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REPORT

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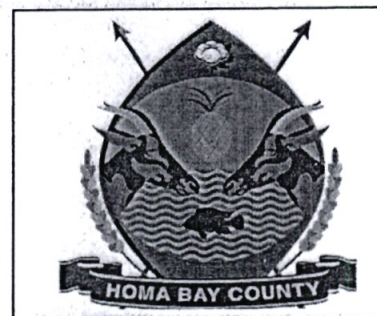
MARINDI SUB-COUNTY HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF HOMA BAY

PAPERS LAID	
DATE	19/2/2026
TABLED BY	Minority Club
COMMITTEE	→
CLERK AT THE TABLE	Angela

2007



MARINDI SUB COUNTY HOSPITAL (COUNTY GOVERNMENT OF HOMABAY)

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

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

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the Hospital.
UHC	Universal Health Coverage
SHA	Social Health Authority
IPSAS	International Public Sector Accounting Standards
PFM	Public Procurement and Management
ECL	Expected Credit Load
OPD	Outpatient Department
ALOS	Average length of stay
CEO	Chief Executive Officer
KEMSA	Kenya Medical Supplies Agency
MEDs	Mission for Essential Drugs

(This list is an indication of the common acronyms and glossary of terms; the Hospital should include all from the annual report and financial statements prepared)

2. Key Hospital Information and Management

(a) Background information

Marindi Sub County Hospital is a level (4) hospital established under gazette notice number 13505 and the Homa Bay county finance bill 2023, is domiciled in Homa Bay County under the Health and Medical Services Department. The Hospital is entirely owned by the county government of Homa Bay and is headquartered in Kenya. The hospital is governed by a Board of Management.

The organization's mission is to become a well-known institution that offers high quality, efficient integrated medical care services as well as training for qualified health care workers. The Hospital's principal function is to provide high quality, integrated medical care services that are accessible and affordable, as well as to foster an environment that encourages active participation in the delivery of high-quality medical care services.

(b) Principal Activities

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

- i) Provide medical services and health coverage
- ii) Modernize infrastructure, machinery and equipment
- iii) Attain financial sustainability
- iv) Strengthen human resource capability
- v) Develop facility health management information system

(c) Key Management

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

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

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Tobias Ochieng Oketch
2.	Head of finance	Mr. Fredrick Charly
3.	Head of Nursing	Mrs Mercelyne Okidi
4.	Health Administrative Officer	Mrs Lynette Ouma-
5.	Procurement Officer	Mrs Immaculate Okatch

(e) Fiduciary Oversight Arrangements

- Homa Bay county Finance and Economic Planning Committee.
- Homa Bay County Budget and Appropriations Committee
- Homa Bay County Public Investments and Accounts Committee
- Audit committee
- Risk Committee
- Homa Bay County Assembly Health Committee
- Parliamentary committees
- National Treasury
- Controller of Budget
- Office of the Auditor General

Key Hospital Information and Management (continued)

(f) Hospital Headquarters

P.O. Box 71-40326
Rodi Kopany
Homa Bay- Kenya

(g) Hospital Contacts

Telephone: (+254) 712125088
E-mail: marindisub.health@gmail.com

(h) Hospital Bankers

Co-operative Bank of Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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





Nairobi, Kenya




(k) **County Attorney**

P.O. Box. 469-40300

HomaBay, Kenya

3. The Board of Management




Ref	Directors	Details
1.	 Mr Jerry Mark Onyango	Age: 42 Role: Chairperson Academic: Bachelor of Education Experience: 13 years in the field of academia. Member of Executive and quality control sub committee
2.	 Mr. Tobias Ochieng Oketch	Age: 44 Academic: Bachelor of Science in Clinical Medicine and Surgery Experience: 17 years Secretary to the Board Member of Executive and Quality Control Sub Committee
3	 Mr. Pascal Otunga	Bachelor of Education, 49 years 17 years' experience. Member of Audit Sub Committee
4	 Dr Ben Aggrey Oketch	Bachelor's degree in pharmacy 11 years' experience Sub County MOH Member all Sub Committees




5	 Alice Okoko	Age: 31 years Qualifications: Diploma in ECD Experience: 2 years' experience in the field of academia. Member of Infrastructure Sub Committee
6	 Mr. Cavin Abok	31 years, Diploma in Business studies, 2 years' experience. Member of Infrastructure Committee
7	 Ms. Dawn Outman	Certificate in Education, 29 years, 3 years exp. Member of Quality Control Sub Committee




Ref	Directors	Details
1.	Mr. Jerry Mark Onyango	Chairperson
2.	Mr. Tobias Ochieng Oketch	Secretary
3.	Dr. Ben Aggrey Oketch	SCMOH
4.	Mr, Pascal Ogallo	Member
5.	Mrs. Alice Okoko	Member
6.	Ms Dawn Ouma	Member
7.	Mr. Cavin Abok	Member
8.	Mrs Betty Nzoka	Member

4. Key Management Team

Ref	Management	Details
1.	Tobias Ochieng Oketch	Medical Superintendent
2.	Lynette Ouma	Health Administrative Office
3.	Mrs Tabitha Kerubo	Laboratory Manager
4.	Nicholas Agallo	Pharmaceutical Technologist in charge
5.	Mercylyne Okidi	Nursing Officer In Charge
6.	Ruth Olango	HRIO
7.	Mrs Elizabeth Ondere	Social Worker
8.	Calvince Ochieng	Nutritionist In Charge
9.	Mr. Liz Obondo	Clinical Officer
10.	Mr. William Ouma	Nurse In Charge CCC

Ref	Management	Details
1.	 <p>Tobias Ochieng Oketch (<i>Bachelor of science in Clinical Medicine and Surgery</i>)</p>	Medical Superintendent
2.	 <p>Mrs. Lynette Outman</p>	Health Administrative Officer
3.	 <p>Mr. Charly Fredrick (Bachelor's degree in Banking and Finance)</p>	Accountant

4.	 <p>Mrs. Tabitha Kerubo BSC in Medical Laboratory</p>	Laboratory Manager
5.	 <p>Mr. Nicholas Agallo. Diploma in Pharmaceutical Technology</p>	Pharmaceutical Technologist in Charge
6.	 <p>Mrs. Mercylyne Okidi Bachelor of Science in Nursing</p>	Nursing officer in charge

7.	 Mrs. Ruth Olango Diploma in Health Records	HRIO
8.	Mrs. Elizabeth Ondere Diploma in Nutrition and Diatitics	Social Worker
9.	 Mr. Calvince Ochieng Diploma in Nutrition and Diatetics	Nutritionist in charge
10.	 Mr. William Ouma. BSC in Nursing	Nurse in Charge of CCC

5. Chairman's Statement

I am pleased to receive the Marindi Sub County Hospital's annual report and financial statements for the fiscal year ending June 30, 2025. The board of Management is proud of the hospital's accomplishments over this time period in 'offering high quality and integrated medical care services that are affordable and accessible.' Given the scale and the complexity of the operational environment in Homa Bay County, I am especially impressed by the staff, 'can do attitude' and commitment to providing the best possible service to patients.

