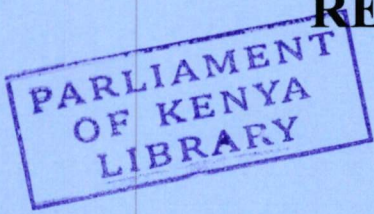
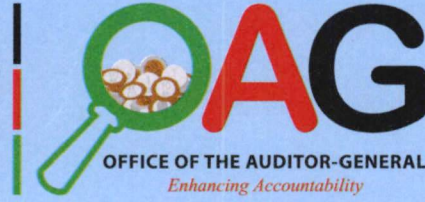


REPUBLIC OF KENYA



320

REPORT

OF

THE AUDITOR-GENERAL

ON

PAPERS LAID	
DATE	25/2/26
TABLED BY	SML
COMMITTEE	
CLERK AT THE TABLE	C. CHEROP

NAITIRI SUB-COUNTY HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF BUNGOMA

200



NAITIRI SUB-COUNTY HOSPITAL (Bungoma County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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

Table of Contents

1. Acronyms & Glossary of Terms	ii
2. Key Entity Information and Management	iii
3. The Board of Management	vi
4. Key Management Team	viii
5. Chairman’s Statement	x
6. Report of The Medical Superintendent	xi
7. Statement of Performance Against Predetermined Objectives	xiii
8. Corporate Governance Statements	xv
9. Management Discussion and Analysis.....	xvi
10. Environmental And Sustainability Reporting.....	xx
11. Report of The Board of Management.....	xxii
12. Statement of Board of Management’s Responsibilities.....	xxiii
13. Report of the Independent Auditor for Naitiri Sub County Hospital.....	xxv
14. Statement of Financial Performance for The Year Ended 30 June 2025	1
15. Statement of Financial Position As At 30th June 2025	2
16. Statement of Changes in Net Assets for The Year Ended 30 June 2025.....	3
17. Statement of Cash Flows for The Year Ended 30 June 2025.....	4
18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2025	5
19. Notes to the Financial Statements	6
20. Appendices	38

1. Acronyms & Glossary of Terms

Acronyms

CSR	Corporate Social Responsibility
HMT	Hospital Management Team
MED SUP	Medical Superintendent
MOPC	Medical Outpatient Clinic
OSHA	Occupational Health & Safety Act
PFM	Public Financial Management
NHIF	National Health Insurance Fund
SHA	Social Health Authority
SOPC	Surgical Outpatient Clinic
TOR	Terms of Reference
UHC	Universal Health Coverage
OPD	Out Patient Department
IPD	Inpatient Department
TB	Tuberculosis
HIV	Human Immunodeficiency Virus
MCH/FP	Maternal Child Health and Family Planning

Glossary of Terms

Fiduciary Management	Key management personnel who have financial responsibility in the entity.
----------------------	---

2. Key Entity Information and Management

(a) Background information

Naitiri Hospital is a level (4) hospital established under gazette notice number 786 of February 2020 and is domiciled in Bungoma County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

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

Vision:

To be an efficient and quality healthcare facility that is accessible, equitable and affordable to every Kenyan

Mission:

Promoting participatory provision of high quality and integrated healthcare services to all Kenyans

Core objectives:

Professionalism, Integrity, Excellence, Collaboration and Mutual respect

(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

(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	Dr. Philip Koskey
2.	Head of finance	Benard Mulongo
3.	Head of supply chain	Brian Walumoli
4.	Head of Administration	Vincent Odhiambo
5.	Head of Nursing	Catherine Asava
6.	Head of clinical department	Redempta Asuka
7.	Head of Records	Janepher Nang'ole
8.	Head of Pharmacy	Dr. Rodgers Juma

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

No.	Designation	Name
9.	Head of Laboratory	Bonventure Natembeya
10.	Head of Medical Engineer	Timothy Lumbasi
12.	Head of Public Health	Benard Simiyu
13.	Head of Nutrition	Judith Juma
14.	Head of Physiotherapy	Amos Situma
15.	Head of Occupation Therapy	Humphrey Wabwoba
16.	Head of Human Resource	Martin Masika

(e) Fiduciary Oversight Arrangements

-Clinical Research and Standards Committee:

It focuses on improving and standardizing medical practices and guidelines, particularly in context of clinical research. It plays a role in setting standards for research conduct, reviewing research proposals and ensuring ethical considerations are met in clinical trials.

-Audit committee:

charged with the oversight of revenue and risk management at the hospital.

-Risk Committee:

Ensuring patient safety, Regulatory compliance, and financial stability. They play a vital role in overseeing, managing and mitigating potential risks across various aspects of the healthcare system

-County Assembly:

They appropriate funds to facilities, they oversee, revenue collection expenditure and implementation.

-Parliamentary committees:

It focus on various aspects of health care, including medical services, public health and sanitation, and health financing. They review legislation, scrutinize budgets, and conduct investigations into healthcare- related issues

-Other oversight committees:

Key Entity Information and Management (continued)

(f) Entity Headquarters

Naitiri Sub- County hospital
P.O. Box 200-50211
Naitiri
KENYA

(g) Entity Contacts

Telephone: (+254701573991)
E-mail: naitirisubcountyhospital@yahoo.com
Website: www.go.ke

(h) Entity Bankers

Kenya Commercial Bank
Bungoma Branch

(i) Independent Auditors

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

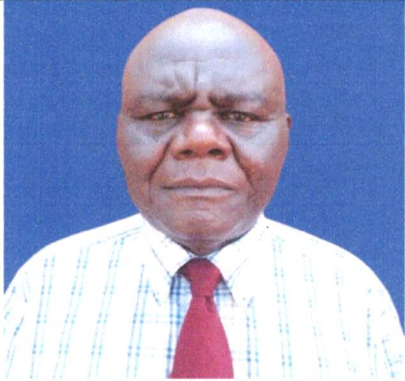


(j) Principal Legal Adviser

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



(k) County Attorney

The County Attorney
P.O. Box. 437- 50200
Bungoma, Kenya

3. The Board of Management

Ref	Directors	Details
1.	 <p>Mr. Richard Kwoba</p>	<p>Board chairman</p> <ul style="list-style-type: none"> • He is 67 years old <p>Qualifications</p> <ul style="list-style-type: none"> • He is a Diploma Holder in Community Development from JKUAT <p>Work Experience</p> <ul style="list-style-type: none"> • Chairman of Board Naitiri Hospital • Member of Land Control Board Tongaren • Chairman Tongaren Health Centre 1995 • B.O.M Bishop Atundo Secondary School
2.	 <p>Mr. Herbert China</p>	<p>Chair of Finance Sub-committee</p> <p>He is 69yrs old</p> <p>Qualifications</p> <p>He holds a Diploma in Education Management</p> <p>Work experience</p> <p>Retired Head Teacher</p>
3.	 <p>Mr. Gilbert Mabonga Karani</p>	<p>Chair Audit Sub-committee</p> <p>He is 66 years Old</p> <p>Qualifications</p> <p>He holds a Diploma in Education from Nairobi University</p> <p>Work Experience</p> <p>Retired high school Teacher</p> <p>He is a member of B.O.M Naitiri Hospital</p>
4.		<p>Chair Quality care sub-committee</p> <ul style="list-style-type: none"> • She is 68 years old <p>Qualifications</p> <ul style="list-style-type: none"> • Diploma in education Management <p>Work experience</p> <ul style="list-style-type: none"> • A retired Head teacher • BOM Naitiri hospital



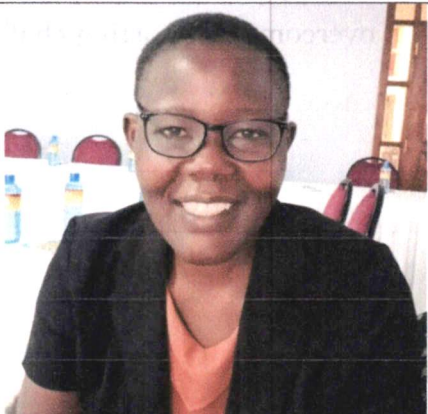
Naitiri Sub County Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Ref	Directors	Details
	 <p>Mrs. Catherine Musila</p>	<ul style="list-style-type: none"> • BOM Makunga Secondary school • BOM Nabing'eng'e Secondary school • BOM Nabiswa Secondary school
5-	 <p>Dr. Phillip Koskey</p>	<p>Secretary of the Hospital Board</p> <p>Qualification</p> <ul style="list-style-type: none"> • He holds a degree in Medicine and Surgery • He Holds Masters in Family Medicine <p>Responsibilities</p> <ul style="list-style-type: none"> • He is the secretary of the Hospital Board, executive member of the Board and also the CEO of the Hospital.

