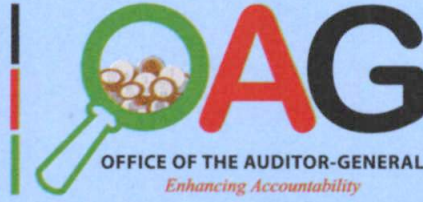


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REPORT

OF

THE AUDITOR-GENERAL

ON

WITU SUB – COUNTY HOSPITAL

PAPERS LAID	
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FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF LAMU

251



WITU SUB-COUNTY HOSPITAL (Lamu County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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1. Acronyms & Glossary of Terms

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

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

2. Key Hospital Information and Management

(a) Background information

Witu Sub county Hospital is a level 4 hospital established under gazette notice number GI 007595 and is domiciled in Lamu County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

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

- Provision of Preventive, promotive, curative, and rehabilitative health services.
- Emergency Obstetric and new-borns care
- Management of chronic illnesses (Hypertension, Diabetes, etc.).
- Minor and Major Surgeries.
- Health education and community outreach.

Vision

Be a leading healthcare institution in the region recognized for excellence in in-patient care, medical services and community health initiatives

Mission

To provide Quality, accessible, compassionate, patient-centred healthcare services to all patients and to promote health and well-being of the Lamu west residence in a safer and professional environment.

Core Values

Compassion: Providing care with empathy and respect for all individuals

Integrity: Upholding high ethical standards in all actions and decisions

Excellence: Striving for the highest standards in medical care and service delivery

Collaboration: Working together with partners, staff and the community to achieve health goals

(c) Key Management

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

- Board of Management
- Accounting Officer/ Medical Superintendent
- Hospital Management Team

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 20 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Medical Superintendent	Mr. Tariq Salim Mohamed
2.	Head of finance	CPA Mohamed Abbas Abubakar
3.	Head of supply chain	Ms. Jamila Mitsanze
4.	Hospital Administrator	Ms. Fathiya Mohamed
5.	Chief officer Medical Service	Dr. Victor Tole

(e) Fiduciary Oversight Arrangements

The fiduciary oversight arrangements for the Witu Sub- County Hospital are under the following organs.

Sno	Position	Description
	Directorate of Accounting Service	The Directorate is headed by the Director Finance Services. It derives its mandate from the Constitution 2010, the Public Finance Management Act 2012. The main responsibility of the directorate is monitoring of expenditure and projects through vote controls, including program implementation on a periodic basis and ensuring that timely corrective action is taken
	Directorate of Internal Audit	The Directorate is headed by the Ag. Director Internal Audit to provide independent assurance, advice and insight in order to enhance and protect organizational value. Contribute towards evidence-based decision making, and promote organizational learning, transparency, integrity and accountability
	County Assembly Public Accounts Investment Committee	The committee is headed by the Chairperson with primary Mandate of oversight the expenditure of public funds by Kenya Office of Auditor Lamu County entities, to ensure value for money.
	Kenya Office of Auditor General	The Office is charged with the primary oversight / assurance role of ensuring accountability within the three arms of government i.e. the Legislature, the Judiciary and the Executive; as well as the Constitutional Commissions and Independent Offices.

Key Hospital Information and Management (continued)

(f) Witu Sub-County Hospital Headquarters

P.O. Box 21 - 80504
Witu Sub county Hospital
Lamu, KENYA

(g) Witu Sub-County Hospital Contacts

Telephone: (+254) 743 780 344
E-mail: Wituhospital24@gmail.com
Website: www.lamu.go.ke

(h) Witu Sub-County Hospital Bankers

Kenya Commercial Bank
P.O. Box 121-80500
Mpeketoni Branch

(i) Independent Auditors

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


(j) Principal Legal Adviser




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


(k) County Attorney

Director Legal Service
P.O. Box. 74-80500
County Government of Lamu




3. The Board of Management



Management Team	Details
 <p data-bbox="411 882 759 949">Mr. Athman Adnan Zain Chairman</p>	<p data-bbox="884 394 1533 479">councilor between 2002-2007 Also community leader and human right defender</p>
<p data-bbox="459 1326 711 1391">Mr. Barisa Komora Member</p>	<p data-bbox="884 994 1437 1025">Community leader and elder with the ward</p>

 <p>Mr. Mohamed Muse Mire Member</p>	<p>Businessman who has several stalls within witu-ward</p>
 <p>Mr. Amos Kaviha Wanje Member</p>	<p>Community leader in the area and active member in society</p>
 <p>Ms Fathiya Mohamed Hospital administrator</p>	

 <p>Mr. Tariq Salim Mohamed Secretary /Medical Superintendent</p>	<p>Diploma in clinical medicine and surgery</p> <p>Working from as clinical officer from 2014, appointed as medical superintendent January 2025</p>
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4. Key Management Team

