improve our revenue collection. See appendix 4. Discussion with SHIF to ensure prompt disbursement of hospital claims for services rendered to its members which has been a major contributor to us under collecting have also started to bear fruits		
	5. Lack of an Audit Committee and Internal Audit Function	The management acknowledges the auditor's observation and wish to respond as follows; The board audit committee had quorum issues which made it difficult to meet during the financial year. This was noted and the committee was reconstituted by a resolution of the board sitting on the 24 th July 2024 and is now in place and functional. See appendix 5A	Not Resolved	

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Reference No. on the external audit Report	Issue/ Observation from Auditor	Response	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>The statement of performance reflects Board of Management expenses of Kshs.1,404,800 . However, records provided revealed that there was no functional internal audit and no audit committee meetings held during the year under review.</p> <p>5.</p>	<p>The details on reconstituted membership and their role are provided on page xxx of the Financial Statement. Minutes of the last audit sub-committee meeting have also been attached as appendix 5B.</p>		
	<p>Non-compliance with</p>	<p>The management acknowledges the auditor's observation and wish to clarify that the County Public Service Board is responsible for appointing and</p>	<p>Not Resolved</p>	

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Reference No. on the external audit Report	Issue/ Observation from external audit	Response	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>The public sector Accounting Standards Board [PSASB] Reporting Requirements</p> <p>The table of contents Comits the statement of cash flow. The key management information on pages xiii to xvi omits academic and professional qualifications including working experience. The</p>	<p>confirming staff, which has left the hospital to manage with its existing human resources. Significant delays occurred in staff appointments and the recruitment of specialists due to issues with the Public Service Board. After intervention by the Kilifi County Assembly, the board was dissolved, and a new board has been appointed. This new board is now in the process of recruiting staff.</p>		

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Reference No. on the external audit Report	Issue / Observation from Auditor		Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	financial statements do not reflect the date of Board approval. Note 10 does not reflect depreciation and amortization expenses. The statement of cashflow is not complete and omits the opening and closing balances.			

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.

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



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Accounting Officer



Appendix II:

Projects impli

Implemented

by The Entity

Projects

No project was implemented in the year under review.

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