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MATUNDA SUB COUNTY HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF KAKAMEGA

205



**MATUNDA SUB COUNTY HOSPITAL
(County Government Kakamega)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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1. Acronyms & Glossary of Terms

| | |
|----------------------|---------------------------------------------------------------------------|
| CSR | Corporate Social Responsibility |
| OSHA | Occupational Health & Safety Act |
| PFMA | Public Financial Management Act |
| MED SUP | Medical Superintendent |
| BOM | Board of Management |
| HMC | Hospital Management Committee |
| SCMOH | Sub County Medical Officer of Health |
| SCA | Sub County Administrator |
| Fiduciary Management | Key management personnel who have financial responsibility in the entity. |
| NHIF | National Health Insurance Fund |
| FIF | Facility Improvement Fund |

2. Key Entity Information and Management

(a) Background information

Matunda Sub County Hospital is a level 4 hospital established under gazette notice number 786 and is domiciled in Kakamega County under the Health Department. The hospital is governed by a Board of Management. The current BOM was gazetted in under gazette notice no 1808.

The day-to-day activities of the facility are run by the medical superintendent who is also the secretary to the BOM. The medical superintendent is supported in his role by a facility hospital management committee comprised of all departmental heads.

The hospital was started as a community-based project following a high need for healthcare services in the locality. The facility has an outpatient and an inpatient department. The outpatient services available include clinical consultation, laboratory diagnosis, pharmacy services, drug administration, comprehensive care services for HIV/TB, immunization, family planning and cancer screening services

(b) Principal Activities

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

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

(c) Key Management

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

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

(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 (2025/2026) | Gemima Simiyu |
| 2. | Medical Superintendent (2024/2025) | Dr. Evans Sena Obulutsa |
| 3. | Head of finance | - |
| 4. | Head of supply chain | - |
| 5. | Hospital Administrator | Mr. Benard Lugardo Kivihya- |
| 5. | Nursing Officer In charge | Mr. Aggrey Lenzeni Boge |

(e) Fiduciary Oversight Arrangements

- Clinical Research and Standards Committee.
- Audit committee
- Risk Committee
- County Assembly
- Parliamentary committees
- Other oversight committees

Key Entity Information and Management (continued)

(f) Entity Headquarters

P.O. Box 338-30205
Eldoret-Kitale Highway
MATUNDA, KENYA

(g) Entity Contacts

Telephone: (+254) 0114678977
E-mail: matundasch22@gmail.com
Website: www.go.ke

(h) Entity Bankers

Commercial Banks (*KCB, EQUITY*)

(i) Independent Auditors

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


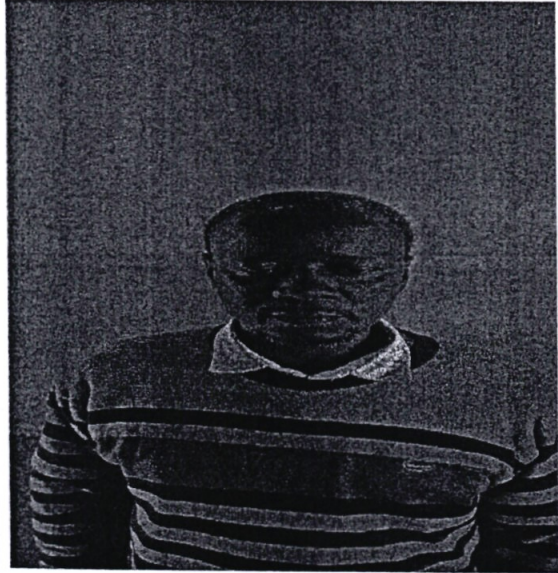
(j) Principal Legal Adviser

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




(k) County Attorney

P.O. Box.36
Kakamega, Kenya

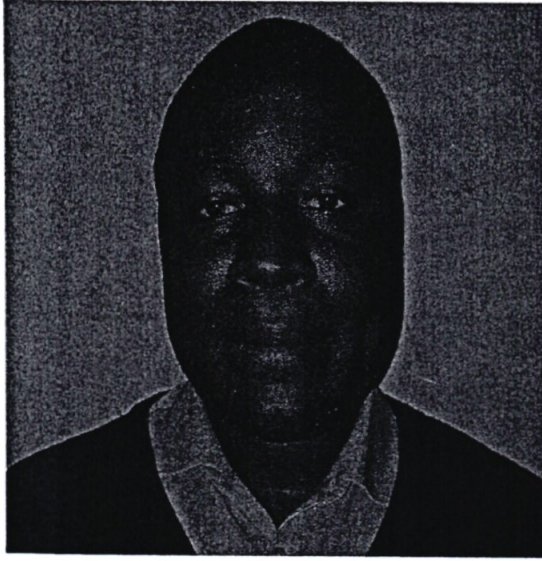

3.The Board of Management

| Ref | Directors | Details |
|-----|-------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | <p>Director 1</p>  | <p>Name: Mr. Mark Yakulula Age: 65 Years Old Qualification: Diploma In Business Management. First Manager Likuyani Constituency Office. Current Board Chairman Mumuyonzo Dam Agriculture and Tourism Project. Role: HMC Chairman</p> |
| 2. | <p>Director 2</p>  | <p>Name: Wycliffe Mage Ebeyi Age: 46 Years Old Qualification: Diploma in Theology Role: Youth Representative & Chairperson Quality of Care Sub Committee</p> |

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Annual Report and Financial Statements for The Year Ended 30th June 2025

| | | |
|-----------|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>3.</p> | <p>Director 3</p>  | <p>Name: Mrs. Teresa Wandaki Age: 70 Years Old Qualification: P1 And Former Head Teacher. Current Chairperson Community Council. Board Member St John Mtoni & St Peters Girls Secondary School. Role Chairperson Audit Sub Committee</p> |
| <p>4.</p> | <p>Director 4</p>  | <p>Name: Rev. Jesse Kuria Age: 65 Years Old Qualification: Diploma in Theology Role: Religious Groups Representative & Chair Finance and General Purposes Sub Committee</p> |
| <p>5.</p> | <p>Director 5</p>  | <p>Mrs. Grace Lumonye Women representative Qualification: CPE</p> |

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

| | | |
|----|-----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6. | <p>Medical superintendent</p>  | <p>Dr. Evans Sena, Age: 35 Years Old Qualification: Bachelor of Pharmacy (UoN) Senior Management Course Kenya School of Government, Kabete Role: Executive director. 2024- 2025</p> |
| 7. |  | <p>Gemima Simiyu Age: 44 years Old Qualification: Bachelor of Science - Nursing (University of Eastern Africa Baraton) Senior Management Course Kenya School of Government, Mombasa Role: Executive director. 2025- 2026</p> |

4.Key Management Team

| | | |
|----|----------------------------------------------------------------------------|------------------------------------------|
| 1. | Dr. Evans Sena | Medical superintendent (FY 2024/2025) |
| 2. | Manager 1 Gemima Simiyu Senior Registered Nurse JG L | Medical superintendent (FY 2025/2026) |
| 3. | Manager 2 Benard Kivihya Assistant Chief Administrative Officer JG M | Hospital Administrator |
| 4. | Manager 3 Aggrey BogeLenzeni Chief Nursing Officer JG M | Nursing Officer in Charge |
| 5. | Manager 4 Clara Situma Registered Clinical officer II, JG J | Clinical Officer in Charge |
| 6. | Manager 5 Lucy Shiribwa Senior Laboratory Technologist JG L | Lab Manager |

5.Chairman’s Statement

The Matunda Sub County Hospital Board of Management (BOM), otherwise referred to as Hospital Management Committee (HMC) was gazetted under constitution of Kenya 2010, County Government Act 2012 by the County Government of Kakamega CECM Health services vide Gazette Notice No 1808 for a period of three years effective from 1st December 2021 and came into effect from 27th April 2022. This effectively means the tenure could come to an end technically on 1st December 2024.

The HMC has 9 members, 5 elected independent members, 1 executive member who is the Medical Superintendent, and 3 ex-officio members who sit in by virtue of the public offices the hold. These ex-officio members are:

1. Sub county Administrator (SCA) -member
2. Deputy county commissioner (DCC) -member
3. Sub County Medical Officer of Health(SCMOH) – Member

The five independent members of the HMC come into office through a public vote that is presided over by the office of the SCMOH and SCA. The minimum qualification for elected members is a bachelor’s degree. The Chairperson should have been an administrator or knowledge in Administration, Management or Finance. The independent members can be removed from office when their term expires, upon declaration of bankruptcy, have gross violation of chapter six of the constitution 2010, or when they voluntarily resign or are incapacitated through insanity.

The current HMC composition is:

1. Mr. Mark Yakulula – Chairperson (Non-executive)
2. Medical Superintendent – Secretary (Executive/ Medical superintendent)
3. Grace Lumonye - women representative (non-executive)
4. Mr. Jesse Kuria -Religious groups representative (non-executive)
5. Mr. Teresa Wandaki -member (non-executive)
6. Mr. Wycliffe Ebeyi - Youth representative (non-executive)
7. Sub county Administrator -member (Ex officio/Non-executive)
8. Deputy county commissioner -member (Ex officio/Non-executive)
9. Sub county MOH – Member (Ex officio/non-executive)

The HMC is the top decision-making organ for the facility. The committee provides oversight on Hospital operations, development projects and service to the community. The HMC meets on a quarterly basis to review hospital performance in terms of development projects, general staff conduct, financial management, audit reports, and quality of care. This financial year, the HMC met for the four quarters.

Besides quarterly meetings, the HMC has sub committees. The sub-committees do not have a separate charter and do not have decision making mandate. The subcommittee reports are compiled and presented in the full HMC meeting for decision making

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- a) Finance and General-purpose sub-committee; The mandate of this HMC sub-committee is to review various performance indicators including revenue collection, pending bills, casual wages payment among other indicators.
- b) Quality of Health care subcommittee: This sub-committee is charged with overseeing the quality of Health services provision. The key indicators monitored by this sub-committee include commodity availability, patient turnaround time in various departments, patient feeding program, and overall patient welfare.
- c) Audit subcommittee: The Audit subcommittee reviews, monitors, and advise on effectiveness of hospital financial management. The sub-committee also reviews internal and external audit reports for decision making at the HMC meeting.

Current Year BOM scorecard

- a) Achieved in raising public confidence and hence increased patient inflows.
- b) Staff morale is now high through continuous engagements and hence fewer public complaints
- c) Developed infrastructural requirements that if put into consideration would see the facility move close to actual levels 4 status.
- d) Due to consultative budgeting, the shortage of drugs and non-pharmaceuticals is being brought to manageable levels and hence increased workload.
- e) Revenue has increased from 240,000 to 520,000 per month as per the June 2024 Revenue cash collection report.

CHALLENGES

The Hospital is yet to match actual level four status and hence the County should put more emphasis to putting in place a Radiology unit, Operation theatre, additional land and increase staff services in all cadres: Medical officers, Clinical officers, Nurses, Radiologist, Dentist, Pharmacists, Nutritionists, physiotherapists, Ortho-trauma, and Health records officers. Improved staffing will enhance services, revenues and improve client satisfaction.

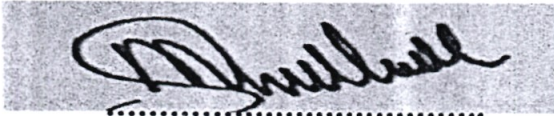
FUTURE PLANS

- a. Fast track the development of the hospital masterplan
- b. Harmonize on staff requirements
- c. Follow up on KENHA to support with setting up of TRAUMA CENTRE as CSR of the Highway from Maili Tisa to Manich pass in west Pokot and also connect Tarmac and street lights from the main road to the facility.

Matunda Sub County Hospital (County Government Kakamega)
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Name Mark Yakulula

Chairman to the Board

A rectangular box containing a handwritten signature in black ink. The signature is cursive and appears to read 'Mark Yakulula'. Below the signature is a dotted line.

Name. Mr Mark Yakulula

Chairman to the Board

6. Report of The Medical Superintendent

Matunda sub county hospital is a level 4 public owned facility located in Nzoia ward, Likuyani sub county, devolved under kakamega county. The facility has a catchment population of about 29000. The catchment population is drawn from neighbouring Uasin Gishu County, Trans Nzoia County, Nzoia Ward, Sinoko Ward and Kongoni Ward.