Name	Designation
 <p>Mr Tariq Salim Mohamed</p>	<p>Medical Superintendent Secretary to the Board of Management</p>
 <p>CPA Mohamed Abbas Abubakar B.COM Finance, Masters – Finance, CPA(K)</p>	<p>Head of finance</p>
 <p>B.COM Procurement ,Masters - Procurement</p>	<p>Head of supply chain</p>
	<p>Ms. Jamila Mitsanze</p>

 <p>Ms. Fathiya Mohamed</p>	<p>Hospital Administrator</p>
 <p>Dr. Victor Tole Bachelors in Pharmacy, Masters</p>	<p>Chief Officer Medical Service</p>

5.Chairman’s Statement

On behalf of the Board of Management, I am pleased to present a summary of key activities and milestones achieved by Witu Sub county Hospital during the Financial Year ending 30th June 2025.

This year marked a significant phase of transformation for the facility. With the posting of a new Medical Superintendent in the middle of the financial year, the hospital experienced renewed leadership and direction that led to the realization of critical service improvements.

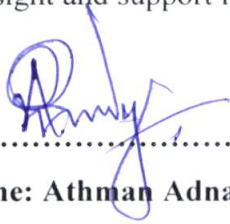
Among the notable achievements was the establishment of Accident and Emergency Department and a fully equipped Dental Department, both of which have greatly enhanced access to emergency and specialized care in our region.

The hospital also recorded major strides in infrastructure renovation, medical equipment maintenance, and laboratory services expansion. Notably, the restoration of the power backup generator and key diagnostic equipment has improved service reliability and safety.

There has been a remarkable improvement in the availability of essential medicines and non-pharmaceuticals, leading to better patient outcomes and reduced referrals. Furthermore, revenue collection rose significantly to KES **10,623205.7** million, thanks to enhanced documentation, billing systems, and service delivery.

Human resource capacity was strengthened through new staff deployments and improved workforce organization, allowing consistent operations across departments.

We commend the efforts of the management team, healthcare workers, and all partners whose collective input has advanced the hospital’s mission. The Board remains committed to providing oversight and support in alignment with the County’s health objectives.



.....

Name: Athman Adnan Zain

Chairman to the Board

6. Report of The Medical Superintendent

As the Medical Superintendent of Witu Sub county Hospital, I am pleased to present the report for the Financial Year ending 30th June 2025. I was posted to the facility in the middle of the financial year and had the opportunity to oversee operations during the final two quarters. Within this short but impactful period, we have witnessed remarkable transformation, growth, and foundational development across the hospital. Our journey has not been without challenges, but I am proud to report that our facility has made significant strides across all service delivery areas, positioning Witu Sub county Hospital as a more reliable and resilient healthcare institution within Lamu County.

This financial year saw the successful establishment of an Accident and Emergency (A&E) Department, a critical milestone in addressing urgent care needs for the community. Strategically located within the Outpatient Department, this new unit is now equipped with two functional beds, a patient monitor (donated by EMKF), emergency trolleys, and resuscitation kits. Staff have also received basic triage training. As a result, emergency response time has improved, and patient outcomes have significantly stabilized.

Additionally, the Dental Department is now fully equipped and fully functional, offering services such as dental extractions, cleaning, fillings, and patient education. This has not only broadened our service scope but also significantly reduced patient referrals for dental issues to other facilities.

A major breakthrough has been in the availability and reliability of essential medical supplies and pharmaceuticals. Previously characterized by stock outs and unavailability, the hospital now enjoys consistent stock levels across essential drug lines and non-pharmaceutical items. This has been achieved through closer coordination with KEMSA & MEDS, more accurate forecasting, and effective store monitoring using digital tracking tools.

Critical medical equipment—including the X-RAY machine, anaesthetic machine, laboratory hemogram analyser, were either repaired or serviced, restoring essential diagnostic and surgical capacities.

Additionally, the 100kVa Cummins generator, previously non-functional due to a contactor issue, was successfully repaired by Car & General and is now a dependable power backup source.

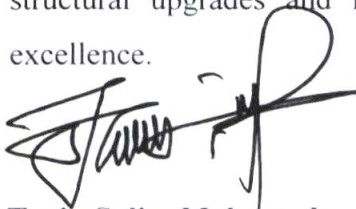
In terms of infrastructure, we renovated the Male Ward, Postnatal Ward, and Boardroom, improved general cleanliness, repaired broken beds, and replaced floor tiles in some areas. The Maternity Theatre’s air conditioning system was also upgraded for better infection control.

We have recorded significant growth in revenue collection, with internally generated revenue reaching close to KES 4 million—excluding proceeds from SHA (Social Health Authority) for May and June. This success is attributed to improved documentation, streamlined billing systems, staff sensitization on revenue policies, and better commodity availability that has reduced patient referrals.