4. Key Management Team

Ref	Management	Details
1.	 <p>DR PHILIP KOSKEY</p>	<p>MEDICAL SUPERNTENDENT</p> <p>Qualifications</p> <ul style="list-style-type: none"> • He holds a Degree in Medicine and Surgery • He Holds Masters in Family medicine <p>Responsibilities:</p> <ul style="list-style-type: none"> • He provides visionary and transformation leadership in the management of the hospital • He ensures prudent management of the resources • Formulation of long term strategies and business plans participating in various committee in the institution and overseeing all clinical services • He is a mandatory signatory to the facility accounts • He is the chairperson of Hospital Management Team (HMT) and Executive Expenditure Committee.
2.	 <p>MR. VINCENT ODHIAMBO</p>	<p>HEALTH ADMINISTRATIVE OFFICER</p> <p>Qualifications</p> <ul style="list-style-type: none"> • He holds a Bachelor's degree in commerce Finance from MMUST, • a Higher National Diploma in Health Administration Management from KMTC, • Diploma in Business Management form UON, • Certificate in Health System Strengthening AMREF International University • CPA 2 from KCA university <p>Responsibilities:</p> <ul style="list-style-type: none"> • Coordination of services within the hospital while liaising with fellow team members • Estate management in liaison with the public health officers • Supervision of non-medical staff • Co-opted member of the board and finance and general-purpose sub committee • He is alternative signatory to facility account • Ensures security of staff, patients and hospital property.
3		<p>HOSPITAL ACCOUNTANT</p> <p>Qualifications</p> <ul style="list-style-type: none"> • BCOM (ACCOUNTING OPTION) • CPA (K) • CIFA

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

Ref	Management	Details
	 <p>MR. BENARD MULONGO</p>	<ul style="list-style-type: none"> • Diploma in Technical education • Member of ICPAK <p>Responsibilities</p> <ul style="list-style-type: none"> • He coordinates preparation of budgets • He is an alternate signatory to facility accounts • He is a member of Hospital Management Team (HMT) and facility Executive Expenditure Committee (EEC)
3.	 <p>MS. CATHERINE ASAVA</p>	<p>NURSING OFFICER</p> <p>Qualifications</p> <ul style="list-style-type: none"> • BSCN Paediatric <p>Responsibilities</p> <ul style="list-style-type: none"> • Formulation, review and interpretation of health care policies relating to nursing services. • Ensuring adherence to Nursing Statutory and regulatory requirements. • Facilitating development and review of training programs for nurses in the Hospital. • She is also a member of the Hospital Management Team (HMT) and facility Executive Expenditure Committee (EEC). • She is a co-opted member of the board as well as quality of care subcommittee
4.	 <p>MRS. JANEPHER NANG'OLE</p>	<p>HEALTH RECORDS & INFORMATION OFFICE</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Diploma in Health records and Information Technology from KMTC <p>Responsibilities</p> <ul style="list-style-type: none"> • Maintaining confidentiality of medical records. • Conducting periodic data reviews • Generating, maintaining, disseminating and archiving health records • Participate in developing facility work and strategic plans and setting performance targets. • Participating in various committees in the Institution.

5. Chairman's Statement

As Chairman of the Hospital Board, I am pleased to present this financial statement for Naitiri Sub-County Hospital for the year ended June 30, 2025. The year under review was marked by both commendable progress and significant operational challenges.

Notably, we successfully equipped and launched the hospital's mortuary on 15th May 2025, expanding our service scope to Tongaren and neighbouring areas. Within the launch month, the facility collected Ksh 35,000 in revenue, reflecting its immediate impact. We also saw the ground-breaking of the Safaricom Foundation Modern Maternity Project in March, which, upon completion in August 2025, will mark a transformative milestone in maternal healthcare delivery.

Despite these achievements, we faced critical challenges including erratic SHA reimbursements, unreliable supply chains, and staff shortages. Suppliers continued to withdraw due to accumulated pending bills, and national healthcare worker strikes disrupted service delivery. Nonetheless, the hospital made significant progress in SHA registration and claims, and improvements in delivery other infrastructural improvements included the opening of physiotherapy and occupational therapy units, renovation of the paediatric ward, and upgrading of the X-ray unit, where a new machine is expected early in the next financial year. We also hosted a two-day free medical camp, treating over 700 patients, thanks to our partnership with Core Health and Wealth Foundation.

On behalf of the board, I commend the hospital management, staff, and partners for their resilience and commitment to service. We remain optimistic that with continued support from stakeholders and the County Government, we will overcome the existing challenges and deliver even better outcomes in the coming year.



.....

Mr Richard Kwoba
Chairman Hospital Board.

6. Report of The Medical Superintendent

The financial year 2024/2025 presented both immense opportunity and notable hurdles for Naitiri Sub-County Hospital. As Medical Superintendent, I take this opportunity to highlight key milestones achieved during the period.

A major highlight was the equipping and operationalization of the mortuary, officially launched on 15th May 2025, which now serves Tongaren Sub-County and beyond. The facility collected KSh 35,000 in the first month alone, marking a vital service improvement for the region.

Another major milestone was the launch of the Safaricom Foundation Modern Maternity Project in March, presided over by H.E the Governor. The project is ongoing and expected to be completed by end of August 2025, significantly upgrading maternal health infrastructure.

We also successfully:

- Opened physiotherapy and occupational therapy units, expanding rehabilitative services.
- Renovated the paediatric ward, improving the child-friendly environment.
- Refurbished the X-ray unit, with a new machine expected in the coming financial year.
- Partnered with Core Health and Wealth Foundation to hold a two-day free medical camp, where over 700 patients received medical services.

My tenure has realized tremendous improvement of quality and affordable health services to our clients. There has been an increase in patients turn over and improvement in service delivery, despite the country's increased economic status

On infrastructure level, the hospital has been able to Construct a new Maternity unit inclusive with a theatre by support from Safaricom Foundation. The Hospital has also been able to Renovate the paediatric ward and X-ray Unit. In service delivery the hospital has started the physiotherapy and Occupation services and the hospital in is in process of starting X-ray services.

There have been continuous efforts to improve quality through purchase of medical equipment, consistent supply of health products and technologies, timely maintenance and servicing of equipment and staff motivation. Additionally, we registered improvements in hospital deliveries and SHA client enrolment and claims processing.

However, the year was not without challenges:

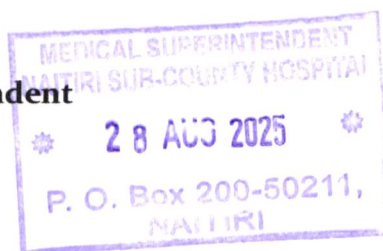
Naitiri Sub County Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

- Erratic SHA reimbursements affected cash flow and service continuity.
- Recurrent staff shortages, particularly in key areas such as medical officers and surgical specialties, strained service delivery.
- Commodity stock-outs due to unreliable supply chains and supplier reluctance linked to historical debts further impacted performance.
- The facility also faced disruptions from healthcare worker strikes and frequent leadership transitions.
- High referral rates continue to stretch available resources.

Despite these issues, the facility remains committed to improvement and innovation, with a dedicated team working to overcome barriers and provide quality healthcare to our community.



