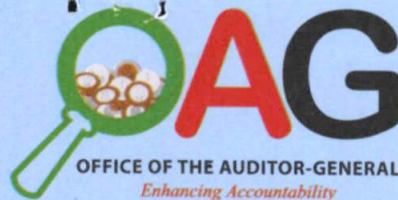


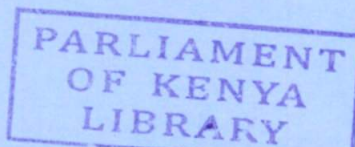
REPUBLIC OF KENYA



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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



REPORT

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OF

THE AUDITOR-GENERAL

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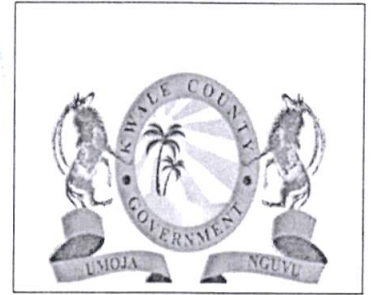
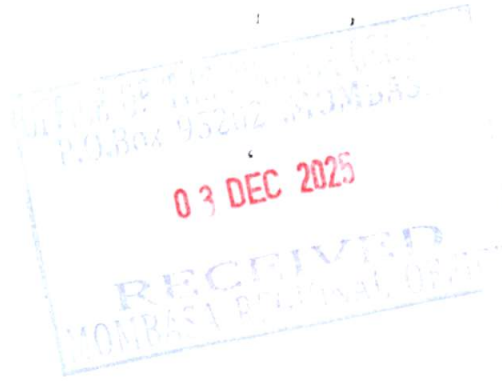
**KINANGO SUB COUNTY LEVEL 4
HOSPITAL**

**FOR THE YEAR ENDED
30 JUNE, 2025**

KWALE COUNTY GOVERNMENT

PAPERS LAID	
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KINANGO SUB-COUNTY LEVEL 4 HOSPITAL

(Kwale 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)

Kinango Sub-County level 4 Hospital (Kwale County Government)
Annual Report and Financial Statements for the Year Ended 30th June, 2025

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1. Acronyms & Glossary of Terms

Acronyms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act, 2012
MED SUP	Medical Superintendent
HMC	Hospital Management Committees
HMSF	Hospital Management services Fund
AIE	Authority to Incur Expenditure
HMT	Hospital Management Team
CARPS	Computer Assisted Radio Personnel System
MCH	Mother and Child Health
FP	Family Planning
KPIS	Key performance indicators
Glossary of Terms	
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

(a) Background information

Kinango Sub-County Hospital is a level 4 hospital established under gazette notice number 786 and is domiciled in Kwale County under the Health Service Department.

The hospital is governed by a Board of Management.

Kinango Sub-County Hospital is in Kwale County, it was built in 1949 during the colonial era with maternity ward and it was upgraded from a sub-district hospital to a District Hospital vide Kenya Gazette Notice No. 7270 of 8th August 2008 following the creation of three districts from the former larger Kwale District to Msambweni, Kinango and Kwale Districts in July 2008. With the new constitution all the districts changed to sub-counties. This necessitated the change of District Hospitals to Sub-County Hospitals, thus the name Kinango Sub-County level 4 Hospital.

(b) Principal Activities

- MCH/FP services
- Nursing services
- Laboratory services
- Theatre Services
- Physiotherapy Services
- Occupational therapy services
- Orthopaedic services
- mortuary services
- ophthalmic services
- Maintenance services
- Dental services
- Nutrition services
- Referral services

(c) Key Management

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

- Board of Management
- Hospital Management Team

(d) Fiduciary Management

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

SN	Designation	Name
1.	Deputy director	Nancy Nzalambi
2.	Medical Superintendent	Dr Hawa Kadingo
3.	Head of finance	CPA Munga M.Ndegwa
4.	Head of supply chain	Rumba Juma Mazera
5.	Hospital Matron (Nurse in Charge)	Swaleh Mwakutunza

**(e) Fiduciary Oversight Arrangements
Committees of the Hospital**

a) Finance and General Purpose Sub-Committee

Composition

- i. The Sub-Committee members shall consist of not less than four (4) members, three (3) from the HMC and the HMSF Hospital Accountant.
- ii. The sub-committee may co-opt other members from the HMT, as they deem necessary.
- iii. The members shall elect a chair to the sub-committee. The chair shall be from the members drawn from the HMC

Roles and responsibilities

- i. Review revenue targets for the hospital while comparing actual collections with targets.
- ii. Review budgets and work plans and present to full HMC for submission to Chief Officer for approval and issuance of AIE
- iii. Review expenditure plans from HMT and ensure that funds are spent in accordance with plans and AIEs
- iv. Obtain the cash analysis books (payments and banking) and review the fund balances, banking versus collections, expenditures versus AIEs
- v. Review the financial aspects of long-term and annual development plans
- vi. Monitor the NHIF claiming process
- vii. Arrange for annual audit of revenues and expenditures by the district auditors (or other auditors appointed by the Office of Auditor General) and request for special audits where irregularities are suspected
- viii. Report to HMC and recommend actions to improve prudent utilization of resources in the hospital.

b) Quality of Health Care Services Sub-Committee

Composition

- i. Committee members shall consist of no less than four (4) persons; two (2) HMC members, one medical officer and the Nursing Officer In-Charge.
- ii. The sub-committee may co-opt other members from the HMT and other health/medical consultants, as they deem necessary.
- iii. The members shall elect a chair to the sub-committee. The chair shall be from the members drawn from the HMC.

c. Audit Sub-Committee

Composition

In order to achieve the benefits associated with audit subcommittee independence the members should not include hospital management. The audit subcommittee members should be selected in such a manner that experience in financial reporting, governance experience, familiarity with risk management disciplines, understanding of internal controls and assurance framework, understanding of roles of internal and external audit is pooled together.

Roles and responsibilities

- (i) Overseeing the effectiveness of hospital financial reporting and disclosure process
- (ii) Monitoring effectiveness and adherence to the hospital accounting policies and principles
- (iii) Overseeing the effectiveness of internal audit and assurance as well as external audits
- (iv) Overseeing the effectiveness of legislative and regulatory compliance

f) Hospital Headquarters

P.O. Box 4-80405
Off kinango lunga-lunga road
Kinango

g) Hospital Contacts

Telephone: (254) 71593237
E-mail: medsupkinango@gmail.com

h) Hospital's Bankers

Kenya Commercial Bank
P.O Box 43-80403
Kwale, Kenya.

i) Independent Auditors


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



j) Principal Legal Adviser


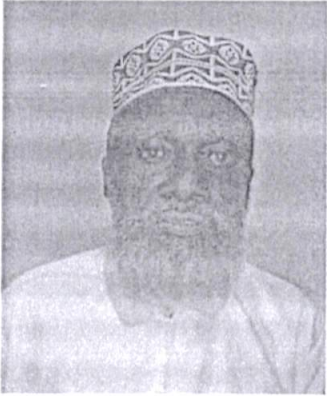
The County legal officer
Office of the governor
P.O. Box. 4-80403
Kwale, Kenya