Matunda Sub-County Hospital started as a dispensary when the local community in collaboration with the then Member of Parliament Dr. Enock Wamalwa Kibunguchi (Assistant Minister for Health) bought a half-acre of land and started construction of the out-patient wing in 2005. In April 2005 the Lugari CDF committee allocated funds towards the construction of out-patient 12 rooms block.

The facility received donations from the Safaricom foundation which constructed the maternity wing and the Australian Embassy which constructed the two in patient wards

The facility was officially opened on 3rd September, 2005 by Hon Njenga Karume the then Minister for special programmes and officially registered as a dispensary in 2006.

The facility was elevated to health centre in 2007 and then gazetted as a Sub-District Hospital in July 2008. It is currently on 3.5 acres of land but plans are in place to increase the acreage by buying more land from neighbours.

Management

The facility is managed by a 9-member Board of Management Chaired by Mr. Mark Yakulula. The BOM meets quarterly to review the hospital performance and make strategic decisions based on subcommittee reports. The BOM has 3 sub committees namely Audit, Finance and General Purposes and Quality of Care. The sub committee meets once quarterly to review progress of action plans and reports to the Full Board for deliberations.

The day-to-day activities at the facility are run by the facility Health Management team (HMT) that is composed of the Medical Superintendent, The Health Administrative Officer and departmental heads. This team meets monthly. The HMT also has adhoc committees that focus on key thematic areas and advice the HMT. These Committees include: The Feeding Committee, Inspection and Acceptance Committee, Waiver and Exemptions Committee, Medicines and Therapeutics Committee, Emergency Preparedness Committee, Advisory Committee and the Executive Expenditure Committee (EEC). The facility budgets

are passed by the HMT or the EEC and Authority to Incur Expenditure AIE is sought before actual expenditure happens

Location

Matunda Sub- County hospital is situated along the Eldoret Kitale Highway in Matunda Town. The facility is approximately 340km from Nairobi. The Hospital borders Uasin Gishu District in the East, Trans-Nzoia County in the south and Bungoma County in the West.

Social Economic Profile

The majority of the people live in the rural area approximately 80% while 20% live in urban centre. The hospital is situated in the largest urban centre Matunda in Likuyani Sub-County. Other urban centres in the catchment area include:

- Mois Bridge town
- Nangili

The vast majority of economically active populations are farmers who are engaged in cash crop income farming which include –maize, beans, cassava and sweet potatoes.

The second income generating activity in the catchment area is dairy farming and there are no major industries in the catchment area of the hospital.

Hospital Infrastructure

1. Out-Patient Block

The outpatient block consists of 10 rooms which include the following departments

- a) Consultation room/ in charge office
- b) Records/ Revenue office
- c) Laboratory
- d) Pharmacy
- e) Administrators' office
- f) Medical Superintendent's office
- g) Public Health Office
- e) Chief Nursing Officer's office

2. 12 Bed Maternity Block

3. Inpatient Block

- 12 bed male ward
- 12 bed Female ward

4. Residential block

- Two-bedroom staff units: 2

5. Kitchen Block; Under construction

6. Laundry Block: Not functional

7. Canteen Block

8. Stores Block: Three rooms housing non pharmaceuticals stores, Food store and General store

Staff Establishment against Requirement

| CADRE | IN POSITION | REQUIRED | GAP |
|-----------------------------|--------------|----------|-----|
| DOCTORS | 0 | 05 | 5 |
| RCO | 4 | 15 | 11 |
| NO | 12 | 32 | 20 |
| KECHN | 2 | 15 | 13 |
| PHO | 1 | 2 | 1 |
| PHT | 0 | 2 | 2 |
| PHARMACIST | 0 | 4 | 4 |
| PHARMACEUTICAL TECHNOLOGIST | 0 | 6 | 6 |
| LABORATORY TECHNOLOGIST | 2 | 4 | 2 |
| HAO | 1 | 1 | 0 |
| CLERICAL OFFICER | 0 | 8 | 8 |
| STOREMAN | 0 | 2 | 2 |
| SUB-STAFF | 5(casuals) | 10 | 5 |
| RECORDS OFFICER | 5(4 casuals) | 8 | 3 |
| ACCOUNTANTS | 1 casual | 2 | 2 |
| PROCUREMENT OFFICER | 0 | 2 | 2 |

Funding

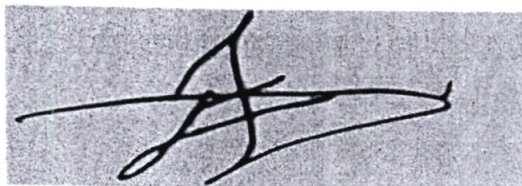
The facility's source of funding is FIF disbursements and Exchequer appropriations by the County. FIF is collected as user fees which is paid as out of pocket expenditure for clients seeking various services and SHA Capitation and rebates.

In the FY 2024/2025, the facility was charging all treatments for adults except HIV Comprehensive Care Services, TB diagnosis and treatment, services offered to psychiatric and epileptic cases. Maternity services, ANC, PNC, immunization services, cancer of the cervix screening and family planning services were covered under primary health care (PHC)

For the financial year 2024/2025,, the facility received KES 19,603,222 FIF and KES 400,000 as Appropriation. The facility budgeted and sought authority to incur expenditure and the approved budget was spent.

Transport

The facility has no utility vehicle and ambulance and therefore the referral system is great challenge to the administration, hence the facility needs a vehicle seriously. In the interim, the facility utilizes the Red Cross contracted ambulances for referrals. The county executive pays for this service.



Dr. Evans Sena

Name

Secretary to the Board

7.Statement of Performance Against Predetermined Objectives

Matunda Sub County Hospital has 4 strategic pillars within the current Strategic Plan for the FY 2023/2024- FY 2028/2029. These strategic pillars are as follows:

Pillar 1: Improve diagnostic Capacity

X Ray, Ultrasound, Biochemistry Machine, optical diagnostic equipment

Pillar 2: Sustain Continuous availability of Health products and technologies

Drugs, Medical supplies Laboratory reagents, procurement of Dental chair, Theatre bed, Anaesthesia machine, Surgical instruments

Pillar 3: Infrastructural expansion

Completion of the modern Kitchen, construction of Administration block, Paediatric ward, Imaging Unit, Theatre, Dental unit, Staff Houses and operationalization of the laundry block

Pillar 4: Human resource for Health

Attract, retain and capacity build staff

Pillar 5: Health Financing

Secure revenue collection system and expand the financing pool through signing contracts with SHA and Other insurance firms, and expanding service charter

Matunda Sub County Hospital develops its annual work plans based on the above 5 pillars. The Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The HMC achieved its performance targets set for the FY 2024/2025 period for its 5 strategic pillars, as indicated in the diagram below:

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators | Activities | Achievements |
|----------------------------------------------|--------------------------------------|---------------------------------------------|-----------------------------------|----------------------------------|
| Pillar 2: Sustain Continuous availability of | To ensure Continuous availability of | Percentage of funds allocated for HPTs from | Allocation of funds to supplement | Stock status is usually above 80 |

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| | | | | |
|----------------------------------------------|---------------------------------------------------------------------------------------------------|----------------------------------|---------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Health products and technologies | drugs, medical supplies and laboratory reagents through rational use and supplemental procurement | annual expenditure returns | purchase of HPTs in every budget | percent of the facility needs |
| Pillar 3: Expansion of health Infrastructure | To lobby for infrastructural projects | Number of projects initiated | Include proposed Matunda SCH projects in the CIDP | Modern Kitchen under Construction |
| Pillar 5: Health Financing | To increase revenue collection | Annual revenue collection report | Seal revenue leakages Expand Revenue streams | Revenue collection has peaked at 519000 in June 2025 up from about 250000 same period the previous year. |

8. Corporate Governance Statement

The Board of Management held a total of four meetings during the FY 2024/2025, thereby meeting the requirement of convening at least one meeting per quarter. Additionally, all subcommittee meetings were conducted prior to the main board meetings. The Board currently does not have a Board Charter.

Board members are elected by the community through an open election process presided over by the County Administration Department, with support from the Sub-County Health Management Team. Although there are minimum qualification requirements for board members of Level 4 Hospitals, these criteria are often difficult to meet because the nomination process is community-driven and eligible individuals are frequently unwilling to pursue the positions. The current Board members are serving their first term, which is expected to lapse at the end of December 2024, based on the gazettement date. An induction training was conducted for the Board upon gazettement.

Board members may leave office upon expiry of their term, voluntary resignation, absenteeism, death, or disbandment by the relevant department executive. Members are eligible to serve a maximum of two terms, with each term covering a tenure of several years.

No formal succession management plan is in place. This is largely due to the elective nature of the Board positions, which places the choice of board members in the hands of the electorate. Additionally, members who serve on the Board by virtue of their official positions may be transferred at any time, and therefore have no security of tenure.

Board members do not receive a monthly remuneration package. However, they are entitled to a sitting allowance of Ksh. 2,500 for every full board meeting and a transport allowance of Ksh. 1,000. The Chairperson receives an enhanced sitting allowance of Ksh. 4,000. The Medical Superintendent and other co-opted hospital members do not receive these allowances, in line with the SRC circular on claims for transport and sitting allowances. During subcommittee meetings, elected members are paid a transport allowance of Ksh. 1,000.

No significant conflicts of interest have been observed within the Board. The Board has executed its mandate with diligence and impartiality. However, there is an evident capacity gap among some members, primarily due to limited knowledge or experience in management.

Management of Conflict of Interest

Hospital Boards uphold integrity and public trust by adopting the following measures to manage conflicts of interest:

1. Clear policies defining conflicts of interest and outlining disclosure procedures.
2. Mandatory disclosure of potential conflicts, including financial interests or personal relationships.
3. Transparency in decision-making and record-keeping.
4. Recusal from discussions and decisions where conflicts exist.
5. Regular review of conflict-of-interest policies.
6. Training for board members on conflict-of-interest procedures.

Ethics and Conduct of Board Members

The Board promotes ethical conduct through: Establishing and implementing ethics-related policies, adopting a comprehensive Code of Conduct, enforcing conflict of interest policies, providing whistleblower protection, ensuring compliance with laws and regulations, promoting accountability, fostering transparency and openness, regularly reviewing ethics policies and leading by example.

Governance Audit

A governance audit was done by assessing: Board structure and composition, roles and responsibilities, decision-making processes, risk management and oversight, Compliance with laws and regulations, and transparency and accountability

The audit helps identify areas for improvement, strengthening governance and enhancing hospital performance.

Board Communication Policy

Key elements in the hospital Board communication policy include: Transparency in information sharing clear and consistent messaging regular updates to stakeholders, use of multiple communication channels, stakeholder engagement, protection of confidential information and Crisis communication planning

Terms of Reference

The board members' terms of reference are contained in their appointment letters.

