

REPUBLIC OF KENYA



435

REPORT

OF

THE AUDITOR-GENERAL

ON

MATUNGU SUB COUNTY HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

		PAPERS LAID
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COUNTY GOVERNMENT OF KAKAMEGA

1852



MATUNGU SUB COUNTY HOSPITAL

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

Matungu Subcounty Hospital County Government of Kakamega
Annual Report and Financial Statements for The Year Ended 30th June 2025

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1. Acronyms & Glossary of Terms

Provide a list of all acronyms and glossary of terms used in the preparation of this report e.g.

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

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2. Key Entity Information and Management

(a) Background information

Matungu Hospital is a level 4 hospital established under gazette notice number 2072 and is domiciled in Kakamega County under the Health Department. The hospital is governed by a Board of Management

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management
- Others (*specify*)

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Martin Mbatu
2.	Head of finance	Mr. Ibrahim Leo
3.	Head of supply chain	Miss. Mercy Mutimba
4.	Hospital Administrator	Miss. Joan Shiroko
5.	Nursing office Incharge	Mrs. Mercy Awiti

(e) Fiduciary Oversight Arrangements

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No	Entity	Role
1	Audit Committee and Finance committee activities	Provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations
2	Senate Committee Activities	Legislation, Oversight and Representation
3	County Assembly	Legislation, Oversight and Representation
4	Development partner oversight activities	Predominant roles played by development partners have been shown to include capacity building, project planning, lobbying and advocacy, others (including resource mobilization) and financing respectively
5	Controller of Budget	This role involves overseeing the implementation of the budgets of both national and county governments. The Controller of Budget in this role therefore monitors the use of public funds in-year and reports to Parliament on how the funds have been utilized.
6	Office of the Auditor General	The Auditor-General (AG) is mandated to audit and report on the use and management of public resources by public entities. Article 229(6) of the Constitution requires the Auditor-General to confirm whether public money has been applied lawfully and in an effective way
7	Clinical Research and Standards Committee	Approve and regulate clinical trials on health products, disseminate

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		information on medical products to health professionals and to the public to promote their national use
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Key Entity Information and Management (continued)

(f) Entity Headquarters

P.O. Box 50102 - 217 Mumias
Mumias Busia Road
KENYA

(g) Entity Contacts

Telephone: (+254) 794507146
E-mail: dmohmatungu@gmail.com

(h) Entity Bankers

Commercial Banks

Name of Account	Account number	Bank
Matungu Sub County Hospital Imprest Account	1252381697	KCB bank Ltd.
Matungu Sub County Hospital Revenue Account	1151917613	KCB bank Ltd
Matungu Sub County Hospital Nhif Account	1151917370	KCB bank Ltd
Matungu Sub County Hospital Donor Account	1162209909	KCB bank Ltd

(i) Independent Auditors

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

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(j) Principal Legal Adviser

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

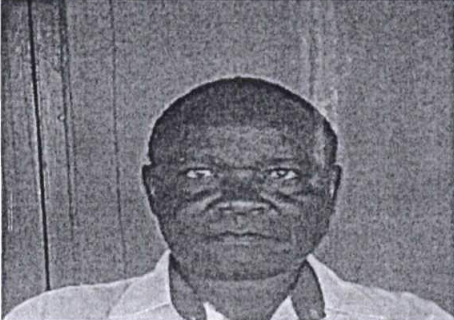
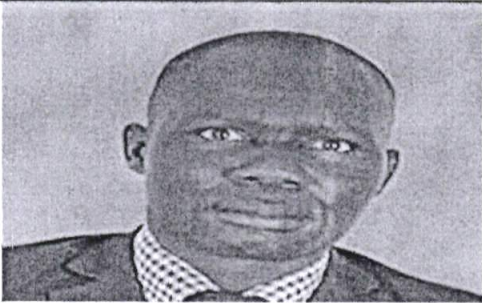
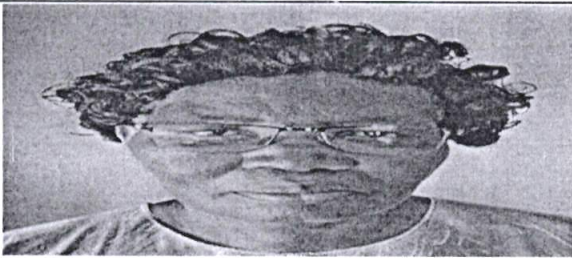
Kenya

K. County Attorney




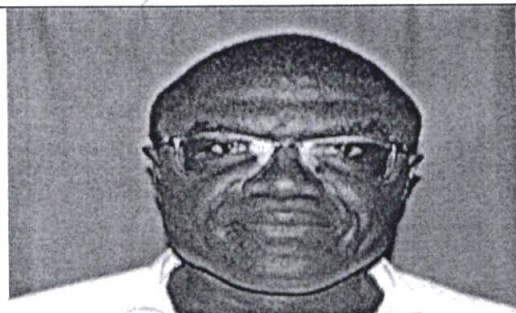
P.O. Box. 36 Kakamega
Kenya

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3. The Board of Management




Ref	Directors	Details
1.	 DR PAUL OTSIENO	Qualification-Holder of bachelor in veterinary medicine Age He is 61 years old, Work experience-Worked at National Agriculture officer Type of director-Independent Committee - Chairman of the Board
2.	 DR MARTIN MBATI	Qualification-MBCHB Age He is 37 years old, Work experience Doctor Type of director-Dependent Committee – Secretary to the board
3.	 MRS BENEDETTE ODONGO	Holder of diploma in education He is 63 years old Work experience –Teacher Independent director Committee-Finance committee

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<p>4.</p>	 <p>MR CHARLES KASAMANI</p>	<p>Bachelor of building and construction 46 years Engineer Independent director Finance chairman</p>
<p>5.</p>	 <p>MR AMOS IBWAGA</p>	<p>Bachelor in Education 43 years Teacher Independent director Audit committee</p>
<p>6.</p>	 <p>MRS ERINAH SUSAN</p>	<p>Farmer, Human rights activist Certificate of proficiency and a member of human right defender she is 33 Years Old Independent director</p>
<p>7.</p>	 <p>MR RONALD NGAO</p>	<p>55 years old, O level Working for community Asset for building and development action Independent Director Committee-Audit committee</p>

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4. Key Management Team

Ref	Management	Details
1.	 DR MARTIN MBATI Qualification-MBCHB	Medical superintendent
2.	 MS JOAN SHIROKO Bachelor degree in social sciences	Hospital administrator
3.	 MS MERCY OYAMO	Supply Chain Management Assistant II

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	Bachelor degree in procurement and contract management	
4.	 MRS MERCY AWITI Bachelor degree in clinical nurse	Nurse in charge

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5. Chairman's Statement

Matungu Sub County hospital is a level four facility located in Mayoni ward, Matungu Sub County, in Kakamega County. It is the only level four facility within the sub county offering comprehensive services, this puts a heavy load on the workforce who have to bear the workload despite extreme staff shortage and minimal infrastructure within it.