k) County Attorney
P.O. Box. 4-80403
Kwale, Kenya




3.The Board of Management

 <p>1. MR. FRANCIS MGALA NDAO</p>	<p>BOARD OF MANAGEMENT CHAIRMAN.</p> <p>EDUCATION 1995: Acquired Certificate of Primary Education – Mwalukombe Pry School. 1999: Acquired Certificate of Secondary Education – Kwale High School. 2008: Acquired Certificate on HIV/AIDS Management and drug Abuse – Kenya Young men Christian Association. 2013: Certificate Computer Course at Computer link Kenya Training College. 2016: Certificate on Evangelism and Discipleship. Samaritan Purse International. 2016: T.O.T Training on National Cohesion and National value. Ministry of Interior and National Coordination. 2018: Theology Certificate – Grace Global Outreach – Bush Bible School. 2021: Certificate in Gender Based Violence – LVCT Training Institute Mombasa. 2023: Pursuing Diploma in Theology ISOM (International School of Ministry)</p> <p>EXPERIENCE 2010: Ordained to the office of a senior Pastor confirmed by Redeemed Gospel Church Ministry. 2018: Promoted to the Position of Area Overseer to oversee other six churches under Redeemed Gospel Church Ministry up to date.</p> <p>2018 – 2022 Served as a board member Kinango Sub County Hospital. Chaired – Quality service delivery sub - committee and secretary for Environmental Sub Committee Member of the County HIV/Aids Control Committee.</p> <p>2022 - 2023 Work for Plan International as a community Resource person Under the Plan International and Fanikisha</p>
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	<p>Foundation Platforms up to date have managed to conduct male engagement Training reaching over 5000 men in Kwale County on addressing teenage pregnancy, gender based violence, HIV/Aids and drug abuse.</p> <p>OBJECTIVES</p> <p>To be Instrumental to change the world around me. To equip and empower generations with Knowledge to make them make rightfully decisions for better tomorrow.</p>
<p>2. CHIWAYA MATANO MRUCHE</p> 	<p>BOARD MEMBER</p> <p><u>WORKING EXPERIENCE</u></p> <p>2000 – 2004: Worked as a Supervisor at Steel Makers Company at Mazeras 2004 – 2016 : School chairman at Mwalukombe Primary School. 2012 – 2016 : Board Member Chairman Walukobe Mwalukombe Girls Secondary school 2021 – To Date : Working as a village Elder at Kifyonzo Sub-Location Mwalukombe B Village</p>
<p>3. REHEMA KALUMU MWAYAMA</p> 	<p>BOARD MEMBER</p> <p><u>WORKING EXPERIENCE</u></p> <p>1988 -1992 Worked as an elected Councilor of Kinango ward. 1993 - 1997 Worked as a Board member of Roads Kinango Constituency 2002 – 2007 Worked as a Bursary Board Member of Education Kinango constituency 2013 – 2014 Worked as a Bursary Board Member of CBEF. Kwale county 2017 – to date Working as a Chairperson of quality assurance at Kinango Hospital</p>




<p>4. MOHAMED JAFAR</p> 	<p>BOARD MEMBER</p> <p>EXPERIENCE Worked for the Kenyan Government under the Kenya Police Services (KPS) Department Retired under 50 year's rule having worked for over 30 years.</p>
<p>5. FARAJ BAKARI OMARI</p> 	<p>BOARD MEMBER</p> <p>WORK EXPERIENCE 2014 to date : Muslim Marriage Officer – Kinango Sub county 2015 to date : Chairperson CIPK Kinango sub county 2015 to date: Secretary General CIPK Kwale County 2020 TO DATE : CICC – Chairman – Kinango sub county 2017 to date: District Peace Committee Member Kinango District 2005 to 2015 CIPK – field coordinator, Peace and security kinango sub county</p>

 <p>6. SALMA KATEMBE</p>	<p>BOARD MEMBER</p> <p>WORKING EXPERIENCE 2021: elected as village elder at kinango A 2020: Chairperson at Maelewano CBO 2021: Cooking Tenders 2019-2021: community health promoter 2016: national environmental health programs(NYS) 2013: dry fish business</p>
<p>7. UCHI MUNGA NGOME</p> 	<p>Board Member</p> <p>WORKING EXPERIENCE 2022: chairlady at dzovuni primary school 2023: Chairperson at Maelewano CBO 2022: business lady at Ndzovuni 2019-2023: community health promoter 2016-Date: Active politics 2013: board member at kinango hospital</p>
<p>8. MWANZA MWAMLEU</p> 	<p>BOARD MEMBER</p> <p>WORKING EXPERIENCE 1987 – To Date Working as Village Chairman Kifyonzo Sub-location Bundini Village. 2007 –To Date Working as a Vetting Elder at Ndavaya Location 2017 – to date Working as a Board Member and a Chairperson of</p>

<p>9. UCHI CHIDUNGA NDORO</p> 	<p>BOARD MEMBER</p> <p><u>WORKING EXPERIENCE</u></p> <p>1998 – 200 Social Worker Volunteer at HEKIMA CBO</p> <p>2004 – 2015 School Committee Membership Representing PWDs at Amani Pry</p> <p>2013 – 2017 Committee Member – Kinango Ward Bursary Committee</p> <p>2017 – 2021 Board Committee Member Kinango Sub County Hospital</p> <p>July 2023- To date Board Committee Member Kinango Sub County Hospital</p>
<p>10. DR. HAWA N KADINGO KADINGO</p> 	<p>-MEDICAL SUPERINTENDENT(KSCH)</p> <p>KINANGO SUBCOUNTY HOSPITAL</p> <p>She is a graduate from people’s university of medical and health sciences for women (nawabshah) and holds a bachelor’s degree in clinical medicine and surgery. She has done other critical courses like ACLS/BLS and is a certified TOT in CMR-IPV.</p> <p>She joined the department of health services in 2019 and has worked as a medical officer since employment. She wishes to further her career to become an ENT surgeon.</p> <p>Wishes to see more resources being pumped to the department of health services to enable affordable, efficient and quality deliverance of health care services without discrimination to the community</p>
<p>11. NANCY NZALAMBI KUTTOH</p> 	<p>HOSPITAL DEPUTY DIRECTOR</p> <p>KINANGO SUBCOUNTY HOSPITAL</p> <p>She is a human health researcher with a master’s degree in epidemiology and a bachelor’s degree in microbiology and has undergone various sector related trainings. She has over 10 years of experience in the health sector ranging from clinical and field research, laboratory management and evolving to health communication, healthcare financing and hospital management.</p> <p>Her main roles include general administration, planning for development, budget development, coordinating major health technical functions, policy formulation and staff supervision.</p> <p>Her expectation is to see a strengthened and sustainable health system within the hospital.</p>

4. Key Management Team

Management	Details
 <p data-bbox="644 416 687 443">Dr.</p> <p data-bbox="252 786 587 819">Hawa N Kadingo Kadingo</p> <p data-bbox="252 864 687 931">Medical Superintendent - Kinango Sub County Hospital</p>	<p data-bbox="719 371 1284 517">She is a graduate from people’s university of medical and health sciences for women (Nawabshah) and holds a bachelor’s degree in clinical medicine and surgery.</p> <p data-bbox="719 528 1236 629">She has done other critical courses like ACLS/BLS and is a certified TOT in CMR-IPV.</p> <p data-bbox="719 640 1284 786">She joined the department of health services in 2019 and has worked as a medical officer since employment. She wishes to further her career to become an ENT surgeon.</p> <p data-bbox="719 797 1284 976">Wishes to see more resources being pumped to the department of health services to enable affordable, efficient and quality deliverance of health care services without discrimination to the community</p>
 <p data-bbox="252 1424 679 1514">Nancy Nzalambi Kuttoh Hospital Deputy Director - Kinango Sub County Hospital</p>	<p data-bbox="719 992 1284 1323">She is a human health researcher with a master’s degree in epidemiology and a bachelor’s degree in microbiology and has undergone various sector related trainings. She has over 10 years of experience in the health sector ranging from clinical and field research, laboratory management and evolving to health communication, healthcare financing and hospital management.</p> <p data-bbox="719 1335 1284 1469">Her main roles include general administration, planning for development, budget development, coordinating major health technical functions, policy formulation and staff supervision.</p> <p data-bbox="719 1480 1252 1547">Her expectation is to see a strengthened and sustainable health system within the hospital.</p>