Regulatory Environment

The Hospitals management and operations are guided by existing legal, policy and institutional frameworks that control the health sector, ensuring efficient and effective service delivery. The Kenyan Constitution of 2010 under the bill of rights includes the rights to the highest attainable quality of health including productive health care and emergency medical treatment.

In addition, the Health Act of 2016, establishes a unified health system as well as regulation of health care services and providers, health products and health technologies for related purposes. It also covers health funding, research, e-health, human organ and tissue transplantation, traditional and alternative medicine, mental health, environmental and public health, health standards, reproductive health and emergency treatment. With this in mind, and strategic placement of Marindi Sub County Hospital in the health sector, the board is committed to ensuring ongoing excellent service delivery to citizens

Sector Alignment

At the national level, universal health care (UHC) is one of the big 4 Agendas. The agenda aims to provide affordable health care for all households through SHA Scheme. The Kenya Vision 2030 aims at creating a globally competitive and prosperous country by providing high quality life for all its citizens. Under the social pillar, the overall goal of the health sector is to provide equitable affordable and quality health care to all citizens.

Acknowledgement

On behalf of the board, I wish to thank all of our stake holders particularly the Homa bay County Government, The Ministry of Health, the Social Health Authority and our development partners for their ongoing support of the hospital without which none of our accomplishments could have been possible. As we start a new year, I would want to congratulate Marindi Sub County Hospital's team leaders, specialists, staff and board for your dedication and everyday demonstration of our

hospital's goals and values. Finally, just as in previous years, I am certain that our approach and individuals will continue to drive our development

Mr. Jerry Mark Onyango

.....


Chairperson – Board of Management

6. Report of The Facility In charge

I am pleased to present the hospital's annual report and financial statements for the year ended 2024/2025. The report highlights the hospital's operational and financial performance as well as our strategic direction.


Operational Performance

The hospital provides specialized health care services. To meet our patient's needs, we have specialists of medical practice who ensure our customers receive safe, timely, equitable, efficient, effective and patient centred services. In the period under review the hospital attended to 5,469 patients of whom 1,238 were inpatients. This was an increase of 8% outpatients and 11% inpatients attendance in comparison to the previous periods. During the year the clinical team successfully demonstrated clinical effectiveness by reduction of mortality rate.

Financial Review

To meet the cost of operations and maintenance, the hospital relies on the internally generated revenue, the largest component being cost sharing revenue. During the period under review, the hospital generated Kshs 43,255,282.00 against a target of Kshs 37,469,000.00. This is an increment of 10% above the previous year's internally generated revenue

Mr. Tobias Ochieng Oketch


.....
Facility In charge Marindi Sub County Hospital

7. Statement of Performance Against Predetermined Objectives

Marindi Sub County Hospital falls under the Ministry of Health and Sanitation of the County Government of Homa Bay which has several strategic pillars which are broadly summarised in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Provide reliable medical services	<ul style="list-style-type: none"> To offer quality health services under one roof To reduce stock-out levels to zero 	<ul style="list-style-type: none"> To reduce referrals to other facilities Adequate Pharmaceutical and non-pharmaceutical stock levels 	<ul style="list-style-type: none"> Establish quality health care standards Maintaining proper Pharmaceutical and non-pharmaceutical stock levels 	<ul style="list-style-type: none"> Improved quality of health care. KEMSA supplies improved to at least once every quarter.
Increase revenue	<ul style="list-style-type: none"> To achieve 100% reimburse ment on SHA claims To increase revenue streams to 10 by 2028 	<ul style="list-style-type: none"> SHA Claims paid Revenue streams added 	<ul style="list-style-type: none"> Follow up on SHA Unpaid claims Increase revenue streams 	<ul style="list-style-type: none"> SHA Claims paid increased by 23% Revenue collected from rent of facilities increased by 100%

Customer/Patients' satisfaction	<ul style="list-style-type: none"> To increase Inpatient and outpatient workload to 80% by 2028 	<ul style="list-style-type: none"> Inpatient and outpatient workload Customer complaints received 	<ul style="list-style-type: none"> Increase Inpatient and outpatient workload 	<ul style="list-style-type: none"> Increase of 3% and 11% on inpatient and outpatient workload respectively
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8. Corporate Governance Statement

Marindi Sub County hospital board of management is responsible for several functions, Structures and ethical conduct. Furthermore, their main priority is to ensure that patients receive excellent medical care.

Appointment and Induction of Board Members

Appointment of Board members is as prescribed under the County Government Finance Bill, 2012.

Role of the Board

The responsibility of driving good corporate governance and stewardship of the hospital is vested in the board of management. The board through its committees provides strategic direction while the facility in charge assisted by the executive management committee is accountable to the board for implementing the strategic

Board meetings and attendance

The financial year ended 2024/2025 board meetings held were strictly as per the board Almanac for committees and full board. There were no special meetings.

Board Committees

- a. Finance and general-purpose committee
- b. Quality and curative committee
- c. Audit committee
- d. Facility Infrastructure Committee

Conflict of Interest

Declaration of conflict of interest is a standing agenda in all meetings of the board and its committees

9. Management Discussion and Analysis

The following is a brief outline of management discussion and analysis: -

Clinical/operational performance

During the Financial Year 2024/25 the amount generated by Marindi Sub County Hospital was Kshs **42,255,282.00** which was utilized as per the agreed budget line in running the day-to-day operations of the hospital. The hospital plans to discuss with the management at County level on the possibility of increasing funding to meet its expenses as and when they fall due and avoid accumulation of pending bills.

Financial performance

During the year, sources of revenue included income from provision of services. Disbursements from the SHA formed the major source of income. The amount received was used to cater for medical cost, employees' costs, and maintenance/repairs cost and general expenses.

Revenue collected from provision of medical services amounted to Kshs. **43,255,282.00**. This amount was however transferred to The Homa Bay County Revenue Account as per the existing standing orders. The unpaid claims by SHA amounted to Kshs. 2,248,626

Overall Patient attendance

The average patient attendance for the year was 5,469 outpatients and 1,238 inpatients. There was a sharp increase in outpatient attendance of 8% and 11 % in the inpatients in the fiscal year. This was attributed to the effect of the consistent medical supplies.

Average length of stay

The average length of stay (ALOS) is an indicator of efficiency in the provision of inpatient health care in the hospital. Generally, the average length of stay in the hospital has been falling (Between FY 2023/2024 to 2024/2025).

Bed Occupancy Rate

For financial year ended 2024/2025 the bed occupancy rate averaged 94%. This was attributed to the specialized and quality health care services offered in the hospital that attract clients from across the region and beyond. The other side of this is the overstretching of the hospital facilities and the congestion of patients in the wards.