.....
Dr. Philip Kosgei, Medical superintendent
Secretary to the Board



7. Statement of Performance Against Predetermined Objectives

Naitiri sub-county hospital has six strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2024- FY2025. These strategic pillars/ themes/ issues are as follows:

1. Health service delivery
2. Infrastructure
3. Availability of pharmaceuticals and non-pharmaceuticals
4. Health information
5. Health financing
6. Leadership and governance

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

Strategic Pillar/ Theme/ Issues	Objective	Key Performance Indicators	Activities	Achievements
Health service delivery	To improve general services availability and accessibility	-Number of outpatient visits per year. -Services offered at outpatient. -Number of admissions in the ward. -Number of patients registered on SHA	-Expanded services i.e Dental, Physiotherapy and Occupational therapy services Registration of patients to SHA -linkages with private hospitals. -public private partnership	Dental, physiotherapy and occupational therapy services now available More patients are registered to SHA
Infrastructure	To improve service delivery space in the hospital To improve ambulance services	-Availability of service delivery rooms	-Renovation of x-ray building -Renovation of paediatric ward -Creation of Physiotherapy and ---Occupational --- -Therapy room Construction of modern maternity wing. -Timely commitment of fuel for ambulance services	The Hospital is ready to start X-ray services Paediatric ward in good condition Physiotherapy and occupation therapy department are fully functional The modern maternity wing is in its final completion stages Timely referral services
Availability of Pharmaceuticals and non-	To ensure availability of essential drugs	To ensure availability of 14 essential drugs are stocked in the	Timely ordering of drugs Monthly	Routine physical stocks done

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

Strategic Pillar/ Theme/ Issues	Objective	Key Performance Indicators	Activities	Achievements
pharmaceuticals		facility every month	physical/EMR stock taking Efficient and effective budget allocation	
Health Information	To assess capacity for analysis synthesis and validation of data	Availability and use of indicators with targets and monthly to inform Health sector reviews and cycles	Daily and monthly updating of reports Quarterly data reviews	100% reporting of KHIS on all measurable indicators
Health Financing	To Raise sufficient funds for the Hospital from external and internal sources	Improved revenue collection Improved SHA re-imburement	Introduction of new services Sensitization of Community to be registered on SHA Daily audit of Revenue collection Marketing of available services	Improvement in revenue collection
Leadership and Governance	To improve accountability to service providers in terms of service delivery, financial management and maintenance of equipment and infrastructure To carry out bi-annual hospital inventory status	No of HMT meetings held Number of HMC meeting held Number of financial reports prepared Number of monthly reports submitted availability of updated hospital inventory report opening of suggestion boxes	Quarterly HMC meetings Monthly HMT meetings Quarterly supportive supervision and reviews meetings conducted Monthly opening of suggestion boxes to review clients feedback	4 HMC meetings held 8 HMT meetings held.

8. Corporate Governance Statements

Appointment of hospital board members are governed by the County Health Services Act, 2019 and the Public Appointments (county Assemblies Approval) Act, 2017 the Governor appoints members to the Hospital management boards and these appointments are subjected to approval by the county Assembly.

Process of appointment

Nomination:

The governor nominates individuals for appointment to hospital boards

County assembly Approval: the county assembly reviews and approves the nominations, this includes vetting the nominees' suitability, qualifications and integrity

Notifications:

The governor notifies the County Assembly of the nominations

Vetting:

The County Assembly's Relevant committee conducts vetting

Formal appointment: upon successful vetting an approval, the governor formally appoints the individuals as members of the hospital board

Removal of Directors

Terms of Reference of Committees

Hospital board committees, such as Audit, Finance, or Quality Committees, have specific Terms of Reference, (TOR) that Outline their purpose, structure, membership, and responsibilities. These TOR documents ensure committees operates effectively, fulfil their delegated duties, and report back to the full board.

Policy on related party transactions

Hospital Board Committees play a crucial role in overseeing related party transactions to ensure fairness, transparency, and compliance with regularities. Policies typically outlines procedures for identifying, reviewing and approving these transactions, often involving the audit committee and potentially the full board are shareholders. The process often includes disclosure requirements, conflict of interest, abstention, and potentially independent valuations.

9. Management Discussion and Analysis

Clinical/operational performance

Naitiri Sub-County Hospital has a bed capacity of 83. In the last financial year 2024/2025, patient attended to in general inpatient was and 1686 mothers served in maternity unit. And in outpatient a total of 31029 clients were attended to. In the special clinics averagely, we attended to 728 patients, average length of stay is 2.5days; with bed occupancy rate of over 129% plus a mortality rate of 5.2%.

Naitiri Sub-County Hospital provides preventive and curative specialized services to people within Tongaren Sub- County. It serves a projected population of 36,768 people and acts as a Referral hospital for Tongaren Sub- County and the neighboring counties such as Kakamega and Trans Nzioa.

Specialized services include, specialized outpatient clinics such as MOPC, SOPC, Dental, Physiotherapy, occupation Therapy and CCC, the hospital also provides clinical support services that include laboratory and pharmacy. The hospital strives to ensure that the clinical services provided are safe, timely, appropriate, innovative, effective, evidence-based and in line with modern technological advances. Clinical governance continues to be strengthened to improve patient safety and ensure quality healthcare. The hospital patient attendance continues to increase despite the many challenges i.e. budgetary constraints, staff shortages and inadequate infrastructure

Overall patient attendance

Naitiri Sub-County Hospital had a catchment population of 37170 for the year 2024/2025

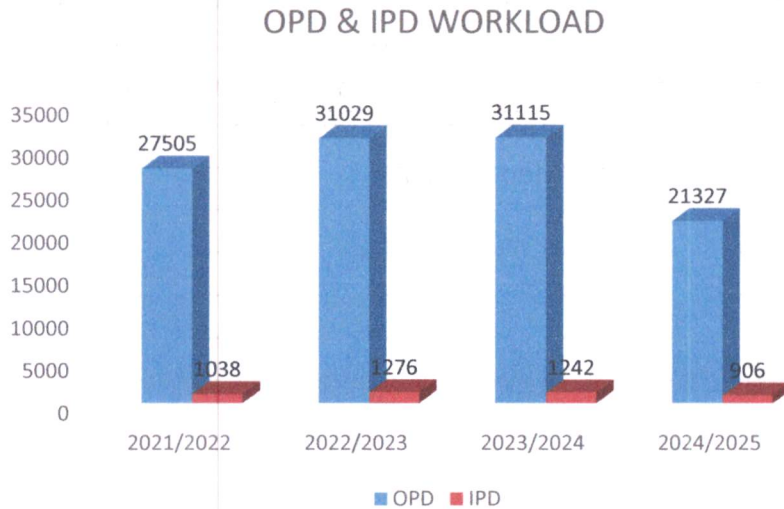
The average patient attendance inclusive of MCH for the year 2022/2023 was 31029, 1276 in-patients and in the years 2023/2024 the average hospital attendance was 31115 outpatient and 1242 in-patients and the average hospital attendance for the year 2024/2025 was 21327 in outpatient and 906 in inpatient. A decrease is noted in the year 2024/2025 due to the outlined reasons below:

- Countrywide inflation
- More upcoming private clinics
- Inadequate commodities
- Enhanced and positive uptake of preventive measures

This was attributed to introduction of the HMIS system in the facility, thus the clients opted to go to the nearby peripheral facility because of the slow systems thus long waiting time. Some of the patients seen at the hospital are referred from other facilities while others are admitted from out patient. A minimal number of the admissions are done from the specialized clinics.

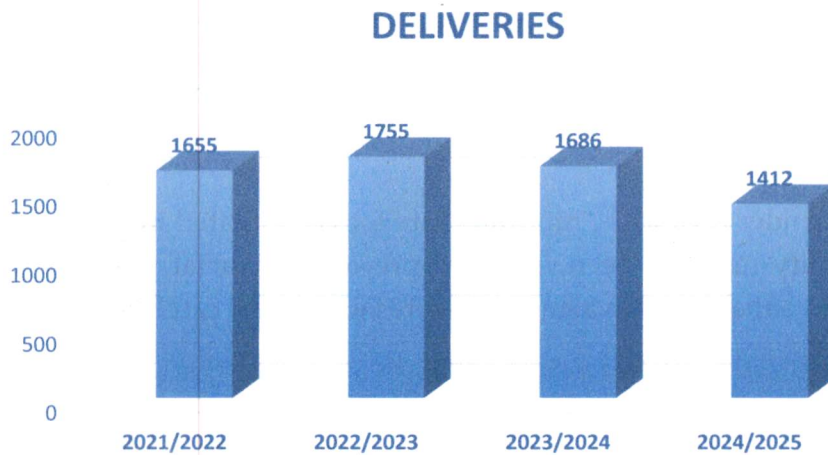
Naitiri Sub County Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

The Hospital's patient attendance analysis over two financial years is as depicted in the chart below;