 <p>CPA Munga M. Ndegwa- Senior Accountant Kinango Sub County Hospital</p>	<p>He is a certified public accountant of Kenya from Vision Institute of professional’s Studies- Mombasa.</p> <p>He is a member of ICPAK.</p> <p>He has also undergone various professional training courses like:</p> <ul style="list-style-type: none"> ➤ Financial management for public sectors. ➤ Senior management course ➤ Training in Forensic audit. <p>He joined the department of Health Kwale County Government in 2023.</p>
 <p>Rumba Juma Mazera Head of Procurement – Kinango Sub County Hospital</p>	<p>Has a degree in procurement, has worked in various department in the county government of Kwale.</p> <p>He joined the department of Health Kwale County Government in 2018.</p> <p>He also undergone leadership management and Governance.</p> <p>He wants to see a healthy working environment where there is client satisfaction and a health fraternity that is motivated, satisfied and happy on their daily chores</p>
 <p>Swaleh Hamisi Mwakutunza (Senior Nursing officer in Charge – Kinango Sub County Hospital</p>	<p>He holds diploma in Kenya registered community health nursing from KMTTC 2006.</p> <p>He holds a degree in nursing (Bachelor of science in nursing from Kenya Methodist university 2017.</p> <p>Joined the ministry of health in 2010 and came to kwale county in 2016.</p> <p>Has more than 10 years working as a manager</p>

5. Chairman's Statement

Kinango Sub County Hospital is a level 4 Hospital situated at the heart of kinango town. The hospital main focus is providing healthcare services to the community. I am pleased to inform you that we are constructing an ICU and renal building which will boost the health care services. With the completion of the building, the people of kinango and beyond will no longer have to go to Msambweni county referral hospital and Coast general hospital respectively for the services hence increasing our health care services.

Appreciation

I take this opportunity to thank our esteemed clients. We remain committed to fulfilling our mandate, which is to provide efficient and quality healthcare services to the community. On behalf of Kinango Sub County Hospital Board, Management and Staff, I would also like to recognise the initiative of the County Government in allocating resources for the Hospital both development and Recurrent to promote its operations. We look forward to your support as we diversify our health care services.

Thank you



FRANCIS MGALA NDAO
Chairman to the Board

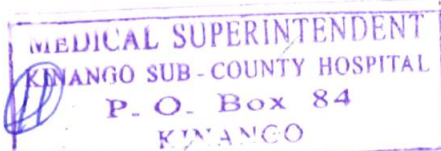
6. Report of The Medical Superintendent

The Hospital continues to offer its services towards the attainment of its vision to be a centre of excellence in health care in Kwale county and beyond. With the construction of the ICU and renal building and fully operational of services, it has really improved the hospital healthcare services at large. We hope in future the services within the hospital will improve further since we are in the process of construction of the ICU and urinal block.

Appreciation

In conclusion, I take this opportunity to express my sincere gratitude to our shareholders; the County Government of Kwale for their distinguished role in helping us achieve our mandate through both policy and budgetary support. On behalf of the entire Management and staff, I wish to thank the Chairperson and the Board of Directors, for their continued support, visionary leadership and guidance they provided to the management team throughout the year. I also wish to recognize the role played by our clients, the community, who continue to support our various initiatives and take up our various healthcare services offered by the facility. They remain a crucial stakeholder without whom we would not have achieved our set objectives and financial goals. On behalf of the Board of Directors and Management of Kinango Sub County Hospital, I take this opportunity to congratulate hospital staff for delivering this year's good results and enabling the hospital to remain one of the best level 4 facility in the county. It is through your tireless efforts and commitment that we have been able to record this remarkable performance. I look forward to your continued support as we move to make Kinango Sub County Hospital an institution of impact across the County and beyond by positively transforming the lives of our people.

Thank you.


DR. HAWA KADINGO

Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

Kinango Sub County Level 4 Hospital has 2 strategic pillars and objectives within the current Strategic Plan for the FY 2023-2029. These strategic pillars are as follows:

Pillar / Objective 1: Customer and Stakeholder Satisfaction

Pillar / Objective 2: Organisational Capacity to deliver satisfactory services

The Hospital develops its annual work plans based on the two pillars / objectives. 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 two strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Customer and Stakeholder Satisfaction	Reduce length of stay in Hospital Theatre Utilization – 90%	No of days between admission and discharge	Prompt services to patients and stakeholders Introduction of CT scan Services	Average length of stay improved from 9.0 days to 8.8 days
Organisational Capacity	Improve patient care, ensure efficient resource use, and achieve long-term strategic goals through effective management.	Key performance indicators (KPIs) for organizational capacity in a hospital can be categorized into several areas, including clinical, financial, staff, and patient-related metrics. These indicators help evaluate a hospital's effectiveness, efficiency, and quality of care.	Strategic planning, resource allocation, staff training, developing policies, and enhancing infrastructure and technology.	Improvements in areas like efficiency, patient care quality, financial health, and ability to adapt to change.

8. Corporate Governance Statement

Kinango Sub County Hospital is committed to maintaining the highest standards of Good Corporate Governance in its systems, processes and operations in order to safeguard the interests of all stakeholders. This ensures Board and Management accountability and helps build public trust in the Hospital. The Board of the Hospital is responsible for overseeing the effective management and control of the hospital resources. Transparency and Disclosure is a key focus area of Board oversight and this is well demonstrated in our audited Financial Statements over the years. Management has implemented an enterprise risk assessment framework where risks are not approved, monitored and controlled. In implementing the Corporate Governance tenets, the Board seeks to add value through constructive dialogue and engagement with stakeholders as well as management with a strong focus on the Hospital's strategic agenda. The Board embraces and recognizes the benefits of diversity in skills and experience in its compositions and this engenders the effective discharge of the Boards strategic oversight function. As at June 30th, 2025, the Board was made of nine (9) members comprising of non-executive Chairman, and eight members. The non-executive directors are independent of management. The Board has established three sub-Committees with specific terms of reference to exercise delegated responsibilities. The Committees are Finance and general purpose sub-committee, Quality of health care service sub-committee and Audit sub-committee. Board meetings are held in accordance with the annual calendar and the Board Charter for the respective Committee, except in exceptional instances where special meetings are held when critical business matters arise.

The HMC shall have the following core responsibilities;

1. Review and evaluation of the performance of the hospital and its programs, the quality of services, and the types and scope of services being offered and ensure that areas needing improvement are appropriately addressed
2. Participating in Planning for the Hospital: The HMC has a responsibility and authority for planning in line with the health Services guidelines.
3. Mobilizing resources: The HMC shall ensure that adequate capital is available for the hospital's development and operations.
4. Overseeing the Financial Operation of the Hospital: The HMC shall ensure a sound financial management system encompassing financial plans, performance evaluation and regular financial reporting to the county executive Committee through the CECM. It shall also routinely monitor operational fund balances
5. Ensuring compliance with environmental regulations and Standards. The HMC shall ensure that the hospital operations are in compliance with environmental laws and regulations with regard to disposal of medical wastes and endeavour to encourage Environmental conservation within the hospital and its environs.
6. Enhancing External Relationships and partnerships. The HMC shall ensure appropriate linkages with all stakeholders and enhance strategic partnerships.

7. Mitigate Potential Conflicts of Interests: The HMC members, as well as hospital staff, are expected to act ethically at all times and to acknowledge their adherence to the Public Officers Ethics Act and the health services Code of Conduct.
8. Risk Management: The HMC shall be concerned with the overall risk to the hospital and the impact a particular event could have on the Hospital and the community it serves. The HMC shall ensure the hospital has strategies and systems to identify and mitigate risk. The HMC shall be concerned with the risks such as Natural disaster, customer or employee accidents, Service and product liability, Embezzlement, supplier bankruptcy, Loss of reputation and unexpected new products, policies and competitors in the sector.
9. Regulatory Compliance: The health care service delivery is governed by a number of laws and regulations. HMC's Responsibility in this respect is to ensure the hospital Complies with the laws and regulations. To fulfil this Responsibility the HMC members must have a clear Understanding of the legal and regulatory framework under which the hospital operates.