Mortality Rate

During the period under review, the death rate averaged 7%. This is attributed to by the critically ill patients referred to and managed in the hospital.

Signed: 

Mr. Tobias Ochieng Oketch
Secretary to the Board

10. Environmental And Sustainability Reporting

Marindi Sub County Hospital 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

The hospital has planted trees around the fence to improve environmental sustainability of the region

ii) Environmental performance

The area around the hospital receives fair amount of rainfall.

iii) Employee welfare

The hospital operates as per the set Human Resource Policies both at County, national and international levels.

iv) Market place practices-

The following can be stated in relation to Marindi Sub County Hospital:

a) Responsible competition practice.

Marindi Level 4 hospital exists to provide medical services for no profit.

b) Responsible Supply chain and supplier relations

Marindi Level 4 hospital maintains good business practices and treats its own suppliers responsibly by honouring contracts and paying them promptly.

c) Responsible marketing and advertisement

Being a non-profit making organization, no advertisements are done but Marindi Sub County hospital maintains good customer care services

d) Product stewardship

Marindi Hospital has several staff each with specific roles to uphold proper use of resources allocated to the hospital.

v) Corporate Social Responsibility / Community Engagements

The hospital Management from time to time has provided waiver to patients who are not able to pay hospital bills based on investigations and report done by social services departments as stated in the waiver policy.

vi) Efforts made in improving skills and managing careers

Training and capacity building in the county's public service is key towards improving skills and managing career progression. Training Needs Assessment which are conducted in each department. Departments are required to prepare training projections based on training needs assessment to guide in the nomination of officers for training.

Selection of trainees for all training programs are based on identified needs and normally emphasises on training on performance improvement. Training programs comprise both short and long term courses in specific professions that are intended to impart required knowledge, skills and attitudes to enhance staff performance.

Appraisal and Reward System

Staff performance appraisal is predicated upon the principles of work planning setting of agreed performance targets, feedback and reporting. Appraisal systems are also linked to other Human resource systems and process including staff development, career progression placement, rewards and sections.

Prior to the beginning of performance appraisal period, department prepare work plans based on their strategic plans. The departments work plans includes the departmental priority objectives from which individual performance targets will be derived.

Employees' individual work plans will be derived from the departmental work plans and officers job descriptions. The appraisals period covers one (1) year starting 1st July to 30th June of the following year. The performance appraisal reflects the summation of the year's performance including quarterly and mid-year reviews.

Reward System

Exemplary performance is rewarded through incentives, promotions, recognition of major improvements and training.

Policy on safety and compliance with occupational safety and Health Act of 2007 (OSHA)

Employees are protected from accidents and occupational hazards arising at the workplace. Measures to prevent and mitigate against accident at workplace, explosions,

fire, floods, earthquakes and other threats through provision of first aid kits, fire protection, firefighting and demonstration, providing fire assembly areas, emergency preparedness in such events:

- i) Fire protection and protection in Buildings*
- ii) No Hazardous or highly inflammable materials should be stored in buildings*
- iii) Firefighting equipment should be placed in strategic places*
- iv) Provision of protective equipment and clothing*
- v) Medical examination*
- vi) Compensation of officers in case of injury at work*

11. Report of The Board of Management

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

Principal activities

The principal activities of the Hospital are:

- i) Provide affordable and accessible universal Health coverage
- ii) To modernize infrastructure, machinery and equipment
- iii) To financial sustainability
- iv) To strengthen human resource capability
- v) To develop facility health information management system

Results

The results of the Hospital for the year ended June 30, 2025, are set out on pages 1-41.

Board of Management

The members of the Board who served during the year are shown on page viii. During the year, 2025 was appointed with effect from 2nd February 2024.

Auditors

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

By Order of the Board

.....
Name

Secretary to the Board

12. Statement of Board of Management’s Responsibilities

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

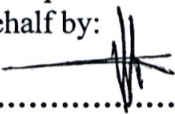
The Board of Management is responsible for the preparation and presentation of Marindi Sub County Hospital’s financial statements, which give a true and fair view of the state of affairs of Marindi Sub County Hospital for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the hospital, (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 Marindi Sub County Hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the *hospital’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 Marindi Hospital’s financial statements give a true and fair view of the state of the hospital’s transactions during the financial year ended June 30, 2025, and of the *hospital’s* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained by the *hospital*, which have been relied upon in the preparation of the 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 *Marindi sub county hospital* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital’s financial statements were approved by the Board on 19/11/25 and signed on its behalf by:


.....
Mr. Jerry Onyango Mark
Chairperson
Board of Management


.....
Tobias Ochieng Oketch
Medical Superintendent

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON MARINDI SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF HOMA BAY

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the 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 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 the 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 Marindi Sub-County Hospital - County Government of Homa Bay set out on pages 1 to 37, 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 Marindi Sub County Hospital - County Government of Homa Bay 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 Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Non-compliance with the Prescribed Reporting Framework

Review of the financial statements revealed the following instances of non-compliance with the reporting template prescribed by the Public Sector Accounting Standards Board:

- i. The financial statements contained some pages which with illegible page numbers.

In addition, the financial statements are not signed by the Head of Finance, and his the ICPAK membership number is not indicated as required.

The table of contents included paragraphs on page xviii that are not recognized headings under the Public Sector Accounting Standards Board financial statements template.

The statement of cash flows includes working capital changes which are not provided for in the prescribed reporting template. Further, the statement reflects notes against receipt and payment items which are not required by the template. In addition, the statement does not reflect a note against net cash flows from operating activities.

- ii. The statement of comparison of budgeted and actual amounts contains the error sign which should be corrected. Further, the statement does not include cash and cash equivalents opening balance of Kshs.68,663 as budget carryovers from the previous year. In addition, the statement does not have budget notes to explain the reported under utilizations and over utilizations of more than 10%. Moreover, the statement included depreciation charge of Kshs.2,577,259 which is not a cash transaction. Also, the statement classifies the acquisition of assets, which is capital expenditure, under operational expenditure.
- iii. The notes to the financial statements do not include a note on Cash Generated from Operations to reconcile the deficit of Kshs.2,504,037 reported in the statement of financial performance and net cash flows from operating activities of Kshs.3,970,551.

- iv. The financial statements do not include Budget Reconciliation to reconcile actual deficit of Kshs.11,991,899 reflected in the statement of comparison of budget and actual amounts and cash and cash equivalents as at 30 June, 2025 of Kshs.49,164 reported in the statement of cash flows, as required.
- v. The statement of financial position reflects receivables from exchange transactions and trade and other payables balances of Kshs.2,248,626 and Kshs.10,123,471 respectively, whose ageing analyses were not provided in the respective supporting Note 17 and Note 20 to the financial statements as required.

In the circumstances, the financial statements do not fully comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board in line with Section 164(3) of the Public Finance Management Act, 2012 and, therefore, Management was in breach of the law.