The facility offers both outpatient and inpatient services which is inclusive of Maternity, Mother Child Health Clinic, Medical Outpatient Clinic, Dental services.

The board managed to meet every quarter and had the three sub committees meet each quarter and submit their reports to the full board despite lack of disbursements from the department of health.

The facility has a bed capacity of 100 which is not sufficient to cater for the large and ever growing population of Matungu, case in point is a Male ward with a bed capacity of 20 beds.

This forces the facility to incur revenue losses through referrals to Kakamega County Teaching and Referral Hospital as well as loss in trust by the community. This in effect adds a financial burden to the clients in need of admission services.

The board has pushed through lobbying at county level to have infrastructural improvement as well as human resource boost, this push was due to the need by the community for a comprehensive facility that serves their needs.

The lobbying had the County department of health allocate funds for construction of new maternity wing and completion of the theatre.

Much needs to be done such as an improvement in water supply, sewerage system, power supply security, technical staff absorption, and a review of contracted services. All these are needed in order to move the facility forward as well as provide a conducive environment for patients, health workers and the community.

The erratic fund disbursement from the county allocation has derailed plans to improve the facility and clear its pending bills, this in-efficient system needs to be changed and a better financing system developed. The facility needs a lot of infrastructural development which need to be factored in the county development budget in order to cater for the ever-growing population which should go hand in hand with service provision.

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On matters funding and utilities, there is a need for the facility to be able to retain its revenue collection on top of the allocated funds from treasury. This will allow the facility to clear its pending bills as well as continue utility purchase and maintenance.

More needs to be done to improve the facility as a whole.



Name **DR PAUL OTIENO**
Chairman to the Board

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6. Report of The Medical Superintendent

Matungu Sub County Hospital is a level four facility located in Mayoni ward, within Matungu SubCounty which has a total population of . The facility has been allocated a catchment population of 39,501 and serves as the only referral facility for the 11 facilities within the sub county.

The facility has a bed capacity of 100.

The facility offers the following services but not limited to:

1. Out-patient Services
2. In patient Services

6. Mother Child Health services
7. Comprehensive Care Clinic services
8. Physiotherapy Services
9. Plaster Technology services
10. Health Record Services
11. Public Health Services
12. Pharmaceutical Services
13. Nutrition Services
14. Immunization Services

These services are provided by a competent and dedicated team of staff whom despite a persistent staff shortage strive to provide quality services in the facility.

3. Maternity Services
4. Laboratory Services 5. Radiology Services

IMPROVEMENT IN THE FACILITY Operationalization of the Maternity Operating Theatre

One of the major setbacks and contributor to morbidity and mortality within the sub county is lack of a maternity operating theatre within the sub county, this force mothers who need lifesaving operating procedures to be referred to Kakamega County Teaching and Referral Hospital. This is further compounded by the poor road network which was non existent when it rained, making a referral a risky affair for both the mother and infant.

The theatre was constructed from 2022 to date with support from county government of Kakamega but still not on operational due to staffing and equipment unavailability.

This marked a milestone in the facility and the sub county as a whole as it will reduce the number of referrals out and in effect mortality /morbidity of the department as a whole.

Acquisition of a Dental Chair

Matungu Sub County Hospital for the longest time had an under-utilized dental unit as the equipment required to run the department is unavailable. The acquisition of a dental chair by the department of Health and the follow up support by the facility in acquiring basic equipment will revive the department and an increase uptake by the community who otherwise have to seek services in Kakamega town. This will be a milestone that will support both human resource and equipment to sustain and grow.

CHALLENGES FACING THE FACILITY Inadequate Bed Capacity

Matungu Sub County Hospital has a bed capacity of 100 beds this has forced patients that needed admission to be referred to other facilities for admissions with many declining due to distance and lack of financial capacity. This has led to poor outcomes of cases that could be handled and revenue loss.

Lack of Proper Infrastructure

The facility was upgraded from a Health Centre to a Level four in 2009, but has never seen an infrastructural upgrade to match the growth.

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Staff Shortage

The facility experiences an acute shortage of staff to man the various departments, this has forced certain departments to be unable to offer comprehensive services on a 24hr basis.

Inadequate Funding

The facility received six out of the twelve disbursements, this caused an increase in pending bills and utility stock-outs. The stock outs lead to poor patient turn-up and a reflective revenue dip.



Name

DR. MBATI MARTIN

Secretary to the Board

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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.

Strategic Development Objectives as adopted by Kakamega County

Kakamega County CIDP 2018-2022 has its goal stated as;

To achieve Social-economic transformation of the people through sustainable in all sectors by 2022. To achieve this the county government of Kakamega has identified Five(5) strategic pillars within the current strategic Plan for FY 2022/2023. These strategic pillars are as follows:

1. To improve food security from 68 per cent to 80 per cent by 2022.
2. To improve transport infrastructure.
3. To improve access to quality and affordable health services
4. To improve quality of education.
5. To improve access to clean and safe water.

Matungu Sub County Hospital develops its annual work plans based on the above pillars.

Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Facility partially achieved its performance targets set for the FY 2023/2024 period for its strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1: To Improve access to quality and affordable health services	To Reduce preventable mortalities	Reduction of preventable mortalities	Number of specialised clinic done	544
			Number of surgical theatre utilization	102

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			Number of overall patients per quarter	2519
			Percentage of clients counselled and tested for HIV	20%
			Percentage of HIV positive Clients linked to care	25%
			Percentage of Clients with a viral load of <200cp	22%
			Number of Women of reproductive age screened for Ca Cervix	21
			Number of stake holders meeting by MOH/partner	6
		Improved Maternity Services through operationalization of the Theatre	Number of Emergency Caesarean sections done	40
			Number of open Maternity Days done	3

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	To provide accessible and appropriate curative and diagnostic services	Increased number of diagnostic tests carried out by the facility	Number of new diagnostic tests done	2
		Introduction of specialized clinic	Number of Clinics done	544

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8. Corporate Governance Statement

I. Appointment of Board members

The Matungu Sub-County Hospital Management Committee was elected and gazetted on 18th February, 2022 The Kenya Gazette Vol.CXXIV – No. 31. The members were as listed below:

1. Dr Paul Otsieno – Chairperson
2. Medical Superintendent – Secretary
3. Mr Amos Ibwaga – Member (representing the office of the Sub County Administrator)
4. Mr Charles Kasamani – Member
5. Mrs Erinah Susan– Member (representing people with disability)
6. Mrs. Benedette Odongo – Member
7. Mr Ronald Ngao-member (sub county medical officer)
8. Mrs Angeline Shikunyi-member (representing member of county assembly)

Due to the late gazettement of the members the board was unable to have a sitting in the first quarter, the previous board members continued with the scheduled meetings for the first quarter while awaiting gazettement. A handing over from the previous board to the current was done on ...and the sitting HMC had one full board meeting each quarter and three sub committees had one subcommittee meeting per quarter totalling to Three full board meetings and Nine subcommittee meetings.