9. Management Discussion and Analysis

Hospital Bed capacity is 121

- Overall patient attendance during the year for outpatient was 49,704 and inpatient was 3,189
- Specialised clinic attendance was 7,003
- Average length of stay for in patient is as follows
 - ✓ Maternity cases is 3 days
 - ✓ Orthopaedic cases is 60 days
 - ✓ Medical cases is 5 days
 - ✓ Surgical cases is 7 days
 - ✓ Gynaecological cases is 4 days
- Bed occupancy rate is 80%
- mortality rate is 160
- The number of operations over a period of time (surgical cases) was 236
- The hospital has medical oxygen manifold constructed by AMREF Kenya during the year.

Clinical/operational performance

Health department is charged with the responsibility of providing and promoting quality, curative and preventive healthcare services that are responsive, accessible and affordable to the county citizens. Provision of quality health services will result in a healthy and productive population. The availability of accessible and affordable health services is critical for sustainable development.

The health-related challenges, including limited access to clean and health environment to prevent diseases. The department has a wide range of interventions designed to create and maintain an environment conducive to human health; reduce people's exposure to diseases by providing a clean environment in which to live; and measures to break the cycle of diseases.

Financial Performance

a) Revenue

During the year ended 30th June 2025, the hospital received revenue from rendering services of Kshs 11,150,421, Miscellaneous Income Kshs 32,194,131, and transfers from the county government Kshs 1,181,420. In kind contributions from the county Government was KSHS.181, 208,411 during the year.

b) Payments

The total expenditure for the year ended 30th June, 2025 amounted to KShs 219,889,898.

10. Environmental And Sustainability Reporting

i) Sustainability strategy and profile

The Health Services sector in the County encompasses the providing and promoting quality, curative and preventive healthcare services under health services management. This include provision of medical drugs, construction of maternity wings and dispensaries, provision of immunization services and provision of community health services to provide health services to the community. It is also composed of the strategies to protect the health wellbeing through the use of community health volunteer's and community health extension workers.

ii) Environmental performance

The department in collaboration with the Department of Environment has successfully:

- i. Maintained a clean friendly environment eg participating in community clean-up
- ii. Developed and implemented environmental awareness creation programmes
- iii. Developed Waste management policies that includes: -
 - Construction of incinerators in all hospitals in the Department
 - Developing and implementing mechanisms for proper disposal of medical-waste, e.g. sharps, infectious waste and general wastes
- iv. Established measures to mitigate against water, air, noise and other forms of pollution

iii) Employee welfare

Employee welfare has been achieved through the following:

- Staff rationalization through the implementation of the CARPS report and the establishment of optimal staff organization structure for effective and efficient public service delivery.
- Harmonization of job grading and remuneration through job evaluation and making recommendations to the Salaries and Remuneration Commission on remuneration, pensions and gratuities for county employees;
- Promotion of the National Values and Principles as espoused by Articles 10 and 232 of the Constitution of Kenya;
- Strengthening county public service in the management of county affairs by upholding the requirements of Chapter 6 of the Constitution on Leadership and Integrity by recruiting and developing able and competent personnel with the highest standards of integrity;
- Regular monitoring, evaluation and reporting on the extent to which the National Values and Principles referred to in Articles 10 and 232 of the Constitution are complied within the county public service;
- Facilitate disciplinary control over persons holding or acting in public service officers and ensuring the staff code of conduct is adhered to by all county employees; and

- Promoting coherent, integrated human resource planning and budgeting and carrying out staff audits to discourage incidences of “ghost workers” and advise the county government on human resources development and management

iv) **Market place practices**

a) Responsible supply chain and supplier relations

Responsible supply chain and supplier relations involve integrating corporate social responsibility (CSR) principles into the entire supply chain, from sourcing pharmaceuticals and non-pharmaceutical products to product delivery, with a focus on ethical, sustainable, and transparent practices. This includes managing relationships with suppliers to ensure they adhere to environmental and social standards, fostering collaboration, and promoting practices that minimize negative impacts.

b) Responsible engagement with the public and patients

Responsible engagement with the public and patients is essential for creating strong community relationships and ensuring sustainable achievement of the hospital’s objectives through the following ways:-

1. **Building Patient trust:** With increasing awareness about data protection and privacy, customers are becoming more cautious about sharing their personal information. By using responsible marketing practices, you’ll build trust with your customers by being transparent about data collection, usage, and security measures.
2. **Patient-centricity:** You should prioritize the needs, preferences, and well-being of your customers. This can be achieved by actively seeking feedback, understanding their concerns, and providing relevant and meaningful experiences through your marketing initiatives.
3. **Meeting regulatory compliance:** Data protection regulations such as Data protection Act 2019 require you to be diligent in protecting customer data and obtaining consent. Implementing responsible marketing helps you ensure compliance with these regulations, avoiding potential legal complications and financial penalties.
4. **Social responsibility:** the Hospital considers the social impact of your products and services. This can be achieved by creating marketing campaigns that support social causes, raise awareness about important issues, or advocate for positive change.

11. Report of the Board of Management

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

Principal activities

The principal activities of the hospital are to offer quality healthcare services for the Kwale county community and beyond.

Results

The results of the hospital for the year ended 30th June, 2025 are set out on pages 1 to 6

Board of Management

The members of the Board who served during the year are shown on page vii to xi.

Auditors

The Auditor- General is responsible for the statutory audit of the Kinango Sub County level 4 Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015



DR HAWA KADINGO
Secretary to the Board

12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 and Facility Improvement Financing Act 202 requires the Board of Management to prepare financial statements in respect of the *hospital*, which give a true and fair view of the state of affairs of the *hospital* at the end of the financial year and the operating results of the *hospital* for that year. 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 *hospital*. The board members are also responsible for safeguarding the assets of the *hospital*.


The Board of Management is responsible for the preparation and presentation of the *hospital* financial statements, which give a true and fair view of the state of affairs of the *hospital* as at the end of the financial year ended on June 30th, 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.

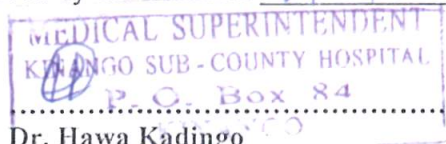
The Board of Management accepts responsibility for the *hospital* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the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

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 2/12/2025 and signed on its behalf by:


.....
Francis Mgala
Chairperson – Board of Management


.....
Dr. Hawa Kadingo
Medical Superintendent

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON KINANGO SUB COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - KWALE COUNTY GOVERNMENT

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 Kinango Sub County Level 4 Hospital – Kwale County Government set out on pages 1 to 47, which comprise of the

Report of the Auditor-General on Kinango Sub County Level 4 Hospital for the year ended 30 June, 2025 - Kwale County Government

statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kinango Sub County Level 4 Hospital – Kwale County Government as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Health Act, 2017, the Facility Improvement Financing Act, 2023, the County Governments Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Misstated Property, Plant and Equipment

The statement of financial position and as disclosed under Note 32 to the financial statements. reflects property, plant and equipment balance of Kshs.113,587,160. The property, plant and equipment balance includes computers balance of Kshs.134,913 determined after deducting recalculated accumulated depreciation of Kshs.4,203,323 from the cost of Kshs.3,136,233 implying that the computers have been depreciated beyond their cost by Kshs.1,067,090. There was no valuation report on these assets hence their carrying values could not be determined.

In the circumstances, the valuation of the property, plant and equipment balance of Kshs.113,587,160 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Hospital in 2024/2025 revealed that the following seven (7) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2023/2024	Inaccurate statement of changes in net assets.
2	2023/2024	Inaccurate statement of financial position.
3	2023/2024	Inaccurate statement of Cashflow.
4	2023/2024	Unexplained variances between the financial statements and Notes.
5	2023/2024	Procurement without approved requisition.
6	2023/2024	Failure to meet level 4 hospital requirement.
7	2023/2024	Lack of qualification by Board of Directors.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN 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 Land Ownership Documents

The statement of financial position and Note 32 to the financial statements reflects property, plant and equipment balance of Kshs.113,587,160 which includes land valued at Kshs.7,557,760. However, no valuation of report or evidence of ownership or land or lease agreement was provided for audit review. This is contrary to Section 162(2)(c)(i) of the Public Finance Management Act, 2012 which obligates the accounting officer to ensure that adequate arrangements are made for the proper use, custody, safeguarding and maintenance of public property.