2. Inaccuracies in the Financial Statements

The statement of changes in net assets shows capital/development grants/additions amount of Kshs.6,910,603, while the statement of cash flows indicates capital grants received of Kshs.5,497,802, resulting in an unreconciled variance of Kshs.1,412,801.

Further, the statement of comparison of budget and actual amounts reflects nil budget amount in respect of total operational expenditure paid, which differs with the re-computed total of Kshs.37,469,000, resulting in a casting error of negative Kshs.37,469,000. Similarly, the statement reflects budget surplus of Kshs.37,469,000 which differs with the re-computed surplus of Kshs.41,031,000, resulting in an unreconciled variance of Kshs.3,562,000. The existence of budget surplus was contrary to Regulation 31(c) and (e) of the Public Finance Management (County Governments) Regulations, 2015, which states that revenue budget and expenditure appropriation shall be balanced and that total budget revenue shall cover total budget expenditure.

The statement of cash flows reflects purchase of property, plant and equipment amount of Kshs.9,487,862, while Note 19 to the financial statements on property, plant and equipment shows additions amount of 9,587,862, resulting in an unreconciled variance of Kshs.100,000.

Additionally, the statement of comparison of budget and actual amounts reflects actual expenditure of Kshs.55,247,181 and actual revenue of Kshs.43,255,282, resulting in expenditure in excess of revenue of Kshs.11,991,899. However, it was not clarified how this excess expenditure was funded, given that the Hospital had opening cash and cash equivalents of only Kshs.68,664.

In the circumstances, the accuracy, completeness and fair presentation of financial statements could not be confirmed.

3. Unsupported Capital Grant

The statement of cash flows reflects capital grants received of Kshs.5,497,802 whose supporting ledger schedules was not provided for audit.

In the circumstance, the accuracy and completeness of the capital grant of Kshs.5,497,802 could not be confirmed.

4. Unsupported Property Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.17,923,312 which differs with the balance of Kshs.18,013,312 disclosed in Note 19 to the financial statements, resulting in an unreconciled variance of Kshs.90,000. Further, the reported balance of Kshs.17,923,312 excludes the value of the land occupied and motor vehicles owned by the Hospital. Further, the supporting documents, including the title deed for the land and the logbook for the vehicles, were not provided for audit verification.

In addition, the Hospital did not maintain an up-to-date fixed asset register containing key details such as asset classifications, tags, serial or logbook numbers, locations, opening balances, additions, acquisition dates, disposals, depreciation charges, accumulated depreciation, and net book values.

In the circumstances, the completeness, accuracy, and existence of the property, plant, and equipment reported in the financial statements could not be confirmed.

5. Unsupported Transfers from the County Government

The statement of financial performance reflects a negative amount of Kshs.4,536,931 against transfers from the County Government as disclosed in Note 6 to the financial statements. However, this amount was not supported by ledger schedules to confirm its accuracy and completeness. Also, it was explained why the amount is negative.

In the circumstances, the accuracy, completeness, and validity of the transfers from the County Government negative amount of Kshs.4,536,931 could not be confirmed.

6. Unsupported Revenue from Exchange Transactions

Reported in statement of financial performance, and as disclosed in Note 9 to the financial statements, is other income of Kshs.36,821,298 whose supporting Social Health Authority (SHA) and National Hospital Insurance Fund (NHIF) Claims were not provided for audit. In addition, there was no evidence that all SHA claims reported in the financial statements were either paid or were eligible for payment.

In the circumstances, the accuracy, completeness and validity of the reported other income revenue could not be confirmed.

7. Unsupported Receivables from Exchange Transactions

The statement of financial performance reflects receivables from exchange transactions balance of Kshs.2,248,626 whose supporting ledger was not provided for audit.

In the circumstances, the accuracy and completeness of receivables balance could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Marindi Sub-County 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted revenue of kshs.78,600,000 and actual revenue of kshs.43,255,282, resulting in an underfunding of kshs.35,344,718, or 45% of the budget.

The underfunding affected planned activities and may have negatively impacted service delivery by the Hospital.

My opinion is not modified in respect of this matter.

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 Matter

Unresolved Prior Year Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance sections respectively. Review of the status during audit of the Hospital in 2024/2025 revealed that the following matters remained unresolved:

S/No.	Financial Year	Audit Issue
1	2023/2024	Non-compliance with the Prescribed Reporting Framework and Inaccuracies in the Annual Report and Financial Statements
2	2023/2024	Unconfirmed Receivables from Exchange Transactions Balance
3	2023/2024	Unconfirmed Property, Plant and Equipment Balance
4	2023/2024	Budgetary Control and Performance

S/No.	Financial Year	Audit Issue
5	2023/2024	Revenue Not Transferred to the County Revenue Fund (CRF) Account
6	2023/2024	Rendering of Services-Medical Service Income
7	2023/2024	Hospital's Compliance with Minimum Required Criteria for Level 4 Hospital
8	2023/2024	Lack of Audit Committee and Internal Audit Unit
9	2023/2024	Failure to Automate Own Source Revenue Collection

Other Information

The Management is responsible for the Other Information set out on pages iii to xxiii which comprises 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, Environment 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 Marindi Sub County Hospital 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 and based on the audit procedures performed, except for 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. Failure to Retain Facilities Improvement Funds at the Hospital

Review of revenue records obtained from the Marindi Sub-County Hospital revealed total collection of Kshs.39,177,131 towards the health facilities improvement. Out of this

amount, a total of Kshs.22,716,652 was transferred to Special Purpose Account at the health department. However, Special Purpose Account reimbursed a total of Kshs.18,179,721 to the health facilities resulting in a deficit of Kshs.4,536,931 This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing account. In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

In the circumstances, Management of the County Special Purpose Account (SPA) was in breach of the law.

2. Failure to Appoint Facility in Charge and Accounting Officer

Review of records revealed that the officer in charge had not been formally appointed and had not been designated as the Accounting Officer. This is contrary to Section 21(2) of the Facilities Improvement Financing Act, 2023 (Cap. 277) Laws of Kenya, which provides that the hospital Medical Superintendent (or facility in-charge, in the case of health centers and dispensaries) shall receive the authority to incur expenditure from the Chief Officer.

Further, there was no evidence that the in-charge has requisite qualifications contrary to First Schedule of the Health Act, 2017 on level 4 hospitals which states that the In-charge shall be a registered medical practitioner with a Master's degree in a health-related field.

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

3. Lack of Quarterly Revenue Reports

The statement of financial performance reflects an amount of Kshs.39,177,131 revenue from exchange transactions. However, the Hospital did not provide evidence to confirm that quarterly revenue reports were prepared and submitted to the County Treasury, with a copy to the Auditor-General, as required by Regulation 64(1) of the Public Finance Management (County Governments) Regulations, 2015. The Regulation requires the Accounting Officer, receiver of revenue, or collector of revenue to prepare a quarterly revenue report not later than the fifteenth (15) day after the end of each quarter.