Policy on Related Party Transactions

Key elements in the Policy on Related Party Transactions include: Definition of related parties, disclosure of potential related-party transactions, approval processes, assurance of fairness and transparency, Conflict-of-interest management, proper documentation and compliance with applicable regulations

9. Management Discussion and Analysis

Clinical/operational performance

The hospital has a capacity of 36 beds. The beds are distributed in three wards. Maternity ward has 12 beds, 12 in male and 12 in female ward.

| | | |
|-----------------------------------|-------------|----------|
| Overall patient attendance | OPD = 33858 | IPD=1999 |
| Accident and emergency attendance | | |
| Specialized clinic attendance | 1898 | |
| Average length of stay | 3 Days | |
| Bed occupancy rate | 40% | |
| Mortality rate | 0.001% | |

Financial performance that includes: -

Revenue sources

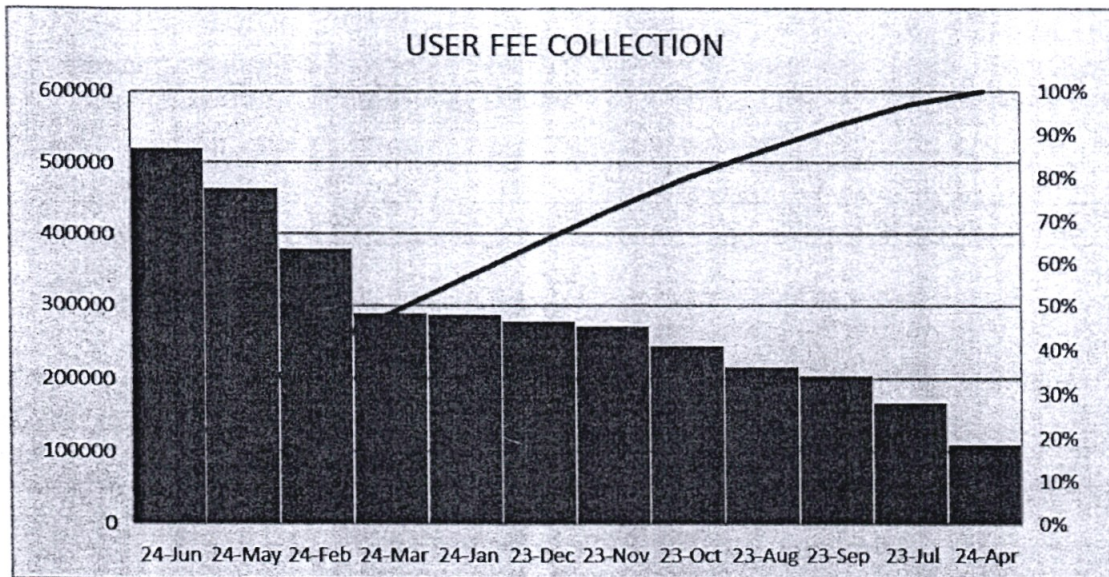
The facility revenue sources are as follows:

1. User fee collection

These is money collected from clients who seek our services and have no health cover. The amounts charge is aligned with the rates approved in the county finance bill. The performance of the facility in terms of user fee collection is as follows:

| MONTH | JULY 24 | AUG 24 | SEPT 24 | OCT 24 | NOV 24 | DEC 24 | JAN 25 | FEB 25 | MAR 25 | APR 25 | MAY 25 | JUN 25 |
|--------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| AMOUNT | 804,959.50 | 683,094.00 | 531,940.00 | 783,792.00 | 692,900.00 | 539,416.00 | 490,116.00 | 582,597.00 | 664,017.00 | 833,441.00 | 614,863.00 | 614,357.00 |

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2. SHA Linda Mama

Linda Mama program covers expectant mothers for 4 ANC visits at ksh.300 per visit, Delivery at Ksh.5000 and 3 postnatal visits at Ksh. 300 per visit. During this financial year, The facility claimed a total of Ksh. 4,326,350 under Linda Mama. Out of this amount, the facility has received Ksh.565,940. The table below shows the claims under Linda Mama for Matunda Sub County Hospital.

| MONTH | JULY 23 | AUG 23 | SEPT 23 | OCT 23 | NOV 23 | DEC 23 | JAN 24 | FEB 24 | MAR 24 | APR 24 | MAY 24 | JUN 24 |
|-------------------|---------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| AMOUNT CLAIMED | 476400 | 324400 | 224150 | 409850 | 416850 | 260650 | 353450 | 241950 | 346250 | 241300 | 455150 | 575950 |
| AMOUNT REIMBURSED | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 565940 | 0 |

3. PHC Capitation

PHC capitation was done quarterly. The capitation amount depends on the number of clients registered under the facility multiplied by 350.

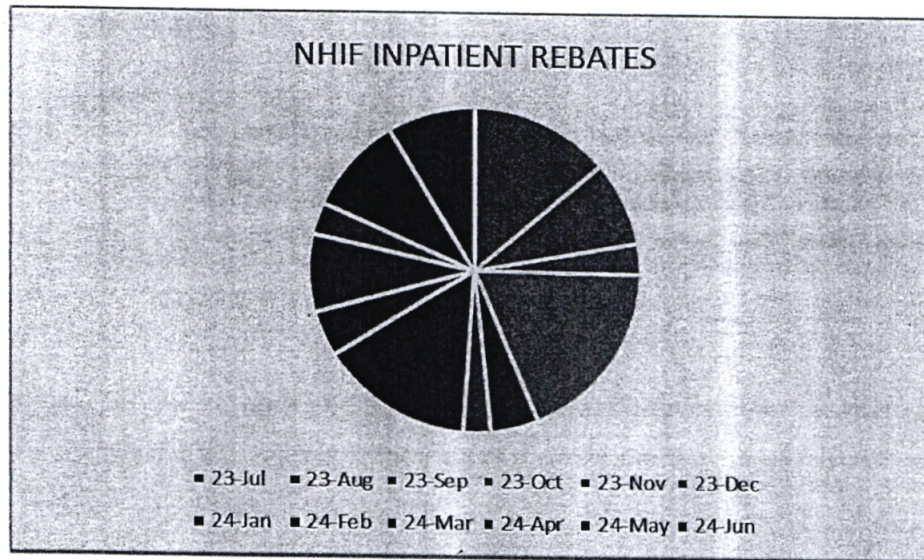
For the financial year 2023/2024 the capitation amount was as follows:

| QUARTER | QTR1 | QTR2 | QTR3 | QTR4 |
|-------------------|--------|--------|--------|--------|
| AMOUNT DUE IN KES | 474840 | 491740 | 491400 | 433300 |
| AMOUNT DISBURSED | 474840 | 491740 | | |

4. NHIF REBATES

The facility also claims rebates for FFS clients and those under National scheme who seek services at the facility. The performance of the facility in the financial year is as follows:

| MONTH | JULY 24 | AUG 24 | SEPT 24 | OCT 24 | NOV 24 | DEC 24 | JAN 25 | FEB 25 | MAR 25 | APR 25 | MAY 25 | JUN 25 |
|-------------------|------------|-----------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| AMOUNT CLAIMED | | | | | | | | | | | | |

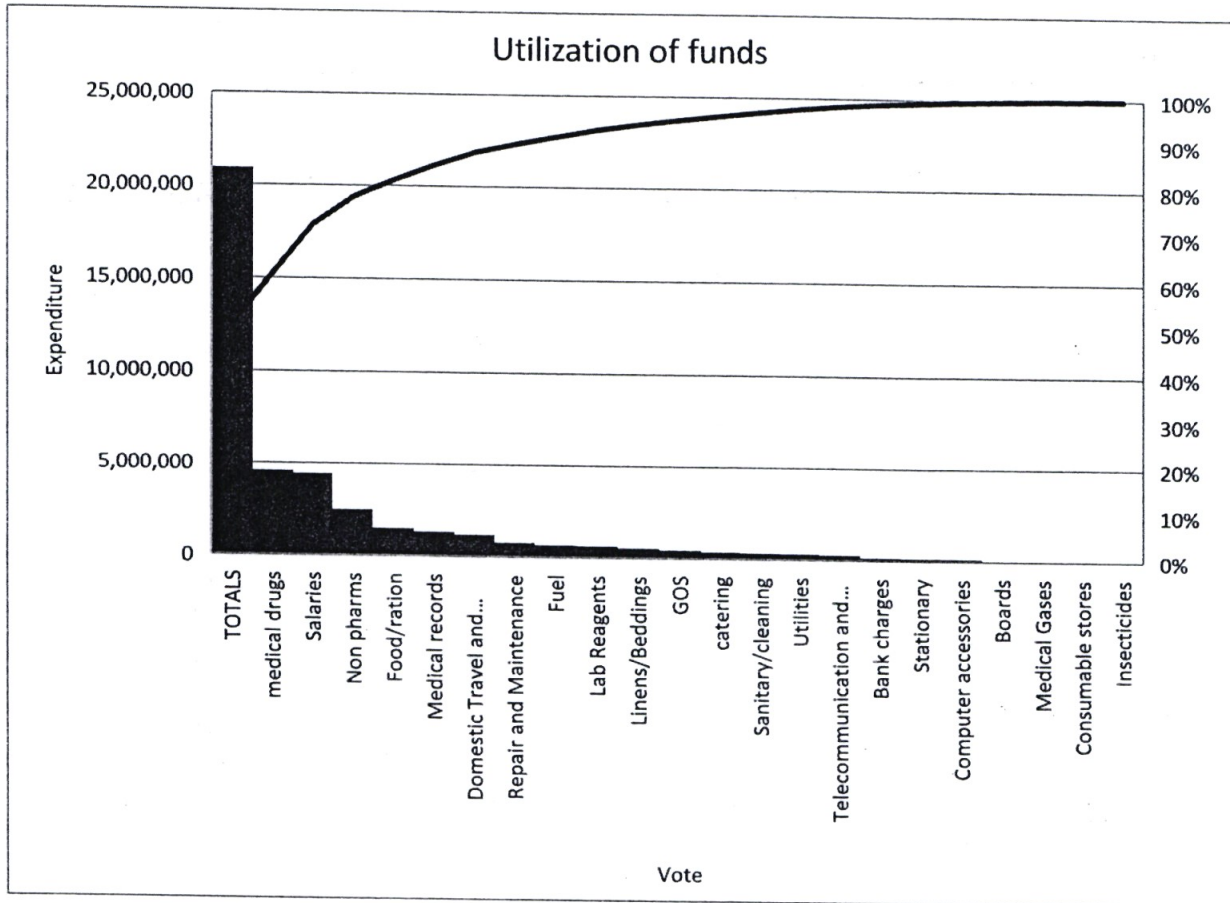


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Utilisation of funds

The facility utilized funds as follows:

| SNO | VOTE | EXPENDITURE |
|------------|---------------------------------|--------------------|
| 1 | Salaries | 4,448,043 |
| 2 | Boards | 80,000 |
| 3 | Utilities | 345,640 |
| 4 | Telecommunication and Internet | 308,650 |
| 5 | Consumable stores | 30,000 |
| 6 | Stationary | 159,032 |
| 7 | Computer accessories | 139,498 |
| 8 | Fuel | 701,321 |
| 9 | Bank charges | 173,503 |
| 10 | catering | 404,245 |
| 11 | GOS | 476,716 |
| 12 | Domestic Travel and Subsistence | 1,214,509 |
| 13 | Insecticides | 19,000 |
| 14 | Medical records | 1,357,393 |
| 15 | medical drugs | 4,612,101 |
| 16 | Non pharms | 2,514,686 |
| 17 | Medical Gases | 41,690 |
| 18 | Lab Reagents | 669,333 |
| 19 | Sanitary/cleaning | 367,341 |
| 20 | Food/ration | 1,531,843 |
| 21 | Linens/Beddings | 559,374 |
| 22 | Repair and Maintenance | 786,571 |
| | TOTALS | 20,940,489 |



Name: Dr Evans Sena

Secretary to the Board

10.Environmental And Sustainability Reporting

i) Sustainability strategy and profile

The principal mandate of Matunda Sub County Hospital is to provide preventive, curative, rehabilitative and health promotion services. The facility is currently running under Facility Improvement Fund as the main source of funding. FIF works in the sense that the facility receives back 97% of its revenue collection for running operations and meeting its debt obligations. This model is not adequate to run facility operations if revenue inflows are not fast tracked. For instance, this financial year, the facility offered maternal child health services under PHC Program and SHA claims that has not been fully reimbursed despite claims being made timely. This delay has made the facility to sustain its services as well as meet its supplier and other stakeholder obligations.

The facility management has made a deliberate decision to have its catchment population to register for SHA in large numbers to increase our capacity for PHC capitation and reduce the burden for paying cash apart from situations that require copayment when the client's needs exceeds the SHA limits . In addition, the management has made a decision to engage suppliers to explore placement options for some diagnostic equipment to enhance its diagnostic capacity to improve both service delivery and revenue collection.

ii) Environmental performance

The facility has no customized environmental management policy. However, the facility has guidelines on environmental conservation as well as the IPC policy that helps in waste disposal of medical waste. The facility has a burning chamber, dedicated sanitary staff, and a secured compost pit. All these provisions give a surety that there is safe disposal of waste

iii) Employee welfare

The facility has both government staff employed by the county public service board and seconded by the National Government. In addition, the facility hires casual staff to supplement the understaffed areas. Casual staff are hired on a three-month renewable contract. The hiring process is usually competitive and open to all. Due to the fewer numbers of applicants, the facility interview

panel which consists of HMT members and BOM representatives, does not shortlist. Every applicant is interviewed and therefore has equal employment opportunity. The interviewees are scored by each panellist and an average score obtained. Successful applicants are picked on merit. The facility conducts performance contracting where targets from the departmental performance contract are cascaded down to individual staff. Appraisal forms are filled annual with quarterly milestones.