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

2. Non-Compliance with Law and Effectiveness of Upgrade of Hospitals

Review of Hospital records and interviews conducted on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit in November, 2025 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by forty-eight (45) % of the authorized establishment as detailed below:

Staffing Requirement	Level 4 Hospital Standard	Actuals In the Hospital	Variance	Percentage %
Medical Officers	16	4	(12)	75
Anaesthesiologists	2	0	(2)	100
General Surgeons	2	1	(1)	50
Gynaecologists	2	2	0	
Paediatricians	2	1	(1)	50
Radiologists	2	0	(2)	100
Registered Community Health Nurses	75	48	(27)	36
Total	101	56	(55)	45

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	121	(29)	19
Resuscitaire (2 in labour & 1 in theatre)	3	2	(1)	33
New born unit incubators	5	2	(3)	60
New born unit cots	5	0	(5)	100
Functional ICU beds	6	0	(6)	100
High Dependency Unit (HDU) Beds	6	0	(6)	100
Renal Unit with at least 5 dialysis machines	5	0	(5)	100
Two functional operational theatres - Maternity & General	2	2	(2)	
Total	182	127	(55)	30

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

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

3. Non- Compliance with Facility Improvement Financing Act, 2023

Review of records revealed that the facility collected Kshs. 31,755,396 and transferred an amount of Kshs. 7,353,287 to the County Revenue Fund which was later reimbursed to the hospital. However, the Facility Improvement Financing (FIF) revenues were deposited into the general county revenue accounts instead of the designated Facility bank accounts. This is contrary to the provisions of Section 20-25 of the Facilities Improvement Financing Act, 2023 which requires that all revenues collected by health facilities be retained in designated FIF accounts and utilized strictly for approved operational and improvement activities.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Qualification by the Board of Management

The statement of financial performance and Note 17 to the financial statements reflect board expenses of Kshs.466,500. However, review of the board members' qualifications as indicated in the annual report and financial statements under the board of directors revealed that board members are in possession of primary level education and only two have post primary qualifications.

In the circumstances, the board as currently constituted lacks the necessary competence and qualification to provide effective oversight and guidance to the management.

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 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 continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements

comply with the authorities which govern them and that public resources are applied in an effective way.

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

Report of the Auditor-General on Kinango Sub County Level 4 Hospital for the year ended 30 June, 2025 - Kwale County Government

14. Statement of Financial Performance for the Year Ended 30th June, 2025

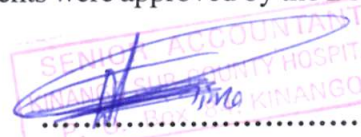
Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	1,181,420	25,515,637
In- kind contributions from the County Government	7	181,208,411	194,080,815
Revenue from exchange transactions		182,389,831	219,596,452
Rendering of services- Medical Service Income	11	11,150,421	
Miscellaneous Income	14	32,194,131	
Revenue from exchange transactions		43,344,552	319,428
Total revenue		225,734,383	219,915,880
Expenses			
Medical/Clinical costs	15	28,034,548	42,762,581
Employee costs	16	163,559,876	164,778,413
Board of Management Expenses	17	466,500	89,500
Depreciation and amortization expense	18	8,121,535	5,588,585
Repairs and maintenance	19	2,554,697	1,199,792
Grants and subsidies	20	3,599,529	
General expenses	21	13,553,213	10,744,292
Finance costs	22		5,413
Total expenses		219,889,898	225,168,576
Net Surplus for the year		5,844,485	(5,252,697)

(The notes set out on pages 7 to 45 form an integral part of the Annual Financial Statements.)

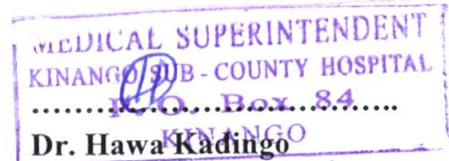
The Hospital's financial statements were approved by the Board on 21/2/2025 and signed on its behalf by:



Francis Mgala
Chairman
Board of Management


SENIOR ACCOUNTANT
KINANGO SUB-COUNTY HOSPITAL
KINANGO

Mwadima Munga
Head of Finance
ICPAK No:25884


MEDICAL SUPERINTENDENT
KINANGO SUB-COUNTY HOSPITAL
Box 84
KINANGO

Dr. Hawa Kadingo
Medical Superintendent

Kinango sub county Level 4 Hospital (Kwale 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	Notes	2024-2025	Restated 2023-2024	Audited 2023-2024
		Kshs	Kshs	Kshs
Assets				
Current assets				
Cash and cash equivalents	27	766,911	82	82
Prepayments	28	-	-	-
Receivables from exchange transactions	29	32,194,131	319,428	319,428
Receivables from non-exchange transactions	30	-	-	-
Inventories	31	7,600,370	12,269,080	14,584,756
Total Current Assets		40,561,412	12,588,590	14,904,266
Non-current assets				
Property, plant, and equipment	32	113,587,160	121,016,178	125,337,322
Intangible assets	33	-	-	-
Investment property	34	-	-	-
Biological Assets	35	-	-	-
Total Non-current Assets		113,587,160	121,016,178	125,337,322
Total assets (A)		154,148,572	133,604,768	140,241,588
Liabilities				
Current liabilities				
Trade and other payables	36	14,368,772	8,670,306	8,670,306
Refundable deposits from customers/Patients	37	-	-	-
Provisions	38	-	-	-
Finance lease obligation	39	-	-	-
Current portion of deferred income	40	-	-	-
Current portion of borrowings	41	-	-	-
Total Current Liabilities		14,368,772	8,670,306	8,670,306
Non-current liabilities				
Provisions	38	-	-	-
Non-Current Finance lease obligation	39	-	-	-
Non-Current portion of deferred income	40	-	-	-
Non - Current portion of borrowings	41	-	-	-
Service concession Arrangements	42	-	-	-
Total non-current liabilities		-	-	-

*Kinango sub county Level 4 Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025*


Total Liabilities (B)		14,368,772	8,670,306	8,670,306
Net assets (A-B)		139,779,800	124,934,462	131,571,282
Represented by:				
Revaluation reserve		-		-
Accumulated surplus/Deficit		8,466,266	2,621,781	(7,117,044)
Capital Fund		131,313,534	122,312,681	138,688,326
Net Assets		139,779,800	124,934,462	131,571,282

(The notes on pages 7 to 45 form an integral part of the Annual Financial Statements)

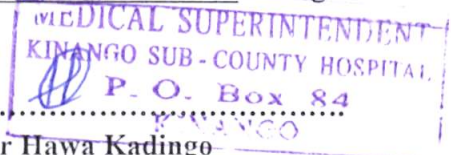
The Hospital's financial statements were approved by the Board on 2/12/2025 and signed on its behalf by:



Francis Mgala
Chairman
Board of Management


SENIOR ACCOUNTANT
KINANGO SUB-COUNTY HOSPITAL

Mwadima Munga
Head of Finance
ICPAK No:25884


MEDICAL SUPERINTENDENT
KINANGO SUB-COUNTY HOSPITAL
P. O. Box 84
KINANGO

Dr Hawa Kadingo
Medical Superintendent

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

	Accumulated Surplus/Deficit	Capital/ Development Grants/Fund	Total
	(KShs)	(KShs)	(KShs)
At July 1, 2023	7,874,478	105,358,040	113,232,518
Revaluation gain	-	-	-
Surplus/(deficit) for the year	(5,252,697)	-	(5,252,697)
Capital / Development grants received during the year	-	16,954,641	16,954,641
At June 30, 2024	2,621,781	122,312,681	124,934,462
			-
At July 1, 2024	2,621,781	122,312,681	124,934,462
Revaluation gain	-	-	-
Surplus for the year	5,844,485	-	5,844,485
Prior year adjustments		8,072,238	8,072,238
Capital/Development grants received during the year	-	928,615	928,615
At June 30, 2025	8,466,266	131,313,534	139,779,800

The Prior Year Adjustments relates to the following items:

1. Kshs.4,321,144 – Property, Plant and Equipment Net Book Value of Kshs.121,016,178 had been erroneously reported at Kshs.125,337,322 in the FY 2023-2024 Financial Statements
2. Kshs.2,315,676 – Inventories Balance of Kshs.12,269,080 and had been reported at Kshs.14,584,756 in the FY 2023-2024 Financial Statements
3. Kshs.1,435,418 are errors in the FY 2023-2024 Statement of Changes in Net Assets now corrected in this year's financial statements.

