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REPORT

OF

THE AUDITOR-GENERAL

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KILUNGU LEVEL 4 HOSPITAL

FOR THE YEAR ENDED 30 JUNE, 2025

COUNTY GOVERNMENT OF MAKUENI

22

REPUBLIC OF KENYA

GOVERNMENT OF MAKUENI COUNTY



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MAKAKOS HUB.

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**KILUNGU LEVEL 4 HOSPITAL
(Makueni County Government)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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1. Acronyms & Glossary of Terms

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

2. Key Entity Information and Management

(a) Background information

Kilungu S.C Hospital is a level 4 hospital established under gazette notice number Vol. LXXIX No.14 of April 1977 and is domiciled in Makueni County under the Health Services Department. The hospital is governed by a Board of Management.

The facility serves a population of 24,055 (*KHIS 2024*) and 6014 households with a monthly workload estimated at 6014. It serves residents of Makueni County and the neighbouring Kajiado and Machakos counties. The hospital acts as a sub-county referral centre, receiving patients from various health centres within Kaiti sub county.

The facility has 36 bed capacity and offers general outpatient and in-patient services, medical outpatient clinic, laboratory services, pharmacy services, dental services, radiology services, maternity and child welfare services, theatre services, comprehensive care clinic, paediatric outpatient clinic, occupational services, nutritionist services, physiotherapy services, psychosocial services, ambulance services and teaching /training for KMTC students.

One of its competitive advantage and growth potential is the proposed opening of Kenya medical training college (KMTC) Kilungu campus which neighbors the hospital. The campus will utilize the hospital for clinical teachings and practice. The facility is strategically located between Makueni county headquarters 'Wotetown' and Machakos hence accessible to clients and easy referrals to and from both facilities.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to render quality, affordable and equitable health care services to all citizens and also to promote and participate in provision of integrated and high quality promotive, preventive and curative health care services to all citizens.

Vision

To be an efficient and high-quality health care hospital that is accessible, equitable and affordable for all Kenyans.

Mission

To promote and participate in the provision of integrated and efficacious promotive, preventive, curative and rehabilitative health care services to all Kenyans.

Core Values

- Patient-centred/customer-focused
- Partnership
- Professionalism
- Integrity and transparency
- Innovation and excellence
- Impartiality

Strategic Objectives

1. Eliminate Communicable Conditions
2. Halt, and reverse the rising burden of non-Communicable conditions.
3. Minimize exposure to health risk factors
4. Provide essential health services

(c) Key Management

The Kilungu Level 4 Hospital management is under the following key organs:

- County department of health
- Hospital Board of Management
- Accounting Officer/ Medical Superintendent
- Hospital Management Team

(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. Philip Maiko
2.	Head of finance	Kennedy Muli
3.	Head of supply chain	Justus Kimeu
4.	Health Administrative Officer	Daniel Mutiso
5.	Head Nursing	Daniel Nganga
6.	Head pharmacy	Dr. George Ndaka

(e) **Fiduciary Oversight Arrangements**

Clinical Research and Standards Committee.

We have a functional clinical committee which meets on weekly basis to ensure adherence to quality care, mortality audits and other relevant clinical objectives are met. It assists the hospital in ensuring quality standards are adhered, patient safety is ensured and medical errors are minimized.

The Committee is responsible for:

- Review the weekly ward round reports
- Review and prioritize the utilization of Hospital clinical resources
- Set performance targets for clinical units
- Review various research findings and related policy documents
- Review clinical audit reports and follow-up on implementation of recommendations

Risk Committee and Audit committee

The Committee assists the health management committee in fulfilling its corporate governance responsibilities and in particular to strengthen the effectiveness of the internal audit function; maintaining oversight on internal control systems; provision of general oversight in risk and compliance matters; and ensuring quality, integrity, effectiveness and reliability of the Hospital's risk management framework.

The Committee held four (4) regular meetings in the year under review.

Hospital management committee

Hospital management committee consists of head of departments. It is chaired by the medical superintendent and the secretary is health administrative officer. The members meet on monthly basis to discuss, evaluate and strategies on day to day running of the hospital. Members share the departmental reports, data analysis and the trends of utilization of services.

Medical therapeutic committee

This committee is mandated in ensuring good commodity management and quality clinical practices. The committee chaired by the medical superintendent meets quarterly. It sets down policies and standards to guide in use of drugs, management of common conditions and essential drug list.

Executive Expenditure committee

This committee consists of the executive managers who meet on monthly basis to check the expenditure of the hospital. This committee comprises of 6 members as outlined below;

- Medical superintendent
- Health administrative officer
- Nursing officer
- Accountant
- Pharmacist

Key Entity Information and Management (continued)

(f) Headquarters

Kilungu sub county hospital
P.O. Box 223-90130
NUNGUNI, KENYA

(g) Contacts

Telephone: (+254) 115891610
E-mail: kilungu.hospital@makueni.go.ke
Website: www.makueni.go.ke

(h) Bankers

Kenya Commercial Bank
Wote Branch.

(i) Independent Auditors


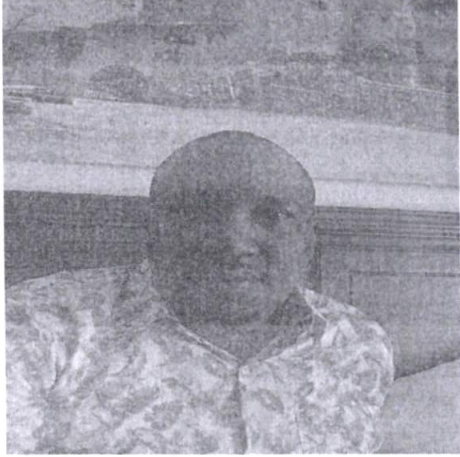
Auditor General
Office of Auditor General
Anniversary Towers, Monrovia Street
P.O. Box 30084
GPO 00100
Nairobi, Kenya

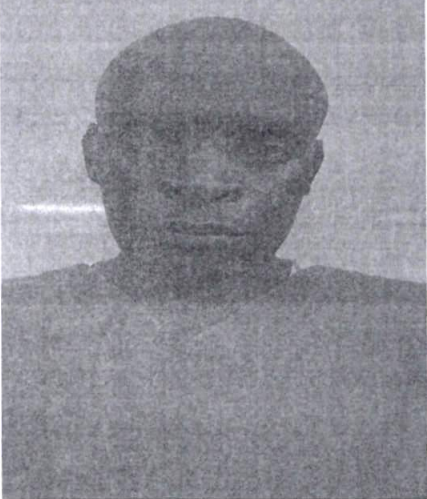


(j) Principal Legal Adviser

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

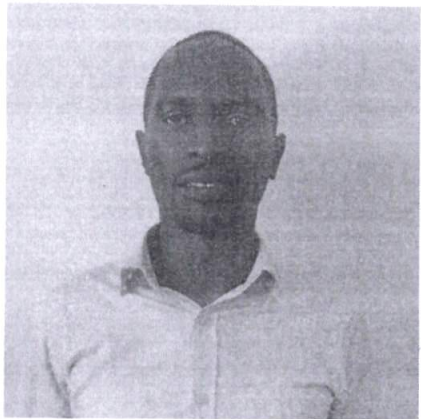

(k) **County Attorney**
P.O. Box 78 -90300
Makueni, Kenya



3. The Board of Management

Ref	Directors	Details
1.	 David KimuyuKalani	Philosophy Research writing, sociology counselling I, Ecclesiology, Pastoral EPS, covenant eschatology counselling II, Sate logy Pastoral II, Growth book-keeping & Homiletics from Ukambani Bible College.
2.	 Solomon Kamau	Advocate of High Court. Lawyer by profession, Degree in Law and post graduate in Law. Diploma in Pharmacy.

<p>3.</p>	 <p>Dr. Julius Muthenya Muia-Surgeon</p>	<p>MBCbB 1999UON. MMed General Surgery 2009 UON. Fellowship in HPB Surgery Apollo Hospital, India 2015. 10 years medical experience as a medical practitioner (medical officer). Currently working at Kenyatta National Hospital.</p>
<p>4.</p>	 <p>Faith Mutavi</p>	<p>MSC: Environmental Science BEd: Biology Geograph</p>
<p>5.</p>	 <p>Dr. Philip Maiko – Medical Superintendent.</p>	<p>He is the Medical Superintendent. Key qualifications: Bachelor of Pharmacy. Work experience: 9 years in Health Care management. Worked as the Hospital pharmacist Makindu Sub-County Hospital from 2014-2022. Kibwezi West Sub- County Pharmacist 2019-2022.</p>

4. Key Management Team

Ref	Management	Details
1.	<p>Dr. Philip Maiko – Medical Superintendent.</p> 	<p>He is the Medical Superintendent.</p> <p>Key qualifications: Bachelor of Pharmacy.</p> <p>Work experience: 9 years in Health Care management. Worked as the Hospital pharmacist Makindu Sub-County Hospital from 2014-2022. Kibwezi West Sub-County Pharmacist 2019-2022.</p>
2.	 <p>Daniel Mutiso- Member</p>	<p>Form 4 and certificate proficiency exam clerical officer.</p>

<p>3.</p>	 <p>Daniel MwalimuNganga - Member</p>	<p>He holds a Diploma in nursing. He is the hospital nurse in-charge</p>
<p>4.</p>	<p>Kennedy Muli – Accountant</p> 	<p>He is the hospital accountant. He holds a bachelor’s degree in Commerce- (Finance) from The university of Nairobi. He is a Certified Public Accountant Finalist. He has 6 years’ experience in Accounting and Financial management in both Private and public sector</p>

5. Chairman's Statement

Kilungu Sub County Hospital has experienced significant transformation and progress since I started serving as board chair in the year 2024. With the help of the hospital management committee, the management has assumed a leadership and governing role in carrying out important strategic choices and operations.

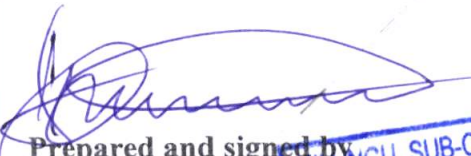
We have continuously carried governance roles that include approval of budgets, holding quarterly board meetings and ensuring functional subcommittees namely; quality committee and finance and general-purpose committee have performed to improve quality, efficiency and accountability in day to day running of the hospital.