The facility observes Occupation Safety and Health Act by ensuring staff work in safe environment. This can be demonstrated by provision of Personal Protective Equipment/gear such as gloves, aprons, Biosafety hood in Laboratory, Sanitizer, first aid service. There are provisions to take care of staff with accidental needle stick injuries

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

The facility management does not engage in any political activities either directly or indirectly. However, it is imperative to note that the management has an obligation to work with current office holders strictly in matters that bring development or foster better services to its clientele. The facility does not award contracts to cronies or proxy companies; Suppliers are picked from the prequalification lists and cost effectiveness is the governing principle in procurement. It is Important to note that the facility has competitors both in public and private sector. However, the facility management doesnt engage in smear campaigns against competitors. The facility's competitive strategy is to enhance its services through good customer relations and ensuring availability of essential commodities that are charged using the rates established in the Kakamega county finance bill. Therefore, there are no attempts to undercut or engage in unethical practices.

b) Responsible Supply chain and supplier relations

The facility has a huge pending bill dating back to 2019. Due to the limited resources through FIF. The facility has struggled to balance between sustaining current services and paying off debts owed to suppliers who are no longer supplying it. Nevertheless, the facility has been trying to offset pending bills albeit at a slower pace. Notable cases are debts owed to Matunda Tabasamu for supply of food and rations, Bungoma Printers for supply of medical records, Watatu Bookshop for supply of medical records, Injiliani enterprises for supply of General office supplies and KEMSA and MEDS for supply of drugs and non-pharmaceuticals.

The fact that the facility has recognized the pending bills underscores the commitment to settle them as soon as adequate funding to support current operations and a surplus is available.

c) Responsible marketing and advertisement

The facility has not engaged in advertising and marketing activities

d) Product stewardship

The facility ensured provision of good quality products from prequalified suppliers to ensure ethical sourcing and distribution of products. The facility has access to reporting platforms on medical product quality and adverse effects through the Pharmacy and Poisons Board.

Patient food is usually inspected by the facility public health officer for quality. The nursing officer in charge also tastes the food prior to serving for quality assurance

v) Corporate Social Responsibility / Community Engagements

The facility has participated in CSR activities that are aligned with its principal mandate of offering curative, preventive, rehabilitative and health promotion services. The main CSR activities include conducting immunization and growth monitoring outreaches, linking up with community health units in conducting community case management of malaria, participating in mass net distribution and mass drug administration campaigns, conducting HPV vaccinations in schools. However, it is worth noting that these activities were funded by partners and commodities from National government.

11. Report of The Board of Management

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

Principal activities

The principal activities of the entity continue to be provision of preventive, rehabilitative, curative and health promotion services

Results

The results of the entity for the year ended June 30 2025 are set out on pages 1 to 7.

Board of Management

The members of the Board who served during the year are shown on page (v) to (vii). During the year, the executive director was transferred out, and another executive director was appointed with effect from 10th June 2025

Auditors

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



Name Dr Evans Sena

Secretary to the Board

12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 and The Facility Improvement Financing Act No. 14 of 2023, requires the Board of Management to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* for that year/period. The Board of Management is also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The council members are also responsible for safeguarding the assets of the *entity*.

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

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

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 01/07/2025 and signed on its behalf by:



Name: Mr Mark Yakulula
Chairperson
Board of Management



Dr. Evans Sena
Name:
Accounting Officer

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

13. Report of the Office Of the Auditor General On Matunda Sub- County Hospital For The Year Ended 30th June 2025

REPUBLIC OF KENYA

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

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

PREAMBLE

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

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Matunda Sub County Hospital – County Government of Kakamega set out on pages 1 to 56, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial

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

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 Matunda Sub County Hospital 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 Kakamega County Health Service Act, 2022, the Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.5,547,200 as disclosed in Note 29 to the financial statements. Included in this balance are receivables of Kshs.1,800,000 and Kshs.3,747,200 which are due from the defunct National Hospital Insurance Fund (NHIF) and the Social Health Authority (SHA) respectively. However, the amounts had been outstanding for more than ninety (90) days. Further, Debtors' Management Policy and ageing analysis in support of the receivables were not provided for audit review.

In the circumstances, the accuracy, completeness and full recoverability of the receivables from exchange transactions balance of Kshs.5,547,200 could not be confirmed.

2. Unvalued Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.1,042,642 as disclosed in Note 32 to the financial statements. However, review of the Hospital records and physical inspection revealed that the Hospital owns freehold land, ICT equipment, furniture and fittings and buildings that were not valued for inclusion in the financial statements.

Further, the Hospital did not have an updated asset register in the format prescribed by the Guidelines from The National Treasury.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.1,042,642 could not be confirmed.

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

Government of Kakamega Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.24,322,926 and Kshs.18,498,417 respectively, resulting to an under-funding of Kshs.5,824,509 or 24% of the budget. Similarly, the Hospital expended Kshs.17,366,205 against actual receipts of Kshs.18,498,417 resulting to an under-utilization of Kshs.1,132,212 or 6% of the actual receipts.

The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

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 Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Meet Level 4 Hospital Requirements

Review of records maintained by the Hospital and analysis of healthcare staffing, and physical verification of medical equipment provided at the Facility revealed the following shortfalls against what was required by the Kenya Quality Model for Health Policy Guidelines of a Level 4 Facility.

Medical Specialists

| Category | Level 4 Standard | Number in Hospital | Variance | Variance in Percentage (%) |
|------------------------------------------|------------------|--------------------|-----------|----------------------------|
| Medical Officers | 16 | 1 | 15 | 94 |
| General Surgeons | 2 | 0 | 2 | 100 |
| Paediatrics | 2 | 0 | 2 | 100 |
| Kenya Registered Community Health Nurses | 75 | 12 | 63 | 84 |
| Radiologists | 2 | 0 | 2 | 100 |
| Anesthesiologists | 2 | 0 | 2 | 100 |
| Gynaecologists | 2 | | 2 | 100 |
| Total | 101 | 13 | 88 | 87 |

In addition, the Hospital lacked the equipment and machines recommended in the Health Policy Guidelines as shown below.

| Item | Level 4 Standard | Actual in Hospital | Variance | Percentage (%) |
|---------------------------|------------------|--------------------|----------|----------------|
| Bed Capacity | 150 | 38 | 112 | 74 |
| Incubators (New Born) | 5 | 2 | 3 | 60 |
| High Dependency Unit Beds | 6 | 0 | 6 | 100 |

| Item | Level 4 Standard | Actual in Hospital | Variance | Percentage (%) |
|----------------------------------------------------|------------------|--------------------|------------|----------------|
| Renal Unit with Dialysis Machines | 5 | 0 | 5 | 100 |
| Radiology and imaging (x-ray, ultrasound services) | 1 | 0 | 1 | 100 |
| Mortuary and autopsy services | 1 | 0 | 1 | 100 |
| Referral protocols (ambulance) | 1 | 0 | 1 | 100 |
| Theatres - one maternity and one general | 2 | 0 | 2 | 100 |
| Total | 171 | 40 | 131 | 77 |

The absence of these essential components implies that the Hospital is operating below the prescribed standards for a Level 4 Hospital.

In the circumstances, the public may not get the required medical services that are expected to be offered by a Level 4 Hospital.

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

The statement of cash flows reflects transfers from other Government entities (FIF) amounting to Kshs.18,098,417 as disclosed under Note 9(b) to the financial statements. Further, the statement includes transfers amounting to Kshs.19,209,943 as disclosed under Note 22 to the financial statements which relates to transfer to Facility Improvement Fund. However, a balance of Kshs.1,111,526 was retained at the FIF account and was not remitted to the Hospital or any other health facility.

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

Further, review of the bank accounts documents revealed that the hospital had not opened a facility improvement bank account. This was contrary to Section 5(2) of the Facilities Improvement Financing Act, 2023 which provides that there shall be opened a facility improvement financing account for each public health facility into which shall be paid all monies received by or on behalf of the respective public health facility.

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

3. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.4,850,122 as disclosed in Note 36 to the financial statements. Management did not explain why old trade payables had not been paid as a first charge.

This was contrary to Section 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which provides that debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the County Government does not default on debt obligations.

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

4. Failure to Gazette Hospital Board Members

Review of records provided for audit revealed that the Hospital Board of Management members had not been formally gazetted and their appointment letters were not provided for audit review. This was contrary to Part 1.11 of Mwongozo Code of Governance for State Corporations, 2015, which provides that each Board member shall be formally appointed to the Board through a Gazette Notice and thereafter an appointment letter.

In the circumstances, the regularity of appointment of Board members could not be confirmed.

5. Failure to Undertake Safety and Health Audits

Review of the documents provided for audit verification revealed that, there were no safety and health audits carried out by the Hospital during the year under review. This was contrary to Section 11(1) of the Occupational Safety and Health Act, 2007, which states that the occupier of a workplace shall cause a thorough safety and health audit of his workplace to be carried out at least once in every period of twelve (12) months by a safety and health advisor, who shall issue a report of such an audit containing the prescribed particulars to the occupier on payment of a prescribed fee and shall send a copy of the report to the Director.

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

6. Failure to Open Facility Improvement Financing Bank Account

Review of the bank accounts documents revealed that the Hospital had not opened a special purpose Facility Improvement Financing bank account. This was contrary to Section 5(2) of the Facilities Improvement Financing Act, 2023 which provides that there shall be opened a facility improvement financing account for each public health facility into which shall be paid all monies received by or on behalf of the respective public health facility.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects 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. Failure to Establish Internal Audit Unit and Audit Committee

It was observed that the Hospital has not established an Internal Audit function and Audit Committee. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires County Government entities to establish audit committees in accordance with prescribed regulations to monitor the entity's governance process, accountability process and control systems, offer objective advice on issues concerning internal control, regulatory requirements and governance.

In the circumstances, Management was in breach of law and the effectiveness of internal controls could not be confirmed.

2. Lack of Risk Management Policy and Risk Registers

Review of documents provided for audit revealed that the Hospital did not have Risk Management policy and risk registers. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015, which states that, the Accounting Officer shall ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

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

3. Weaknesses in Inventory Management

Physical verification conducted on 28 October, 2025 at the pharmaceutical, non-pharmaceutical, and laboratory stores revealed the storage areas lacked air conditioning systems necessary for preserving the quality of pharmaceuticals and the pharmaceutical stores and laboratory stores had inadequate refrigerators for storage of drugs and blood. Further, all stores lacked shelving, resulting in inventories being stored in disorganized boxes. Although stock cards were in use, they did not capture batch numbers or expiry dates. The disarray in storage made it difficult to confirm whether the First Expiry, First Out (FEFO) principle was being applied.

In the circumstances, the internal control over the pharmaceutical, non-pharmaceutical, and laboratory stores is weak and may lead to loss of stores either due to fraud, error or poor conditions of storage.

4. Inadequate Controls in Revenue Collection System

Review of the billing system at Matunda Sub-County Hospital revealed significant weaknesses in the internal control environment. The Hospital operated under a partially automated billing system, which lacked essential safeguards necessary for effective revenue management. Staff roles within the revenue collection process were not properly segregated, increasing the risk of manipulation. The system was unable to capture all relevant event logs, failed to adequately bill for some services rendered and allowed for unauthorized bill reversals. Further, the system lacked the functionality to generate comprehensive user activity reports, thereby hindering the ability to monitor and audit user actions within the system.

In the circumstances, there is risk of the revenue collection system being manipulated and may not deliver the intended output reports.

5. Weaknesses in Information Communication Technology (ICT) Internal Control Environment

Review of the ICT internal controls revealed that the Hospital did not have an approved ICT policy, ICT security policy, policy on physical access to ICT environment and ICT continuity and disaster recovery plan to guide ICT operations.

During site visit on 28 October, 2025, it was observed that a simple storage device served as the main server with no backup. This exposed the Hospital to the risk of complete data loss in the event of emergency or disaster. Further, the ICT department had only one casual employee managing the entire Hospital's ICT needs across all departments. This employee had no reliever, no off-days and was not on permanent or pensionable terms, increasing operational risk.