Kinango sub county Level 4 Hospital (Kwale County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Note	FY 2024- 2023	FY 2023-2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government			25,515,637
In kind contributions from county government			
Rendering of services- Medical Service Income		10,459,906	
Miscellaneous receipts-Receiveable from exchange transactions		21,295,490	319,428
Total Receipts		31,755,396	25,835,065
Payments			
Medical/Clinical costs		13,485,542	42,762,581
In kind contribution from county government			25,515,637
Employee costs			198,080,815
Board of Management Expenses		466,500	89,500
Depreciation			
Repairs and maintenance		2,554,697	1,171,902
Grants and subsidies			
General expenses		13,553,213	10,744,292
Total Payments		30,059,952	252,849,090
Net cash flows from operating activities	43	1,695,444	(227,333,453)
Cash flows from investing activities			
Purchase of property, plant, equipment		(928,615)	11,330,284
Net cash flows used in investing activities		(928,615)	11,330,284
Cash flows from financing activities			
Capital grants received			
Net cash flows used in financing activities			81
Net increase/(decrease) in cash and cash equivalents		766,829	
Cash and cash equivalents as at 1 July 2024	27	82	1
Cash and cash equivalents as at 30 June 2025	27	766,911	82

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance	% of utilization
	a	b	c=(a+b)	d	e=(c-d)	e=d/c %
	Kshs	Kshs	Kshs	Kshs		Kshs
Budget carryovers from the previous year		82	82	82	-	100%
Transfers from the County Government	1,181,420	-	1,181,420	1,181,420	-	100%
Rendering of services- Medical Service-Income	11,150,421		11,150,421	10,459,906	690,515	94%
Grants and subsidies	974,028		974,028	-	974,028	0%
Miscellaneous receipts (specify)	22,194,131		22,194,131	21,295,490	898,641	96%
Total receipts	35,500,000	82	35,500,082	32,936,898	2,563,184	93%
Payments						
Medical/Clinical costs	14,485,542		14,485,542	13,485,542	1,000,000	93%
Remuneration of directors	600,000		600,000	466,500	133,500	78%
Repairs and maintenance	4,060,370		4,060,370	2,554,779	1,505,591	63%
Grants and subsidies	-		-	1,181,338	(1,181,338)	-
General expenses	16,354,088		16,354,088	13,553,213	2,800,875	83%
Total Operational Expenditure paid	34,571,385	-	34,571,467	31,241,372	3,330,095	90%
Capital Expenditure paid	928,615		928,615	(928,615)	-	-100%
Surplus	-			766,911		

Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	766,911
Closing Cash and Cash Equivalent as per the statement of Cash flows	766,911

19. Notes to the Financial Statements

1. General Information

Kinango Sub County Level 4 Hospital is established by and derives its authority and accountability from Public Finance Management Act. The entity is wholly owned by the Kwale County Government and is domiciled in Kwale County in Kenya. The entity's principal activity is to Offer Quality healthcare services for the kwale county Government community and beyond

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 the Notes. 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 30th, 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 30th, June 2025.

Standard	Effective date and impact:
IPSAS 43	Applicable 1st January 2025 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 cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	Applicable 1st January 2025 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	Applicable 1st January 2025 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
IPSAS 46 Measurement	Applicable 1st January 2025 The objective of this standard was to improve measurement guidance across IPSAS by:

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value</p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions</p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements

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Standard	Effective date and impact:
	understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The Hospital did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2024-2025 was approved by Board on *30th June 2024*. The *hospital's* budget is prepared on a different basis to the actual income and expenditure disclosed

in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

c. Taxes

Sales tax/ Value Added Tax

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

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

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 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.

The Hospital applied the Straight Line Method of Depreciation to depreciate its assets as the following rates: Buildings – 2.5% : Furniture, Fittings and Office Equipment – 25%: Computers – 30% : Plant & Equipment – 12.5% and Household Items – 50%.

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.

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 hospital 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 flows and selling financial assets and the contractual terms of the financial asset give rise on

specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

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 hospital creates and maintains reserves in terms of specific requirements.

1. Capital funds
2. Accumulated Funds

q. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

r. Employee benefits

Retirement benefit plans

The Hospital provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which 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.

s. Foreign currency transactions

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

t. Borrowing costs

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

u. Related parties

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

v. Service concession arrangements

The Hospital analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *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 30th, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the hospital 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)

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

Kinango sub county level 4 Hospital Annual Report and Financial Statements for the year Ended June 30th, 2025 of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on the de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying

amount of the asset) is included in the surplus or deficit when an asset is derecognized. The value of land does not depreciate. Depreciation on other assets is calculated on a straight-line basis to write off the cost of each asset, or the revalued amount, to their residual values over the estimated useful life. The annual rates used for each class of assets are: Buildings 2.5% Tractors 37.5% Plant & Machinery 12.5% Computers, copiers 33.3% Furniture and Fittings 12.5% Medical Equipment 12.5% Motor Vehicles 25% Intangible Assets 30%

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. 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..

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Unconditional grants		
Operational grant		
Revenue from the county government		
Transfer from exchange transactions	1,181,420	25,515,637
Level 4/5 grants		
Unconditional development grants		
Other grants		
Conditional grants		
User fee forgone		
Transforming health services for Universal care project (THUCP)		
DANIDA		
Wards Development grant		
Paediatric block grant		
Administration block grant		
Laboratory grant		
Total government grants and subsidies	1,181,420	25,515,637

The transfers relate to stationary supplied to the Hospital but paid for by the County Government.

6 b Transfers from the County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance*	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Kwale County Government	1,181,420			1,181,420	25,515,637
Total	1,181,420			1,181,420	25,515,637

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Salaries and wages	163,559,876	164,778,413
Medical supplies-Drawings Rights (KEMSA)	1 4,549,006	29,302,402
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	3,099,529	
In-kind Contributions-Electronic Payments		
Utility bills		
Total grants in kind	181,208,411	194,080,815

8. Grants From Donors and Development Partners

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

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

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2023-2024
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA					
JICA					
World Bank					
Total					

Notes to Financial Statements Continued

9. Transfers From Other Government Entities

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Transfer from National Government (Ministry of Health)		
Transfer from National Hospital		
Transfer from an Institute		
Total Transfers		

10. Public Contributions and Donations

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Public donations		
Donations from local leadership		
Donations from religious institutions		
Donations from other international organisations and individuals		
Other donations		
Donations in kind-amortised		
Total donations and sponsorships		

10 (a) Reconciliation of amortised grants

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Balance unspent at beginning of year		
Current year receipts		
Amortised and transferred to revenue		
Conditions to be met – remain liabilities		

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Pharmaceuticals	4,386,492	
Laboratory	2,128,429	
Radiology	1,278,750	
Orthopedic and Trauma Technology	296,590	
Theatre	413,000	
Dental services	69,470	
Reproductive health	369,650	
Paediatrics services	90,150	
Injection services	432,190	
Male ward services	316,150	
Female ward services	307,350	
Morgue services	403,300	
OPD Clinic services	443,800	
Maternity Ward services	215,100	
Total revenue from the rendering of services	11,150,421	