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

4. Lack of Proper Inventory Records

The statement of financial position reflects an inventory balance of Kshs.1,279,125, as disclosed in Note 18 to the financial statements. Audit verification conducted on 6 November 2025 revealed that management did not have an inventory management and control system to support sound supply chain management or facilitate tracking of inventory levels. Records were maintained manually. Further, it was observed that the store lacked adequate security surveillance, and fire extinguishers had not been serviced.

In addition, quarterly inventory and stock-taking reports for the year under review were not provided for audit, contrary to Section 162(2) of the Public Procurement and Asset Disposal Act, 2015, which requires the head of the procurement function to conduct occasional inspections of stores at least quarterly, carry out quarterly and annual inventory and stock-taking, ensure compliance with governing laws, and submit the reports to the Accounting Officer.

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

5. Irregular Engagement of Staff

A review of the master roll revealed six casual employees who were engaged for the entire year and paid a wage of Kshs.7,500 per month. This practice is contrary to Employment Act, 2007 under the Act, a “casual employee” is defined as a person whose terms of engagement provide for payment at the end of each day and who is not engaged for longer than 24 hours at a time.

Further, under Regulation of Wages and Conditions of Employment Act (Cap. 229), no person should be employed at less than the basic minimum wage applicable to their occupation and area of employment.

In addition, two employees did not have a contract letter, while all of them did not have personal files which should contain copies of certificates, ID, NSSF and SHA.

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

6. Non-Remittance of Statutory Deduction

The statement of financial performance reflects employee costs amount of Kshs.1,734,500 as disclosed in Note 11 to the financial statement. However, the records provided for audit showed that the Hospital did not deduct and remit SHA and NSSF to the relevant authorities.

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

7. Non-Compliance with Requirements on Universal Health Care

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

Staff Requirements	Level 4 Standard	Actual	Variance
Medical officers	16	0	16
Anaesthesiologists	2	0	2
General Surgeons	2	0	2
Paediatricians	2	0	2
Radiologists	2	0	2
Registered nurses	75	16	59

Further, the Hospital lacked or had shortage of the necessary equipment and machines outlined in the Health Policy Guidelines as detailed below:

Service	Level 4 Standard	Actual	Variance
Resusitaire	3	1	2
New born unit incubators	5	1	4
New born unit cots	5	1	4
ICU beds	6	0	6
Hdu beds	6	0	6
Renal unit with 5 dialysis machines	5	0	5
Functional operation theatres	2	0	2
Beds	150	60	90

The deficiencies contravene the First Schedule of 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, 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 and based on the audit procedures performed, except for the effect of the matters 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

1. Lack of an Approved Hospital Strategic Plan and Organizational Structure

The Hospital did not have an approved strategic plan in place, contrary to Section 149(2)(g) of Public Finance Management Act, 2012, requires the Accounting Officer to prepare a strategic plan for the entity in conformity with the medium-term fiscal framework and financial objectives of the county government.

In the circumstances, the effectiveness of governance in the Hospital could not be confirmed.

2. Failure To Appoint a Facility in Charge and Accounting Officer

Review of records revealed that the officer in charge had not been formally appointed and had not been designated as the Accounting Officer. This is contrary to Section 21(2) of the Facilities Improvement Financing Act, 2023 (Cap. 277) Laws of Kenya, which provides that the hospital Medical Superintendent (or facility in-charge, in the case of health centers and dispensaries) shall receive the authority to incur expenditure from the Chief Officer.

Further, there was no evidence that the in-charge has requisite qualifications contrary to First Schedule of the Health Act, 2017 on level 4 hospitals which states that the In-charge shall be a registered medical practitioner with a Master's degree in a health-related field.

In the circumstances, effectiveness of governance and accountability of the operation could not be confirmed.

3. Lack of Approved Staff Establishment

An audit of the Marindi Sub-County Hospital staff complement data revealed that the hospital does not have an approved staff establishment. The lack of an approved staff establishment implies that the hospital has yet to determine the optimal staffing levels and skills required, and how to deploy its workforce to achieve its goals and objectives. In the circumstances, the effectiveness of the Hospital's ability to plan, allocate, and manage its human resources towards achieving its goals and objectives could not be confirmed.

4. Cash and Cash Equivalents

Review of the Hospital's cash books, bank statements, and other records revealed that the Hospital operated and maintained a single bank account. However, the list of bank signatories, their signature specimens, and letters or other correspondence confirming that the accounts were opened in accordance with proper procedures were not provided for audit review.

Further, review of internal controls over cash and cash equivalents identified several weaknesses. There was no evidence that copies of bank reconciliation statements were sent to the relevant authorities in a timely manner, as required by law. System-generated cash books and ledgers were not provided for audit purposes. Further, although the Hospital applied a standing imprest system in some cases, there was no evidence that approved cash floats were in use. Additionally, the Hospital's cash book was maintained manually, was not regularly updated, and was therefore prone to errors, inaccuracies, and potential manipulation due to single-entry recording.

In the circumstances, the effectiveness of the Hospital's cash management and internal controls over cash and bank balances could not be confirmed.

5. Lack of Fraud and Risk Management Strategies

During the year under review, Marindi Sub-County Hospital did not have a Fraud Management Policy in place to assist in detecting and preventing fraud. Further, management did not have a Risk Management Policy or strategy, and therefore lacked approved processes and guidelines for mitigating operational, legal, and financial risks. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires the Accounting Officer to ensure that a county government entity develops risk management strategies, including fraud prevention mechanisms, and establishes a system of risk management and internal control to support robust business operations.

In addition, management did not maintain a risk register to document identified risks, nor were formal risk assessments conducted during the financial year under review.

In the circumstances, effectiveness of fraud and risk management strategies could not be confirmed.

6. Inefficient Audit Committee

During the audit, it was noted that Marindi Sub-County Hospital did not have audit committee. There was no evidence that the Audit Committee held a meeting during the financial year under review. This was contrary to Regulation 172(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires that the audit committee shall meet at least once in every three months.

In the circumstances, the effectiveness of the oversight, assurance, and guidance on risk management and internal controls could not be confirmed.

7. Weak Internal Audit Function

Review of documents revealed that Marindi Sub-County Hospital relies on the Internal Audit function of the County Executive of Homa Bay. However, no internal audit reports for the Hospital were provided on the state of risk management, control, and governance for the financial year ended 30 June, 2025. Further, the Hospital did not have an approved Internal Audit Work Plan and Internal Audit Charter.

In the circumstances, the effectiveness of the internal controls and risk management 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 The Board of Management

The 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 the 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, the 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.