Ad Hoc Members were adopted by the Medical Superintendent for easier coordination in bringing the board up to speed, they included; The Nursing Officer In-Charge and facility Accountant. The Sub Committees were divided into the following:

1. Audit Sub Committee

Mrs Benedette Odongo-chair

Mr Charles Kasamani

Mr Ronald Ngao-member

Dr Paul Otsieno-member

Mr Amos Ibwaga-member

2. Finance Sub Committee

Mr Charles Kasamani -chair

Dr Paul Otsieno -member

Dr Martin Mbatii-secretary

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Ms Joan Shiroko-member

Mr Ibrahim Leo-member

Mr Ronald Ngao-member

3. Quality Improvement Sub Committee

Mrs Erinah Susan-chair

Mrs Benedette Odongo-member

Mr Martin Mbatia-member

Mrs Mercy Awiti-member

The board is on a three-year appointment and members are eligible to vie for two terms, at the end of their term a new board is elected and a handing over is done for continuity of the office.

In the current sitting HMC all members attended the scheduled meetings and when missing a representative or an apology was sent before hand.

The facility has an organogram depicting the role of the board in managing the facility but no official charter other than the one inherited from the national government under the **Mwongozo Code of governance** is used, the code's core values are; Transparency, Accountability, Integrity, Professionalism, innovativeness and customer focus.

Other than the Audit Sub Committee the two sub committees cover the following functions:

1. Governance
2. Risk
3. Compliance
4. Finance
5. Technical Matters
6. Strategy
7. Human Resource

II. Roles and functions of the board

In furtherance of its responsibilities, the Board has the following roles:

- (a) Determine the facility's mission, vision, purpose and core values.
- (b) Review, evaluate and approve, on a regular basis, long-term plans for the facility.
- (c) Review, evaluate and approve the facility's budget and financial forecasts.

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- (d) Review, evaluate and approve major resource allocations and capital investments.
- (e) Ensure that the procurement process is cost-effective and delivers value for money.
- (f) Review and approve the operating and financial results of the organization.
- (g) Ensure effective, accurate, timely and transparent disclosure of pertinent information on the facility's operations and performance.
- (h) Ensure that effective processes and systems of risk management and internal controls are in place.
- (i) Review and evaluate the overall facility structure, the assignment of senior management responsibilities and plans for senior management development and succession.
- (j) Review, evaluate and approve the remuneration structure of the facility. (k) Adopt, implement and monitor compliance with the Code of Conduct and Ethics.
- (l) Review on a quarterly basis the attainment of targets and objectives set out in the agreed performance measurement framework with the County Government of Kakamega.
- (m) Review periodically the facility's strategic objectives and policies relating to sustainability and social responsibility.
- (n) Protect the rights of patients and optimize value of care;
- (o) Enhance the facility's public image and ensure engagement with the community through effective communication.
- (p) Monitor compliance with the Constitution, all applicable laws, regulations and standards
- (q) Review, monitor and ensure that the facility is effectively and consistently delivering on its mandate.

Each individual Board member shall be expected to:

- (a) Exercise the highest degree of care, skill and diligence in discharging their duties
- (b) Act in the best interest of the facility and not for any other purpose
- (c) Act honestly at all times and must not place themselves in a situation where their personal interests' conflict with those of the facility.
- (d) Exercise independent judgment
- (e) Devote sufficient time to carry out their responsibilities, regularly update their knowledge and enhance their skills
- (f) Promote and protect the image of the facility.

III. Induction, training, and development

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Following the handing over, the current board has never been formally inducted but on job trainings have been conducted within the facility. The hospital management plans to make provisions in the budget that will cater for inductions and trainings.

IV. Board and members' performance

Each individual Board member shall be expected to:

- (a) Exercise the highest degree of care, skill and diligence in discharging their duties
- (b) Act in the best interest of the facility and not for any other purpose
- (c) Act honestly at all times and must not place themselves in a situation where their personal interests' conflict with those of the facility.
- (d) Exercise independent judgment
- (e) Devote sufficient time to carry out their responsibilities, regularly update their knowledge and enhance their skills
- (f) Promote and protect the image of the facility.
- (g) Owe their duty to the facility and not to the nominating or appointing authority
- (h) Owe the facility the duty to hold in confidence all information available to them by virtue of their position as a Board member.

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

A handing over from the previous board to the current was done and the sitting HMC had one full board meeting each quarter. The three sub committees had one subcommittee meeting per quarter totalling to three full board meetings and nine subcommittee meetings.

VI. Succession plan

To ensure uninterrupted leadership and critical operations by identifying, developing, and retaining capable personnel who can step into key roles when necessary

1. Succession Planning Process
A. Identify Key Positions

Positions critical for continuity of services and compliance with guidelines.

B. Assess Potential Successors

Competency mapping

Track leadership capabilities

C. Develop Capacity

Continuous Professional Development

Job shadowing and mentoring

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Short leadership courses

D. Review and Update Annually

Review potential successors and gaps

Include in hospital's annual performance contract

2. Emergency Succession Plan

In cases of:

Sudden resignation, transfer, illness, or death

Strike or absenteeism

Protocol:

Immediate acting appointments (within 24 hours)

Engage sub-county or county health leadership

Communication to staff and public to maintain confidence

3. Record Keeping and Documentation

Maintain a confidential file of successors and their readiness

4. Monitoring and Evaluation

Conduct semi-annual succession reviews

HR department to coordinate evaluations and reports

Include succession readiness in internal audits

5. Recommendations

Collaborate with Kakamega County Health Department for support in capacity building

Advocate for funding of training and leadership development

Build a strong mentorship culture within the facility

VII. Policy to manage conflict of interest.

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Hospital boards effectively manage conflicts of interest and maintain trust and integrity in their decision-making processes in the following ways:

1. Establishing clear policies: Developing and implementing policies that define what constitutes a conflict of interest and outline procedures for disclosure and management.
2. Disclosure: Board members are required to disclose potential conflicts of interest, such as financial ties to the hospital or personal relationships with hospital staff.
3. Transparency: Ensure transparency in decision-making processes and minutes to prevent hidden agendas.
4. Recusal: Board members with conflicts should recuse themselves from relevant discussions and decisions.
5. Regular review: Periodically review and update policies to address emerging issues.
6. Training: The hospital Provide training for board members on conflict of interest policies and procedures.