The hospital laboratory has expanded its range of tests, including full blood counts, malaria microscopy, urinalysis, stool analysis and Immunoassay machine. Though the biochemistry section awaits reagents, we’ve made strides in restoring haematology and bacteriology services.

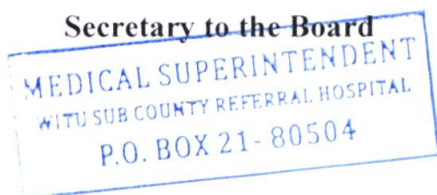
We have also established digital monitoring of the hospital store via Google Excel; we’ve received donations (e.g., two wheelchairs and a patient monitor). We’ve held regular internal CMEs and started implementing mortality audit protocols. We have also actively engaged stakeholders including EMKF, county leadership for support and private donations.

While challenges remain—such as occasional equipment breakdowns, drainage issues, and lack of roof connectivity between key blocks—we remain committed to transforming Witu Sub county Hospital into a model facility in the county. The support of our partners, the community, and the County Department of Health continues to fuel our determination. With ongoing structural upgrades and improved governance, we are on track to achieving operational excellence.



Tariq Salim Mohamed
Medical Superintendent

Secretary to the Board



7. Statement of Performance Against Predetermined Objectives

Witu sub-county hospital has 4 strategic pillars and objectives within the current Strategic Plan for the FY 2024/2025. These strategic pillars are as follows:

- ❖ Pillar 1: Information Surveillance, and Research
- ❖ Pillar 2: Management of Health Services
- ❖ Pillar 3: Human Resources
- ❖ Pillar 4: Financing

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

8. Corporate Governance Statement

The Lamu County Health Facility Improvement Finance Act, 2023 was assented by the County Assembly of Lamu to ensure that health services are available, accessible, acceptable, and affordable and of good quality and standard. Ensure that health facilities shall be well funded to offer quality care; accountability, transparency and integrity shall be upheld, observed, promoted and protected in the collection, management and use of revenue; and that revenue generated at public health facilities be considered to be additional to the budgets appropriated to public health facilities by the County Assembly or National Parliament and not a substitute.

A). the Hospital Management Board

Section 13 of the Lamu County Health Facility Improvement Finance Act, 2023 is established a Hospital Management Board for whose members shall be nominated by the County Governor and gazetted by the County Executive Committee Member. The Hospital Management Board consist of-

- a. a chairperson, who shall not be a public officer;
- b. the hospital-in-charge, who shall be the secretary;
- c. hospital administrator;
- d. five members from the community taking cognizant of the special interest groups and gender; and
- e. Sub-county administrator who will be an ex-officio member.

The Witu sub county hospital has a 7-member hospital management committee appointed by the His Excellency Governor and Gazetted.

Functions of the committee

The Hospital Management Board shall have the following functions-

- a. provide oversight over the administration of the hospital;
- b. prepare and submit for approval to the Chief Officer the annual work plan and budgets;
- c. prepare and submit for approval to the Chief Officer the hospital quarterly budgets;
- d. ensure the quarterly implementation plans and budgets are based on available resources;
- e. formulate strategies on resource mobilization for the hospital;
- f. monitor the utilization of the County Health Facility
- g. approve the facility performance reports referred in section 12 (2) (f) and forward to the Chief Officer;

- h. take corrective action on challenges identified that hinders efficient collection and absorption of funds;
- i. provide oversight for all financial procedures and reporting requirements by the hospital management teams and ensure they conform to the Public Finance Management Act and related regulations;
- j. ensure strict adherence to procurement procedures as prescribed in the Public Procurement and Asset Disposal Act;
- k. promote the development of the hospital;
- l. make policy recommendations to the County Executive Committee Member on the use of the County Health Facility Improvement Financing; and
- m. Liaise with Health Facility Management Team and community to strengthen the delivery of quality health services.

Board meetings and attendance

During the year under review, the Hospital Management committee held 3 board meetings with attendance as follows:

Board induction and training.

The hospital Management Committee was inducted on government function and operations, corporate governance and their responsibilities as board of management. The training was facilitated by the County Government of Lamu – Department of medical service.

B). Hospital's compliance with statutory requirements

The Witu Health sub county hospital has and will continue to manage its finances in accordance with the principles of fiscal responsibility as spelt out in the public finance management Act (2012) and its regulations and other applicable laws. The Hospital complied with the following listed requirements but not limited to:

- Lamu County Health Facility Improvement Financing Act 2023
- Public Procurement and Disposal Act 2020
- Public Finance Management Act 2012 and its regulations

The Hospital has no pending or on-going court litigation.

C). Key projects and investment decisions the hospital is planning/implementing.

No investment is been done through the facility improvement financing.

D). Major risks facing the hospital.