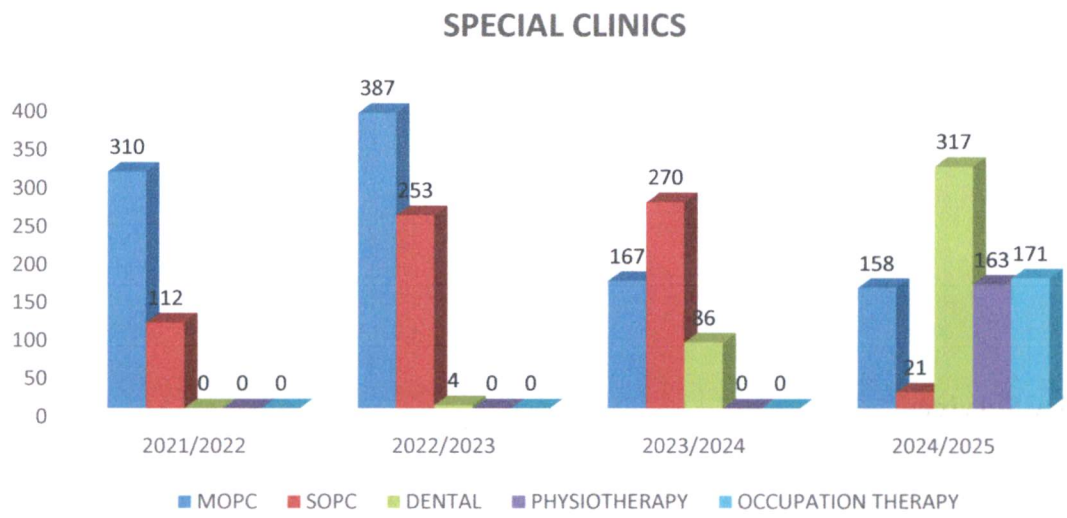
Maternity Services

As a hospital, we were privileged to offer maternity services to mothers such as ANC, deliveries and Post Natal care. In subsequent years, deliveries tremendously increased as shown below despite a slight decrease noted in the year 2024/2025 that was attributed to the industrial clinical officer's strike that lasted for more than 3 months.



Specialized clinics Attendance

Naitiri Sub-County Hospital runs specialist clinics to review, treat and follow up on patients with Medical, Surgical, Dental, Physiotherapy and Occupational therapy conditions that require the specialists’ intervention. The clinics are run on every Mondays-Fridays throughout the year with specific emphasis on patients’ progress. The chart below shows 4 financial year patient attendance trend in MOPC, SOPC, Dental physiotherapy and occupation Therapy departments.



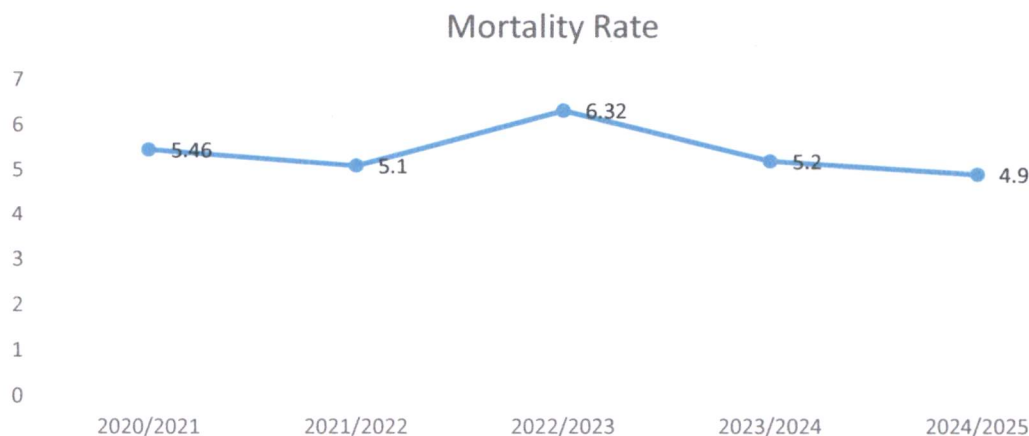
Key:

MOPC - Medical Outpatient Clinic

SOPC - Surgical Outpatient Clinic

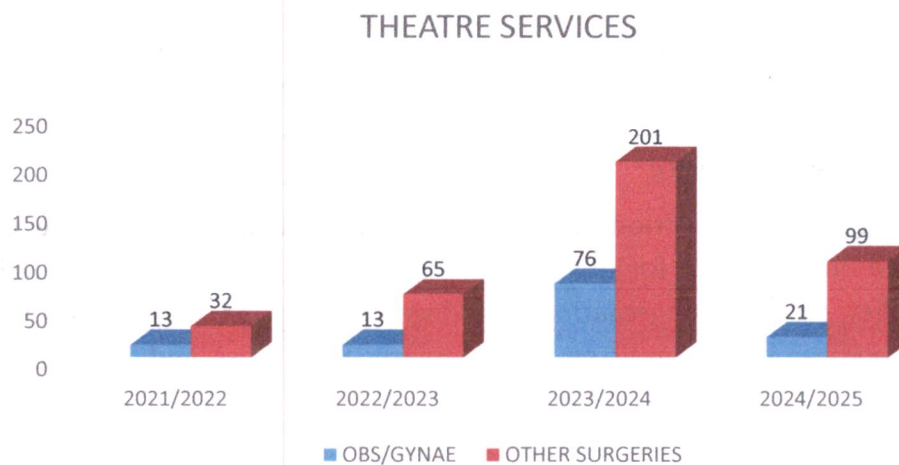
Mortality Rate

During the period under review the mortality rate for is stipulated in the graph below, the decrease in mortality rate has been noted in previous financial year due to improved service delivery and enhanced prevalence measures within the catchment area

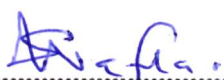


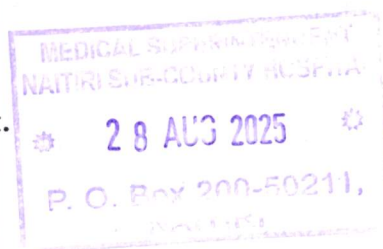
Operating theatre

Theatre activities during the three-year period are depicted in the figure below.



It is noted that there was a decrease of theatre services in the facility due to inadequate supplies and availability of staff.


.....
Dr. Phillip Koskey
Medical superintendent.



10. Environmental And Sustainability Reporting

i) Sustainability strategy and profile

All revenue collected at facility is budgeted and spent within the hospital for facility improvement and service delivery. We aim to ensure availability of appropriate health products and technologies, expansion of services, upgrading of amenities to improve work environment etc.

ii) Environmental performance

The hospital boasts of a robust infection prevention committee which is charged with the role of ensuring safe environment for healthcare workers, clients and hospital visitors. There is a clear policy on waste segregation and disposal both for drugs, non-pharms, human waste and bodies. The committee met regularly to discuss and implement its findings.

iii) Employee welfare

The employees are mainly hired and posted by the County Public Service Board. The hospital management role is to raise concern on shortages and needs. It engages casual employees through a competitive process and puts into consideration gender ratio. The hospital management encourages and supports its staff members to train and capacity build in various courses, both technical and professional to improve service delivery. Some of the trainings include Kenya School of Government leadership courses, seminars and Continuous Medical Education. It also recommends staff for diploma and degree and masters programmes. There is an annual staff recognition and reward system whose main role is to reward excellence in performance. The facility observes the policy on safety and compliance with occupational and safety health act of 2007 (OSHA). The hospital also observes safety and adherence to HIV Policy on Post Exposure Prophylaxis, testing and treatment for HIV. It also adheres to the guidelines on occupational health and safety.

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

The hospital management adopted an anti-corruption crusade messaging and interventions. It only engaged in responsible political engagement. As a government entity it involved in fair competition and respected its competitors. The hospital offers quality health care services in collaboration with its partners. It adheres to EACC guidelines which applies to all staff. The hospital has a disciplinary and advisory committee, which handles all corruption cases appropriately.

b) Responsible Supply chain and supplier relations

Naitiri Sub-County Hospital offers fair competition to all its suppliers. It practices fairness by honouring contracts but a times there is delay in payment due to erratic reimbursement of Linda mama and NHIF funds. The facility has opened up business to all who qualify as per public procurement and disposal act through prequalification award and payment.

c) Responsible marketing and advertisement or Responsible engagement with citizens

As a government hospital and as per ethical guidelines we do advertise our health services to reach the general population and to counter competition from private facilities.

d) Product stewardship or Awareness Creation

The hospital observes patient rights and interest and offers patient centred care. Patient service charters are available clearly outlining services available, timelines and cost.

e) Corporate Social Responsibility / Community Engagements

The hospital provided waivers and exceptions to the vulnerable members in the community. It has also carried out home based care to its clients through community health volunteers and the community social worker. The hospital offers subsidized cost services to its clients to prevent catastrophic events.