VIII. Board remuneration

The remuneration for board members is as follows:

Full Board;

- i. Chairman –ksh. 4500
- ii. All other Members – ksh.2500

Sub Committees;

All Members – ksh.2500

IX. Ethics and Conduct

Hospital board members carry out ethics and conduct through:

1. Establishing policies: Developing and implementing policies that promote ethical behavior.
2. Code of conduct: Creating and adhering to a code of conduct that outlines expected behavior.
3. Conflict of interest policies: Managing conflicts of interest through disclosure and recusal.
4. Whistleblower protection: Implementing policies to protect whistleblowers who report misconduct.
5. Compliance oversight: Ensuring compliance with laws, regulations, and industry standards.
6. Training and education: Participating in training and education on ethics and compliance.
7. Accountability: Holding themselves and hospital leadership accountable for ethical behavior.
8. Transparency: Fostering a culture of transparency and openness.
9. Regular review: Periodically reviewing and updating ethics and conduct policies.
10. Leadership by example: Demonstrating ethical behavior and setting a positive tone for the organization

X. Governance audit

A governance audit in a hospital board evaluates the effectiveness and efficiency of governance practices, ensuring alignment with regulatory requirements and best practices. It assesses:

1. Board structure and composition
2. Roles and responsibilities
3. Decision-making processes
4. Risk management and oversight
5. Compliance with laws and regulations

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6. Transparency and accountability

The audit identifies areas for improvement, enhancing governance practices and ultimately patient care and hospital performance

XI. Communication policy

The hospital board's communication policy includes:

1. Transparency: Openly sharing information with stakeholders.
2. Clear messaging: Ensuring consistent and accurate communication.
3. Regular updates: Providing timely information to stakeholders.
4. Multiple channels: Utilizing various communication channels through meetings and reports
5. Stakeholder engagement: Encouraging feedback and involvement.
6. Confidentiality: Protecting sensitive information.
7. Crisis communication: Having a plan for emergency situations.

Effective communication policies foster trust, accountability, and informed decision-making within the hospital board and with external stakeholders

XII. Terms of Reference of Committees

Terms of reference are contained in the appointment letters of board members

XIII. Policy on related party transactions

A hospital board's policy on related party transactions typically includes:

1. Definition: Identifying related parties (e.g., board members, executives, family members).
2. Disclosure: Requiring disclosure of potential conflicts and related party transactions.
3. Approval process: Outlining procedures for reviewing and approving related party transactions.
4. Fairness and transparency: Ensuring transactions are fair, reasonable, and transparent.
5. Conflict of interest: Managing conflicts of interest and recusal procedures.
6. Documentation: Maintaining records of related party transactions.
7. Compliance: Ensuring compliance with laws, regulations, and industry standards.

The policy aims to prevent conflicts of interest, ensure transparency, and maintain public trust in the hospital's governance.


.....
DR.

Secretary to the Board

9. Management Discussion and Analysis

The financial report for Matungu Sub County Hospital presents the financial situation of the facility over the past one year.

The promulgation of the Constitution of Kenya, 2010 under Chapter 11 ushered Kenya into a new system of governance, replacing the centralized system with a devolved system of governance. The devolved system of governance consists of the National Government and 47 County Governments. Health was among the devolved functions. The following is a highlight analysis of the facility

Clinical/operational

performance ○ *Bed capacity of the hospital.*

Matungu Sub County Hospital has a bed capacity of 100

○ *Overall patient attendance during the year for both inpatient and outpatient.*

49,621

○ *Accident and Emergency attendance*

39,716

○ *Specialised clinic attendance*

6,672

○ *Average length of stay for in patient.*

Two days

○ *Bed occupancy rate*

Two days

○ *Mortality rate*

1.4%

○ *Surgical theatre utilisation (number of operations over a period of time)*

63 operations in 8 months

○ *Sponsorships and partnerships*

The facility receives its main support from the County Government of Kakamega and other program supporting partners and stakeholders

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Financial performance that

includes: - ○ Revenue

sources,

The facility's main source of revenue is NHIF and cash banked by clients consuming services

○ *Utilisation of funds*

The funds are collected into two accounts, one collects revenue received from NHIF and the other is for cash based collection, the funds are then swiped to The County Revenue Account. The facility then receives allocated funds from disbursements and spends using Imprest Accounts after acquisition of AIE from Chief Officer Health Services.

10. Environmental And Sustainability Reporting

i) Sustainability strategy and profile

Matungu Sub County hospital maintains a Mission to promote and participate in provision of an integrated quality curative and rehabilitative services to all Kenyans. This is a continuous objective that needs to be sustained over time, to achieve this Matungu Sub County Hospital has identified the following sustainability priorities; consultative planning and budgeting process, improving revenue collection and lobbying for staff deployment.

In consultative planning and budgeting the facility has brought together the county health management and various stakeholders in order to achieve the facility's mandate. This has directly affected the budgeting process where aside from the in house priorities, program based targets are given a say in the budgets. This has greatly influenced indicators of the facility on the positive side. On matters improving revenue the Hospital management team in line with the gazetted County charges for level four have sealed loopholes that led to revenue loss. This together with encouraging the local populous on NHIF uptake has led to tremendous revenue increase.

Staff numbers and appropriate deployment is key to quality service provision which is line with the facility's core mandate, this has put to task the Medical Superintendent and the Board to lobby for deployment of staff to Matungu Sub County Hospital.

However, in the course of implementation of the above mentioned, there are challenges experienced in the facility. They include; effects of Covid-19 which saw the facility scale down most of its operations while maintaining the same recurrent expenditure and Inadequate staffing, Inadequate funding and delays in disbursement also had a derail in implementation of the facility annual work plan.

ii) Environmental performance

Matungu Sub County Hospital has yet to establish an environmental policy guideline, however the facility uses established National Guidelines on environmental issues as its guiding principles in the matter.

**Matungu Subcounty Hospital County Government of Kakamega
Annual Report and Financial Statements for The Year Ended 30th June 2025**

Some of the environmental issues experienced in the facility include; waste generation, waste segregation, waste disposal and management, disposal of unclaimed bodies. These still remain a challenge for the facility and more engagements are needed.

iii) Employee welfare

The Majority of employees within the facility are County Government of Kakamega employees, followed by UHC engaged staff. Despite the effort the facility has a massive shortage of staff that, that gap is plugged by Casual staff engaged by the board.