The consumption and delivery of hospital services have improved over time, with an average increase in patient volume from 4000 in 2021 to 6183 in 2025. Additional services offered, dedicated healthcare professionals, a pleasant work environment, and strong community support have all contributed to this.

We have also fostered collaborate approach with the local community resulting in great advocacy of our services and support. This has been done through community participation to lobby for projects in the facility to be allocated some finds. Some of the major projects undertaken during my tenure include the installation of a new digital X-Ray machine, Carbons in the Parking area and walkways, completion of the Laboratory department and placement of equipment, construction of the counselling booth and construction of the new pharmacy store.

However, the hospital still has a number of challenges such lack of a perimeter fence which poses a risk of encroachment from neighbours and animals, lack of a reliable water source, asbestos roofing and also need for more male and female wards.

There is also need for a new incinerator since the current one is damaged beyond repair, mortuary coolers and a new ambulance to replace the aging one.


Prepared and signed by
Rev. David Kalani,
Chairman to the Board.



6. Report of The Medical Superintendent

The hospital has tremendously grown both in service delivery and infrastructure wise. As the Medical Superintendent, I take this opportunity to thank all the HMC members, staff and the entire hospital team for the team work and unity they have shown towards improving the hospital services. Investments have been made towards ensuring adequate human resources for health, efficient service systems, adequate healthcare infrastructure, and access to essential health products, adequate health information, adequate healthcare financing and comprehensive health governance.

1. Service delivery

The hospital has taken great steps in ensuring improvement in the services offered in the facility through weekly clinical meetings to improve patient care and safety. Medical outpatient clinics ran by the medical officers and family physician has improved care and management of patients. Weekly continuous medical education meetings have continued to build skills and knowledge among staff. Outreaches for patients with Lifestyle diseases has been ongoing in the community supported by Medronics Labs and other partners with tremendous improvement on management of patient with diabetes and hypertension.

2. Governance and leadership

The hospital enjoys good leadership and governance. There is great working relationship between the hospital management and the hospital board. This has resulted to a good working environment.

3. Health infrastructure

There has been a great improvement in the last one year in Kilungu Sub County. In the last financial year, the county Government was able to fund and procure the new Digital –Ray machine retiring the old machine which was non efficient due to high operational costs, consumable supply challenges among others. The hospital has also acquired a new fully automated haematology and biochemistry machines through placement by partners. Results generated from the hospital laboratory are now done with shorter turnaround times, are more reliable and cost effective. The water bill has now been renegotiated to a lower figure from the initial Ksh 500 to Ksh 350 per cubic metre. We also saw the funding and construction of the pharmacy store through THS-UC which has ensured commodities are stored in a clean and secure area which has ensured guaranteed product quality. All these have gone a long way in improving service delivery to the community.

4. Human resource for health

Additional recruitment of staff in various departments has greatly affected the performance of the hospital. We have physiotherapist, additional pharmaceutical technologists, laboratory technician, who have been recruited by the health department to support and ensure continuous service delivery. However, more nurses are required to ensure quality patient care services.

5. Health commodities and vaccines

HPTs are one of the key components of health care delivery. The last financial year has seen major challenges with the supply of essential medicines and medical supplies due to poor fills rates from suppliers such as KEMSA. Effects of post Covid-19 recovery are being felt since prices of commodities are yet to stabilize and stock outs of essential non-pharmaceutical items like gloves and laboratory supplies have happened on occasion.

6. Healthcare financing

Revenue collection has improved from Ksh 29,938,972.50 in 2023/2024 to Ksh35,057,212.10 in 2024/2025 FY. This is through prudent revenue collection methods, having cash less payments mode and automation of processes.

	REVENUE REPORT-FY 2023/2024						
MONTHS	FIF	NHIF RECEIPTS	SHA	UHC REGISTRATIO N	UHC/R11	TRIDENT	TOTALS
Jul-24	1,225,777	1,284,200	-	9,000.00			2,518,977
Aug-24	1,093,620	1,279,854	-	6,000.00			2,379,474
Sep-24	1,077,378	-	-	2,000.00		82,970	1, 1,162,348
Oct-24	1,297,177	1,105,405	-	5,000.00			2,407,582
Nov-24	1,037,695	1,367,640	819,000	6,000.00			3,230,335
Dec-24	793,562	-	1,817,380	4,000		-	2,614,942

Kilungu Level 4 Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Jan-25	864,745	-	830,742.50	10,000			1,705,487.50
Feb-25	1,066,903	-	2,081,360	-	3,500,000		6,648,263
Mar-25	1,077,095	-	1,689,040.25	-			2,766,135.25
Apr-25	1,023,880	-	4,478,737.50	-		-	5,502,617.50
May-25	1,304,380	-	789,486.95	-			2,093,866.95
Jun-25	1,224,284	-	802,899.90	-	92,200		2,119,383.90
	13,086,496	5,037,099	13,308,647.10	42,000	3,592,200	82,970	35,149,412.10

7. Health information

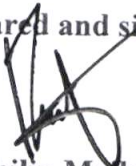
Through the use of a hospital management and information system, we have automated the outpatient services, considerably enhancing hospital workflow efficiency. Patient satisfaction has increased as a result of improved patient data management, quick turnaround times, and easy retrieval of records.

However, we still face challenges namely; 1.) Old ambulance 2.) Staff shortage especially nurses, medical officers and pharmaceutical technologists 3.) Lack of a perimeter fence 4.) Asbestos roofing 6.) Inadequate ward capacity especially male, female and pediatric wards.

WAY FORWARD

The county needs to employ more staff in order to mitigate the acute shortages currently observed. In addition, the hospital fencing needs urgent intervention as this poses a greater risk to the safety of the health commodities and patients. The asbestos roofing needs to be replaced with iron sheets to allow water harvesting for the hospital and reduce the health risk.

Prepared and signed by



Dr. Philip Malko
Medical Superintendent.



8. Statement of Performance Against Predetermined Objectives

Kilungu Sub-County Hospital has 4 strategic pillars and objectives within the current Strategic Plan for the FY 2025- FY 2026. These strategic pillars are as follows;

Strategic Objectives

1. Eliminate Communicable Conditions
2. Halt, and reverse the rising burden of non-Communicable conditions.
3. Minimize exposure to health risk factors
4. Provide essential health services

Kilungu Sub county hospital develops its annual work plans based on the above 4 pillars/ Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2024/2025 period for its 4 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Eliminate communicable conditions	1. Reducing transmission of HIV.	1.The hospital commits to reduce new HIV/AIDS infections	1. Scaling up HIV testing and counselling services in Kilungu Sub County Hospital to identify and link 82 HIV positive to care and treatment.	100% achievement
	2.Reducing transmission of TB	2.Early identification of 110 new TB patients (30%)	2.Early identification of 55 new TB patients (30%)	100% achievement

*Kilungu Level 4 Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025*

Halt and reverse the rising burden of non-communicable conditions	1.Prevention of Alcohol and Drug Abuse	1. Reach out to 2500 people through counselling services (50%) 2.Mainstream counselling intervention in all departments (50%		100% achievement
Minimize exposure to health risk factors	Safety and Security Measures	The hospital commits to carry out safety and security baseline assessment	Preparing tools for baseline assessment (50%) Sensitizing managers to carry out the assessment (50%)	100% achievement
Provide essential health services	1.Reducing average length of hospital stay 2.The hospital commits to develop service charters for all departments 100% 4.Reducing facility based	1.The hospital commits to reduce the average length of hospital stay from 5.2 days to 5 days through: The hospital commits to reduce	1.Preparing hygiene protocols for all wards (50%) Holding monthly mortality audits (50%) Strengthening MPDSR through Monthly audit and reporting of all near misses from	100% achievement 100% achievement

	maternal mortality rate	facility maternal mortality rate from 1 to 0 persons through:	the hospital committees (100%) Embracing respectful maternal care Sensitization of staff on danger signs and respectful maternal care Quarterly maternal open days Exit surveys Defaulter tracing Outreaches Provision of timely information and reminders to MCH clients on clinic attendance	
	5. Preventive and promotive health services	Ensure immunization, ANC, growth monitoring, FP and other services are available in the facility and utilized		

9. Corporate Governance Statement

At Kilungu Sub County Hospital (KSCH), the practice of good corporate governance ensures the delivery of Sustainable value as well as meeting the needs of our stakeholders. KSCH is committed to ensuring that the needs of our customers and the expectations of our stakeholders are met while safeguarding the investments of the Government of Kenya through the adoption of ethically driven business policies, procedures and processes.

We believe that our business affairs should be carried out in a fair, transparent and accountable manner. It is our integral responsibility to disclose timely and accurate information on our financials and performance as well as provide the leadership and effective governance for the hospital.

Governance Principles and Guidelines

The Kilungu Hospital Management committee is responsible for the overall governance of the hospital and is accountable to the Government for ensuring that the hospital complies with the law and the highest standards of best practices corporate governance and business ethics. The members are committed to fostering a culture that values ethical behaviour, integrity and respect and the need to conduct business and operations of the hospital in accordance with generally accepted corporate practices.

The members believe that adopting and operating in accordance with high standards of corporate governance is essential for sustainable long-term performance and value creation.

In discharging its mandate, the Board is guided by the Board Charter, Code of Conduct and Ethics, and Board Manual to effectively fulfil its corporate governance responsibility towards stakeholders.

In addition, it has adopted Guidelines on Corporate Governance developed by the Mwongozo Code of Governance for State Corporations. The Board Charter defines the roles, responsibilities, scope and functions of the Directors in the governance of the hospital and provides for free exercise of independent judgment.

The Board provides oversight to the Management and ensures the employees operate within the Code of Conduct and Ethics; Public Officers and Ethics Act; Leadership and Integrity Act; and Mwongozo Code of Governance for State Corporations.

Board Organization and Structure

The Kilungu Hospital management committee comprises of eleven (11) members including the medical superintendent. Seven (7) members of the committee are independent non-executive including the Chairman, all drawn from the private sector. The remaining four (4) members represent the following institutions –medical superintendent who is the secretary, sub county MOH, sub county administrator and deputy county commissioner

The committee members are appointed by H.E. the governor through a gazette notice.

They each serve for a maximum of two terms of three (3) years. Names of all members and changes thereto are published in the Kenya Gazette

This report highlights the main corporate governance structures and practices that guide the Board.