During the period the hospital also engaged in the listed social activities;

- Community outreaches where the Hospital staff goes back to the community to give free vaccination and immunization to the children, they also do guiding and counselling and free education on matters concerning health.
- Free medical camps
- Free screening for TB/HIV
- Blood donation was done
- The hospital staff attended public Baraza's as a link between the community and the facility.

11. Report of The Board of Management

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

Principal activities

The principal activities of the entity include offering preventive, curative, diagnostic and promotive health services.

Which includes Outpatient services (laboratory, pharmacy, consultation), inpatient as well as primary health services.

Results

The results of the entity for the year ended June 30 2025 are set out on pages 1 to 56

Board of Management

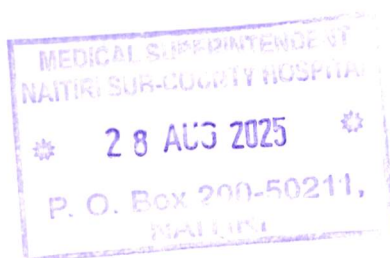
The members of the Board who served during the year are shown on page vi. During the year, no director(s) retired/ resigned.

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.

.....


Secretary to the Board



12. Statement of Board of Management's Responsibilities

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

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

The Board of Management accepts responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*– entities should quote applicable legislation as indicated under*). The Board members are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 20xx, and of the *entity's* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

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

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

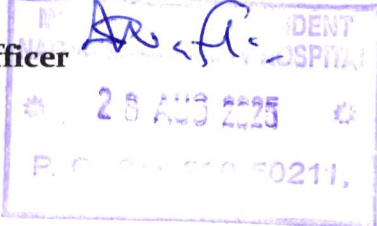
Nothing has come to the attention of the Board of management to indicate that the *entity* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 28/8/2025 and signed on its behalf by:

RUTHARA KWOBA
Name:
Chairperson *R.K.*
Board of Management

Dr. Philip Kusgoi
Name:
Accounting Officer *P.K.*



REPUBLIC OF KENYA

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



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

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

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 Naitiri Sub-County Hospital – County Government of Bungoma set out on pages 1 to 43, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial

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

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 Naitiri Sub-County Hospital – County Government of Bungoma at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Health Act, 2017, the Bungoma County Health Services Act, 2019, and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Revenue from Exchange Transactions

The statement of financial performance reflects rendering of services-medical services income amounting to Kshs.13,978,435. However, the support ledgers reflect an amount of Kshs.15,995,743, resulting to unexplained variance of Kshs.2,017,308.

In the circumstances, the accuracy and completeness of rendering of services-medical services income amounting to Kshs.13,978,435 could not be confirmed.

2. Unconfirmed Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.8,665,972 as disclosed in Note 17 to the financial statements. However, supporting ledger indicates a balance of Kshs.5,363,679 resulting to an unexplained variance of Kshs.3,302,293.

In the circumstances, the accuracy, completeness of receivables from exchange transactions balance of Kshs.8,665,972 could not be confirmed

3. Incomplete Disclosure of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.134,768 and as disclosed in Note 19 to the financial statements. However, review of the hospital records and physical inspection revealed that the hospital occupies a freehold land and was equipped with ICT equipment, furniture and fittings, buildings, motor vehicle which were not valued and disclosed in the financial statements. Further, motor vehicle and land did not have ownership documents.

In addition, 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.134,678 could not be confirmed.

4. Unconfirmed Receivables from Exchange Transactions

The statement of financial position and Note 17 to the financial statements reflects receivables from exchange transactions balance of Kshs.8,665,972 in respect Social Health Authority (SHA) claims. However, the amounts had been outstanding from November, 2024 and explanations were not provided for failure to recover claims eight months later to close of the financial year of 30 June, 2025.

In the circumstances, the accuracy, completeness and full recoverability of receivables from exchange transactions balance of Kshs.8,665,972 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Naitiri Sub-County Hospital - County Government of Bungoma 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 receipts budget and actual on comparable basis amounts of Kshs.10,337,658 and Kshs.16,793,245 respectively, resulting to over-funding of Kshs.6,455,587 or 62% of the budget. Similarly, the Hospital spent Kshs.16,069,241 against a budget of Kshs.10,337,658 resulting to an over-expenditure of Kshs.5,731,583 or 55% of the budget.

The over-funding and over-expenditure undermine the very purpose of the approved budget, eroding fiscal discipline, budget credibility, and public trust.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit of the previous year, several issues were reported under Report on the Financial Statements, Report on Lawfulness, Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and

Governance as detailed in **Appendix I**. However, Management had not resolved the issues or given reasons for the delay in resolving the issues.

Other Information

The Management is responsible for the Other Information set out on page iii to xxiv which comprise of Key Entity Information and Management, Board of Management, Key Management Team, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting statement, Report of 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. Lack of Approved Annual Procurement Plan

During the year under review, the hospital was operating without an approved procurement plan contrary to Regulation 40 (4) of the Public Procurement and Asset Disposal Regulations, 2020 which provides that the consolidated annual procurement plan shall be prepared by the accounting officer of the procuring entity and approved by the cabinet secretary or county executive committee member of finance responsible for that entity or where applicable, the board of directors or a similar body.

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

2. Long Outstanding Trade and Other Payables

The statement of financial and Note 20 to the financial statements reflects Kshs.14,532,218 in respect to trade and other payables. However, payables amounting to Kshs.5,246,128 was outstanding for more than three (3) years, Kshs.3,957,490 outstanding for more than two (2) years, and Kshs.5,328,600 outstanding for more than twelve (12) months. Further, 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.

3. Failure to Prepare Quarterly Returns on the Implementation of the Annual Procurement Plan

During the year under review, the accounting officer did not prepare quarterly returns on the implementation of the approved annual procurement plan, contrary to Regulation 40(6) of the Public Procurement and Asset Disposal Regulations, 2020. Further, no evidence was provided for audit to confirm that a minimum of thirty percent (30%) of the budgetary allocations was reserved for enterprises owned by women, youth, persons with disabilities and disadvantaged groups contrary to Section 53(6) of the Public Procurement and Asset Disposal Act, 2015.

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

4. Failure to Undertake Safety and Health Audits

During the year under review, there were no safety and health audits carried out in the hospital. 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 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.

5. 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 as follows:

Staff requirement	Level 4 Standard	Number in Hospital	Variance
Medical Officers	16	3	13
Anesthesiologist	2	0	2
General Surgeons	2	0	2
Gynecologists	2	0	2
Pediatrics	2	0	2
Radiologist	2	0	2
Kenya Registered Community Health Nurses	75	0	75
Total	101	3	98

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

Services	Level 4 Standard	Number in Hospital	Variance
Beds	150	50	100
Resuscitaire (2 in labour and 1 in theatre)	2	2	0
New born unit incubators	5	0	5
New born unit cots	5	0	5
Functional ICU Beds	6	0	6
High Dependency Unit (HDU) Beds	6	0	6
Renal unit with at least 5 dialysis Machines	5	0	5
Two functional Operating Theatres- Maternity and General	2	1	1

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

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

6. Lack of an Approved Budget

The Hospital Management did not provide approved budget for audit review, contrary to Section 149(2)(h) of the Public Finance Management Act, 2012 which requires that the accounting officer to prepare estimates of the expenditure of the entity in conformity with strategic plan.

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

7. 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 effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Policy Documents

During the year under review, the hospital had not developed a risk management policy, strategic plan, ICT policy, recruitment policy for casual employees, and a risk management framework. The hospital also lacked formalized fraud prevention mechanisms and a structured system of internal controls to support risk management and strengthen business operations.

In the circumstances, the effectiveness of the hospital's internal controls could not be confirmed.

2. Lack of Internal Audit Function

During the year under review, the hospital continued to operate without an internal auditor. The hospital did not benefit from the roles and functions of internal auditor as stipulated in Section 155 (1) (a) of the Public Finance Management Act, 2012 which include among others risk assessment, establishment of a risk register, assessing and putting in place internal control systems, development of an internal audit charter and internal audit workplan among others.

In the circumstances, the effectiveness of the hospital's oversight could not be confirmed.