12. Revenue From Rent of Facilities

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Residential property		
Commercial property		
Total Revenue from rent of facilities		

13. Finance /Interest Income

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

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14. Miscellaneous Income

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Others - NHIF	9,200,010	
-Social Health Insurance	1,473,590	
-AMREF Kenya Ltd	670,000	
-SHA	20,850,531	
Total Miscellaneous income	32,194,131	

15. Medical/ Clinical Costs

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Dental costs/ materials	49,687	3,834,885
Laboratory chemicals and reagents	1,321,678	
Food and Ration	7,273,702	7,617,378
Uniform, clothing, and linen		
Dressing and Non-Pharmaceuticals	1,574,166	158,178
Pharmaceutical supplies		29,302,402
Health information stationery	1,137,540	
Sanitary and cleansing Materials	883,186	829,872
Purchase of Medical gases	500,000	521,366
X-Ray/Radiology supplies	455,505	498,500
Other medical related clinical costs -Fumigation	290,078	
Medical Drugs –In-kind consideration	14,549,006	
Total medical/ clinical costs	28,034,548	42,762,581

16. Employee Costs

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Salaries, wages, and allowances	163,559,876	164,778,413
Employee costs	163,559,876	164,778,413

17. Board of Management Expenses

Description	FY 2024-2025	FY 2024-2025
	Kshs	Kshs
Chairman's Honoraria		
Sitting allowance	466,500	89,500
Total	466,500	89,500

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18. Depreciation and Amortization Expense

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Property, plant and equipment	8,121,535	5,588,585
Total depreciation and amortization	8,121,535	5,588,585

19. Repairs And Maintenance

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Property- Buildings	722,373	298,131
Medical equipment	2,800	54,876
Office equipment	638,154	742,485
Furniture and fittings	88,965	17,300
Computers and accessories	26,500	58,400
Motor vehicle expenses	1,075,905	28,600
Total repairs and maintenance	2,554,697	1,171,902

20. Grants And Subsidies

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Community development and social work		
Education initiatives and programs		
Free/ subsidised medical camp		
Disability programs		
Free cancer screening		
Social benefit expenses		
Other grants and subsidies	3,599,529	
Total grants and subsidies	3,599,529	

21. General Expenses

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Advertising and publicity expenses	255,517	
Catering expenses	339,380	58,890
Insecticides and rodenticides		24,680
Other fuel-Charcoal and fire woods		1,248,864
Fuel and Lubricants	6,484,600	3,236,463
Travel and accommodation allowance	1,275,550	628,450
Courier and postal services	3,500	3,332
Printing and stationery		1,297,704

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Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Bank charges	77,361	
Water and sewerage costs	2,338,412	3,157,437
Skills development levies		18,500
Telephone and mobile phone services	179,700	106,300
Hire Charges		33,800
Cleaning charges		829,872
Internet expenses	33,300	
Staff uniforms		100,000
Training and conference charges	128,600	
Computer and accessories	382,497	
Other fuels-charcoals, wirefoods and etc.	2,054,796	
Total General Expenses	13,553,213	10,744,292

22. Finance Costs

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Bank charges		5,413
Total finance costs		5413

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

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Property, plant, and equipment		
Intangible assets		
Other assets not capitalised (<i>specify</i>)		
Total gain on sale of assets		

24. Unrealized Gain On Fair Value Investments

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Investments at fair value		
Total gain		

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Comprehensive care contracts with NHIF/SHA		
Non- Comprehensive contracts care with NHIF/SHA		
Linda Mama Program		
Waivers and Exemptions		
Total Gain/Loss		

26. Impairment Loss

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

27. Cash And Cash Equivalents

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Current accounts	766,901	41
On - call deposits		
Fixed deposits accounts		
Cash in hand	10	41
Others- Mobile money		
Total cash and cash equivalents	766,911	82

Kinango sub county Level 4 Hospital (Kwale County Government)
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Notes to the Financial Statements (Continued)

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

Description		FY 2024-2025	FY 2023-2024
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1146764049	8,542	41
Kenya Commercial bank	1332113052	758,359	0
b) Others			
Cash in Hand	1146764049	10	41
Cash in Hand	1332113052	0	0
Grand total		766,911	82

28. Prepayments

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Insurance		
Rent		
Water		
Internet		
Others specify		
Total		

29. Receivables From Exchange Transactions

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Medical services receivables-SHA CLAIM	20,850,531	
Balance as at 30th June 2025	20,850,531	
Other exchange transactions debtors-NHIF	9,200,010	319,428
Balance as at 30th June 2025	9,200,010	319,428
Other exchange transactions debtors-primary health care	1,473,590	
Balance as at 30th June 2025	1,473,590	
Other exchange transactions debtors-Amref Kenya	670,000	
Balance as at 30th June 2025	670,000	
Total receivables	32,194,131	319,428

Analysis of Receivables from Exchange Transactions

Description	FY 2024-2025		FY 2024-2025	
	Kshs		Kshs	
		%		%
Less than 1 year	23,501,716	73 %	319,428	%
Between 1- 2 years	8,692,415	27 %		%
Between 2-3 years				
Over 3 years				
Total (a+b)	32,194,131	100%	319,428	%

30. Receivables From Non-Exchange Transactions

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Transfers from the County Government		
Undisbursed donor funds		
Other debtors (<i>non-exchange transactions</i>)		
Less: impairment allowance		
Total		

Analysis of Receivables from Non-Exchange Transactions

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
		%		%
Less than 1 year		%		%
Between 1- 2 years		%		%
Between 2-3 years		%		%
Over 3 years		%		%
Total (a+b)		%		%

31. Inventories

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Pharmaceutical supplies	1,840,189	7,093,988
Laboratory materials	1,882,190	4,746,638
Non-pharmaceuticals	3,336,426	
Health Records	74,000	
Mortuary	13,310	

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Maintenance supplies		
Food supplies	259,060	238,980
Linen and clothing supplies		
Cleaning materials supplies	195,195	189,474
General supplies		
Less: provision for impairment of stocks		
Total	7,600,370	12,269,080

Detailed disclosure on inventories

	FY 2024-2025	FY 2023-2024
Opening balance	12,269,080	12,269,080
Additional Inventory in the year	26,738,278	
Inventory expensed in the year	(26,738,278)	
Write-downs in the year	(4,668,710)	
Others		
Closing balance	7,600,370	12,269,080

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Notes to the Financial Statements (Continued)

32. Property, Plant and Equipment

	Land	Buildings and Civil Works	Motor Vehicles	Furnitur & Fittings	Computers, Air conditioners	Plant and Medical Equipment	House holds Appliances	Capital Work in Progress	Totals
Rate of Depreciation	0%	2.50%	25%		0% 3		50.00%		
	Kes	Kes	Kes	Kes	Kes	Kes	Kes	Kes	Kes
Cost / Valuation									
<i>At 1st July 2023</i>	7,557,760	122,048,040	28,610,000	2,587,500	2,672,950	21,606,838	235,040	-	185,318,128
Additions during the year - FY23/24	-	-	-	547,895	126,000	10,656,389		20,435,716	31,766,000
Disposal	-	-	-			-		-	-
At 30th June 2024	7,557,760	122,048,040	28,610,000	3,135,395	2,798,950	32,263,227	235,040	20,435,716	217,084,128
<i>At 1 July 2024</i>	7,557,760	122,048,040	28,610,000	3,135,395	2,798,950	32,263,227	235,040	20,435,716	217,084,128
Additions during the year FY 24/25	-	-	-	34,450	337,283	556,882			928,615
Disposal	-	-	-			-		-	-
At 30 June 2025	7,557,760	122,048,040	28,610,000	3,169,845	3,136,233	32,820,109	235,040	20,435,716	218,012,743
Depreciation and Impairment									-
As at 1st July 2023	-	35,452,651	28,610,000	1,338,474	3,170,088	23,062,836	148,503	-	91,782,552
Disposal			-			-		-	-