10. Management Discussion and Analysis

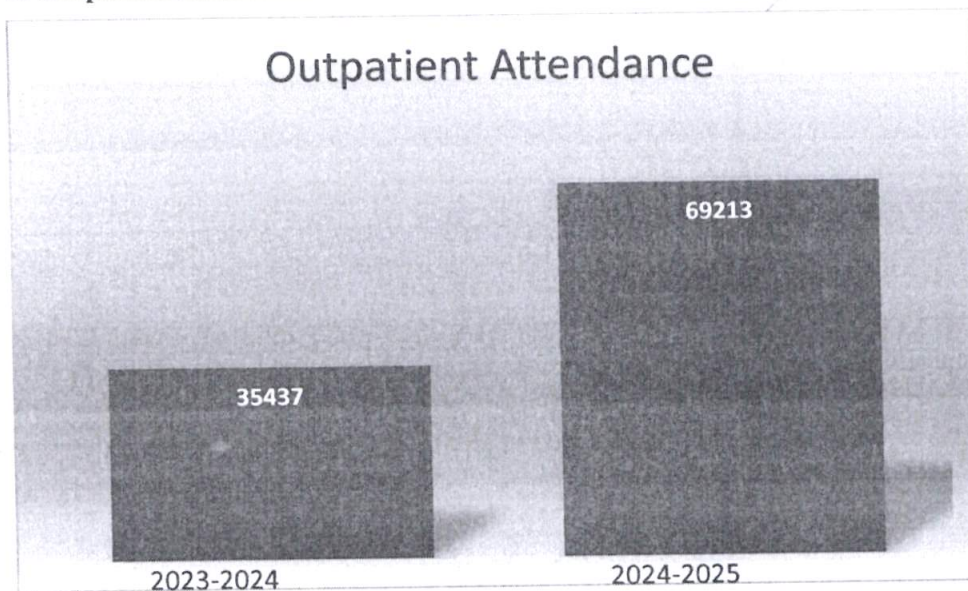
The entity's operational and financial performance

The hospital performance has improved in almost all indicators. The outpatient attendance has increased and inpatient performance also increased. This could be attributed to operationalization of laboratory and pharmacy departments to work 24/7 since January 2023. The quality of services has also improved due to availability of a consultant family physician from January 2024 which has also reduced referrals. This bold decision amidst staff shortage has seen overall improvement of service utilization.

Staff motivation and team work have also been a factor in overall improvement of the indicators. The hospital management has embarked of several activities geared to improvement of staff motivation namely; staff party, payment of allowances, departmental monthly meetings and quarterly staff meetings.

We have analyzed the performance of various indicators in comparison 2023/2024 and 2024/2025

1. Outpatient attendance

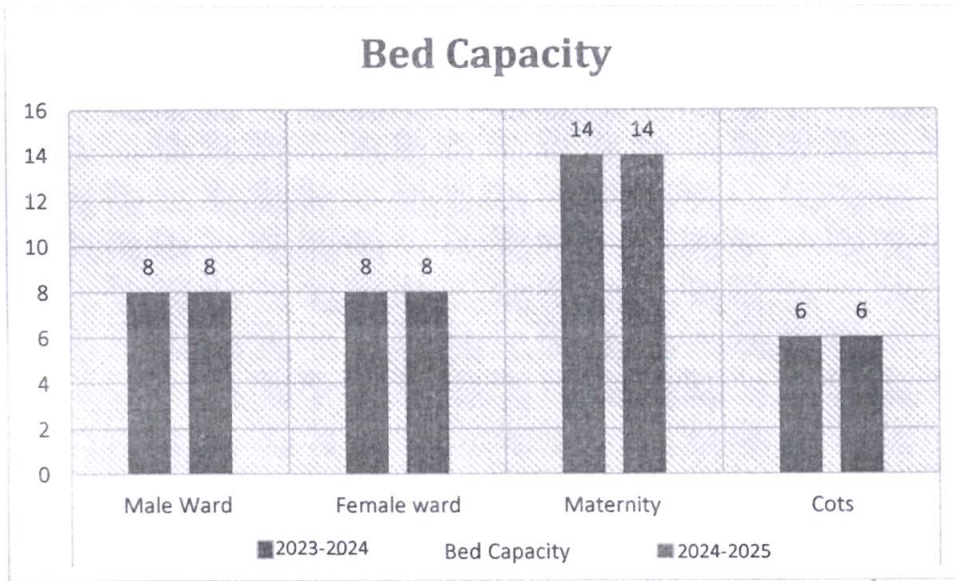


There was a increase in outpatient visits in the year 2023/2024 compared to 2024/2025

NB x Axis 1- 2023-2024

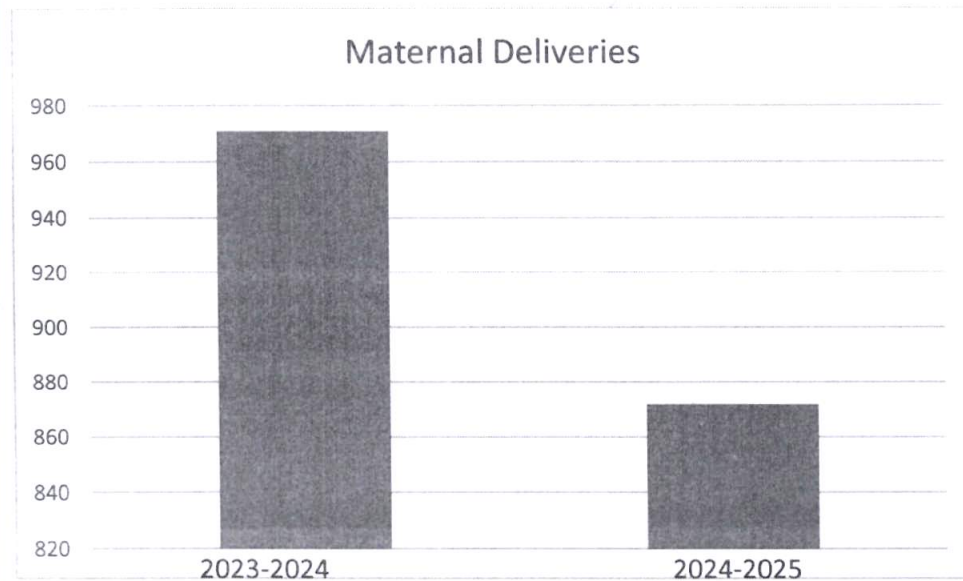
2- 2024-2025

2. Bed capacity



NB x Axis 1- 2023-2024
 2- 2024-2025

3. Maternity utilization



There was a decrease in the FY 2023/2024 compared to FY2024/2025 from 971 to 872 in the maternity utilization services. This was mainly attributed to the doctors' and clinical officers' industrial action and most of the clients sort series in private hospitals

NB x Axis 1- 2023-2024

2- 2024-2025

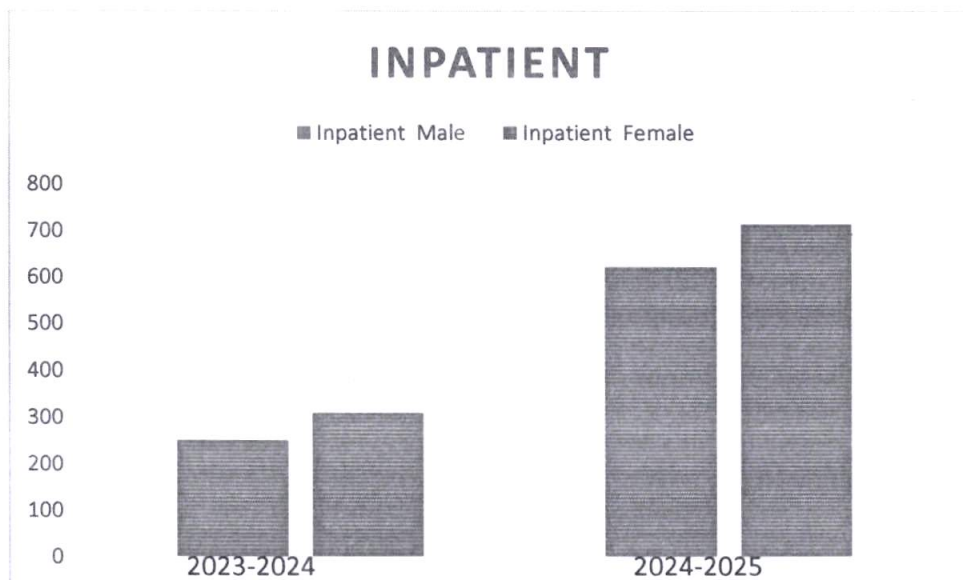
However, there is a great shortage of nurses with only 18 in number working in all departments. This has resulted to overworking, burnout and suboptimal patient attention. The nurse-to-patient ratio is 1:577 while WHO recommends 1:5.

The facility conducts an average of **80 - 90** deliveries per month. The expected target for the facility as per the catchment population is **46** deliveries monthly. However, the available maternity only accommodates 4 beds post Caesarean section patients with antenatal and postnatal mothers sharing a 6-bed capacity room. This results to mixing of post-operative patients with others resulting to increased surgical site infections.

Gynaecological cases which are part of maternity are accommodated in the female ward, which also accommodates children over two years of age. Our pediatric patients below two years of age are accommodated in the post Caesarean ward with the mother's post-surgery. This poses a risk of communicable diseases like TB to the children and surgical site infection for the post CS mothers.

There is urgent need to construct a mother and child ward to address the problem. The hospital management has lobbied through public participation and stakeholder's fora for resources.