Further, the Hospital did not have an approved ICT Strategy Committee and Steering Committee, which are important in performing the oversight function and formulation of policies to ensure that ICT department functions properly to assist in achievement of organizational objectives in an economic, efficient and effective way.

In the circumstances, the ICT environment internal controls are ineffective and there is risk of data and information loss in the event of a disaster.

6. Operating without Approved Strategic Plan

During the year under review, the Hospital did not have Strategic Plan. This was contrary to Section 149(2)(g) of the Public Finance Management Act, 2012 which states that an Accounting Officer designated for a County Government entity shall 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 Hospital lacked clear objectives and may not deliver the intended services to the public.

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

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is

not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 December, 2025

Matunda Sub-County Hospital (County Government of Kakamega)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

| DESCRIPTION | NOTES | TA 2024/2025 | TA 2023/2024 |
|------------------------------------------------------|-------|-------------------|--------------|
| | | KShs | KShs |
| Revenue from non-exchange transactions | | | |
| Transfers from the County Government | 6 | 400,000 | 0 |
| In- kind contributions from the County Government | 7 | 0 | 0 |
| Grants from donors and development partners | 8 | 0 | 0 |
| Transfers from other Government entities | 9 | 19,603,222 | 0 |
| Public contributions and donations | 10 | 0 | 0 |
| Total Revenue from non- exchange transactions | | 20,003,222 | 0 |
| Revenue from exchange transactions | | | |
| Rendering of services- Medical Service Income | 11 | 24,941,868 | 0 |
| Revenue from rent of facilities | 12 | 0 | 0 |
| Finance /Interest Income | 13 | 0 | 0 |
| Miscellaneous income (<i>specify</i>) | 14 | 0 | 0 |
| Revenue from exchange transactions | | 24,941,868 | 0 |
| Total revenue | | 44,945,090 | 0 |
| Expenses | | | |
| Medical/Clinical costs | 15 | 11,653,761 | 0 |
| Employee costs | 16 | 4,448,043 | 0 |
| Board of Management Expenses | 17 | 80,000 | 0 |
| Depreciation and amortization expense | 18 | 233,197 | 0 |
| Repairs and maintenance | 19 | 786,571 | 0 |
| Grants and subsidies | 20 | 0 | 0 |
| General expenses | 21 | 3,972,113 | 0 |
| Transfers to FIF | 22 | 19,209,943 | 0 |
| Total expenses | | 40,383,628 | 0 |
| Other gains/(losses) | | | |
| Gain on disposal of non-Current assets | 23 | 0 | 0 |
| Unrealized gain on fair value of investments | 24 | 0 | 0 |
| Medical services contracts Gains/Losses | 25 | 0 | 0 |
| Impairment loss | 26 | 0 | 0 |

Matunda Sub-County Hospital (County Government of Kakamega)
Annual Report and Financial Statements for The Year Ended 30th June 2025

| | | | |
|---------------------------------------|--|------------------|----------|
| Gain on foreign exchange transactions | | 0 | 0 |
| Total other gains/(losses) | | 0 | 0 |
| Net Surplus for the year | | 4,561,462 | 0 |

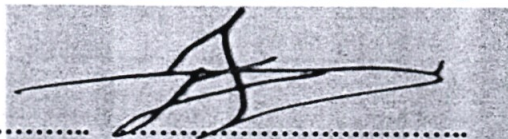
The Hospital's financial statements were approved by the Board on 21/08/2025 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No: 27805



Medical Superintendent

Matunda Sub-County Hospital (County Government of Kakamega)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

| Description | NICs | KSh | |
|---------------------------------------------|------|-------------------|----------|
| | | 2025 | 2024 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 27 | 1,316,937 | 0 |
| Prepayments | 28 | | |
| Receivables from exchange transactions | 29 | 5,547,200 | 0 |
| Receivables from non-exchange transactions | 30 | 1,504,805 | 0 |
| Inventories | 31 | 6,398,911 | 0 |
| Total Current Assets | | 14,767,853 | 0 |
| Non-current assets | | | |
| Property, plant, and equipment | 32 | 1,042,642 | 0 |
| Intangible assets | 33 | 0 | 0 |
| Investment property | 34 | 0 | 0 |
| Biological Assets | 35 | | |
| Total Non-current Assets | | 1,042,642 | 0 |
| Total assets (A) | | 15,810,495 | 0 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 36 | 4,850,122 | 0 |
| Refundable deposits from customers/Patients | 37 | 0 | 0 |
| Provisions | 38 | 0 | 0 |
| Finance lease obligation | 39 | 0 | 0 |
| Current portion of deferred income | 40 | 0 | 0 |
| Current portion of borrowings | 41 | 0 | 0 |
| Total Current Liabilities | | 4,850,122 | 0 |
| Non-current liabilities | | | |
| Provisions | 38 | 0 | 0 |
| Non-Current Finance lease obligation | 39 | 0 | 0 |
| Non-Current portion of deferred income | 40 | 0 | 0 |
| Non - Current portion of borrowings | 41 | 0 | 0 |
| Service concession liability | 42 | 0 | 0 |

Matunda Sub-County Hospital (County Government of Kakamega)
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| | | | |
|--------------------------------------|--|-------------------|----------|
| Total Non-current liabilities | | 0 | 0 |
| | | | |
| Total Liabilities (B) | | 4,850,122 | 0 |
| | | | |
| Net assets (A-B) | | 10,960,373 | 0 |
| | | | |
| Represented By: | | | |
| Revaluation reserve | | 6,398,911 | 0 |
| Accumulated surplus/Deficit | | 4,561,462 | 0 |
| Capital Fund | | - | 0 |
| Total Net Assets | | 10,960,373 | 0 |

(The notes on pages 25 to 43 form an integral part of the Annual Financial Statements.)

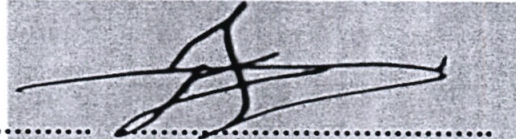
The Hospital's financial statements were approved by the Board on 27/08/2025 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No: 28805



Medical Superintendent

Matunda Sub-County Hospital (County Government of Kakamega)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

| DESCRIPTION | REVALUATION RESERVE | ACCUMULATED SURPLUS/DEFICIT | TOTAL | TOTAL |
|----------------------------------|---------------------|-----------------------------|----------|-------------------|
| As at July 1, 2023 | 0 | 0 | 0 | 0 |
| Revaluation gain | 0 | 0 | 0 | 0 |
| Surplus/(deficit) for the year | 0 | 0 | 0 | 0 |
| Capital/Development grants | 0 | 0 | 0 | 0 |
| As at June 30, 2024 | 0 | 0 | 0 | 0 |
| | | | | |
| At July 1, 2024 | 0 | 0 | 0 | 0 |
| Revaluation gain on inventories | 6,398,911 | 0 | 0 | 0 |
| Surplus/(deficit) for the period | 0 | 4,561,462 | 0 | 4,561,462 |
| Capital/Development grants | 0 | 0 | 0 | 0 |
| At 30 June, 2025 | 6,398,911 | 4,561,462 | 0 | 10,960,373 |

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

| 17. Statement of Cash Flows for The Year Ended 30 June 2025 | | | |
|-------------------------------------------------------------|-----------|-------------------|----------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfers from the County Government | 6(b) | 400,000 | 0 |
| Grants from donors and development partners | | 0 | 0 |
| Transfers from other Government entities(FIF) | 9(b) | 18,098,417 | 0 |
| Public contributions and donations | | 0 | 0 |
| Rendering of services- Medical Service Income | 11(b) | 19,394,668 | 0 |
| Revenue from rent of facilities | | 0 | 0 |
| Finance / interest income | | 0 | 0 |
| Miscellaneous receipts(<i>specify</i>) | | 0 | 0 |
| Total Receipts | | 37,893,085 | 0 |
| Payments | | | |
| Medical/Clinical costs | 15(b) | 9,154,830 | 0 |
| Employee costs | 16(b) | 3,705,203 | 0 |
| Board of Management Expenses | | 80,000 | 0 |
| Repairs and maintenance | 19(b) | 431,661 | 0 |
| Grants and subsidies | | 0 | 0 |
| General expenses | 21(b) | 3,103,172 | 0 |
| Finance costs | | 0 | 0 |
| Transfers | 22 | 19,209,943 | 0 |
| Total Payments | | 35,684,809 | 0 |
| Net cash flows from/(used in) operating activities | 43 | 2,208,276 | 0 |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment, & intangible assets | | (891,339) | 0 |
| Proceeds from the sale of property, plant, and equipment | | 0 | 0 |
| Acquisition of investments | | 0 | 0 |
| Net cash flows from /(used in) investing activities | | (891,339) | 0 |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 0 | 0 |
| Repayment of borrowings | | 0 | 0 |
| Capital grants received | | 0 | 0 |
| Net cash flows from /(used in) financing activities | | 0 | 0 |

*Matunda Sub-County Hospital (County Government of Kakamega)
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| | | | |
|-------------------------------------------------------------|----|------------------|----------|
| Net increase/(decrease) in cash and cash equivalents | | 1,316,937 | 0 |
| Cash and cash equivalents at 1 July 2024 | 27 | 0 | 0 |
| Cash and cash equivalents at June 2025 | 27 | 1,316,937 | 0 |

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

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

| | a | b | c=(a+b) | d | e=(c-d) | f=d/c % |
|------------------------------------------|-------------------|------------------|-------------------|-------------------|---------------------|-------------|
| | Kshs | Kshs | Kshs | Kshs | | Kshs |
| Revenue | | | | | | |
| Transfers from the County Government | 400,000 | 2,000,000 | 2,400,000 | 400,000 | 2,000,000 | 0.17 |
| Transfers from other Government entities | 14,451,000 | 6,500,000 | 20,951,000 | 18,098,417 | 2,852,583 | 0.86 |
| Other Hospital Receipts | 971,926 | 0 | 971,926 | 0 | | 0.00 |
| Total income | 15,822,926 | 8,500,000 | 24,322,926 | 18,498,417 | 5,824,509 | 1.03 |
| Expenses | | | | | | |
| Medical/Clinical costs | 6,171,926 | 5,800,000 | 11,971,926 | 9,154,830 | 2,817,096 | 0.76 |
| Employee costs | 3,200,000 | 2,800,000 | 6,000,000 | 3,705,203 | 2,294,797 | 0.62 |
| Remuneration of directors | 246,000 | - | 201,000 | 80,000 | 121,000 | 0.40 |
| Repairs and maintenance | 1,150,000 | - | 1,000,000 | 431,661 | 568,339 | 0.43 |
| General expenses | 4,155,000 | - | 4,000,000 | 3,103,172 | 896,828 | 0.78 |
| development | 900,000 | 250,000 | 1,150,000 | 891,339 | 258,661 | 0.78 |
| Total expenditure | 15,822,926 | 8,500,000 | 24,322,926 | 17,366,205 | 6,956,720 | 3.76 |
| | | | | | | |
| Surplus for the period | 0 | 0 | 0 | 1,132,212 | (1,132,212) | |

Matunda Sub-County Hospital (County Government of Kakamega)
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Budget notes

The total income is different from the one reported in the statement of financial Performance because;

- 1. The statement of comparison of budget report on cash basis and the statement of financial performance reports on accrual basis*
- 2. The transfers from FIF is not the actual receipts this is the amount collected from hospitals and swiped to FIF and thereafter swiped back to the hospitals*

Budget Reconciliation

| | | |
|---|--------------------------------------------------------------------------------------|------------------|
| | Actual Surplus Amounts as per the statement of Budget | 1,132,211.54 |
| 1 | Revenue received in revenue accounts and transferred to FIF account for Disbursement | 19,394,668 |
| 3 | transfers to FIF | (19,209,943) |
| | Closing Cash and Cash Equivalent as per the statement of Cash flows | 1,316,937 |

19. Notes to the Financial Statements

1. General Information

Matunda Sub-county Hospital is established by and derives its authority and accountability from The PFM Act. The entity is wholly owned by the County Government of Kakamega and is domiciled in Kakamega County in Kenya. The entity's principal activity is offer Efficient and effective Medical Services.