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Charge for the year FY 23/24		3,051,201	-	136,974	932,050	1,455,998	12,363	-	5,588,586
At 30 June 2024	-	38,503,852	28,610,000	1,475,448	4,102,138	24,518,834	160,866	-	97,371,138
As at 1st July 2024	-	38,503,852	28,610,000	1,475,448	4,102,138	24,518,834	160,866	-	97,371,138
Disposal			-			-		-	-
Charge for the year FY 24/25	-	3,051,201	-	792,461	101,185	4,102,514	74,174	-	8,121,535
At 30 June 2025	-	41,555,053	28,610,000	2,267,909	4,203,323	28,621,348	235,040	-	105,492,673
Net Book Value									-
NBV As at 30 th June 2024	7,557,760	83,544,188	-	1,659,947	-	7,744,393	74,174	20,435,716	121,016,178
NBV As at 30 th June 2025	7,557,760	80,492,987	-	901,936	-	4,198,761	-	20,435,716	113,587,160

Notes to the Financial Statements (Continued)

33. Intangible Assets-Software

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Cost		
At beginning of the year		
Additions		
Additions-Internal development		
Disposal		
At end of the year		
Amortization and impairment		
At beginning of the year		
Amortization for the period		
Impairment loss		
At end of the year		
NBV		

34. Investment Property

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
At beginning of the year		
Additions		
Disposals during the year		
Fair value gain		
Depreciation (<i>where investment property is at cost</i>)		
Impairment		
At end of the year		

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Notes to the Financial Statements (Continued)

35. Biological Assets

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

36. Trade and other Payables

Description	FY 2024-2025		FY 2023-2024	
	KShs		KShs	
Trade payables	14,386,772		8,670,306	
Employee dues				
Third-party payments (e.g. unremitted payroll deductions)				
Audit fee				
Doctors' fee				
Total trade and other payables	14,386,772		8,670,306	
Ageing analysis:	FY 2024-2025	% of the Total	FY 2023-2024	% of the total
Under one year	2,154,830	15 %	8,548,006	99 %
1-2 years	5,762,836	40 %	122,300	1 %
2-3 years	3,673,900	26 %		%
Over 3 years	2,795,206	19 %		%
Total	14,386,772	100%	8,670,306	100%

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37. Refundable Deposits from Customers/Patients

Description	FY 2024-2025		FY 2023-2024	
	KShs		KShs	
Medical fees paid in advance				
Credit facility deposit				
Rent deposits				
Others (<i>specify</i>)				
Total deposits				
Ageing analysis:	FY 2024-2025	% of the Total	FY 2023-2024	% of the Total
Under one year		%		%
1-2 years		%		%
2-3 years		%		%
Over 3 years		%		%
Total		%		%

38. Provisions

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

39. Finance Lease Obligation

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Current Lease obligation		
Long term lease obligation		
Total		

40. Deferred Income

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Current Portion		
Non-Current Portion		
Total		

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

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

41. Borrowings

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Balance at beginning of the period		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the year		
Repayments of domestic borrowings during the year		
Balance at end of the period		

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

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Current Obligation		
Non-Current Obligation		

Kinango sub county Level 4 Hospital (Kwale County Government)
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Total		
--------------	--	--

42. Service Concession Arrangements

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Fair value of service concession assets recognized under PPE		
Accumulated depreciation to date		
Net carrying amount		
Service concession liability at beginning of the year		
Service concession revenue recognized		
Service concession liability at end of the year		

43. Cash Generated from Operations

Description	2024-2025 KShs	2023-2024 KShs
Surplus(Deficit) for the year before tax	5,844,485	(5,252,696)
Adjusted for:		
Depreciation	8,121,535	-
Non-cash grants received	(43,115,523)	-
Impairment		
Gains and losses on disposal of assets		
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working Capital adjustments		
Increase in inventory	4,668,710	12,269,080
Increase in receivables	31,874,703	319,428
Increase in deferred income		
Increase in payables	(5,698,466)	8,670,306
Increase in payments received in advance	-	-
Net cash flow from operating activities	1,695,444	(9,170,898)

Notes to the Financial Statements (Continued)

44. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024 (previous year)				
Receivables from exchange transactions	319,428			
Receivables from –non-exchange transactions				
Bank balances	82			
Total	319,510			
At 30 June 2025 (current year)				
Receivables from exchange transactions	32,194,131			
Receivables from –non-exchange transactions				
Bank balances	766,911			
Total	32,961,042			

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Notes to the Financial Statements (Continued)

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

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025		2,154,830	12,213,942	14,368,772
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total		2,154,830	12,213,942	14,368,772
At 30 June 2024				
Trade payables		8,548,006	122,300	8,670,306
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total		8,548,006	122,300	8,670,306

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

The Hospital is not exposed to any foreign exchange Risk

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs nil (2023-2024: KShs nil in 2024-2025). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs nil (2023-2024 – KShs nil 2024-2025).

IV) Capital Risk Management

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

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Revaluation reserve		
Accumulated Surplus	8,466,266	2,621,781
Capital Fund	131,313,534	122,312,681
Total funds		
Total borrowings		
Less: cash and bank balances	766,911	82
Net debt/ <i>(excess cash and cash equivalents)</i>		
Gearing		

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Notes to the Financial Statements (Continued)

45. Related Party Balances

Nature of related party relationships

Entities and other parties related to the entity include those parties who have the ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates, and close family members. Kwale County Government is the principal shareholder of the *Hospital*, holding 100% of the *Hospitals* equity interest. The National Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. The related parties include:

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

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services		
Sales of services		
Total		
b) Grants from the Government		
Grants from County Government		
Grants from the National Government Entities		
Donations in kind		
Total		
c) Expenses incurred on behalf of related party		
Payments of salaries and wages		
Payments for goods and services		
Total		
d) Key management compensation		
BOM Expenses	466,500	89,500
Compensation to the medical Sup		
Compensation to key management		
Total		

46. Segment Information

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IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segments.

47. Contingent Liabilities

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

48. Capital Commitments

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

49. Events after the Reporting Period

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

50. Ultimate and Holding Entity

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

51. Currency

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

20. Appendices

Appendix 1: Progress on Follow up of Auditor Recommendations

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

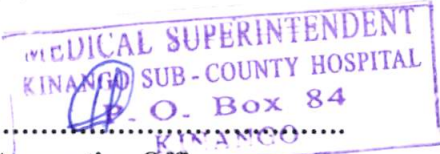
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
FY 2023-2024	Inaccurate statement of changes in net assets	Correction in the subsequence year	Not resolved	FY 2026-2027
FY 2023-2024	In accurate statement of financial position	Correction in the subsequence year	Not resolved	FY 2026-2027
FY 2023-2024	Inaccurate statement of cash flow	Correction in the subsequence year	Not resolved	FY 2026-2027
FY 2023-2024	Unexplained variances between the financial statements and Notes	Correction in the subsequence years	Not resolved	FY 2026-2027
FY 2023-2024	Procurement without approved requisition	Correction in the subsequence years	Not resolved	FY 2026-2027

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
FY2023-2024	Failure to meet level 4 hospital requirement	Necessary actions is will be done	Not resolved	2026-2027
Fy 2023-2024	Lack of qualifications by the board of Directors	Trainings will be done to equip them with the necessary skills and Knowledge	Not resolved	2026-2027

Guidance Notes:

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


 Accounting Officer

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Appendix II: Projects Implemented by the Entity

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

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

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Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....


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

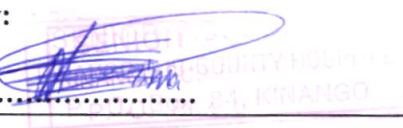
I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity:

Name Sign Date

Head of Accounts Department - Beneficiary Entity:

Name Mwasimo Mwangi Sign  Date



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Appendix IV Reporting of Climate Relevant Expenditures

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

Appendix V: Disaster Expenditure Reporting Template

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