4. In-patient utilization

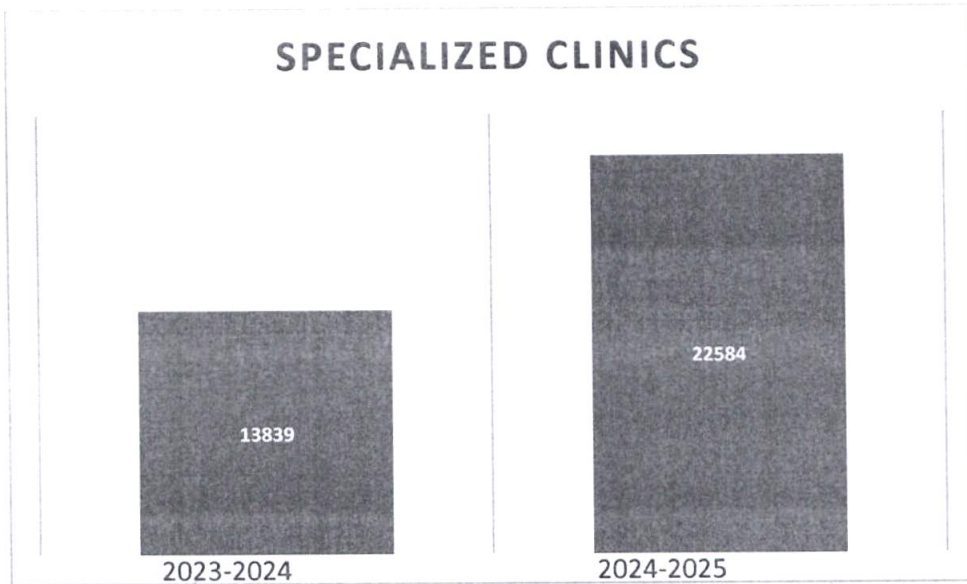


NB x Axis 1- 2023-2024

2- 2024-2025

There was overall increase in patient utilization as a result of operationalization of laboratory and pharmacy departments to offer 24/7 services.

5. Specialized clinics

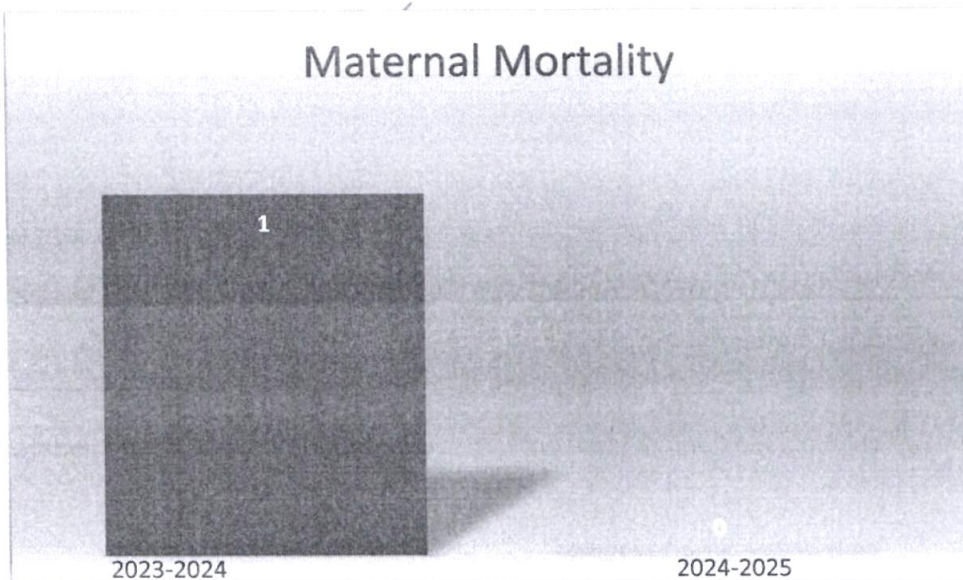


The quality of services has improved due to availability of a consultant family physician from January 2025 which has also reduced referrals.

NB x Axis 1- 2023-2024

2- 2024-2025

6. Maternal mortality

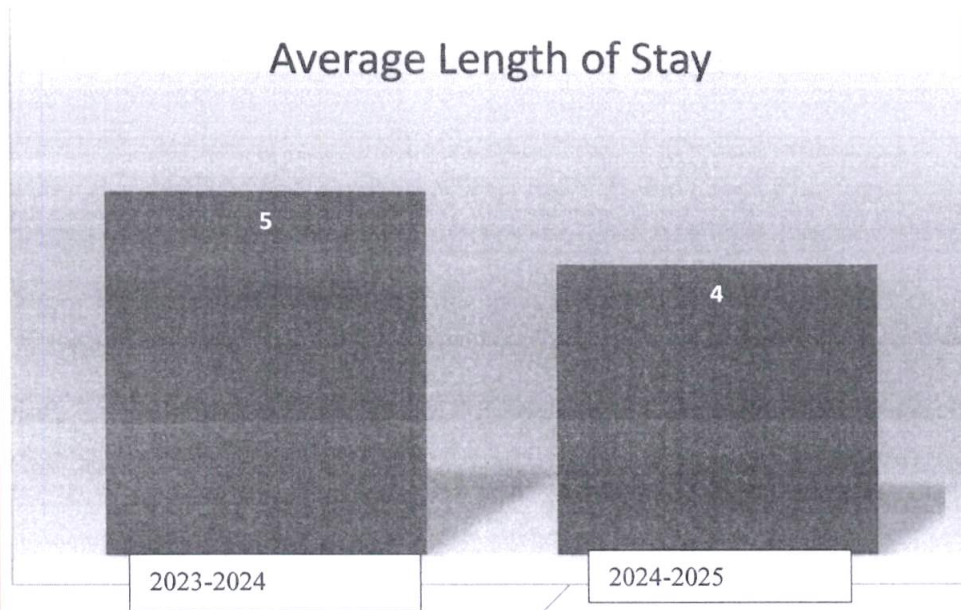


In the period 2024/2025 There was no maternal mortality. The hospital through support from partners such as JHEPIEGO under the APLII-PPHI program has offered trainings to health care workers on management of PPH and also supported with drugs such as heat stable carbetooin and tranexamic acid.

NB x Axis 1- 2023-2024

2- 2024-2025

7. Average Length of Stay



The average length of stay has reduced from 5 days in FY 2023/2024 to 4 days in FY 2024/2025. This has been attributed to improvement of quality of services with an increased scope of diagnostic laboratory services such as biochemistry tests and a fully automated full haemogram machine which has reduced turnaround time of results. Also, there has been a constant supply of HPTs which has reduced the stock out rate. The availability of a consultant family physician from January 2024 which has also reduced referrals.

Sponsorships and partnerships

KSCH through the department of health has been actively engaging partners for the purpose of activating, enabling and incentivising a number of health activities. Such partners include but not limited to:

- i) CIHEB- supporting TB/HIV services
- ii) CMMB- Supporting TB screening
- iii) JPHIEGO- Training, mentorship and equipping of health care workers on prevention of PPH (AMPLI-PPHI)
- iv) JACARANDA- Reproductive health services and community education
- v) AFYA UGAVI-Commodity management

- vi) Nutrition International (NI)- Nutrition services
- vii) Women fighting AIDs in Kenya (WOFAK) – Improvement of HIV client services among others

Financial performance that includes: -

Revenue sources,

The institution revenue sources include:

- i) Own source revenue - Facility Improvement Fund
- ii) County Government transfers- Recurrent
- iii) Insurance – SHA, NHIF & Trident
- iv) Grants & Donors -USAid & Global Fund

Utilisation of funds

From the revenue collected, the institution comes up with an annual budget which is utilised in the running of the Hospital.

11. Environmental And Sustainability Reporting

Kilungu sub county hospital (KSCH) exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

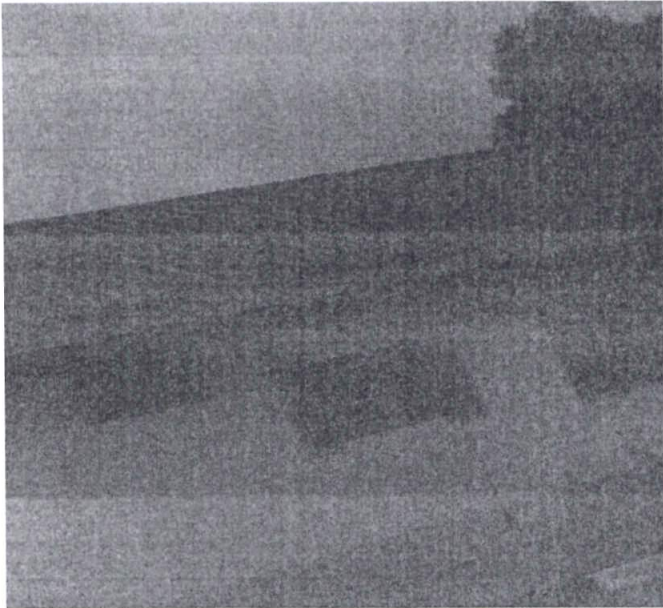
i) Sustainability strategy and profile

Stakeholder engagement

KSCH key stakeholders include: patients, doctors, employees and trade unions, suppliers, healthcare funders, government and authorities, industry associations, investors, the community and the media. KSCH recognises its accountability to its stakeholders and is committed to effective and regular engagement with them, and to publicly report on its sustainability performance. KSCH key stakeholders are those groups who have a material impact on, or are materially impacted by KSCH and its operations.

ii) Environmental performance

The Hospital's main environmental impacts are the utilisation of resources, predominantly energy, through electricity consumption and water, and the disposal of healthcare risk waste. The Hospital is fully aware of the need to use resources responsibly and is committed to minimising its environmental impacts to the extent possible. The Hospital recognises the risks that regulatory changes, environmental constraints and climate change present to its operations. Potential impacts include rising costs, reduced access to facilities, interruptions in service, and incidents of extreme weather events as a result of climate change. In addition there is need for removal of asbestos roofing which is a health risk to the community



Asbestos roofing at Kilungu S. C Hospital

iii) Employee welfare

The focus of attracting and utilising talent in a challenging healthcare market continues to be a priority for KSCH. KSCH management has focused on creating conducive work environment in order to attract, train and retain workers. We have continuously through the human resource and advisory committee improved the capacity, skills and knowledge of staff through approving of trainings, Continuous Medical Educations, supporting conference attendance and supporting and financing senior courses.

iv) Market place practices

Kilungu sub county hospital has made efforts to promote:

a) Responsible competition practice.

The organisation ensures all the clients are given receipt for any money paid and are given services they have paid for. Posters, aboard is put in strategic place for services rendered for all to read.

b) Responsible Supply chain and supplier relations

Those interested to do business the organisation, buy tenders when advertised through the various social media after every two years. Those who qualify are given orders and are paid in good time.

c) Responsible marketing and advertisement

When clients are served well, they advertise and inform others about the good quality services available which are friendly and cost effective.

d) Product stewardship

High priority in terms of accountability and honest is given on all items and supplies done, frequent checks on inventory are carried on to ensure product stewardship.

e) Corporate Social Responsibility / Community Engagements

The commitment of KSCH to social responsibility and the pursuit of societal good through inclusive healthcare inspired us towards fulfilling public healthcare needs. We focus on bringing quality healthcare within the reach of all people regardless of their geographic location or economic status. KSCH aspires to be a socially responsible corporate citizen delivering superior and sustainable value to all. KSCH Corporate Social Responsibility initiatives express our commitment and concern to the welfare of our employees and the patients we serve.