To improve staff performance, Matungu Sub-County Hospital has initiated capacity building programmes to staffs through on-job trainings, continuous medical education, workshops and conference attendance that is supported. Furthermore, the facility management conducts staff appraisal performance which is coordinated from the County department of health and the Human Resource Department.

The facility has complied to Occupational Safety and Health Act of 2007, (OSHA) by providing adequate office space that is regularly cleaned, providing sanitation facilities, regular trainings on drug and substance abuse and providing PPEs to all staff.

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

All staff are inducted into the Code of Conduct, Human Resource Manual and Disciplinary process as well as made aware of their scope of service, this sorts a lot of the issues with regards to corruption. The facility has also embraced a total cashless system for easier accountability and reduce the risk of corruption.

b) Responsible Supply chain and supplier relations

All procurement processes in the facility adhere to the laid down regulations, with the facility procurement officer taking lead to ensure guidelines and regulations are followed.

The facility maintains good practices and treats its own suppliers responsibly by honouring contracts, all of which are subject to funds availability.

c) Responsible marketing and advertisement

The facility through Continuous Medical Examination ensures that all its staff are well aligned with the International, National and County guidelines in regards to Ethical practices within the facility.

d) Product stewardship

The Patients' rights Charter which all staff are well aligned with and frequently reminded of is one of the documents we use to ensure that Client's rights are respected and upheld.

v) Corporate Social Responsibility / Community Engagements

Matungu Sub-County Hospital is fostering interaction with the surrounding community from which majority of clients come from. Regular community dialogues are conducted on dialogue days which are usually planned and executed. The dialogue brings on board the administrative arm of the government, the community health volunteers and other NGOs.

Community Health volunteers linked to the facility are also engaged in marketing the facility services and escort clients especially for delivery and ante natal clinic services. This has led to a drop in maternal mortalities and morbidities.

**Matungu Subcounty Hospital County Government of Kakamega
Annual Report and Financial Statements for The Year Ended 30th June 2025**

11. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2022, which show the state of the hospital's affairs.

Principal activities

The Hospital Vision is to have an Efficient and effective Medical Services System for a healthy Nation.

The Mission is to promote and participate in provision of an integrated quality curative and rehabilitative services to all Kenyans.

Results

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

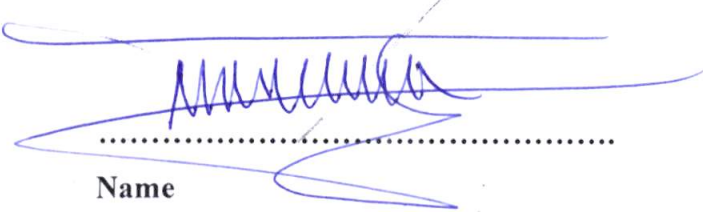
Board of Management

The members of the Board who served during the year are shown on page vii. During the year, no director(s) retired/ resigned, and no director (s) was appointed with effect from 2022. However in the year 2025 new members were elected awaiting gazettelement hence the board elected in 2022 still holds the office since no handing over has been done.

Auditors

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

By Order of the Board



Name

Secretary to the Board

12. Statement of Board of Management’s Responsibilities

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

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

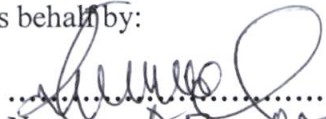
The Board of Management accepts responsibility for the entity’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner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


In preparing the financial statements, the Directors have assessed the Fund’s ability to continue as a going concern (disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements) OR

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

Approval of the financial statements

The Hospital’s financial statements were approved by the Board on 5/12/2025 and signed on its behalf by:


.....
Name: DR. PAUL OTIENO
Chairperson
Board of Management


.....
Name: ABIGAIL MARTIN
Accounting Officer

REPUBLIC OF KENYA

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



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

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

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 Matungu Sub County Hospital - County Government of Kakamega set out on pages 1 to 37, which comprise of

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

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 Matungu Sub County Hospital - County Government of Kakamega 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, the Kakamega County Health Services Act, 2022, and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Rendering of Services - Medical Service Income

The statement of financial performance reflects rendering of services-medical service income amounting to Kshs.45,224,593, and as disclosed in Note 9 to the financial statements. However, the schedule provided for audit indicated the consolidated total for daily collections, but detailed ledgers showing revenue stream, date, and amount were not provided for audit review.

In the circumstances, the accuracy and completeness of rendering of services-medical service income amounting to Kshs.45,224,593 could not be confirmed.

2. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.17,393,212 and as disclosed in Note 19 to the financial statements. The receivables comprise defunct National Hospital Insurance Fund (NHIF) claims of Kshs.13,333,000 and Social Health Authority (SHA) claims of Kshs.4,060,212. However, detailed transactions ledgers for the receivables were not provided for audit review, and the recoverability of debts from the defunct NHIF was doubtful. Further, the management does not have a debt management policy.

In the circumstances the accuracy, completeness and recoverability of receivables from exchange transactions balance of Kshs.17,393,212 could not be confirmed.

3. Unsupported Reserves Balance

The statement of changes in net assets reflect net assets balance of Kshs.6,650,554 which comprises of reserves balance of Kshs.1,118,032 and accumulated surplus of Kshs.5,532,522. However, the reserves were not supported by an assets valuation report

but represents inventories closing balance as at 30 June, 2025 which are consumables. This recognition of inventory as reserves contradicts International Public Sectors Accounting Standards where recognition of reserves arise as a result of change in property, plant and equipment values after valuation has been conducted.

In the circumstances, the accuracy and completeness of net assets balance of Kshs.6,650,554 could not be confirmed.

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

Key Audit Matters

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

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with the Facilities Improvement Financing Act, 2023

The statement of cash flows reflects and Note 15 to the financial statements indicates transfers to Facility Improvement Fund (FIF) of Kshs.27,680,597. Further, the statement includes transfers from other Government entities amount of Kshs.27,639,314 which as disclosed in Note 8 to the financial statements relates to transfer from Facility Improvement Fund. However, a balance of Kshs.41,283 was retained at FIF account and not remitted to hospital or any other health facility.

This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which provides that there shall be retention of all monies raised or received by or on behalf of all public health facilities.