3. Management of Pharmaceuticals and Non-pharmaceuticals Items

Physical verification of the storage area for usable pharmaceuticals and non-pharmaceuticals revealed the following inadequacies;

- i. Expired drugs at the facility could not be confirmed as they were dumped in a carton and in the same room with other valid drugs in the hospital.
- ii. The hospital does not have an incinerator for managing medical waste such as syringes, placentas, gloves, and other hazardous waste. As a result, waste was disposed of through open burning within the facility compound, contrary to established environmental and health standards.

In the circumstances, the effectiveness of internal controls on management of pharmaceuticals and non-pharmaceuticals stores could not be confirmed.

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

Responsibilities of the Management and Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 December, 2025

Appendix I: Unresolved Prior Year Issues

Reference No. on the Auditor-General's Report	Observation
	Report on the Financial Statements
1	Failure to Prepare Trial Balance
2	Unconfirmed Property, Plant and Equipment balance
3	Unsupported Receivables from Exchange Transactions
4	Unsupported Expenditure
5	Unsupported Revenue from Exchange Transactions
	Report on Lawfulness and Effectiveness in the Use of Public Resources
1	Non-Compliance with Kenya Quality Model for Health Policy Guidelines
2	Failure to Automate Accounting and Procurement Functions
3	Failure to Prepare and Submit Statutory Reports
4	Failure to Use Market Survey Price Reports
5	Lack of Approved Budget
	Report on Effectiveness of Internal Controls, Risk Management and Governance
1	Lack of Risk Management Policy
2	Lack of Internal Audit Function
3	Information Communication Technology (ICT) Internal Control Weaknesses
4	Internal Control Weaknesses in Management of Inventories
5	Weak Revenue Controls

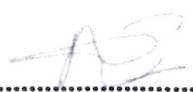
Naitiri Sub County Hospital (Bungoma County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Revenue from non-exchange transactions			
In-kind contributions from the County Government	6	6,221,307	9,837,200
		6,221,307	9,837,200
Revenue from exchange transactions			
Rendering of services- Medical Service Income	7	13,978,435	27,743,846
Miscellaneous Income	8	225,400	-
Revenue from exchange transactions		14,203,835	27,743,846
Total revenue		20,425,142	37,581,046
Expenses			
Medical/Clinical costs	9	9,751,265	19,888,116
Employee costs	10	4,506,300	9,837,200
Board of Management Expenses	11	1,100,400	1,470,600
Depreciation and amortization expense	12	26,819	26,819
Repairs and maintenance	13	2,616,852	1,457,240
General expenses	14	8,868,449	7,122,148
Total expenses		26,870,085	39,802,123
Other gains/(losses)			
Medical services contracts Gains/Losses	15	(78,520)	(176,580)
Total other gains/(losses)		(78,520)	(176,580)
Net Surplus / (Deficit) for the year		(6,523,463)	(2,397,657)

(The notes set out on pages 1 to 46 form an integral part of the Annual Financial Statements.)


The Hospital's financial statements were approved by the Board on 28/8/2025 and signed on its behalf by:



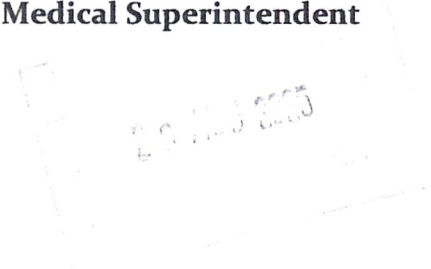
Chairman
Board of Management



Head of Finance
ICPAK No: 10916



Medical Superintendent



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

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

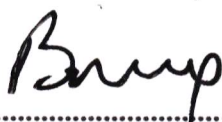
Description	Note	2024-2025		2023-2024	
		Kshs		Kshs	
Assets					
Current assets					
Cash and cash equivalents	16	724,004		572,102	
Receivables from exchange transactions	17	8,665,972		10,761,800	
Inventories	18	745,196		-	
Total Current Assets		10,135,172		11,333,902	
Non-current assets					
Property, plant, and equipment	19	134,768		160,914	
Total Non-current Assets		134,768		160,914	
Total assets (A)		10,269,940		11,494,816	
Liabilities					
Current liabilities					
Trade and other payables	20	14,532,218		9,234,304	
Total Current Liabilities		14,532,218		9,234,304	
Total Liabilities (B)		14,532,218		9,234,304	
Net assets (A-B)		(4,262,278)		2,260,512	
Represented by:					
Revaluation reserve		-		-	
Accumulated surplus/Deficit		(4,262,278)		2,260,512	
Capital Fund		-		-	
Net Assets		(4,262,278)		2,260,512	

(The notes on pages 1 to 50 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 28/8/2025 and signed on its behalf by:



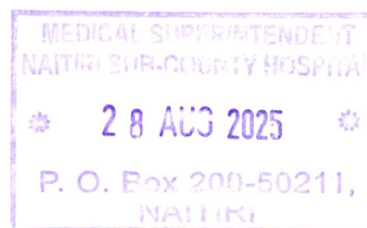
Chairman
Board of Management



Head of Finance
ICPAK No: 10916



Medical Superintendent



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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2023 (previous year)	0	4,658,169	0	4,658,169
Surplus/(deficit) for the year	-	-2,397,657	-	-2,397,657
Capital/Development grants	-	-	0	0
As at June 30, 2024 (previous year)	0	2,260,512	0	2,260,512
At July 1, 2024 (current year)	0	2,260,512	0	2,260,512
Surplus/(deficit) for the year	-	-6,523,463	-	-6,523,463
Adjustments (Assets from prior year)	0	673		673
At June 30, 2025 (current year)	0	-4,262,278	0	-4,262,278

(Note:

1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustments should have an elaborate note describing what the amounts relate to. In such instances, a restatement of the opening balances needs to be done.)

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

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government			9,837,200
Rendering of services- Medical Service Income		16,221,143	16,805,466
Miscellaneous receipts(<i>specify</i>)		0	0
Total Receipts		16,221,143	26,642,666
Payments			
Medical/Clinical costs		5,708,367	10,653,812
Employee costs		0	9,837,200
Board of Management Expenses		1,100,400	1,470,600
Repairs and maintenance		1,346,384	1,457,240
General expenses		7,914,090	7,122,148
Total Payments		16,069,241	30,541,000
Net cash flows from operating activities	21	151,902	-3,898,334
Cash flows from investing activities			
Net cash flows used in investing activities		0	0
Cash flows from financing activities			
Net cash flows used in financing activities		0	0
Net increase/(decrease) in cash and cash equivalents		151,902	-3,898,334
Cash and cash equivalents as at 1 July	16	572,102	4,470,436
Cash and cash equivalents as at 30 June	16	724,004	572,102

Prepared using the direct method as prescribed by IPSAS Accrual basis of accounting.

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

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	-	572,102	572,102	572,102	-	100
Receipts						
Rendering of services- Medical Service Income	29,537,736	(19,772,180)	9,765,556	16,221,143	(6,455,587)	166
Total receipts	29,537,736	(19,200,078)	10,337,658	16,793,245	(6,455,587)	162
Payments						
Medical/Clinical costs	23,604,073	(17,892,924)	5,711,149	5,708,367	2,782	100
Employee costs	-	-	-	-	-	-
Remuneration of directors	715,506	385,273	1,100,779	1,100,400	379	100
Repairs and maintenance	1,554,376	(908,095)	646,281	1,346,384	(700,103)	208
General expenses	3,663,781	(784,332)	2,879,449	7,914,090	(5,034,641)	275
Total Operational Expenditure paid	29,537,736	(19,200,078)	10,337,658	16,069,241	(5,731,583)	155
Capital Expenditure paid	-	-	-	-	-	-
Surplus	0	0	-	724,004	-724,004	0

Budget recociliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	724,004
Closing Cash and Cash Equivalent as per the statement of Cash flows	724,004

1.The budget differences was caused by budget adjustments from ksh. 29,537,736 to ksh. 10,337,658 by the County Assembly however the total revenue realised being Ksh.16,221,143.

19. Notes to the Financial Statements

1. General Information

Naitiri Sub County Hospital is established by and derives its authority and accountability from a gazette notice Vol. CXXII-No. 24 of February 2020. The entity is wholly owned by Bungoma County Government and is domiciled in Bungoma County in Kenya. The entity's principal activity is providing quality and integrated healthcare services to all Kenyans.