These initiatives focus on community development and health, human rights, empowering people through education and dissemination of information. Community engagement in ways like when we have Mother's Day meetings, over 200 mothers come and educated about breast feeding, hygiene practise and given. The remaining part and parcel of the community and therefore it's with constant check with the community. Community trainings on different aspects remain as one of the key Corporate Social Responsibility. Education and support of the expectant and breast-feeding mothers through provision of mother pack is a program designed to ensure the facility remain a centre for preferred Health Care services provision in the surrounding Community

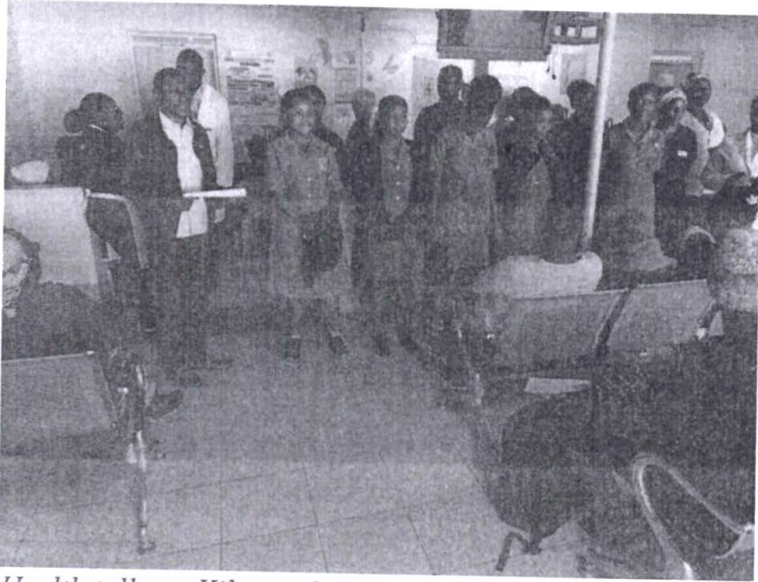
The main activities undertaken during the year herein outlined below:



Meeting with stakeholders at Kilungu S.C Hospital



Meeting with CHPs at Kilungu S.C Hospital



Health talks at Kilungu S.C Hospital

12. Report of The Board of Management

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

Principal activities

The principal activities of the entity are (continue to be)

Results

The results of the entity for the year ended June 30 2025 are set out on pagesto....

Board of Management

The members of the Board who served during the year are shown on page ix to xi. The board members were appointed in the year 2024 with effect from March 2024.

Auditors

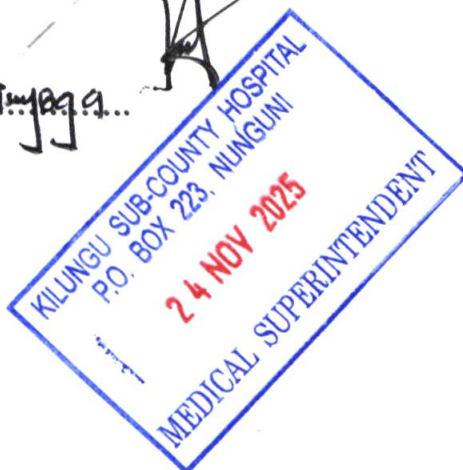
The Auditor General is responsible for the statutory audit of the *entity* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Dr. Philip M. Mwangi

Name

Secretary to the Board



13. Statement of Board of Management's Responsibilities

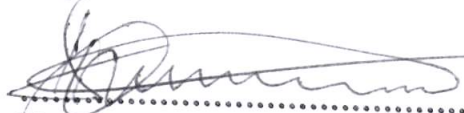
Section 164 of the Public Finance Management Act, 2012 and Facility Improvement Fund 2023 requires the Board of Management to prepare financial statements in respect of Kilungu Level 4 hospital, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period 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.

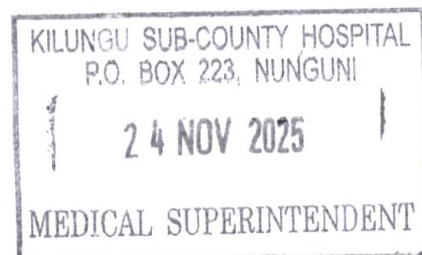
The Board of Management accepts responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. 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.

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.

The Hospital's financial statements were approved by the Board on 24/11/2025 and signed on its behalf by:


.....
Name: Rev. David Kalani
Chairperson
Board of Management


.....
Name: Dr Philip M. Manyega
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 KILUNGU LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF MAKUENI

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 Kilungu Level 4 Hospital - County Government of Makueni set out on pages 1 to 62, which comprise of the statement

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

Basis for Qualified Opinion

1. Inaccuracies in Cash and Cash Equivalents

The statement of cash flows and the statement of financial position reflects cash and cash equivalents balance of Kshs.10,542,968 as at 30 June, 2025 which differs with the recalculated balance of Kshs.10,447,225 resulting to unexplained variance of Kshs.95,743.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.10,542,968 could not be confirmed.

2. Unconfirmed Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.10,435,596 as disclosed in Note 32 to the financial statements. However, review of the Hospital's records and physical verification revealed various assets including land, buildings and motor vehicles which were not disclosed in the financial statements. Further, ownership documents for land were not provided for audit review. In addition, review of the assets register revealed total valued assets of Kshs.51,274,560 resulting to unexplained variance of Kshs.40,838,964.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.10,435,596 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the 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 pages iii to xxxv which comprise of Key Entity Information and Management, The Board of Management, Key Management Team, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance Against predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management and Statement of Board of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of the Hospital's records and interviews on verification of services offered, equipment used and medical specialists in the Hospital as at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by seventy-one (71) or approximately 70% of the authorized establishment.

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	3	13	81
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatrics	2	0	2	100
Kenya Registered Community Health Nurses	75	25	50	67
Total	101	30	71	70

In addition, the Hospital lacked the necessary equipment and machines outlined in the Health Policy Guidelines as detailed below;

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	34	116	78
Resuscitaire (2 in labor & 1 in theatre)	2	1	1	50
New Born Unit Incubators	5	3	2	40
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 & General	2	1	1	50

The deficiencies contravene the First Schedule of the Health Act, 2017 and imply that accessing the highest attainable standard of health, which includes the right to health care services, including Reproductive Health Care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

In the circumstances, the Hospital will not be able to deliver on its mandate.

2. Non-Compliance with Law on Ethnic Composition

Review of the payroll records revealed that the Hospital had casual and contractual workforce of forty-nine (49), out of which forty-five (45) or approximately 91% are members of the dominant ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which require

that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment should have more than one third of its staff from the same ethnic community.

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

3. Irregular Engagement of Casual Workers

The statement of financial performance and as disclosed in Note 16 to the financial statements reflect employee costs of Kshs.13,546,082 in respect to casual and contractual staff. Review of records revealed that Management engaged casual workers for more than three months. This is contrary to Section B. 16(1) of the County Public Service Human Resource Manual of May, 2013 which states that (1) Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and they shall not be engaged for more than three months as stipulated in the Employment Act, 2007.

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

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

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Stock-Out of Medical Supplies

The statement of financial position reflects inventories balance of Kshs.2,510,840 as disclosed in Note 31 to the financial statements. Review of the Hospital's stock records for controlling stores indicated that the Hospital experienced stock out of medical supplies ranging from fifteen (15) to thirty (30) days. The prolonged unavailability of essential medicines adversely affected the provision of various services, resulting in delays in treatment.

In the circumstances, the effectiveness of internal controls on management of pharmaceutical and non-pharmaceutical supplies in achieving the Hospital's mandate could not be confirmed.

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

Responsibilities of the Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 December, 2025

Kilungu Level 4 Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Vote	2024/2025 FY	2023/2024 FY
		Ksh.	Ksh.
Revenue from non-exchange transactions			
Transfers from the County Government	6	3,592,200	7,000,000
In-kind contributions from the County Government	7	90,425,427	11,412,102.50
Grants from donors and development partners	8	-	-
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
		94,017,627	18,412,102.50
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	17,421,685	14,869,034.08
Revenue from rent of facilities	12	33,000	30,000
Finance /Interest Income	13	-	-
Miscellaneous Income	14	15,488,676	11,697,001.50
Revenue from exchange transactions		32,943,361	26,596,035.58
Total revenue		126,960,988	45,008,138.08
Expenses			
Medical/Clinical costs	15	8,754,133	8,099,400
Employee costs	16	13,546,082	10,798,279
Board of Management Expenses	17	250,000	250,000
Depreciation and amortization expense	18	2,264,314	1,178,117
Repairs and maintenance	19	1,144,588	1,527,942
Grants and subsidies	20	-	-
General expenses	21	8,286,301	7,304,176
Finance costs	22	-	-
Use of In kind contributions from county government		90,425,427	14,398,356
Total expenses		124,670,845	43,556,270
Other gains/(losses)			
Gain/Loss on disposal of non-Current assets	23	-	-
Unrealized gain on fair value of investments	24	-	-
Medical services contracts Gains/Losses	25	-721,220	-
Impairment loss	26	-	-
Gain on foreign exchange transactions			-
Total other gains/(losses)		-721,220	-
Net Surplus / (Deficit) for the year		1,568,923	1,451,868.08

Kilungu Level 4 Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

The Hospital's financial statements were approved by the Board on 29/11/2025 and signed on its behalf by:

Rev. D. Kibani

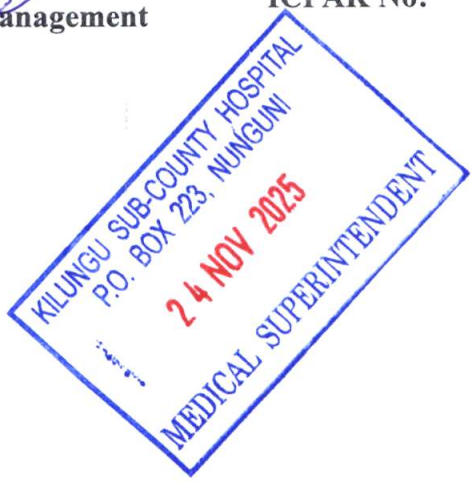
Kennedy Muriuki

Dr. Philip M. Mwangi

Chairman
Board of Management

Head of Finance
ICPAK No:

Medical Superintendent



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

Description	Note	Insert	Insert Comparative
		Current FY Kshs	FY Kshs
Assets			
Current assets			
Cash and cash equivalents	27	10,542,968	6,738,931
Prepayments	28	-	-
Receivables from exchange transactions	29	10,680,896	11,462,319
Receivables from non-exchange transactions	30	-	-
Inventories	31	2,510,840	1,143,943
Total Current Assets		23,734,704	19,345,193
Non-current assets			
Property, plant, and equipment	32	10,435,596	11,898,124
Intangible assets	33	-	-
Investment property	34	-	-
Biological Assets	35	-	-
Total Non-current Assets		10,435,596	11,898,124
Total assets (A)		34,170,300	31,243,317
Liabilities			
Current liabilities			
Trade and other payables	36	8,216,881	8,102,293
Refundable deposits from Patients/Prepayments	37	-	-
Provisions	38	-	-
Finance lease obligation	39	-	-
Current portion of deferred income	40	-	-
Current portion of borrowings	41	-	-
Total Current Liabilities		8,216,881	8,102,293
Non-current liabilities			
Provisions	38	-	-
Non-Current Finance lease obligation	39	-	-
Non-Current portion of deferred income	40	-	-
Non - Current portion of borrowings	41	-	-
Service concession Arrangements	42	-	-

Kilungu Level 4 Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Total non-current liabilities		8,216,881	8,102,293
Total Liabilities (B)		8,216,881	8,102,293
Net assets (A-B)		25,953,419	23,141,024
Represented by:			
Revaluation reserve		-	-
Accumulated surplus/Deficit		18,492,516	19,909,846
Capital Fund		7,460,903	42,902,415
Net Assets		25,953,419	62,812,108

The Hospital's financial statements were approved by the Board on 24/11/2025 and signed on its behalf by:

Rev S. Thigani
 Chairman
 Board of Management

Kennedy Muri
 Head of Finance
 ICPAK No:

Dr Philip M. Mwangi
 Medical Superintendent



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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2023		15,471,571	14,923,320	30,394,891
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	4,438,275	-	4,438,275
Capital/Development grants	-	-	27,979,095	27,979,095
As at June 30, 2024 (previous year)	-	19,909,692	42,902,415	62,812,261
At July 1, 2024 (current year)	-	19,909,846	42,902,415	62,812,261
Revaluation gain	-			
Surplus/(deficit) for the year	-	1,568,923	-	1,568,923
Capital/Development grants	-	-	7,460,903	7,460,903
Prior Year Adjustments	-	(2,986,254)	(42,902,415)	(45,888,669)
At June 30, 2025 (current year)	-	18,492,516	7,460,903	25,953,419

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

Description	Note	2024/2025 FY	2023/2024 FY
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		3,592,200	7,000,000
Grants from donors and development partners		-	-
Transfers from other Government entities		-	-
Public contributions and donations		-	-
Rendering of services- Medical Service Income		13,138,791	14,869,034
Revenue from rent of facilities		33,000	30,000
Finance / interest income		-	-
Miscellaneous receipts(<i>specify</i>)		14,836,568	11,697,002
Total Receipts		31,600,559	33,596,036
Payments			
Medical/Clinical costs		7,190,957	8,019,417
Employee costs		12,015,255	11,014,227
Board of Management Expenses		250,000	250,000
Repairs and maintenance		1,549,071	1,432,936
Grants and subsidies		-	-
General expenses		7,516,758	7,238,485
Finance costs		-	-
Refunds paid out		-	-
Total Payments		28,522,041	27,955,065

Kilungu Level 4 Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Net cash flows from operating activities	43	3,078,518	5,640,970
Cash flows from investing activities		-	-
Purchase of property, plant, equipment		(519,800)	(2,199,339)
Purchase of intangible assets		-	-
Proceeds from the sale of PPE		-	-
Acquisition of investments		-	-
Net cash flows used in investing activities		(519,800)	(291,181)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Capital grants received		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease)in cash and cash equivalents		2,558,718	3,355,205
Cash and cash equivalents as at 1 July 2025	27	7,888,507	6,221,629
Cash and cash equivalents as at 30 June 2025	27	10,542,968	7,888,507

Kilungu Level 4 Hospital (Makueni County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Budget carryovers from the previous year	-	-	-	-	-	%
Receipts						
Transfers from the County Government	10,000,000	-	10,000,000	3,592,200	6,407,800	36%
Grants from donors and development partners	-	-	-	-	-	%
Transfers from other Government entities	-	-	-	-	-	%
Public contributions and donations	-	-	-	-	-	%
Rendering of services- Medical Service Income	11,964,000	-	11,964,000	13,138,791	(1,174,791)	110%
Revenue from rent of facilities	36,000	-	36,000	33,000	3,000	92%
Finance / interest income	-	-	-	-	-	%
Miscellaneous receipts (<i>specify</i>)	12,800,000	-	12,800,000	14,836,586	(2,036,586)	116%
Total receipts	34,800,000	-	34,800,000	31,600,577	(3,199,423)	91%
Payments						
Medical/Clinical costs	13,392,140	-	13,392,140	7,190,957	5,681,383	54%
Employee costs	10,668,960	-	10,668,960	12,015,255	(1,346,295)	113%
Remuneration of directors	250,000	-	250,000	250,000	-	100%
Repairs and maintenance	2,595,000	-	2,595,000	1,549,071	1,045,929	60%
Grants and subsidies	-	-	-	-	-	%
General expenses	7,893,900	-	7,893,900	7,516,758	377,142	95%
Finance costs	-	-	-	-	-	%
Refunds	-	-	-	-	-	%
Total Operational Expenditure paid	34,800,000	-	34,800,000	28,522,040	5,758,159	83%
Capital Expenditure paid				519,800		
Surplus				2,558,737		%

Budget Reconciliation

Description of Particulars		Amount in KSh
	Actual Surplus Amounts as per the statement of Budget	2,588,737
1	Opening Cash and Cash Equivalents	7,984,231
	Closing Cash and Cash Equivalent as per the statement of Cash flows	10,542,968

20. Notes to the Financial Statements

1. General Information

Kilungu sub county Hospital is established by and derives its authority and accountability from PFM Act. The entity is wholly owned by the Makueni County Government and is domiciled in Makueni County in Kenya. The entity's principal activity is patient care.

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 hospital accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the hospital. The financial statements have been prepared in accordance with the PFM Act 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 2024

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

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

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

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	<p>excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPPSAS 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>

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Standard	Effective date and impact
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>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

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

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 4th July 2025. 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 Hospital recorded additional appropriations *on* the FY 2024-2025 budget following the Board's approval. The *entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based *on* the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

c. Taxes

Sales tax/ Value Added Tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation

Authority is included as part of receivables or payables in the statement of financial position.

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 5 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 derecognition. Transfers are made to or from investment property only when there is a change in use.

e. Property, plant and equipment

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

f. Leases

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

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

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

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

g. Intangible assets

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

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

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

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

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and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note 26*.

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.

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.

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

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

u. Related parties

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

v. Service concession arrangements

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

w. Cash and cash equivalents

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

x. Comparative figures

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

y. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 38. 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

6. Transfers from the County Government		
Unconditional grants		
Operational grant	3,592,200	7,000,000
Level 4/5 grants	-	-
Unconditional development grants	-	-
Other grants (<i>specify</i>)	-	-
	3,592,200	7,000,000
Conditional grants		
User fee forgone	- /	-
Transforming health services for Universal care project (THUCP)	-	-
DANIDA	-	-
Wards Development grant	-	-
Paediatric block grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
Total government grants and subsidies	3,592,200	7,000,000

6b Transfers from The County Government

6b Transfers from The County Government					
Makueni County Government	3,592,200	-	-	-	3,592,200
Total	3,592,200	-	-	-	3,592,200

Kilungu Level 4 Hospital (Makueni County Government)
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Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	2024-2025 FY	2023-2024 FY
	KShs	KShs
Salaries and wages	77,500,800	-
Medical supplies-Drawings Rights (KEMSA)	-	11,412,102.50
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	10,609,627	-
Utility bills	2,315,000	-
Total grants in kind	90,425,427	11,412,102.50

(These include payments made directly by the County Governments for staff salaries and medical drugs. These should be recorded both as income and expense for completeness of financial statements)

8. Grants From Donors and Development Partners

Description	2024-2025 FY	2023-2024 FY
	KShs	KShs
Cancer Centre grant- DANIDA	-	-
World Bank grants	-	-
Paediatric ward grant- JICA	-	-
Research grants	-	-
Other grants (specify)	-	-
Total grants from development partners	-	-

(Provide brief explanation for this revenue)

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

Name of Donor	2024-2025 FY		2023-2024 FY	
	Income	Expense	Income	Expense
Donor e.g., DANIDA	-	-	-	-
JICA	-	-	-	-
World Bank	-	-	-	-
Total	-	-	-	-

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Notes to Financial Statements Continued

9. Transfers From Other Government Entities

Description		
Transfer from National Government (Ministry of Health)	-	-
Transfer from Makueni Referral Hospital	-	-
Transfer from Makueni County Government	-	-
Total Transfers	-	-

10. Public Contributions and Donations

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

(Provide brief explanation for this revenue)

10 (a) Reconciliations of amortised grants

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

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Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Description	2024-2025 FY	2023-2024 FY
	KShs	KShs
Pharmaceuticals	2,229,015	2,2231,475
Non-Pharmaceuticals	-	-
Laboratory	3,753,600	2,936,550
Radiology	999,100	1,061,450
Orthopedic and Trauma Technology	1,341,750	1,524,340
Theatre	242,500	195,170
Accident and Emergency Service	631,500	390,500
Anesthesia Service	-	-
Ear Nose and Throat service	-	-
Nutrition service	28,500	10,800
Cancer centre service	-	-
Dental services	341,950	241,900
Outpatient	1,341,220	485,700
Occupational Therapy	262,800	-
Physiotherapy	68,000	85,500
Inpatient	567,250	754,348
Reproductive Health	174,150	307,650
Health Records	2,942,200	1,628,150
Paediatrics services	-	-
Farewellhome services	1,969,050	2,691,901
Ambulance services	-	-
Other medical services income	529,100	323,600
Total revenue from the rendering of services	17,421,685	14,869,034