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

2. Non-Compliance with Kenya Quality Model for Health Policy Guidelines

Review of records maintained by the hospital and analysis of healthcare staffing, revealed inadequate staffing of health workers at the hospital. This was against the requirement of the Kenya Quality Model for Health Guidelines for a Level 4 health facility. The staff deficits are analyzed in the table below:

Staff Type	Level 4 Standard	Number in Hospital	Variance	Variance in Percentage (%)
Medical Officers	16	1	15	94
Anesthesiologists	2	0	2	100
General Surgeon	2	0	2	100
Gynecologists	2	0	2	100
Pediatricians	2	0	2	100
Radiologists	2	0	0	100
Registered Community Health Nurses	75	30	45	60
Total	101	31	70	69

In addition, the hospital lacked equipment and machines outlined in the Health Policy Guidelines as shown below:

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Variance in Percentage (%)
Beds	150	61	89	59
Resuscitative (2 in Labor and 1 in Theatre)	2	0	2	100
New born unit incubators	5	0	5	100
New born unit cots	5	0	5	100
Functional ICU beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with at least 5 dialysis machines	5	0	5	100
Two Functional operational theatres-Maternity and General	2	0	2	100
Total	181	61	120	66

This was contrary to the First Schedule of Health Act, 2017 and which implies that accessing highest attainable standard of health, which includes the right to healthcare services, including reproductive health care, and Article 43(1) of the Constitution of Kenya, 2010 states every person has the right (a) to the highest attainable standard of health, which includes the right to health care services, including reproductive healthcare.

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

3. Failure to Constitute a Board of Management for the Hospital

During the year under review, the former Board of Management whose term ended in December, 2024 held two meetings which were below the allowed number of six (6) meetings per year. Further, a new Board had not been appointed to govern the hospital even at the time of audit in November, 2025.

This was contrary to Section 8(1) of the Kakamega County Health Services Act, 2022 which states that there is established a hospital Management Board to govern a county or a sub-county hospital.

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

4. Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.15,954,185 and as disclosed in Note 23 to the financial statements, which were

accumulated during the year under review. However, the accumulation of debt by the hospital was not proper since Regulation 150(1) of the Public Procurement and Assets Disposal Regulations, 2020 requires that subject to availability of funds and certification of goods, works or services, payments are to be made within sixty (60) days from date of receipt of invoice.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of the Management and Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 December, 2025

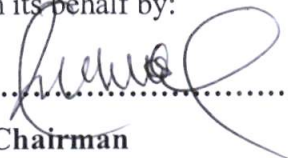
**Matungu Subcounty Hospital County Government of Kakamega
Annual Report and Financial Statements for The Year Ended 30th June 2025**


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


Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	4,175,575	0
Grants from donors and development partners	7	126,150	0
Transfers from other Government entities	8	27,639,314	0
		31,941,039	0
Revenue from exchange transactions			
Rendering of services- Medical Service Income	9	45,224,593	0
Revenue from exchange transactions		45,224,593	0
Total revenue		77,165,632	0
Expenses			
Medical/Clinical costs	10	20,644,324	0
Employee costs	11	4,527,542	0
Board of Management Expenses	12	95,500	0
Depreciation and amortization expense	13	99,490	0
Repairs and maintenance	14	3,139,503	0
Transfers	15	27,680,597	0
General expenses	16	15,446,154	0
Total expenses		71,633,110	0
Other gains/(losses)			
Gain/Loss on disposal of non-Current assets	17	0	0
Total other gains/(losses)		0	0
Net Surplus / (Deficit) for the year		5,532,522	0

(The notes set out on pages 9 to 37 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 5/12/2025 and signed on its behalf by:


.....
Chairman


.....
Head of Finance


.....
Medical Superintendent

Board of Management

ICPAK No:

**Matungu Subcounty Hospital County Government of Kakamega
Annual Report and Financial Statements for The Year Ended 30th June 2025**

**13. Report of the Auditor General on the Financial Statements for Matungu Subcount
hospital for the year ended 30th June 2025.**

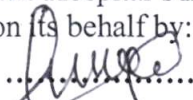
**Matungu Subcounty Hospital County Government of Kakamega
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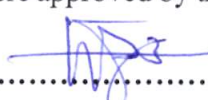
15. Statement of Financial Position As At 30th June 2025

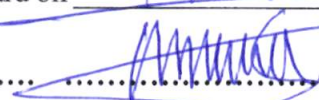
Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	18	1,649,436	0
Receivables from exchange transactions	19	17,393,212	0
Receivables from non-exchange transactions	20	2,213,549	0
Inventories	21	1,118,032	0
Total Current Assets		22,374,229	0
Non-current assets			
Property, plant, and equipment	22	230,510	0
Total Non-current Assets		230,510	0
Total assets (A)		22,604,739	0
Liabilities			
Current liabilities			
Trade and other payables	23	15,954,185	0
Total Current Liabilities		15,954,185	0
Non-current liabilities			
Provisions	24	0	0
Total non-current liabilities		0	0
Total Liabilities (B)		15,954,185	0
Net assets (A-B)		6,650,554	0
Represented by:			
Reserves		1,118,032	0
Accumulated surplus/Deficit		5,532,522	0
Capital Fund		0	0
Net Assets		6,650,554	0

(The notes on pages 28 to 42 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 5/6/2025 and signed on its behalf by:


.....
Chairman
Board of Management


.....
Head of Finance
ICPAK No:


.....
Medical Superintendent

**Matungu Subcounty Hospital County Government of Kakamega
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

Description	Reserves	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2023	0	0	0	0
Revaluation gain	0	-	-	0
Capital/Development grants	-	-	0	0
As at June 30, 2024	0	0	0	0
At July 1, 2024	0	0	0	0
Reserves	1,118,032	-	-	1,118,032
Surplus/(deficit) for the year	-	5,532,522	-	5,532,522
Capital/Development grants	-	-	/ 0	0
At June 30, 2025	1,118,032	5,532,522	0	6,650,554

**Matungu Subcounty Hospital County Government of Kakamega
Annual Report and Financial Statements for The Year Ended 30th June 2025**

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

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	4,175,575	0
Grants from donors and development partners	7	126,150	0
Transfers from other Government entities	8(a)	25,425,765	0
Rendering of services- Medical Service Income	9 (a)	27,831,381	0
Total Receipts		57,558,871	0
Payments			
Medical/Clinical costs	10(a)	11,287,358	0
Employee costs	11(a)	3,631,434	0
Board of Management Expenses	12(a)	95,500	0
Repairs and maintenance	14(a)	2,410,882	0
Transfers	15	27,680,597	0
General expenses	16(a)	10,623,664	0
Total Payments		55,729,435	0
Net cash flows from operating activities	25	1,829,436	0
Cash flows from investing activities			
Purchase of property, plant, equipment		(180,000)	0
Net cash flows used in investing activities		(180,000)	0
Cash flows from financing activities			
Proceeds from borrowings		0	0
Net cash flows used in financing activities		0	0
Net increase/(decrease) in cash and cash equivalents		1,649,436	0
Cash and cash equivalents as at 1 July	18	0	0
Cash and cash equivalents as at 30 June	18	1,649,436	0

(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).