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

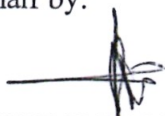
Nairobi

09 December, 2025

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	(4,536,931)	-
In-kind contributions from the County Government	7	8,615,082	19,976,615
		4,078,151	19,976,615
Revenue from exchange transactions			
Rendering of services- Medical Service Income	8	2,355,833	2,188,290
Other Income	9	36,821,298	8,410,236
Revenue from exchange transactions		39,177,131	10,598,526
Total revenue		43,255,282	30,575,141
Expenses			
Medical/Clinical costs	10	29,521,535	29,208,484
Employee costs	11	1,734,500	1,045,000
Board of Management Expenses	12	160,600	90,000
Depreciation and amortization expense	13	2,577,259	1,324,551
Repairs and maintenance	14	6,832,900	819,000
General expenses	15	4,932,525	2,433,484
Total expenses		45,759,319	34,920,519
Other gains/losses)		-	-
Net Surplus / (Deficit) for the year		(2,504,037)	(4,345,378)

The Hospital's financial statements were approved by the Board on 19/11/25 and signed on its behalf by:

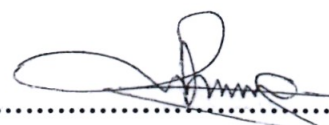


.....
Chairman

Board of Management

.....
Head of Finance

ICPAK No:

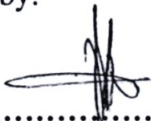


.....
Medical Superintendent

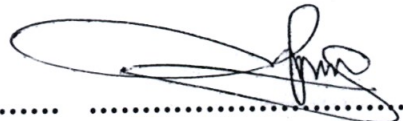
15. Statement of Financial Position As At 30th June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	16	49,154	68,664
Receivables from exchange transactions	17	2,248,626	1,113,370
Inventories	18	1,279,125	2,401,394
Total Current Assets		3,576,905	3,583,428
Non-current assets			
Property, plant, and equipment	19	17,923,312	11,012,709
Total Non-current Assets		17,923,312	11,012,709
Total assets (A)		21,500,217	14,596,137
Liabilities (B)			
Current liabilities			
Trade and other payables	20	10,123,471	6,213,155
Total Current Liabilities		10,123,471	6,213,155
Net assets (A-B)		11,376,746	8,382,982
Represented by:			
Accumulated surplus/Deficit		(6,546,566)	(4,042,529)
Capital Fund		17,923,312	12,425,510
Net Assets		11,376,746	8,382,981

The Hospital's financial statements were approved by the Board on 19/11/25 and signed on its behalf by:



.....
Chairman
Board of Management



.....
Head of Finance
ICPAK No:

.....
Medical Superintendent

16. 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 (previous year)	-	302,849	540,000	842,849
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(4,345,378)	-	(4,345,378)
Capital/Development grants	-	-	11,885,510	11,885,510
As at June 30, 2024 (previous year)	-	(4,042,529)	12,425,510	8,382,981
At July 1, 2024 (current year)	-	(4,042,529)	12,425,510	8,382,981
Revaluation gain/Adjustments for Capital fund	-	-	(1,412,801)	(1,412,801)
Surplus/(deficit) for the year	-	(2,504,037)	-	(2,504,037)
Capital/Development grants/Additions	-	-	6,910,603	6,910,603
At June 30, 20xx (current year)	-	(6,546,566)	17,923,312	11,376,746

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	(4,536,931)	-
Rendering of services- Medical Service Income	8	2,355,833	2,188,290
In Kind Contributions	7	8,615,082	-
Other Incomes	9	36,821,298	7,359,686
Total Receipts		43,255,282	9,547,976
Payments			
Medical/Clinical costs	10	29,521,535	5,820,148
Employee costs	11	1,734,500	923,000
Board of Management Expenses	12	160,600	90,000
Repairs and maintenance	14	6,832,900	819,000
General expenses	15	4,932,525	1,969,390
Total Payments		43,182,060	9,621,538
Working Capital Changes			
Increase and Decrease in Receivables		(1,135,256)	-
Increase and Decrease in Payables		3,910,316	-
Increase and Decrease in Inventories		1,122,269	
Net cash flows from operating activities		3,970,551	(73,562)
Cash flows from investing activities			
Purchase of property, plant, equipment	19	(9,487,862)	(109,500)
Net cash flows used in investing activities		(9,487,862)	(109,500)
Cash flows from financing activities			
Capital grants received		5,497,802	
Net cash flows used in financing activities		5,497,802	
Net increase/(decrease) in cash and cash equivalents		(19,509)	(183,062)
Cash and cash equivalents as at 1 July 2024		68,663	251,725
Cash and cash equivalents as at 30 June 2025		49,154	68,663

Marindi sub county Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	B	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Transfers from the County Government	4,000,000	-	4,000,000	(4,536,931)	8,536,931	-113%
Rendering of services- Medical Service Income	2,500,000	-	2,600,000	2,355,833	244,167	91%
In Kind Contribution	-	-	-	8,615,082	(8,615,082)	100%
Other Revenues	72,000,000	-	72,000,000	36,821,298	35,178,702	51%
Total receipts	78,500,000	-	78,600,000	43,255,282	35,344,718	55.03%
Payments						
Medical/Clinical costs	18,027,000	-	18,027,000	29,521,535	(11,494,535)	164%
Employee costs	2,472,000	-	2,472,000	1,734,500	737,500	70%
Remuneration of directors	126,000	-	126,000	160,600	(34,600)	127%
Repairs and maintenance	6,534,900	-	6,534,900	6,832,900	(298,000)	105%
Acquisitions of Assets	8,575,100.00		8,575,100	9,487,862	(912,762)	111%
General expenses	1,734,000.00	-	1,734,000.00	4,932,525	(3,198,525)	284%
Depreciation Charge	-	-	-	2,577,259	(2,577,259)	#DIV/0!
Total Operational Expenditure paid	-	-	-	55,247,181	(17,778,181)	#DIV/0!
Surplus	37,469,000.00	-	37,469,000.00	(11,991,899)	17,566,537	%

Budget notes

1. Provide an explanation of differences between actual and budgeted amounts (any over/ 90% under) IPSAS 24.14
2. Provide an explanation of changes between the original and final budget, indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

19. Notes to the Financial Statements

1. General Information

Marindi Sub County Hospital is established by and derives its authority and accountability from Health Act. The Hospital is wholly owned by the Homabay County Government and is domiciled in Homa Bay County in Kenya. The Hospital's principal activity is Medical Health Services.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *Hospital's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed. 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 2025

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

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

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> 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

Standard	Effective date and impact:
	<p>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 a Hospital.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
<p>IPSAS 45- Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;

Standard	Effective date and impact:
	<p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an Hospital shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<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> <p>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</p>

Standard	Effective date and impact:
	<ul style="list-style-type: none"><li data-bbox="464 232 1441 376">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.<li data-bbox="464 387 1441 656">iii. Disclosures that identify and explain the amounts in the Hospital'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 Hospital did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

The Hospital 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 Hospital.