Kilungu Level 4 Hospital (Makueni County Government)
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Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	2024-2025	2023-2024
Residential property	33,000	30,000
Commercial property	-	-
Total Revenue from rent of facilities	33,000	30,000

13. Finance /Interest Income

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

14. Miscellaneous Income

Description	2024-2025	2023-2024
Insurance recoveries (NHIF/SHA)	15,446,676	11,560,002
Insurance recoveries UHC Reg.	42,000	137,000
Services concession income	-	-
Sale of goods (water, publications, containers etc)	-	-
Write backs (Deposits, payments in advance etc)	-	-
Bad debts recovered	-	-
<i>Others (Specify)</i>	-	-
Total Miscellaneous income	15,488,676	11,697,002

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Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	2025 FY	2024 FY
	KSHS	KSHS
Dental costs/ materials	-	415,229
Laboratory chemicals and reagents	944,232	756,429
Public health activities	-	-
Food and Ration	2,654,450	1,736,796
Uniform, clothing, and linen	70,000	64,990
Dressing and Non-Pharmaceuticals	2,950,009	2,782,826
Pharmaceutical supplies	492,182	862,301
Medical & Dental Equipments	-	-
Purchase of Medical Gases	465,750	355,060
Sanitary and cleansing Materials	172,410	354,804
X-Ray/Radiology supplies	1,005,100	690,981
Other medical related clinical costs (<i>specify</i>)	-	-
Total medical/ clinical costs	8,754,133	8,019,417

16. Employee Costs

Salaries, wages, and allowances	12,256,682	9,824,247
Contributions to pension schemes	-	-
Service gratuity	-	-
Performance and other bonuses	-	-
Staff medical expenses and Insurance cover	-	-
Group personal accident insurance and WIBA	-	-
Social contribution	-	-
Other employee costs (<i>Locum</i>)	1,289,400	1,189,980
Employee costs	13,546,082	11,014,227

(Social contribution relates to expenses incurred by the employer towards social welfare of Employees)

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Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	2025	2024
Chairman's Honoraria	26,000	24,000
Sitting allowance	224,000	226,000
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	-
Airtime allowances	-	-
Total	250,000	250,000

18. Depreciation and Amortization Expense

Description	2025	2024
Property, plant and equipment	7,434,338	1,178,117
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	7,434,338	1,178,117

19. Repairs And Maintenance

Description	2025	2024
Property- Buildings	630,962	459,730
Medical equipment	-	372,582
Plant & Equipment	113,200	-
Furniture and fittings	-	-
Computers and accessories	96,100	341,132
Motor vehicle expenses	304,326	259,492
Maintenance of civil works	-	-
Total repairs and maintenance	1,144,588	1,432,936

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Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Description	2024-2025 FY	2023-2024 FY
Community development and social work	-	-
Education initiatives and programs	-	-
Free/ subsidised medical camp	-	-
Disability programs	-	-
Free cancer screening	-	-
Social benefit expenses	-	-
Other grants and subsidies(<i>specify</i>)	-	-
Total grants and subsidies	-	-

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42.

21. General Expenses

Description	2024-2025 FY	2023-2024 FY
Advertising and publicity expenses	18,000	-
Catering expenses	162,863	224,596
Purchase of Computers	312,247	-
Insecticides and rodenticides	-	-
Audit fees	-	-
Bank charges	40,124.50	- 49,594
Conferences and delegations	-	-
Consultancy fees	-	-
Contracted services	-	-
Electricity expenses	-	433,478
Fuel and Lubricants for Transport	4,025,668	3,432,183
General Office Supplies	311,476	357,075
Purchase of Households Items	20,000	19,400
Travel and accommodation allowance	1,176,839	686,045
Purchase of Electricals & Electronics	157,675	413,400
Other Fuels	561,500	279,233
Courier and postal services	-	9,450
Printing and stationery	824,409	564,797
Hire charges	-	-
Rent expenses	-	-
Water and sewerage costs	363,750	502,844

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Description		
Skills development levies	-	-
Telephone and mobile phone services	229,250	204,400
Internet expenses	82,500	62,000
Staff training and development	-	-
Subscriptions to professional bodies	-	-
Subscriptions to newspapers periodical, magazines, and gazette notices	-	-
Library books/Materials	-	-
Parking charges	-	-
TotalGeneralExpenses	8,286,301	7,238,495

22. Finance Costs

Description		
Borrowings (amortized cost) *	-	-
Finance leases (amortized cost)	-	-
Interest on Bank overdrafts/Guarantees	-	-
Interest on loans from commercial banks	-	-
Totalfinancecosts	-	-

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

Description		
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised (<i>specify</i>)	-	-
Totalgainonsaleofassets	-	-

24. Unrealized Gain On Fair Value Investments

Description		
Investments at fair value	-	-
Totalgain	-	-

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	2024-2025 FY	2023-2024 FY
	KShs	KShs
Comprehensive care contracts with NHIF/SHA	-	-
Non- Comprehensive contracts care with NHIF/SHA	-	-
Linda Mama Program	-	-
Waivers and Exemptions	(721,220)	3,664,029.02
Total Gain/Loss	(721,220)	3,664,029.02

26. Impairment Loss

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

27. Cash And Cash Equivalents

Description	2024-2025 FY	2023-2024 FY
	KShs	KShs
Current accounts	10,542,967.96	7,888,507.34
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others(<i>specify</i>)- Mobile money	-	-
Total cash and cash equivalents	10,542,967.96	7,888,507.34

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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Notes to the Financial Statements (Continued)

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

Detailed Analysis of Cash and Cash Equivalents			
a) Current account			
Kenya Commercial bank	1144710308	10,314,587	7,886,788.38
Kenya Commercial bank	1162871113	228,381	1,718.96
Sub- total		10,542,968	7,888,507.34
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
Sub- total		-	-
c) Fixed deposits account			
Bank Name		-	-
Sub- total		-	-
d) Others(specify)		-	-
cash in hand		-	-
Mobile money- Mpesa, Airtel money		-	-
Sub- total		-	-
Grand total		10,542,96	7,888,507.34

28. Prepayments

Prepayments		
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Others specify	-	-
Total	-	-

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29. Receivables From Exchange Transactions

Description	2024-2025 FY	2023-2024 FY
	KShs	KShs
Medical services receivables-NHIF/SHA	10,677,896	7,792,290
Rent receivables	3,000	6,000
Other exchange debtors	-	3,664,029
Less: impairment allowance	-	-
Total receivables	10,680,896	11,462,319

Analysis of Receivables From Exchange Transactions

Description	2024-2025 FY		2023-2024 FY	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	788,583.90	7.4%	7,364,620	94.51%
Between 1- 2 years	9,892,312.10	92.6%	427,670	5.49%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	10,680,896	100%	-	%

30. Receivables From Non-Exchange Transactions

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

Analysis of Receivables From Non-Exchange Transactions

Description				
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

31. Inventories

Pharmaceutical supplies	932,360.00	224,743
Maintenance supplies	-	900
Food supplies	-	857,000
Linen and clothing supplies	-	17,880
Cleaning materials supplies	-	10,050
General supplies	-	33,370
Dressing & Non Phamaceuticals	1,578,480	-
Total	2,510,840	1,143,943

Detailed disclosure on inventories

Opening balance	1,143,943	-
Additional Inventory in the year	19,675,236	-
Inventory expensed in the year	18,308,339	-
Write-downs in the year	-	-
Others specify	-	-
Closing balance	2,510,840	1,143,943

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Notes to the Financial Statements (Continued)

32. Property, Plant and Equipment

Cost									
At 1 July 2023 (previous year)	-	-	-	5,804,500.00	1,545,800.00	4,547,824.00	-	-	11,898,124.00
Additions	-	-	-	580,450.00	386,450.00	1,514,425.00	-	-	2,481,325.00
Disposals	-	-	-	-	-	-	-	-	
Transfers/adjustments	-	-	-	-	-	-	-	-	
Revaluation Adjustments	-	-	-	-	-	-	-	-	
At 30th Jun 2024	-	-	-	6,384,950.00	1,932,250.00	6,062,249.00	-	-	14,379,449.00
At 1 July 2024 (current year)	-	-	-	6,384,950.00	1,932,250.00	6,062,249.00	-	-	14,379,449.00
Additions	-	-	-	-	-	519,800.00	-	-	519,800.00
Disposals	-	-	-	-	-	-	-	-	
Transfer/adjustments	-	-	-	-	-	-	-	-	
Revaluation	-	-	-	-	-	-	-	-	

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Adjustments									
At 30th Jun 2025	-	-	-	6,384,950.00	1,932,250.00	6,582,049.00	-	-	14,899,249.00
Depreciation and impairment									
At 1 July 2023 (previous year)	-	-	-	798,118.75	643,439.25	757,781.00	-	-	2,199,339.00
Depreciation for the year	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
At 30 June 2024	-	-	-	798,118.75	643,439.25	757,781.00	-	-	2,199,339.00
At July 2024 (current year)	-	-	-	798,118.75	643,439.25	757,781.00	-	-	2,199,339.00
Depreciation	-	-	-	798,118.75	643,439.25	822,756.13			2,264,314.13
Disposals	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-
At 30th June 2025	-	-	-	1,596,237.50	1,286,878.50	1,580,537.13	-	-	4,463,653.13
Net book values									
At 30 th Jun 2024 (previous)	-	-	-	5,586,831.25	1,288,810.75	5,304,468.00			12,180,110.00
At 30 th Jun 2025 (current)	-	-	-	4,788,712.50	645,371.50	5,001,511.88	-	-	10,435,595.88

Kilungu Level 4 Hospital (Makueni County Government)
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Notes to the Financial Statements (Continued)

33. Intangible Assets-Software

Description		
Cost		
At beginning of the year	-	-
Additions	-	-
Additions-Internal development	-	-
Disposal	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization for the period	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

34. Investment Property

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

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Notes to the Financial Statements (Continued)

35. Biological Assets

Description	2024-2025 FY	2023-2024 FY
Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Others specify	-	-
Total	-	-

36. Trade and other Payables

Description	2024-2025 FY		2023-2024 FY	
Trade payables	8,216,881		8,102,293	
Employee dues	-		-	
Third-party payments (e.g. unremitted payroll deductions)	-		-	
Audit fee	-		-	
Doctors' fee	-		-	
Total trade and other payables	8,216,881		8,102,293	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the total
Under one year	8,216,881	100%	6,072,177	74.95%
1-2 years	-	-	2,030,116	25.05%
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	8,216,881	100%	8,102,293	100%