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

Description	Original budget	Adjustments	Final budget	Actual Cumulative to date	% of utilization
	A	b	c=(a+b)	D	e=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Transfers from the County Government	4,480,000		4,480,000	4,175,575	93%
Grants from donors and development partners	426,150		426,150	126,150	30%
Rendering of services- Medical Service Income	29,600,000		29,600,000	27,831,381	94%
Total income	34,506,150	0	34,506,150	32,133,106	93%
Expenses					
Medical/Clinical costs	13,346,000		13,346,000	11,287,358	85%
Employee costs	4,200,000		4,200,000	3,631,434	86%
Remuneration of directors	400,000		400,000	95,500	24%
Repairs and maintenance	3,487,342		3,487,342	2,410,882	69%
General expenses	13,072,808		13,072,808	10,623,664	81%
Total- expenditure	34,506,150	0	34,506,150	28,048,838	81%
Surplus for the period	0	0	0	4,084,268	

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Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	4,084,268
1	Transfers from FIF	25,425,765
2	Transfers to FIF	(27,680,597)
3	Acquisition of assets	(180,000)
4	Reason for differences	
	Closing Cash and Cash Equivalent as per the statement of Cash flows	1,649,436

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19. Notes to the Financial Statements

1. General Information

Matungu Hospital is a level 4 hospital established under gazette notice number 17 of 2012 and is domiciled in Kakamega County under the Health Department. The hospital is governed by a Board of Management.

The hospital Vision is to have an Efficient and effective Medical Services System for a healthy Nation.

The Mission is to promote and participate in provision of an integrated quality curative and rehabilitative services to all Kenyans.

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 . 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.

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

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously 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>
IPSAS 46	<p><i>Applicable 1st January 2025</i></p>

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Standard	Effective date and impact:
Measurement	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

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Standard	Effective date and impact:
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> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

b. Budget information

The original budget for FY 2024/2025 was approved by Board on **28th June 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 for the FY 2024/2025 budget following the Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In

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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 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

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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.

The hospital depreciate assets on straight line methods at the following rates;

Furniture, fittings and office equipment's 12.5%.

ICT equipment's 33.3%.

f. Leases

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

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

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

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

g. Intangible assets

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

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

Notes to the Financial Statements (Continued)

h. Biological Assets

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

i. Research and development costs

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

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

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

j. Financial instruments

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

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

Financial assets

Classification of financial assets

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

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair

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value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

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Financial liabilities

Classification

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

k. Inventories

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

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

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

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

l. Provisions

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

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

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

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Notes to the Financial Statements (Continued)

m. Social Benefits

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

n. Contingent liabilities

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

o. Contingent assets

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

p. Nature and purpose of reserves

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

q. Changes in accounting policies and estimates

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

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Notes to the Financial Statements (Continued)

r. Employee benefits

Retirement benefit plans

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

s. Foreign currency transactions

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

t. Borrowing costs

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

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construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

u. Related parties

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

v. Service concession arrangements

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

w. Cash and cash equivalents

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

x. Comparative figures

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

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y. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 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.

(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

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Notes to Financial Statements Continued

6. Transfers from the County Government

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Unconditional grants		
Level 4/5 grants	4,175,575	0
	4,175,575	0
Conditional grants		
Laboratory grant	0	0
Total government grants and subsidies	4,175,575	0

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
			KShs	KShs	KShs
Kakamega County Government	4,175,575	0	0	4,175,575	0
Total	4,175,575	0	0	4,175,575	0

7. Grants From Donors and Development Partners

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Action aid	126,150	0
Total grants from development partners	126,150	0

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

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
JICA	126,150	0	0	126,150	0
Total	126,150	0	0	126,150	0

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Notes to Financial Statements Continued

8. Transfers From Other Government Entities

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Transfer from FIF	27,639,314	0
Total Transfers	27,639,314	0

8(a) Transfers From Other Government Entities-Schedule supporting cashflow

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Transfer from FIF	25,425,765	0
Total Transfers	25,425,765	0

9. Rendering of Services-Medical Service Income

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Pharmaceuticals	14,853,487	0
Non-Pharmaceuticals	10,893,943	0
Laboratory	6,967,881	0
Radiology	9,199,397	0
Orthopedic and Trauma Technology	741,762	0
Nutrition service	1,508,627	0
Dental services	1,059,496	0
Total revenue from the rendering of services	45,224,593	0

9 (a) Rendering of Services-Medical Service Income-Schedule supporting cashflow

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Pharmaceuticals	9,853,487	0
Non-Pharmaceuticals	6,600,731	0
Laboratory	3,967,881	0
Radiology	5,499,397	0
Orthopedic and Trauma Technology	741,762	0
Nutrition service	108,627	0
Dental services	1,059,496	0
Total revenue from the rendering of services	27,831,381	0

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Notes to the Financial Statements (Continued)

10. Medical/ Clinical Costs

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Laboratory chemicals and reagents	2,452,396	0
Food and Ration	4,172,101	0
Uniform, clothing, and linen	254,998	0
Dressing and Non-Pharmaceuticals	4,295,433	0
Pharmaceutical supplies	6,827,056	0
Health information stationery	1,760,300	0
Purchase of Medical gases	112,000	0
X-Ray/Radiology supplies	770,040	0
Total medical/ clinical costs	20,644,324	0

10(a) Medical/ Clinical Costs-Schedule supporting cashflow statement

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Laboratory chemicals and reagents	1,188,865	0
Food and Ration	1,614,474	0
Uniform, clothing, and linen	149,998	0
Dressing and Non-Pharmaceuticals	2,633,813	0
Pharmaceutical supplies	4,921,568	0
Health information stationery	447,500	0
Purchase of Medical gases	112,000	0
X-Ray/Radiology supplies	219,140	0
Total medical/ clinical costs	11,287,358	0

11. Employee Costs

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	4,208,312	0
Staff medical expenses and Insurance cover	97,056	0
Social contribution	222,174	0
Employee costs	4,527,542	0

11(a) Employee Costs-Schedule supporting cashflow statement

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	3,631,434	0
Staff medical expenses and Insurance cover	0	0

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Social contribution	0	0
Employee costs	3,631,434	0

12. Board of Management Expenses

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Chairman's Honoraria	95,500	0
Total	95,500	0

13. Depreciation and Amortization Expense

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Property, plant and equipment	99,490	0
Total depreciation and amortization	99,490	0