2. Statement of Compliance and Basis of Preparation

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

Standard	Effective date and impact:
	information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, 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: 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.
IPSAS 45- Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under-maintenance of assets and distinguishing significant parts of infrastructure assets. Plant and equipment is depreciated at the rate of 12.5% using straight line method.
IPSAS 46 Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: <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. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i> 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

Standard	Effective date and impact:
	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.
IPSAS 48- Transfer Expenses	Applicable 1st January 2026 The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
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

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 2024/25 was approved by Board on May 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

c. Taxes

Sales tax/ Value Added Tax

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

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

- When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d. Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 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.

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 cash flow 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.

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.

- 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.

- Obsolete/expired stocks are valued at cost and provision for write-off in the financial statements.

6. In Kind Contributions from The County Government

Description	2024/2025	2023/2024
	KShs	KShs
Salaries and wages	4,506,300	9,837,200
Medical supplies-Drawings Rights (KEMSA)	1,715,007	0
Total grants in kind	6,221,307	9,837,200

7. Rendering of Services-Medical Service Income

Description	2024/2025	2023/2024
	Kshs	Kshs
Pharmaceuticals	535,469	946,627
Non-Pharmaceuticals	94,990	1,643,162
Laboratory	916,810	1,164,835
Radiology	0	11,000
Theatre	184,370	246,900
Registration & consultation services	727,220	1,059,470
Medical examination & reports	208,750	0
Nutrition service	2,650	10,650
Dental services	148,440	32,000
Medical expenses (Files and Cards)	119,350	0
Inpatient Services	1,116,937	0
Farewell home services	114,600	0
Ambulance services	179,400	178,265
Physiotherapy services	53,850	0
Occupational therapy services	16,300	0
Public health services	64,200	42,000
Waivers & Exemptions	78,520	176,580
Other medical services income (attachment fee)	0	599,050
Other medical services income (NHIF/SHA Income)	9,416,579	21,633,307
Total revenue from the rendering of services	13,978,435	27,743,846

8. Miscellaneous Income

Description	2024/2025	2023/2024
	Kshs	Kshs
Sale of goods (water, publications, containers etc)	51,900	0
Attachment fee (students)	173,500	0
Total Miscellaneous income	225,400	0

Notes to the Financial Statements Continued

9. Medical/ Clinical Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Dental costs/ materials	113,300	0
Laboratory chemicals and reagents	1,005,400	1,770,460
Food and Ration	2,179,683	1,297,865
Uniform, clothing, and linen	51,000	171,000
Dressing and Non-Pharmaceuticals	3,166,806	3,040,367
Pharmaceutical supplies	944,032	1,850,972
Pending bills related to Medical costs	0	9,234,304
Sanitary and cleansing Materials	457,037	334,650
Purchase of Medical gases	119,000	143,700
Other medical related clinical costs (specify)	1,715,007	2,044,798
Total medical/ clinical costs	9,751,265	19,888,116

10. Employee Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	4,506,300	9,837,200
Employee costs	4,506,300	9,837,200

11. Board of Management Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Sitting allowance	1,100,400	1,470,600
Total	1,100,400	1,470,600

12. Depreciation and Amortization Expense

Description	2024/2025	2023/2024
	Kshs	Kshs
Property, plant and equipment	26,819	26,819
Total depreciation and amortization	26,819	26,819

13. Repairs And Maintenance

Description	2024/2025	2023/2024
	Kshs	Kshs
Property- Buildings	1,597,140	1,054,000
Medical equipment	483,896	217,390
Computers and accessories	182,000	0
Motor vehicle expenses	353,816	185,850
Total repairs and maintenance	2,616,852	1,457,240

Notes to the Financial Statements (Continued)

14. General Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Advertising and publicity expenses		0
Catering expenses	856,000	573,119
Insecticides and rodenticides	170,900	8,631
Bank charges	23,513	5,750
Contracted services	315,000	0
Electricity expenses	1,562,826	1,521,000
Fuel and Lubricants	1,534,325	2,108,168
Travel and accommodation allowance	2,874,400	1,858,690
Courier and postal services	0	9,430
Printing and stationery	255,480	88,200
Publishing and Printing	176,105	0
Medical Expenses (Patient files, Cards)	368,000	400,000
Water and sewerage costs	0	180,000
Telephone and mobile phone services	339,000	176,000
Internet expenses	129,000	104,000
Other fuels (Charcoal, Firewood, Cooking gas)	231,500	89,160
Subscriptions to professional bodies	32,400	0
Total General Expenses	8,868,449	7,122,148

15. Medical Services Contracts Gains /Losses

Description	2024/2025	2023/2024
	Kshs	Kshs
Waivers and Exemptions	78,520	176,580
Total Gain/Loss	78,520	176,580

16. Cash And Cash Equivalents

Description	2024/2025	2023/2024
	Kshs	Kshs
Current accounts	724,004	572,102
Total cash and cash equivalents	724,004	572,102

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

Description	Account number	2024/2025	2023/2024
		Kshs	Kshs
Financial institution			
a) Current account			
Kenya Commercial bank	1123625751	724,004	572102
Equity Bank, etc			
Sub- total		724,004	572102
b) On - call deposits			
Sub- total		0	0
c) Fixed deposits account			
Sub- total		0	0
d) Others(specify)			
Sub- total		0	0
Grand total		724,004	572102

17. Receivables From Exchange Transactions

Description	2024/2025	2023/2024
	KShs	KShs
Medical services receivables b/f	10,761,800	10,761,800
Other exchange debtors (SHA)	9,416,579	0
Less:SHA/NHIF re-imbursements during the yr	-11,512,407	0
Total receivables	8,665,972	10,761,800

(Entity to state the expected credit loss rates for various categories of its receivables. The entity should also disclose how ECL was arrived at in line with provisions of IPSAS 41.)

Analysis of Receivables From Exchange Transactions

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	5,363,679	62	-	%
Between 1- 2 years	3,302,293	38	10,761,800	100
Between 2-3 years	0	0	-	0
Over 3 years	0	0	-	0
Total (a+b)	8,665,972	100	10,761,800	100

18. Inventories

Description	2024/2025	2023/2024
	KShs	KShs
Pharmaceutical supplies	91,116	0
Non-Pharmaceuticals	310,014	
Food supplies	166,340	0
Laboratory Materials supplies	158,726	
Cleaning materials supplies	19,000	0
Total	745,196	0

Detailed disclosure on inventories

	2024/2025	2023/2024
	KShs	KShs
Opening balance	0	
Additional Inventory in the year		
Inventory expensed in the year		
Write-downs in the year		
Others specify		
Closing balance	745,196	0

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

Notes to the Financial Statements (Continued)

19. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Tools, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost							
At 1 July 2023 (previous year)						214,552	214,552
Additions							-
Disposals							-
Transfers/adjustments							-
Revaluation Adjustments							-
At 30th Jun 2024	0	0	0	0	0	214,552	214,552
							-
At 1 July 2024 (current year)	0	0	0	0	0	214,552	214,552
Additions							-
Disposals							-
Transfer/adjustments	1	33	2	270	47	320	673
Revaluation Adjustments							-
At 30th Jun 2025	1	33	2	270	47	214,872	215,225
Depreciation and impairment							
At 1 July 2023 (previous year)		0	0	0	0	26,819	26,819
Depreciation for the year						26,819	26,819
Disposals							-
Impairment							-
At 30 June 2024		0	0	0	0	53,638	53,638
At July 2024 (current year)		0	0	0	0	53,638	53,638
Depreciation						26,819	26,819
Disposals							-
Impairment							-
Transfer/adjustment							-
At 30th June 2025		0	0	0	0	80,457	80,457
							-
Net book values							
At 30 th Jun 2024 (previous)	0	0	0	0	0	160,914	160,914
At 30 th Jun 2025 (current)	1	33	2	270	47	134,415	134,768

Notes to the Financial Statements (Continued)

20. Trade and other Payables

Description	2024/2025		2023/2024	
	KShs		KShs	
Trade payables	14,532,218		9234304	
Total trade and other payables	14,532,218		9234304	
Ageing analysis:	2024/2025	% of the Total	2023/2024	% of the total
Under one year		%		%
1-2 years	5,328,600	37	-	%
2-3 years	3,957,490	27	9,234,304	100
Over 3 years	5,246,128	36	-	%
Total	14,532,218	100	9,234,304	100

21. Cash Generated from Operations

Description	2024/2025		2023/2024	
	KShs		KShs	
Surplus for the year before tax	(6,523,463)		(2,397,657)	
Adjusted for:				
Depreciation	26,819		26,819	
Working Capital adjustments				
Increase in inventory	(745,196)		-	
Increase in receivables	2,095,828		(10,761,800)	
Increase in payables	5,297,914		9,234,304	
Net cash flow from operating activities	151,902		(3,898,334)	

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

Notes to the Financial Statements (Continued)

22. 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:

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024 (previous year)				
Receivables from exchange transactions	10,761,800			
Receivables from –non-exchange transactions	o			
Bank balances	572,102			
Total	11,333,902			
At 30 June 2025 (current year)				
Receivables from exchange transactions	8,665,972			
Receivables from –non-exchange transactions	o			
Bank balances	724,004			
Total	9,389,976			

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

Notes to the Financial Statements (Continued)

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

(ii) Liquidity risk management

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

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

(iii) Market risk

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

Notes to the Financial Statements (Continued)

a) Foreign currency risk

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

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

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.