37. Refundable Deposits from Customers/Patients

Description	2024-2025 FY		2023-2024 FY	
Medical fees paid in advance	-		-	
Credit facility deposit	-		-	
Rent deposits	-		-	
Others (specify)	-		-	
Total deposits	-		-	
Ageing analysis:	Current FY	% of the	Comparative FY	% of

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		Total		the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

38. Provisions

Balance at the beginning of the year	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount & time value for money	-	-	-	-
Total provisions	-	-	-	-
Current Provisions	-	-	-	-
Non-Current Provisions	-	-	-	-
Total Provisions	-	-	-	-

39. Finance Lease Obligation

	Kshs	Kshs
Current Lease obligation	-	-
Long term lease obligation	-	-
Total	-	-

40. Deferred Income

Current Portion	-	-
Non-Current Portion	-	-
Total	-	-

Kilungu Level 4 Hospital (Makueni County Government)
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Notes to the Financial Statements (Continued)

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

Description	National government	International funders/donors	Partners, contractors and donations	Total
Balance b/f	-	-	-	-
Additions during the year	-	-	-	-
Transfers to Capital fund	-	-	-	-
Transfers to statement of financial performance	-	-	-	-
Other transfers (<i>Specify</i>)	-	-	-	-
Balance C/F	-	-	- /	-

41. Borrowings

Description	2024 KSh	2023 KSh
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	-	-
Balance at end of the period	-	-

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

Description	2024 KSh	2023 KSh
Current Obligation	-	-
Non-Current Obligation	-	-
Total	-	-

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Notes to the Financial Statements (Continued)

42. Service Concession Arrangements

Description		
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	-	-
Net carrying amount	-	-
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	-	-

43. Cash Generated from Operations

Description		
Surplus for the year before tax	1,568,923	1,451,868
Adjusted for:		
Depreciation	2,264,314	2,199,339
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working Capital adjustments		
Increase in inventory	-754,719	(-)
Increase in receivables	-	-11,462,319
Increase in deferred income		-
Increase in payables	-	-
Increase in payments received in advance		8,102,293
Net cash flow from operating activities	3,078,518	291,181

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Notes to the Financial Statements (Continued)

44. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	At 30 June 2024	At 30 June 2025	Impairment
At 30 June 2024 (previous year)				
Receivables from exchange transactions	11,462,319	5,037,099.00	6,425,220.00	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	7,888,507.34	-	-	-
Total	19,350,826.34	5,037,099.00	6,425,220.00	-
At 30 June 2025 (current year)				
Receivables from exchange transactions	10,680,896	788,583.90	9,892,312.10	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	10,542,968	-	-	-
Total	21,223,864	788,584	9,892,312	-

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Notes to the Financial Statements (Continued)

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

(ii) Liquidity risk management

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

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

Description				
At 30 June 2024				
Trade payables	8,102,293	6,072,177	2,030,116	8,102,293
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	8,102,293	6,072,177	2,030,116	8,102,293
At 30 June 2025				
Trade payables	8,216,881	1,234,634	6,982,247.00	8,216,881
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	8,216,881	1,234,634	6,982,247.00	8,216,881

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

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

	Kenya Shillings	Other currencies	Total
At 30 June 2024			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

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Notes to the Financial Statements (Continued)

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

Foreign currency sensitivity analysis

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

2024 (previous year)			
Euro	10%	-	-
USD	10%	-	-
2025 (current year)			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

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

Management of interest rate risk

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

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Notes to the Financial Statements (Continued)

Sensitivity analysis

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

iv)Capital Risk Management

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

Description	Current Period	Comparative Period
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/ (<i>excess cash and cash equivalents</i>)	-	-
Gearing	-	-

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Notes to the Financial Statements (Continued)

45. 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.

Makueni County Government is the principal shareholder of Kilungu Level 4 Hospital, holding 100% of the *Hospitas* 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

Transactions with related parties		
a) Services offered to related parties		
Services	-	-
Sales of services	-	-
Total	-	-
b) Grants from the Government		
Grants from County Government	3,592,200	7,000,000
Grants from the National Government Entities	-	-
Donations in kind	-	-
Total	3,592,200	7,000,000
c) Expenses incurred on behalf of related party		
Payments of salaries and wages	-	-
Payments for goods and services	-	-
Total	-	-

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Description	2025/2024	2024/2025 FY
	Kshs	Kshs
d) Key management compensation		
Directors' emoluments	26,000	24,000
Compensation to the medical Sup	-	-
Compensation to key management	-	-
Total	26,000	24,000

46. Segment Information

47. Contingent Liabilities

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

48. Capital Commitments

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

49. Events after the Reporting Period

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

50. Ultimate and Holding Entity

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

51. Currency

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

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21. 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.

OAG/PS&ICT/KSCH/2023-2025(15)	Variances Between the Financial Statements and the Ledgers	The management has reconciled all variances and the correct amounts in the supporting schedules	Resolved	
OAG/PS&ICT/KSCH/2023-2025(15)	Non-Disclosure of employee costs paid by the County Government	The management only has details of employees cost employed by the hospital. However, this is not the case for county employees since such details are held at the county Human Resource Department. Through the department of Health the management will seek on the disclosure of such information for updates in its financial reports	Resolved	
OAG/PS&ICT/KSCH/2023-2025(15)	Unsupported Inventory balance		Resolved	
OAG/PS&ICT/KSCH/2023-2025(15)	Variances in Receivables from exchange transactions.	The management has reconciled all variances and the correct amounts in the supporting schedules.	Resolved	

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Reference No. of the Annual Report	Issue / Concern	Details of the Issue	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
OAG/PS&ICT/KSCH/2023-2025(15)	Incomplete Property, Plant and Equipment	The management in the amended financial statements has ensured that all the assets whose value could be determined have been included and depreciated accordingly. This caused a revision on the amount reported under property, plant and equipment. The management shall seek the assistance of the relevant County Departments with the valuation of all its Land and other assets.	Resolved	
OAG/PS&ICT/KSCH/2023-2025(15)	Failure to transfer revenue to the county revenue fund account	With reference to the Makueni Health Act 2017 Section 42(2), the management is guided that funds collected by the health facility shall: <ul style="list-style-type: none"> a.) Be treated as Appropriation in Aid by the recipient health facility b.) Shall be used only for expenses incurred by the facility as per the approved health budget estimates by the county assembly. 	Resolved	
OAG/PS&ICT/KSCH/2023-2025(15)	Lack of acknowledgement of Receipts	The management raised the concern with the Treasury Department through	Resolved	

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			Status (Resolved/Not Resolved)	Timeline (With a date when you expect the issue to be resolved)
		the Health Department for establishment and installation of an accounting system to enable ease in reporting and accurate extraction of reports. The management has agreed to provide proper documentation to support Revenue receipts send to the hospital.		
OAG/PS&ICT/KSCH/2023-2025(15)	Deficiencies in implementation of universal health covering (UHC).	The management together with the county health department commits towards allocating resources in subsequent budgets to improve the staffing progressively towards achieving the requirements as per the Kenya Quality Model for health checklist applicable to all level 4 hospitals in Kenya.	Not Resolved	FY 2025-2026
OAG/PS&ICT/KSCH/2023-2025(15)	Gender imbalance in the Board of Management	The management takes note and is keen on the importance of gender balance. With only one (1) out of the five (5) members being from one gender. The management commits to bring this to the attention of the appointing authority and address the		

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			matter in its next appointment.		
OAG/PS&ICT/KSCH/2023-2025(15)	Compliance with laws on staff management.	The management has been recruiting both professional staff and casual staff on a 3 months contract in order to address the staff shortages and also ensure uninterrupted quality health service delivery. As per our records, the contracts have been continuously reviewed in the last financial year as shown below:			Resolved
		FY 2023/2024	Date effected	Contract period	
		Q1	1 st July 2023	3 months	
		Q2	1 st October 2023	3 months	
		Q3	1 st January 2024	2 months	
			1 st March 2024	3 months	
		Q4	1 st June 2024	3 months	

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		STATUS	TIMEFRAME
		(Resolved/Not Resolved)	(Date of resolution or expect the issue to be resolved)
		The management has been referring from the Makueni County Public Service Board, Human Resource Policies and Procedures Manual 2017 in the recruitment of staff. Under Section C.1.6 Appointment procedure which uses delegated powers through the Human Resource Management Advisory Committee of the department in accordance with the Makueni County Public Service Board Regulations. However the management is yet to adopt the manual and has committed to doing the same in the next Hospital Board Meeting.	
OAG/PS&ICT/KSCH/2023-2025(15)	Lack of a strategic plan and annual work plan.	The management possess an Annual work Plan (AWP) for FY 2024/2025 (Appendix.6) The management has a draft Strategic plan 2024-2029 that it seeks to complete	FY 2025-2026

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Guidance Notes:

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


.....
Accounting Officer



*Kilungu Level 4 Hospital (Makueni County Government)
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Appendix II: Projects Implemented by the Entity

Projects

Projects implemented by the Hospital Funded by development partners

[REDACTED]					
1					
2					

Status of Projects completion

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

[REDACTED]					
1					
2					
3					

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Appendix III: Inter-Entity Confirmation Letter

Name of transferring entity – GOVERNMENT OF MAKUENI COUNTY

Name of Beneficiary entity – KULUNGU SUB COUNTY HOSPITAL

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
MAKUENI COUNTY /KE/NAIROBI/KE/N	17/02/2025	3,500,000	-	3,500,000	Hospital Equitable share/Transfer from the county government
MAKUENI COUNTY /KE/NAIROBI/KE/N	27/06/2025	38,600	-	38,600	Ward Kitty Reimbursement on amounts waived.
MAKUENI COUNTY /KE/NAIROBI/KE/N	27/06/2025	53,600	-	53,600	Ward Kitty Reimbursement on amounts waived.
Total				3,592,200	

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 *Kennedy* Sign *[Signature]* Date *24/11/2025*

KILUNGU SUB-COUNTY HOSPITAL
 P.O. BOX 223, NUNGUNI
24 NOV 2025
 MEDICAL SUPERINTENDENT

Appendix V: Disaster Expenditure Reporting Template

*Kilungusub County Hospital (Makueni County Government)
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