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2024/2025 was approved by Board on *1st July 2024*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Hospital upon receiving the respective approvals to conclude the final budget. Accordingly, the Hospital recorded additional appropriations of *ksh 17,778,181* on the FY 2024/2025 budget following the Board's approval. The Hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Hospital. 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 Hospital 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 Hospital 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 Hospital. 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 Hospital 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 Hospital, 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 Hospital expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Hospital 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 Hospital 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 Hospital and a financial liability or equity instrument of another Hospital. At initial recognition, the Hospital 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 Hospital 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 Hospital'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 a Hospital 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 Hospital 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 Hospital 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 Hospital 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 Hospital recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL)

Financial liabilities

Classification

The Hospital 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 Hospital.

l. Provisions

Provisions are recognized when the Hospital 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 Hospital 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. The Hospital recognises a social benefit as an expense for the social benefit scheme while 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 Hospital will incur in fulfilling the present obligations represented by the liability.

n. Contingent liabilities

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

q. Changes in accounting policies and estimates

The Hospital 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 Hospital provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which a Hospital pays fixed contributions into a separate Hospital (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.

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 Hospital regards a related party as a person or an Hospital with the ability to exert control individually or jointly, or to exercise significant influence over the *Hospital*, 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 Hospital 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 *Hospital* recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Hospital* 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 Hospital'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 Hospital 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 Hospital. 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 Hospital.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. a) Transfers from the County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance*	2024-2025	2023-2024
	KShs	KShs	KShs
HomaBay County Govt	403,200	403,200	-
HomaBay County Govt	974,263	974,263	-
HomaBay County Govt	126,595	126,595	-
HomaBay County Govt	1,211,488	1,211,488	-
HomaBay County Govt	1,090,602	1,090,602	-
HomaBay County Govt	1,202,216	1,202,216	-
HomaBay County Govt	80,873	80,873	-
HomaBay County Govt	7,759,600	7,759,600	-
HomaBay County Govt	2,490,692	2,490,692	-
HomaBay County Govt	1,128,800	1,128,800	-
HomaBay County Govt	1,711,392	1,711,392	-
Totals	18,179,721	18,179,721	-

b) Transfer to County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance*	2024-2025	2023-2024
	KShs	KShs	KShs
Domestic Payment to Homabay Special purpose	504,000	504,000	-
Domestic Payment to Homabay Special purpose	1,217,829	1,217,829	-
Domestic Payment to Homabay Special purpose	997,307	997,307	-

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Domestic Payment to Homabay Special purpose	675,538	675,538	-
Domestic Payment to Homabay Special purpose	1,363,482	1,363,482	-
Domestic Payment to Homabay Special purpose	1,503,000	1,503,000	-
Domestic Payment to Homabay Special purpose	101,206	101,206	-
Domestic Payment to Homabay Special purpose	9,689,650	9,689,650	-
Domestic Payment to Homabay Special purpose	3,113,825	3,113,825	-
Domestic Payment to Homabay Special purpose	3,550,815	3,550,815	-
TOTAL	22,716,652	22,716,652	-

Summary of transfer to the County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance*	2024-2025	2023-2024
	KShs	KShs	KShs
HomaBay County Govt	18,179,721	18,179,721	-
HomaBay County Govt	(22,716,652)	(22,716,652)	-
Totals	(4,536,931)	(4,536,931)	-

Notes to the Financial Statements (Continued)

7. In Kind Contributions from The County Government

Description	2024-2025	2023-2025
	KShs	KShs
Non-Pharmaceutical Supplies		
Laboratory Supplies (KEMSA)	3,011,602	2,017,596
Pharmaceuticals supplies (KEMSA/MEDS)	5,603,480	17,959,019
Utility bills	-	-
Total grants in kind	8,615,082	19,976,615

8. Rendering of Services-Medical Service Income

Description	2024-2025	2023-2024
	Kshs	Kshs
Pharmaceuticals	608,832	599,883
Non-Pharmaceuticals	10,350	56,550
Laboratory	956,160	912,130
Outpatient Services	66,374	57,020
In-Patient Services	394,695	534,477
Medical Records	319,422	28,230
Total revenue from the rendering of services	2,355,833	2,188,290

9. Other Income

Description	2024-2025	2023-2024
	Kshs	Kshs
Insurance Recoveries-NHIF/SHA	34,572,672	7,296,866
Receivables NHIF/SHA	2,248,626	1,113,370
Total Revenue of facilities	36,821,298	8,410,236

10. Medical/ Clinical Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Medical Drugs	10,780,810	20,187,472
Laboratory chemicals and reagents	4,609,117	4,272,721
Public health activities	-	-
Food and Ration	644,640	1,358,100

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Uniform, clothing, and linen	1,640,000	-
Dressing and Non-pharmaceuticals	4,399,090	1,930,656
Pharmaceutical supplies	932,901	-
Health information stationery	-	1,183,835
Reproductive health materials	-	-
Sanitary and cleaning Materials	348,895	275,700
Purchase of Medical gases	11,000	-
X-Ray/Radiology supplies	-	-
In Kind contributions	6,155,082	-
Total medical/ clinical costs	29,521,535	29,208,484

11. Employee Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Contractual Employees	1,202,000	348,000
Employee salaries paid by the county government	-	-
Other employee costs – <i>Casual Wages</i>	532,500	697,000
Employee costs	1,734,500	1,045,000

12. Board of Management Expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Sitting allowance	160,600	90,000
Travel and accommodation allowance	-	-
Airtime allowances	-	-
Total	160,600	90,000

13. Depreciation and Amortization Expense

Description	2024-2025	2023-2025
	Kshs	Kshs
Property, plant and equipment	1,006,358	107,500
Furniture & Fittings	66,751	53,001
ICT Equipment	256,950	74,850
Building & Civil Works	1,247,200	1,089,200
Motor Vehicle	-	-
Total depreciation and amortization	2,577,259	1,324,551

Notes to the Financial Statements (Continued)

14. Repairs And Maintenance

Description	2024-2025	2023-2024
	Kshs	Kshs
Property- Buildings	6,832,900	819,000
Medical equipment	-	-
Furniture and fittings	-	-
Computers and accessories	-	-
Motor vehicle expenses	-	-
Maintenance of civil works	-	-
Total repairs and maintenance	6,832,900	819,000

15. General Expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Catering expenses	365,650	-
Insecticides and rodenticides (Fungicides)	379,000	-
Bank charges	31,276	30,730
Contracted services	578,500	430,560
Computer and Printer Accessories	-	102,000
Electricity expenses	200,060	200,060
Fuel and Lubricants	305,872	122,396
General Office Supplies	932,901	102,000
Other Fuels	225,000	78,000
Travel and accommodation allowance	324,700	118,200
Printing and stationery	1,461,950	1,249,538
Telephone and mobile phone services	50,800	-
Internet expenses	76,816	-
Library books/Materials	-	-
Total General Expenses	4,932,525	2,433,484

Notes to the Financial Statements (Continued)

16. Cash And Cash Equivalents

Description	2024-2025	2023-2024
	KShs	KShs
Current accounts	49,154	68,664
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others(<i>specify</i>)- Mobile money	-	-
Total cash and cash equivalents	49,154	68,664