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:

Notes to the Financial Statements (Continued)

23. 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.

Bungoma 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

24. 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)

25. Events after the Reporting Period

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

26. Ultimate and Holding Entity

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

27. Currency

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

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

20. Appendices

Appendix 1: Progress on Follow up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
1.	Failure to prepare trial balance	The management acknowledges the auditor findings and have prepared the trial balance. (Trial balance attached)	Partially resolved.	
2.	Unconfirmed Property, Plant and Equipment balance.	The management in collaboration with the County Government is in the process of engaging a professional valuer to value all assets.	Not resolved	2027
3.	Unsupported receivables from exchange transactions. The receivables amount of ksh.10,761,800 was not supported by receivables ledger	The management acknowledge that during the time of audit receivables from exchange transactions was not fully supported. Reconciliations of receivables has since been carried out and the receivables ledger provided to support the amount.	Partially resolved.	
4.	Unsupported expenditure Of ksh.881,000 Unsupported medical expenditure of ksh.1,300,000. Ledgers for board of management, repairs and maintenance, and general	The management acknowledge the unsupported expenditure and medical services expenditure. The management have provided the supporting documents. The management have provided supporting ledgers for the board of management expenses,	Partially resolved.	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
	office expenses totalling to ksh.10,049,988 not provided during the time of audit.	repairs and maintenance and general office expenses		
5.	Unsupported revenue from exchange transactions totalling ksh.27,743,846.	The management acknowledge that ksh.27,743,846 was not fully supported during the time of audit and have provided supporting ledger as appendix.5	Partially resolved.	
6.	Budgetary control and Performance. Comparison between budgeted and actual on comparison basis revealed underfunding of ksh.13,236,366 i.e 34% of the budget.	The management acknowledge the underfunding of the budget. This was due to prolonged healthcare workers industrial action which was resolved and delayed reimbursement from NHIF	Partially resolved.	
7.	Unresolved prior year audit Matters	The management have addressed some of the prior year audit matters. (attached is the status report)	Partially resolved.	
REPORT ON	LAWFULNESS AND EFFECTIVENESS	IN THE USE OF PUBLIC RESOURCES		
1.	Non compliance with Kenya Quality Model for Health Policy Guidelines	The management acknowledges the audit findings. The issue is being addressed at the County executive level. The management in Collaboration with the County Executive have implemented reverse	Not resolved.	2027

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
		referrals mechanism, where Specialists visit lower level facilities.		
2.	Failure to automate Accounting and procurement functions.	The management acknowledges that its operations are still manual and in liason with Ministry of Health Bungoma County is in the process of implementing IFMIS and e-Government procurement (e-Gp) to the facility.	Work in progress, partially resolved.	
3.	Failure to prepare and submit statutory reports	The management acknowledges that during audit the statutory reports had not been prepared. The management now prepares statutory reports (Quarterly financial statements 3 rd quarter fy 2024/25 available)	Partially resolved.	
4.	Failure to use market Survey Price Reports	The management acknowledge that during the time of audit the market price survey was not done. However the Market Survey price at county level is available for reference and was used for reference.	Partially resolved.	
5.	Lack of Approved Budget.	The approved budget was not availed during the time of audit, however the approved budget is now available.	Partially resolved.	
REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE				
1.	Lack of Risk management Policy	Management acknowledge that during the time of audit risk management policy was not in place, however the	Partially resolved.	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
		facility uses County Risk management policy. The facility have developed its own risk management Policy		
2.	Lack of Internal Audit Function.	The management relies on the Internal Audit function at the Executive level and internal audit reports are available for review.	Partially resolved.	
3.	Information Communication Technology (ICT) Internal Control Weaknesses	The management acknowledges the audit findings and have taken the following measures: Allocated money in the current year,s budget to purchse Antivirus and offshore backup system; The ICT policy is now in place and Server room was cleared off the old computers and is no longer used as store, however the space for the server is still a challenge	Partially resolved	2025/26 (1 Year)
4.	Internal Control Weaknesses in management of Inventories.	The management acknowledge that no stock take was done. However the management have updated its store records and stock take is done quarterly.	Partially resolved.	
5.	Weak Revenue Controls	The management have resolved issues raised during audit by adopting the JumboSoft system of receipting installed by the County Government and the charges have been mapped into the Health management	Resolved	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
		information system. The management have also implemented a PayBill. No. 522533, Account No.775343 where cash paid by clients are directly banked into facility Bank Account.		
		FINANCIAL YEAR 2021/22		
1.	Variances between Financial Statements and Supporting Schedules:	The management acknowledge the audit findings and did provide the supporting schedules of; Medical costs of 8,592,604 Board of management –Ksh. 2,621,450 Repairs and Maintenance- Ksh.4,864,410 and General expenses- Ksh.5,827,673	Partially resolved.	
2.	Variances in Revenue from other income.	Other income refers to receipts from NHIFn of ksh.16,820,377. The management have provided supporting Schedules for the amounts received as per the Bank Statements.	Partially resolved.	
3.	Non-Disclosure of Trade and Other payables	The management acknowledges the audit findings that trade payables were not disclosed, however the management did disclose trade and payables in subsequent financial years. The supporting invoices, delivery notes, purchase orders and goods	Partially resolved	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
		received notes are available for verification		
4.	Non-Disclosure of Receivables from Exchange transactions	The management acknowledge the audit findings and have corrected the anomaly. The receivables have been included in the subsequent financial statements.	Partially resolved.	
5.	Board of management Expenses of Ksh.2,621,450 not fully supported	The management have provided supporting schedules, some of the expenditure relates to staff who support the Board of management activities	Partially resolved.	
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES				
2.	Failure to Procure from KEMSA	The Hospital is not restricted to procure from KEMSA, the County Government prequalifies suppliers from whom the hospital is at liberty to source from. The hospital also procures from KEMSA on need basis.	Resolved	
3.	Access to Government Procurement Opportunities. (AGPO)	The management acknowledges the irregularity and in subsequent Procurement plans has set aside 30% of the budget towards youth, women and persons with disabilities. (Procurement plan for financial year 2025/26)	Resolved	

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe
4.	Deficiencies in Implementation of Universal Health Care (UHC)	The management acknowledges that there is acute shortage of Specialists to implement Universal Health Care as per the requirements of the Health Act, 2017 and Article 43(1) of the Constitution of Kenya, 2010.	Not resolved-	
5.	Irregular Procurement and Management of Medical Drugs. Ksh 599,020 was incurred to procure medical costs from suppliers not formally registered by the entity.	The management acknowledges the audit finding and currently procures from prequalified list of suppliers. Listing of suppliers available.	Partially resolved.	
REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE				
1.	Expiry of Medical Supplies	The management acknowledges expired drugs and has initiated the process of disposal. The stock cards are updated real time and the use of First Epiry First Out (FEFO) method is being practised to minimize expiries.	Resolved	
2.	Failure to Conduct Year end Stock Take on Inventories	The management acknowledges the anomaly. The management have carried out the stock takes for the year 2024/25 as indicated in the financial statement.		

Guidance Notes:

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

- (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 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

Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners: No projects have been funded by development partners at the time of reporting.

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

Status of Projects completion

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

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

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

Appendix III: Inter-Entity Confirmation Letter

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

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

Appendix IV Reporting of Climate Relevant Expenditures

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

Appendix V: Disaster Expenditure Reporting Template

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

During the year no expenditure was incurred towards disaster management.