14. Repairs And Maintenance

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Property- Buildings	1,558,777	0
Medical equipment	329,000	0
Office equipment	55,011	0
Furniture and fittings	116,690	0
Motor vehicle expenses	1,080,025	0
Total repairs and maintenance	3,139,503	0

14(a) Repairs And Maintenance-Schedule supporting Cashflow statement

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Property- Buildings	1,215,467	0
Medical equipment	329,000	0
Office equipment	0	0
Furniture and fittings	92,690	0
Motor vehicle expenses	773,725	0
Total repairs and maintenance	2,410,882	0

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Notes to the Financial Statements (Continued)

15. Transfers

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Transfer to FIF	27,540,841	0
Transfer to Level 2 and 3	139,756	0
Total grants and subsidies	27,680,597	0

16. General Expenses

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Advertising and publicity expenses	66,400	0
Catering expenses	2,451,797	0
Sanitary	205,500	0
GOS	561,472	0
Bank charges	232,588	0
Conferences and delegations	155,100	0
Waste management expenses	15,000	0
Contracted services	5,569,832	0
Electricity expenses	739,541	0
Fuel and Lubricants	2,278,891	0
Travel and accommodation allowance	814,685	0
Courier and postal services	15,000	0
Printing and stationery	457,606	0
Computers and accessories	646,176	0
Telephone and mobile phone services	525,680	0
Internet expenses	710,886	0
Total General Expenses	15,446,154	0

16(a) General Expenses-Schedule supporting Cashflow statement

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Advertising and publicity expenses	66,400	0
Catering expenses	1,319,365	0
Sanitary	30,000	0
GOS	561,472	0
Bank charges	232,588	0
Conferences and delegations	155,100	0
Waste management expenses	15,000	0
Contracted services	3,181,880	0

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Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Electricity expenses	739,541	0
Fuel and Lubricants	2,238,891	0
Travel and accommodation allowance	814,685	0
Courier and postal services	15,000	0
Printing and stationery	0	0
Computers and accessories	646,176	0
Telephone and mobile phone services	525,680	0
Internet expenses	81,886	0
Total General Expenses	10,623,664	0

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

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Property, plant, and equipment	0	0
Total gain on sale of assets	0	0

18. Cash And Cash Equivalents

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Current accounts	1,649,436	0
Total cash and cash equivalents	1,649,436	0

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

Description		FY 2024/2025	FY 2023/2024
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	KCB-1252381697	1,520,870	0
NHIF	KCB-1151917370	0	0
Revenue account	KCB-1151917613	74,001	0
Donor account	KCB-1162209909	54,565	0
Sub- total		1,649,436	0

19. Receivables From Exchange Transactions

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Medical services receivables	17,393,212	0
Total receivables	17,393,212	0

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Analysis of Receivables From Exchange Transactions

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	17,393,212	100%	0	%
Total (a+b)	17,393,212	100%	0	%

20. Receivables From Non-Exchange Transactions

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Transfers from FIF	2,213,549	0
Total	2,213,549	0

Analysis of Receivables From Non-Exchange Transactions

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	2,213,549	%	0	%
Total (a+b)	2,213,549	%	0	%

21. Inventories

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Pharmaceutical supplies	1,118,032	0
Total	1,118,032	0

Detailed disclosure on inventories

	Insert Current FY	Insert Comparative FY
Opening balance	0	0

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Notes to the Financial Statements (Continued)

22. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (specify)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
Cost									
At 1 July 2023	0	0	0	0	0	0	0	0	0
Additions									
At 30th Jun 2024	0	0	0	0	0	0	0	0	0
At 1 July 2024	0	0	0	0	0	0	0	0	0
Additions				50,000	280,000				330,000
At 30th Jun 2025	0	0	0	50,000	280,000	0	0	0	330,000
Depreciation and impairment									
At 1 July 2023		0	0	0	0	0	0	-	0
Depreciation for the year		0	0	0	0	0	0	-	0
At 30 June 2024		0	0	0	0	0	0	-	0
At July 2024		0	0	0	0	0	0	-	0
Depreciation				6,250	93,240	0	0		99,490
At 30th June 2025		0	0	6,250	93,240	0	0	-	99,490
Net book values									

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (specify)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
At 30 th Jun 2024						/			
At 30 th Jun 2025	0	0	0	43,750	186,760	0	0		230,510

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Notes to the Financial Statements (Continued)

23. Trade and other Payables

Description	FY 2024/2025		FY 2023/2024	
	KShs		KShs	
Trade payables	15,954,185		0	
Total trade and other payables	15,954,185		0	
Ageing analysis:	Current FY	% of the Total	Compa rative FY	% of the total
Under one year	15,954,185	%		%
Total	15,954,185	%		%

24. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year				
Additional Provisions				
Total Provisions				

25. Cash Generated from Operations

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Surplus for the year before tax	5,532,522	0
Adjusted for:		0
Depreciation	99,490	0
Working Capital adjustments		0
Increase in inventory	0	0
Increase in receivables	(19,606,761)	0
Increase in deferred income	0	0
Increase in payables	15,804,185	0
Increase in payments received in advance	0	0
Net cash flow from operating activities	1,829,436	0

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Notes to the Financial Statements (Continued)

26. Financial Risk Management

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

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

(i) Credit risk

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

Notes to the Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from 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.

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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.

(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 rates, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

a) Foreign currency risk

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

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

Foreign currency sensitivity analysis

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

b) Interest rate risk

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

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Management of interest rate risk

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

Sensitivity analysis

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

iv) Capital Risk Management

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

27. 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.

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

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

28. Segment Information

29. Contingent Liabilities

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

30. Capital Commitments

Capital Commitments	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Authorised For		
Authorised And Contracted For		
Total		

31. Events after the Reporting Period

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

32. Ultimate and Holding Entity

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

33. Currency

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

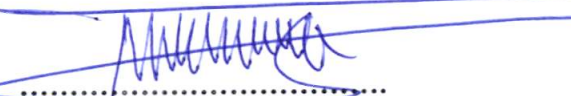
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20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)



Accounting Officer

Matungu Subcounty Hospital County Government of Kakamega
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Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

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

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Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....


Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 th June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Transfers from FIF	Various	25,425,765		25,425,765	
Transfers from County Government	Various	4,175,575		4,175,575	
Total		29,601,340		29,601,340	

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

Head of Accounts Department - Disbursing Entity:

Name Sign Date

Head of Accounts Department - Beneficiary Entity:

Name IBRAHIM LEO Sign  Date 5/12/2025

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Appendix IV Reporting of Climate Relevant Expenditures

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

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Appendix V: Disaster Expenditure Reporting Template

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