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

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

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

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

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

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

| Standard | Effective date and impact |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>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>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> |
| <p>IPSAS 47- Revenue</p> | <p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> |
| <p>IPSAS 48- Transfer Expenses</p> | <p>Applicable 1st January 2026</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</p> |

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

| Standard | Effective date and impact |
|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. |
| IPSAS 49- Retirement Benefit Plans | Applicable 1st January 2026 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. |
| IPSAS 50: Exploration For & Evaluation of Mineral Resources | Applicable 1st January 2027 The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. |

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

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

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

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

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

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

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 Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Biological Assets

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

i. Research and development costs

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

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

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

j. Financial instruments

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

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value

through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

k. Inventories

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

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

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

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

l. Provisions

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

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

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

Notes to the Financial Statements (Continued)

m. Social Benefits

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

n. Contingent liabilities

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

o. Contingent assets

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

p. Nature and purpose of reserves

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

q. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

r. Employee benefits

Retirement benefit plans

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

s. Foreign currency transactions

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

t. Borrowing costs

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

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

u. Related parties

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

v. Service concession arrangements

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

w. Cash and cash equivalents

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

x. Comparative figures

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

y. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

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

Notes to Financial Statements Continued

6. Transfers from the County Government

| Description | 2025 | 2024 |
|-----------------------------------------------------------------|----------------|----------|
| | KSh | KSh |
| Unconditional Grants | | |
| Operational Grant | 400,000 | 0 |
| Level 5 Grants | - | 0 |
| Unconditional development grants | - | 0 |
| debtors | - | 0 |
| | 400,000 | 0 |
| Conditional Grants | | |
| User Fee Forgone | - | 0 |
| Transforming Health Services for Universal Care Project (THUCP) | - | 0 |
| DANIDA | - | 0 |
| Wards Development Grant | - | 0 |
| Paediatric Block Grant | - | 0 |
| Administration Block Grant | - | 0 |
| Laboratory Grant | - | 0 |
| Total Government Grants and Subsidies | 400,000 | 0 |

6 b Transfers from The County Government

| Name of the Entity sending the grant | Amount recognized in Statement of Financial Performance | Amount deferred under debtors | Amount recognized in Capital Fund | grant income during the period | 2025 |
|----------------------------------------|---------------------------------------------------------|-------------------------------|-----------------------------------|--------------------------------|----------|
| | KSh | KSh | KSh | KSh | KSh |
| County Government of Kakamega Treasury | 400,000 | - | - | - | - |
| Total | 400,000 | - | - | - | - |

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

| Description | 2024 | 2023 |
|-------------------------------------------------------------------|----------|----------|
| Salaries and wages | 0 | 0 |
| Medical supplies-Drawings Rights (KEMSA) | 0 | 0 |
| Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers) | 0 | 0 |
| Utility bills | 0 | 0 |
| Total grants in kind | 0 | 0 |

8. Grants From Donors and Development Partners

| Description | 2024 | 2023 |
|-----------------------------------------------|----------|----------|
| Cancer Centre grant- DANIDA | 0 | 0 |
| World Bank grants | 0 | 0 |
| Paediatric ward grant- JICA | 0 | 0 |
| Research grants | 0 | 0 |
| Other grants (<i>specify</i>) | 0 | 0 |
| Total grants from development partners | 0 | 0 |

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

| Description | 2024 | 2023 | 2022 | 2021 | 2020 |
|--------------------|----------|----------|----------|----------|----------|
| Donor e.g., DANIDA | 0 | 0 | 0 | 0 | 0 |
| JICA | 0 | 0 | 0 | 0 | 0 |
| World Bank | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 | 0 |

Matunda Sub County Hospital (County Government Kakamega)
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Notes to Financial Statements Continued

9. Transfers From Other Government Entities

| Description | Jun-25 | |
|--------------------------------------------------------|-------------------|----------|
| | KShs | US\$ |
| Transfer from National Government (Ministry of Health) | 0 | 0 |
| Transfer from 0 National Hospital | 0 | 0 |
| Transfer from FIF | 19,603,222 | 0 |
| Total Transfers | 19,603,222 | 0 |

9 b) Transfers From Other Government Entities Cashflow Reconciliation

| Description | Jun-25 | |
|----------------------------------------------------|-------------------|----------|
| | KShs | US\$ |
| Transfer from FIF | 19,603,222 | 0 |
| Transfers earned but not received by June 30 2025 | (1,504,805) | 0 |
| Transfers As Reported in Cashflow statement | 18,098,417 | 0 |

10. Public Contributions and Donations

| Description | Jun-25 | |
|------------------------------------------------------------------|----------|----------|
| | KShs | US\$ |
| Public donations | 0 | 0 |
| Donations from local leadership | 0 | 0 |
| Donations from religious institutions | 0 | 0 |
| Donations from other international organisations and individuals | 0 | 0 |
| Other donations(<i>specify</i>) | 0 | 0 |
| Donations in kind-amortised | 0 | 0 |
| Total donations and sponsorships | 0 | 0 |

10 (a) Reconciliations of amortised grants

| Description | FY 2024/2025 | |
|--------------------------------------------------|--------------|----------|
| | KShs | US\$ |
| Balance unspent at beginning of year | 0 | 0 |
| Current year receipts | 0 | 0 |
| Amortised and transferred to revenue | 0 | 0 |
| Conditions to be met – remain liabilities | 0 | 0 |

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

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

| Description | | |
|-----------------------------------------------------|-------------------|----------|
| Pharmaceuticals | 9,104,473 | 0 |
| records | 4,370,519 | 0 |
| Laboratory | 3,904,723 | 0 |
| Reproductive health | 1,887,591 | 0 |
| maternity | 1,707,351 | 0 |
| male medical ward | 1,469,651 | 0 |
| Non-Pharmaceuticals | 687,034 | 0 |
| casualty department | 557,155 | 0 |
| Paediatrics services | 489,936 | 0 |
| medical examination | 261,650 | 0 |
| Nutrition service | 147,649 | 0 |
| Reproductive health | 94,895 | 0 |
| Dental services | 13,307 | 0 |
| procedures out/in patient | 245,935 | 0 |
| Farewell home services | 0 | 0 |
| Other medical services income | - | 0 |
| Total revenue from the rendering of services | 24,941,868 | 0 |

11 b) Rendering of Services-Medical Service Income Cashflow Reconciliation

| | | |
|----------------------------------------------------|-------------------|----------|
| Total Revenue from rendering of medical services | 24,941,868 | 0 |
| Amount billed to SHA but not received | | |
| Amount billed to NHIF but not received | (5,547,200) | 0 |
| Transfers As Reported in Cashflow statement | 19,394,668 | 0 |

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

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

| Description | FY 2024/2025 | |
|----------------------------------------------|--------------|----------|
| | KSs | KSs |
| Residential property | 0 | 0 |
| Commercial property | 0 | 0 |
| Total Revenue from rent of facilities | 0 | 0 |

13. Finance /Interest Income

| Description | FY 2024/2025 | |
|----------------------------------------------------------|--------------|----------|
| | KSs | KSs |
| Interest income from Cash investments and fixed deposits | 0 | 0 |
| Interest income from short- term/ current deposits | 0 | 0 |
| Interest income from Treasury Bills | 0 | 0 |
| Interest income from Treasury Bonds | 0 | 0 |
| Interest from outstanding debtors | 0 | 0 |
| Total finance income | 0 | 0 |

14. Miscellaneous Income

| Description | FY 2024/2025 | |
|-----------------------------------------------------|--------------|----------|
| | KSs | KSs |
| Insurance recoveries | 0 | 0 |
| Income from sale of tender | 0 | 0 |
| Services concession income | 0 | 0 |
| Sale of goods (water, publications, containers etc) | 0 | 0 |
| Write backs (Deposits, payments in advance etc) | 0 | 0 |
| Bad debts recovered | 0 | 0 |
| <i>Others (Specify)</i> | 0 | 0 |
| Total Miscellaneous income | 0 | 0 |

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

| Description | | |
|---------------------------------------------------------|-------------------|----------|
| Dental costs/ materials | 0 | 0 |
| Laboratory chemicals and reagents | 669,333 | 0 |
| Public health activities | - | 0 |
| Food and Ration | 1,531,843 | 0 |
| Uniform, clothing, and linen | 559,374 | 0 |
| Dressing and Non-Pharmaceuticals | 2,514,686 | 0 |
| Pharmaceutical supplies | 4,612,101 | 0 |
| Health information stationery | 1,357,393 | 0 |
| Reproductive health materials | - | 0 |
| Sanitary and cleansing Materials | 367,341 | 0 |
| Purchase of Medical gases | 41,690 | 0 |
| X-Ray/Radiology supplies | - | 0 |
| Other medical related clinical costs (<i>specify</i>) | | 0 |
| Total medical/ clinical costs | 11,653,761 | 0 |

15 b) Medical/Clinical Cost Cashflow Reconciliation

| Description | | |
|----------------------------------------------------|---------------------|----------|
| Total medical/ clinical costs | 11,653,761 | 0 |
| Amount Incured but not paid | (2,498,931) | |
| Transfers As Reported in Cashflow statement | 9,154,830.00 | 0 |

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

Notes to the Financial Statements (Continued)

16. Employee Costs

| Description | | |
|--------------------------------------------|------------------|----------|
| Salaries, wages, and allowances | 4,448,043 | 0 |
| Contributions to pension schemes | - | 0 |
| Service gratuity | - | xx |
| Performance and other bonuses | - | 0 |
| Staff medical expenses and Insurance cover | - | 0 |
| Group personal accident insurance and WIBA | - | 0 |
| Social contribution | - | 0 |
| Other employee costs (<i>specify</i>) | - | 0 |
| Employee costs | 4,448,043 | 0 |

16 b) Employee Cost Cashflow Reconciliation

| Description | | |
|----------------------------------------------------|------------------|----------|
| Total employee costs | 4,448,043 | 0 |
| Service Incurred but not paid | (742,840) | |
| Transfers As Reported in Cashflow statement | 3,705,203 | 0 |

17. Board of Management Expenses

| Description | | |
|------------------------------------|---------------|----------|
| Chairman's Honoraria | 0 | 0 |
| Sitting allowance | 0 | 0 |
| Mileage | 0 | 0 |
| Insurance expenses | 0 | 0 |
| Induction and training | 0 | 0 |
| Travel and accommodation allowance | 80,000 | 0 |
| Airtime allowances | 0 | 0 |
| Total | 80,000 | 0 |

Notes to the Financial Statements (Continued)

18. Depreciation and Amortization Expense

| Description | | |
|---------------------------------------|----------------|----------|
| FUNITURE AND FITINGS | 16,908 | 0 |
| COMPUTERS | 118,019 | 0 |
| MEDICAL EQUIPMENT | 98,270 | 0 |
| Total trade and other payables | 233,197 | 0 |

19. Repairs And Maintenance

| Description | | |
|--------------------------------------|----------------|----------|
| Property- Buildings | 786,571 | 0 |
| Medical equipment | - | 0 |
| Office equipment | - | 0 |
| Furniture and fittings | - | 0 |
| Computers and accessories | - | 0 |
| Motor vehicle expenses | - | 0 |
| Maintenance of civil works | - | 0 |
| Total repairs and maintenance | 786,571 | 0 |

19 b) Repair and Maintanance Cost Cashflow Reconciliation

| | | |
|----------------------------------------------------|----------------|----------|
| Total repairs and maintenance | 786,571 | 0 |
| Cost Incurred but not paid | (354,910) | |
| Transfers As Reported in Cashflow statement | 431,661 | 0 |

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

| Description | FY 2024/2025 | |
|----------------------------------------------|--------------|----------|
| | KSh | |
| Community development and social work | 0 | 0 |
| Education initiatives and programs | 0 | 0 |
| Free/ subsidised medical camp | 0 | 0 |
| Disability programs | 0 | 0 |
| Free cancer screening | 0 | 0 |
| Social benefit expenses | 0 | 0 |
| Other grants and subsidies(<i>specify</i>) | 0 | 0 |
| Total grants and subsidies | 0 | 0 |