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

Description		2024-2025	2023-2024
Financial institution	Account number	KShs	KShs
a) Current account			
Co-operative Bank of Kenya		49,154	68,66
Sub- total		49,154	68,664
b) Others(<i>specify</i>)		-	-
cash in hand		-	-
Mobile money- Mpesa, Airtel money		-	-
Sub- total		-	-
Grand total		49,154	68,664

17. Receivables From Exchange Transactions

Description	2024-2025	2023-2024
	KShs	KShs
Medical services receivables	2,248,626	1,113,370
Rent receivables	-	-
Other exchange debtors	-	-
Less: impairment allowance	(-)	(-)
Total receivables	2,248,626	1,113,370

18. Inventories

Description	2024-2025	2023-2024
	KShs	KShs

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Pharmaceutical supplies	362,731	1,240,000
Maintenance supplies	200,000	-
Food supplies	15,000	250,000
Laboratory Supplies	102,850	302,850
Linen and clothing supplies	-	-
Cleaning materials supplies	186,500	186,500
General supplies	10,000	20,000
Non-Pharmaceutical supplies	402,044	402,044
Less: provision for impairment of stocks	(-)	(-)
Total	1,279,125	2,401,394

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Notes to the Financial Statements (Continued)

19. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Asset (specif
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	
Cost	0%	10%		12.50%	30%	12.50%	
At 1 July 2023 (previous year)	-	-		150,000	140,000	250,000	
Additions	-	-		274,010	109,500	610,000	
Disposals	-	-		-	-	-	
Transfers/adjustments	-	10,892,000		-	-	-	
Revaluation Adjustments	-	-		-	-	-	
At 30th Jun 2024	-	10,892,000		424,010	249,500	860,000	
At 1 July 2024 (current year)	-	10,892,000		424,010	249,500	860,000	
Additions	-	1,680,000		110,000	607,000	7,190,862	
Disposals	-	-		-	-	-	
Transfer/adjustments	-	-		-	-	-	
Revaluation Adjustments	-	-		-	-	-	
At 30th Jun 2025	-	12,572,000		534,010	856,500	8,050,862	
Depreciation and impairment							
At 1 July 2023 (previous year)	-	-		15,000	42,000	31,250	
Depreciation for the year	-	1,089,200		53,001	74,850	107,500	
Disposals	-	-		-	-	-	
Impairment	-	-		-	-	-	
At 30 June 2024							
At July 2024 (current year)	-	1,089,200		68,001	116,850	138,750	
Depreciation	-	1,257,200		66,751	256,950	1,006,358	
Disposals	-	-		-	-	-	
Impairment	-	-		-	-	-	

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Transfer/adjustment	-	-	-	-	-
At 30th June 2025	-	2,346,400	134,752	373,800	1,145,108
Net book values					
At 30 th Jun 2024 (previous)	-	9,802,800	356,009	132,650	721,250
At 30 th Jun 2025 (current)	-	10,225,600	399,258	482,700	6,905,754

Notes to the Financial Statements (Continued)

20. Trade and other Payables

Description	2024-2025	2023-2024
	KShs	KShs
Trade payables	9,968,471	6,091,155
Employee dues	155,000	122,000
Third-party payments (e.g. unremitted payroll deductions)	-	-
Audit fee	-	-
Doctors' fee	-	-
Total trade and other payables	10,123,471	6,213,155

21. Financial Risk Management

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

(i) Credit risk

The Hospital 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 Hospital's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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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 Hospital has significant concentration of credit risk on amounts due from 2025. The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

Notes to the Financial Statements (Continued)

(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.

(iii) Market risk

The County Government has put in place an internal audit function to assist it in assessing the risk faced by the Hospital 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 Hospital'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 County Government 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 Hospital'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:

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

Notes to the Financial Statements (Continued)

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2024 (previous year)			
Euro	0%	-	-
USD	0%	-	-
2025 (current year)			
Euro	0%	-	-
USD	0%	-	-

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Hospital 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

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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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 0 (2024/2025: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs 0 (2024/2025 – KShs 0).

Notes to the Financial Statements (Continued)

iv) Capital Risk Management

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

Description	2024-2025	2023-2024
	Kshs	Kshs
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)

22. Related Party Balances

Nature of related party relationships

Marindi Sub County Hospital and other parties related to the Hospital 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.

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

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

Description	2024-2025	2023-2024
	KShs	KShs
Transactions with related parties		
a) Services offered to related parties		
Services to County	-	-
Sales of services	-	-
Total	-	-
b) Grants from the Government		
Grants from County Government	-	-
Grants from the National Government Entities	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	-	-

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

23. Events after the Reporting Period

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

24. Ultimate and Holding Hospital

The Hospital is a County Government facility under the Department of Health and Medical Services. Its ultimate parent is the County Government of Homa Bay.

25. Currency

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

Marindi Sub County Hospital (Homa Bay County Government)
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z. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2	Unconfirmed Receivables from exchange transactions balance	The management had sort assistance from the Defunct NHIF and actual statement provided on the actual Receivables from the Insurance body	Resolved	2 nd February 2025
3	Unconfirmed Property, Plant and Equipment	The hospital engaged the services of the Valuer and currently all the equipment, plants and property have value	Resolved	2 nd February 2025
1	Revenues not Transferred to SPA	The management had availed all the banking slips for all the transferred funds to the SPA	Resolved	2 nd February 2025
1	Hospital Compliance to requirement of Level 4 facility	The County Government is in the progress of ensuring that the facility complies with the requirement of a level 4 facility	Unresolved	30 th June 2025
1	Lack of Audit Committee and Internal Audit	The management formed the committee	Resolved	2 nd February 2025
2	Failure to automate own source revenue	The management have automated own source revenue in all the service delivery points	Resolved	30 th June 2025

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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 hospital responsible the for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.


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Accounting Officer

*Marindi Sub County Hospital (Homa Bay County Government)
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Appendix II: Projects Implemented by The Hospital

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

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

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Renovation of OPD Block		2,350,000.00	100	3,149,530.00	3,149,530.00	SHA
2	Renovation of MCH block		-	100	2,882,000.00	2,882,000.00	SHA
3	Construction of Parking Lot	800,000.00	-	100	800,000.00	800,000.00	SHA
4	Renovation and expansion of the Administration block		-	100	2,473,259.00	2,473,259.00	SHA
5	Murramming of the hospital compound	1,200,000.00	-	20	1,260,000.00	1,200,000.00	SHA

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Appendix III: Inter-Hospital Confirmation Letter

Name of Transferring Hospital.....

Name of Beneficiary Hospital.....

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

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

Head of Accounts Department - Disbursing Hospital:
 Name Sign Date

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

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Appendix IV Reporting of Climate Relevant Expenditures

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

Appendix V: Disaster Expenditure Reporting Template

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