21. General Expenses

| Description | FY 2024/2025 | |
|------------------------------------|--------------|---|
| | KSh | |
| Advertising and publicity expenses | 0 | 0 |
| Catering expenses | 404,245 | 0 |
| Waste management expenses | 0 | 0 |
| Insecticides and rodenticides | 19,000 | 0 |
| Audit fees | 0 | 0 |
| Bank charges | 173,503 | 0 |
| Conferences and delegations | 0 | 0 |
| Consultancy fees | 0 | 0 |
| Contracted services | 0 | 0 |
| Electricity expenses | 345,640 | 0 |
| Insurance | 0 | 0 |
| Research and development expenses | 0 | 0 |
| Travel and accommodation allowance | 1,214,509 | 0 |
| Legal expenses | 0 | 0 |
| Licenses and permits | 0 | 0 |
| Consumable Stores | 30,000 | 0 |
| Printing and stationery | 159,032 | 0 |
| Computer accessories | 139,498 | 0 |
| Fuel | 701,321 | 0 |

Matunda Sub County Hospital (County Government Kakamega)
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| | | |
|------------------------------------------------------------------------|------------------|----------|
| Water and sewerage costs | 0 | 0 |
| Skills development levies | 0 | 0 |
| Telephone and mobile phone services | 308,650 | 0 |
| Internet expenses | 0 | 0 |
| Staff training and development | 0 | 0 |
| Subscriptions to professional bodies | 0 | 0 |
| Subscriptions to newspapers periodical, magazines, and gazette notices | 0 | 0 |
| Library books/Materials | 0 | 0 |
| General Office expenses | 476,716 | 0 |
| Total General Expenses | 3,972,113 | 0 |

21 b) General Expenses Cashflow Reconciliation

| | | |
|----------------------------------------------------|------------------|----------|
| Total General Expenses | 3,972,113 | 0 |
| Cost Incurred but not paid | (868,941.00) | |
| Transfers As Reported in Cashflow statement | 3,103,172 | 0 |

22. Transfer to FIF

| | | |
|------------------------------|-------------------|----------|
| Transfer To County Treasury) | 0 | 0 |
| Transfer to FIF | 19,209,943 | 0 |
| Total Transfers | 19,209,943 | 0 |

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

| | | |
|-------------------------------------------------|----------|----------|
| Property, plant, and equipment | 0 | 0 |
| Intangible assets | 0 | 0 |
| Other assets not capitalised (<i>specify</i>) | 0 | 0 |
| Total gain on sale of assets | 0 | 0 |

Matunda Sub County Hospital (County Government Kakamega)
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Notes to the Financial Statements (Continued)

24. Unrealized Gain On Fair Value Investments

| Description | FY 2024/2025 | |
|---------------------------|--------------|----------|
| | US\$ | US\$ |
| Investments at fair value | 0 | 0 |
| Total gain | 0 | 0 |

25. Medical Services Contracts Gains /Losses

| Description | FY 2024/2025 | |
|-------------------------------------------------|--------------|----------|
| | US\$ | US\$ |
| Comprehensive care contracts with NHIF/SHA | 0 | 0 |
| Non- Comprehensive contracts care with NHIF/SHA | 0 | 0 |
| Linda Mama Program | 0 | 0 |
| Waivers and Exemptions | 0 | 0 |
| Total Gain/Loss | 0 | 0 |

26. Impairment Loss

| Description | FY 2024/2025 | |
|--------------------------------|--------------|----------|
| | US\$ | US\$ |
| Property, plant, and equipment | 0 | 0 |
| Intangible assets | 0 | 0 |
| Investments | 0 | 0 |
| Total impairment loss | 0 | 0 |

Notes to the Financial Statements (Continued)

27. Cash And Cash Equivalents

| Description | | | |
|----------------------------------------|------------------|----------|----------|
| Current accounts | 1,316,937 | 0 | 0 |
| On - call deposits | - | 0 | 0 |
| Fixed deposits accounts | - | 0 | 0 |
| Cash in hand | - | 0 | 0 |
| Others(<i>specify</i>)- Mobile money | - | 0 | 0 |
| Total cash and cash equivalents | 1,316,937 | 0 | 0 |

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

| Description | | | | |
|----------------------------------|--|------------------|----------|----------|
| a) Current account | | | | |
| Kenya Commercial bank Imprest | | 1,216,993 | 0 | 0 |
| Kenya Commercial bank Revenue | | 99,264 | 0 | 0 |
| Equity Bank Revenue | | 680 | 0 | 0 |
| Sub- total | | 1,316,937 | 0 | 0 |
| b) On - call deposits | | | | |
| Kenya Commercial bank | | - | 0 | 0 |
| Equity Bank – etc | | - | 0 | 0 |
| Sub- total | | - | 0 | 0 |
| c) Fixed deposits account | | | | |
| Bank Name | | - | 0 | 0 |
| Sub- total | | - | 0 | 0 |
| d) Others(<i>specify</i>) | | | | |
| cash in hand | | - | 0 | 0 |

Matunda Sub County Hospital (County Government Kakamega)
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| | | | | |
|-----------------------------------|--|------------------|----------|----------|
| Mobile money- Mpesa, Airtel money | | - | 0 | 0 |
| Sub- total | | - | 0 | 0 |
| Grand total | | 1,316,937 | 0 | 0 |

Notes to the Financial Statements (Continued)

28. Prepayments

| Description | FY 2025/2022 | |
|----------------|--------------|----------|
| Insurance | 0 | 0 |
| Rent | 0 | 0 |
| Water | 0 | 0 |
| Internet | 0 | 0 |
| Others specify | 0 | 0 |
| Total | 0 | 0 |

29. Receivables From Exchange Transactions

| Description | 2025/2022 | 2024/2023 |
|----------------------------|------------------|-----------|
| SHA | 3,747,200 | 0 |
| Other debtors (NHIF) | 1,800,000 | 0 |
| Other exchange debtors | 0 | 0 |
| Less: impairment allowance | 0 | 0 |
| Total receivables | 5,547,200 | 0 |

Analysis of Receivables From Exchange Transactions

| Description | Current FY | % of the total | Comparative FY | % of the total |
|--------------------|------------------|----------------|----------------|----------------|
| Less than 1 year | 5,547,200 | 100% | 0 | % |
| Between 1- 2 years | 0 | % | 0 | % |
| Between 2-3 years | 0 | % | 0 | % |
| Over 3 years | 0 | % | 0 | % |
| Total (a+b) | 5,547,200 | 100% | 0 | % |

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Notes to the Financial Statements (Continued)

30. Receivables From Non-Exchange Transactions

| Description | 2025 | 2024 |
|----------------------------|------------------|----------|
| Transfers from FIF | 1,504,805 | 0 |
| Less: impairment allowance | - | 0 |
| Total | 1,504,805 | 0 |

Analysis of Receivables From Non-Exchange Transactions

| Description | Current FY | % of the total | Comparative FY | % of the total |
|--------------------|------------------|----------------|----------------|----------------|
| Less than 1 year | 1,504,805 | 100% | 0 | 0% |
| Between 1- 2 years | 0 | 0% | 0 | 0% |
| Between 2-3 years | 0 | 0% | 0 | 0% |
| Over 3 years | 0 | 0% | 0 | 0% |
| Total (a+b) | 1,504,805 | 100% | 0 | 0% |

31. Inventories

| Description | 2025 | 2024 |
|------------------------------------------|------------------|----------|
| Pharmaceutical supplies | 5,245,857 | - |
| Non Pharms | 1,063,889 | - |
| Food supplies | 23,106 | - |
| lab reagents | 66,059 | - |
| Cleaning materials supplies | - | - |
| General supplies | - | - |
| Less: provision for impairment of stocks | - | - |
| Total | 6,398,911 | - |

Notes to the Financial Statements (Continued)

Detailed disclosure on inventories

| | | |
|--|--|--|
| | | |
|--|--|--|

Matunda Sub County Hospital (County Government Kakamega)
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| | | |
|----------------------------------|------------------|----------|
| Opening balance | 0 | 0 |
| Additional Inventory in the year | 6,398,911 | 0 |
| Inventory expensed in the year | 0 | 0 |
| Write-downs in the year | 0 | 0 |
| Others specify | 0 | 0 |
| Closing balance | 6,398,911 | 0 |

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Notes to the Financial Statements (Continued)

32. Property, Plant and Equipment

| | 2023 | 2024 | 2025 | 2023 | 2024 | 2025 | 2023 | 2024 | 2025 |
|----------------------------------------|------|------|------|---------|---------|---------|------|-----------|------|
| Cost | | | | | | | | | |
| As at 1 July 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions during the year | 0 | 0 | 0 | 0 | - | - | 0 | 0 | 0 |
| Disposals during the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers/adjustments during the year | 0 | 0 | 0 | 0 | | | 0 | 0 | 0 |
| As at 30 June 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | |
| As at 1 July 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions during the period | 0 | 0 | 0 | 135,265 | 354,411 | 786,163 | - | 1,275,839 | |
| Disposals during the period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer/adjustments during the period | | 0 | | 0 | | | 0 | 0 | 0 |
| As at 30 June 2025 | 0 | 0 | 0 | 135,265 | 354,411 | 786,163 | - | 1,275,839 | |
| | | | | | | | | | |
| Depreciation and impairment | | | | | | | | | |

Matunda Sub County Hospital (County Government Kakamega)
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| | | | | | | | | |
|---------------------------------------|---|----------|----------|---------------|----------------|---------------|----------|----------------|
| As at 1 july 2023 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation for the year | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| As at 30 june 2024 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| As at 1 july 2024 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation for the period | | 0 | 0 | 16,908 | 118,019 | 98,270 | - | 233,197 |
| Disposals for the period | | 0 | 0 | 0 | 0 | 0 | | 0 |
| Impairment for the period | | 0 | 0 | 0 | 0 | 0 | | 0 |
| Transfer/adjustment during the period | | 0 | 0 | 0 | - | - | | 0 |
| As at 30 june 2025 | | - | - | 16,908 | 118,019 | 98,270 | - | 233,197 |
| | | | | | | | | |
| Net book values | | | | | | | | |
| As at June 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| As at 30 june 2025 | - | - | - | 118,357 | 236,392 | 687,893 | - | 1,042,642 |

Notes to the Financial Statements (Continued)

33. Intangible Assets-Software

| Description | 2024 | 2023 |
|------------------------------------|----------|----------|
| Cost | | |
| At beginning of the year | 0 | 0 |
| Additions | 0 | 0 |
| Additions-Internal development | 0 | 0 |
| Disposal | 0 | 0 |
| At end of the year | 0 | 0 |
| Amortization and impairment | | |
| At beginning of the year | 0 | 0 |
| Amortization for the period | 0 | 0 |
| Impairment loss | 0 | 0 |
| At end of the year | 0 | 0 |
| NBV | 0 | 0 |

34. Investment Property

| | | |
|--------------------------------------------------------------|----------|----------|
| At beginning of the year | 0 | 0 |
| Additions | 0 | 0 |
| Disposals during the year | (0) | (0) |
| Fair value gain | 0 | 0 |
| Depreciation (<i>where investment property is at cost</i>) | (0) | (0) |
| Impairment | (0) | (0) |
| At end of the year | 0 | 0 |

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Notes to the Financial Statements (Continued)

35. Biological Assets

| Description | FY 2024/2025 | |
|------------------------------------|--------------|----------|
| | SSS | SSS |
| Trees in a plantation forest | 0 | 0 |
| Animals: Dairy Cattle, Pigs, Sheep | 0 | 0 |
| Others specify | 0 | 0 |
| Total | 0 | 0 |

36. Trade and other Payables

| Description | 2025 | |
|---------------------------------------------------------------|------------------|----------|
| | SSS | SSS |
| Trade payables | 4,850,122 | 0 |
| Employee dues | 0 | 0 |
| Third-party payments (<i>unremitted payroll deductions</i>) | 0 | 0 |
| Audit fee | 0 | 0 |
| Doctors' fee | 0 | 0 |
| Total trade and other payables | 4,850,122 | 0 |

| Description | FY 2024/2025 | | | |
|--------------------------------------------------------------------|-------------------|-----------------------|-----------------------|-----------------------|
| | SSS | SSS | | |
| Trade payables | 4,850,122 | 0 | | |
| Employee dues | 0 | 0 | | |
| Third-party payments (<i>e.g. unremitted payroll deductions</i>) | 0 | 0 | | |
| Audit fee | 0 | 0 | | |
| Doctors' fee | 0 | 0 | | |
| Total trade and other payables | 4,850,122 | 0 | | |
| Ageing analysis: | Current FY | % of the Total | Comparative FY | % of the total |
| Under one year | 4,737,575 | 100% | 0 | 0% |

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| | | | | |
|--------------|------------------|-------------|----------|-----------|
| 1-2 years | 0 | % | 0 | 0% |
| 2-3 years | 0 | % | 0 | 0% |
| Over 3 years | 0 | % | 0 | 0% |
| Total | 4,737,575 | 100% | 0 | 0% |

Notes to the Financial Statements (Continued)

37. Refundable Deposits from Customers/Patients

| Description | | | | |
|------------------------------|-------------------|-----------------------|-----------------------|-----------------------|
| Medical fees paid in advance | 0 | | 0 | |
| Credit facility deposit | 0 | | 0 | |
| Rent deposits | 0 | | 0 | |
| Others (<i>specify</i>) | 0 | | 0 | |
| Total deposits | 0 | | 0 | |
| | | | | |
| Ageing analysis: | Current FY | % of the Total | Comparative FY | % of the Total |
| Under one year | 0 | % | 0 | % |
| 1-2 years | 0 | % | 0 | % |
| 2-3 years | 0 | % | 0 | % |
| Over 3 years | 0 | % | 0 | % |
| Total | 0 | % | 0 | % |

38. Provisions

| Description | | | | |
|---------------------------------------------|----------|----------|----------|----------|
| Balance at the beginning of the year | 0 | 0 | 0 | 0 |
| Additional Provisions | 0 | 0 | 0 | 0 |

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| | | | | |
|-----------------------------------------------|---|---|---|---|
| Provision utilised | 0 | 0 | 0 | 0 |
| Change due to discount & time value for money | 0 | 0 | 0 | 0 |
| Total provisions | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 |
| Current Provisions | 0 | 0 | 0 | 0 |
| Non-Current Provisions | 0 | 0 | 0 | 0 |
| Total Provisions | 0 | 0 | 0 | 0 |

39. Finance Lease Obligation

| | | |
|----------------------------|---|---|
| | 0 | 0 |
| Current Lease obligation | 0 | 0 |
| Long term lease obligation | 0 | 0 |
| Total | 0 | 0 |

Notes to the Financial Statements (Continued)

40. Deferred Income

| | | |
|---------------------|---|---|
| | 0 | 0 |
| Current Portion | 0 | 0 |
| Non-Current Portion | 0 | 0 |
| Total | 0 | 0 |

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

| | | | | |
|-------------------------------------------------|---|---|---|---|
| Balance b/f | 0 | 0 | 0 | 0 |
| Additions during the year | 0 | 0 | 0 | 0 |
| Transfers to Capital fund | 0 | 0 | 0 | 0 |
| Transfers to statement of financial performance | 0 | 0 | 0 | 0 |
| Other transfers (<i>Specify</i>) | 0 | 0 | 0 | 0 |
| Balance C/F | 0 | 0 | 0 | 0 |

41. Borrowings

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| | | |
|---------------------------------------------------|---|---|
| Balance at beginning of the period | 0 | 0 |
| External borrowings during the year | 0 | 0 |
| Domestic borrowings during the year | 0 | 0 |
| Repayments of external borrowings during the year | 0 | 0 |
| Repayments of domestic borrowings during the year | 0 | 0 |
| Balance at end of the period | 0 | 0 |

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

| | | |
|------------------------|---|---|
| Current Obligation | 0 | 0 |
| Non-Current Obligation | 0 | 0 |
| Total | 0 | 0 |

Notes to the Financial Statements (Continued)

42. Service Concession Arrangements

| | | |
|--------------------------------------------------------------|---|---|
| Fair value of service concession assets recognized under PPE | 0 | 0 |
| Accumulated depreciation to date | 0 | 0 |
| Net carrying amount | 0 | 0 |
| Service concession liability at beginning of the year | 0 | 0 |
| Service concession revenue recognized | 0 | 0 |
| Service concession liability at end of the year | 0 | 0 |

43. Cash Generated from Operations

| | | |
|----------------------------------------|------------------|---|
| Surplus for the year before tax | 4,561,462 | |
| Adjusted for: | | |
| Depreciation | 233,197 | 0 |
| Non-cash grants received | 0 | 0 |
| Impairment | 0 | 0 |
| Gains and losses on disposal of assets | 0 | 0 |
| Contribution to provisions | 0 | 0 |
| Contribution to impairment allowance | 0 | 0 |

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| | | |
|--------------------------------------------------------|------------------|----------|
| Working Capital adjustments | | |
| Increase in inventory | 0 | 0 |
| Increase in receivables | (7,052,005) | 0 |
| Increase in deferred income | 0 | 0 |
| Increase in payables | 4,465,622 | 0 |
| Increase in payments received in advance | 0 | 0 |
| Net cash flow from/used in operating activities | 2,208,276 | 0 |

43 (b) Workings on Increase In Payables

| | |
|---------------------------------------------------------------------------------------------------------------------------------|------------------|
| Increase in Payables | 4,850,122 |
| Less pending bills for Acquisition of Assets since it does not Affect the net surplus in the statement of Financial performance | (384,500) |
| Net increase in | 4,465,622 |

Notes to the Financial Statements (Continued)

44. Financial Risk Management

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

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

(i) Credit risk

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

| | | | | |
|---------------------------------------------|---|---|---|---|
| At 30 June 20XX (previous year) | | | | |
| Receivables from exchange transactions | 0 | 0 | 0 | 0 |
| Receivables from –non-exchange transactions | 0 | 0 | 0 | 0 |
| Bank balances | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |
| At 30 June 20XX (current year) | | | | |
| Receivables from exchange transactions | 0 | 0 | 0 | 0 |
| Receivables from –non-exchange transactions | 0 | 0 | 0 | 0 |
| Bank balances | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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Notes to the Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from 0x. The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

| Description | Less than 12 months | Between 12 - 36 months | Over 36 months | Total |
|-------------------------------|---------------------|------------------------|----------------|----------|
| | KSh | KSh | KSh | KSh |
| At 30 June 20xx | | | | |
| Trade payables | 0 | 0 | 0 | 0 |
| Current portion of borrowings | 0 | 0 | 0 | 0 |
| Provisions | 0 | 0 | 0 | 0 |
| Deferred income | 0 | 0 | 0 | 0 |
| Employee benefit obligation | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |
| At 30 June 20xx | 0 | 0 | 0 | 0 |
| Trade payables | 0 | 0 | 0 | 0 |
| Current portion of borrowings | 0 | 0 | 0 | 0 |
| Provisions | 0 | 0 | 0 | 0 |
| Deferred income | 0 | 0 | 0 | 0 |
| Employee benefit obligation | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

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

| At 30 June 20xx | | | |
|-----------------------------------------------|----------|----------|----------|
| Financial assets (investments, cash, debtors) | 0 | 0 | 0 |
| Liabilities | 0 | 0 | 0 |
| Trade and other payables | 0 | 0 | 0 |
| Borrowings | 0 | 0 | 0 |
| Net foreign currency asset/(liability) | 0 | 0 | 0 |

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

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Notes to the Financial Statements (Continued)

| Description | KShs KShs | Other currencies | Total KShs |
|-----------------------------------------------|--------------|------------------|---------------|
| At 30 June 20xx | | | |
| Financial assets (investments, cash, debtors) | 0 | 0 | 0 |
| Liabilities | 0 | 0 | 0 |
| Trade and other payables | 0 | 0 | 0 |
| Borrowings | 0 | 0 | 0 |
| Net foreign currency asset/(liability) | 0 | 0 | 0 |

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 KShs | Effect on Profit before tax KShs | Effect on equity KShs |
|-----------------------------|------------------------------------|----------------------------------------|-----------------------------|
| 20XX (previous year) | | | |
| Euro | 10% | 0 | 0 |
| USD | 10% | 0 | 0 |
| 20XX (current year) | | | |
| Euro | 10% | 0 | 0 |
| USD | 10% | 0 | 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.

Notes to the Financial Statements (Continued)

Sensitivity analysis

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

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 (20xx: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs 0 (20xx – KShs 0).

iv) Capital Risk Management

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

| | | |
|-------------------------------------------------------|-----------|-----------|
| Revaluation reserve | 0 | 0 |
| Retained earnings | 0 | 0 |
| Capital reserve | 0 | 0 |
| Total funds | 0 | 0 |
| | 0 | 0 |
| Total borrowings | 0 | 0 |
| Less: cash and bank balances | 0 | 0 |
| Net debt/ (<i>excess cash and cash equivalents</i>) | 0 | 0 |
| Gearing | 0% | 0% |

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Notes to the Financial Statements (Continued)

45. Related Party Balances

Nature of related party relationships

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

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

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

| Description | | |
|--------------------------------------------------------|----------|----------|
| Transactions with related parties | | |
| | | |
| a) Services offered to related parties | | |
| Services to 0 | 0 | 0 |
| Sales of services to 0 | 0 | 0 |
| Total | 0 | 0 |
| | 0 | 0 |
| b) Grants from the Government | 0 | 0 |
| Grants from County Government | 0 | 0 |
| Grants from the National Government Entities | 0 | 0 |
| Donations in kind | 0 | 0 |
| Total | 0 | 0 |
| | 0 | 0 |
| c) Expenses incurred on behalf of related party | 0 | 0 |
| Payments of salaries and wages for 0 employees | 0 | 0 |
| Payments for goods and services for 0 | 0 | 0 |
| Total | 0 | 0 |
| | | |
| d) Key management compensation | | |

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| Description | | Kshs |
|---------------------------------|----------|----------|
| Directors' emoluments | 0 | 0 |
| Compensation to the medical Sup | 0 | 0 |
| Compensation to key management | 0 | 0 |
| | 0 | 0 |
| Total | 0 | 0 |

46. Segment Information

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

47. Contingent Liabilities

| Description | | Kshs |
|-----------------------------------------|----------|----------|
| Court case 0 against the hospital | 0 | 0 |
| Bank guarantees in favour of subsidiary | 0 | 0 |
| Total | 0 | 0 |

48. Capital Commitments

| Description | Kshs | Kshs |
|-------------------------------|----------|----------|
| Authorised For | 0 | 0 |
| Authorised And Contracted For | 0 | 0 |
| Total | 0 | 0 |

49. Events after the Reporting Period

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

50. Ultimate and Holding Entity

The entity is a Level IV hospital under the Department of Health. Its ultimate parent is the County Government of Kakamega.

51. Currency

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

20. Appendices


Appendix 1: Progress on Follow Up of Auditor Recommendations

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

| Reference No. in the external audit report | Issue/Observation from Auditor | Management comments | Status (Resolved/Not Resolved) | Timeframe (Date when you expect the issue to be resolved) |
|--------------------------------------------|--------------------------------|---------------------|--------------------------------|-----------------------------------------------------------|
| | | | | |
| | | | | |

Guidance Notes:

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



Accounting Officer

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Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

| Sl. No. | Project Name | Year | Region | Total amount | Amount received | Amount expended |
|---------|--------------|------|--------|--------------|-----------------|-----------------|
| 1 | | | | | | |
| 2 | | | | | | |

Status of Projects completion

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

| Sl. No. | Project | Amount received | Amount expended to date | Completion % to date | Balance | Source of funds |
|---------|---------|-----------------|-------------------------|----------------------|---------|-----------------|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |

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Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....

| 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 Entity:
 Name Sign Date

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

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Appendix IV Reporting of Climate Relevant Expenditures

| Reporting of Climate Relevant Expenditures | | | | | | | | | |
|--------------------------------------------|--------------|----------|--------|-----------|----|----|----|-------|----------|
| Item Description | Account Code | Budgeted | Actual | Quarterly | | | | Total | Comments |
| | | | | Q1 | Q2 | Q3 | Q4 | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

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Appendix V: Disaster Expenditure Reporting Template

| Disaster Incident | Date of Incident | Disaster Type | Description of disaster related activities, what equipment, personnel or supplies were used, how the disaster was managed | Expenditure Year | Amount (K Shs) | Comments |
|----------------------|---------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------|----------|
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |



Red ink smudges or marks.