The Hospital has no major risk. The Hospital target to develop a risk management framework and risk assessment which will guide the Fund in identifying, assessing and managing the risks and prescribe mitigating measures of all the risks both external and internal is facing the Fund.

E). Material arrears in statutory/financial obligations

The hospital has financial obligation pending as of the period ended 30th June 2025. The Hospital has no financial probity and nor serious governance issues noted during the period under review. The Hospital Management Board confirmed that the hospital had throughout the FY 2024/2025 complied with all statutory and regulatory requirements and that the fund had been managed in accordance with the principles of good corporate governance.

Internal Control and Risk Management

Standing Instructions

The fund is in the process to develop a Code of Ethics and Service Charter that will be applicable to all employees. This will entail a number of standing instructions to employees of the hospital designed to enhance internal control.

Conflict of interest

Mechanism has been put in place to ensure declaration of conflict of interest by the hospital management Board and Management Team.

Organization Structure

The Board has an organizational structure that clearly details line of authority and control responsibilities in line with the Lamu County Health Facility Improvement Fund Act of 2023.

Risk Management

The Management team is looking forward to capacity build staff on risk identifying and maintaining of risk register.

Management Team

The management team headed by the Chairman, the Secretary and Chief Officers as shown on page xii – xiii implements the committee decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board objectives are achieved effectively and efficiently.

Auditor

The fund is audited by the Office of the Auditor - General.

9. Management Discussion and Analysis

The Lamu County Health Facility Improvement Finance Act, 2023 was assented to ensure that health services are available, accessible, acceptable, affordable and of good quality and standard. Ensure that health facilities shall be well funded to offer quality care; accountability, transparency and integrity shall be upheld, observed, promoted and protected in the collection, management and use of revenue; and that revenue generated at public health facilities be considered to be additional to the budgets appropriated to public health facilities by the County Assembly or National Parliament and not a substitute.

1. Financial Performance

a) Revenue performance

The Hospital collected **KES 5,021,942** cash collection, **5,601,263.70** SHA claim and **286,708** Danida donations. We have seen a progressive steady rise in our revenue collection. By June 2024 on average the hospital used to collect was cash of Kshs 500,000 per month, progressively we managed to maximize our revenue collection and currently on average we collect cash of Kshs 1,000,000 per month. Improvement of our revenue collection has been attributed by the below factors:

- ❖ **Strengthening of revenue collection** - Creation of subunits in the revenue department which made it easy to monitor performance and also easy to hold people accountable.
- ❖ **Monthly reconciliations**- Deployment of an accountant to our facility, we are able to do thorough reconciliation of our unpaid bills by NHIF.
- ❖ **Introduction of other new services** – This expanded our revenue collection streams

The hospital management Board intends to automate revenue collection and other services to ensure easy reporting and accountability of revenue in our department.

10. Environmental And Sustainability Reporting

i) Sustainability strategy and profile

The core objective of the hospital is to provide safe, high-quality, patient-centred care. As part of our sustainability plan, the hospital aims to

- ❖ Manage budgets and diversify revenue to stay financially stable.
- ❖ Lobby for more staff and keep skilled staff and ensure their well-being.
- ❖ Streamline processes and using technology to improve service delivery.
- ❖ Continuous improvement of the care quality and using data to guide decisions.
- ❖ partner with development partners and health learning institutions.

We have also implemented a system in the main stores to track commodity consumption. This allows us to predict our consumption patterns and order supplies in a timely manner, thereby avoiding stock outs and ensuring uninterrupted services. The hospital also aims to advocate for the introduction of new departments, such as private wards, additional machines, and services.

ii) Environmental performance

As a hospital, our environmental policy is committed to sustainability, lessening our environmental impact, and fostering health through responsible environmental practices. Our waste management policy includes the following components:

- ❖ **Segregation:** Clearly labelled bins and protocols for separating different types of waste, such as general waste, recyclables, biohazardous waste, sharps, and pharmaceutical waste.
- ❖ **Handling and Storage:** Safe handling practices and designated storage areas for different types of waste to prevent contamination and ensure safety.
- ❖ **Collection and Transportation:** Scheduled and secure collection of waste by trained personnel, ensuring that waste is transported safely to the appropriate disposal or treatment facilities.
- ❖ **Treatment and Disposal:** Proper treatment methods for different waste types, such as incineration for biohazardous waste, autoclaving for infectious waste
- ❖ **Training and Education:** Regular training programs for staff on waste segregation, handling, and safety procedures.

- ❖ **Community and Environmental Impact:** Efforts to minimise the environmental impact of waste through sustainable practices and community engagement.

The primary method of disposal involves using an incinerator. The incinerator is located in a designated area where the waste is weighed, and the quantities are recorded. However, a significant challenge is constant supply of fuel which most of the time leads to accumulation of medical waste. Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

iii) Employee welfare

The hiring of staff is done by the County Public Service Board. The healthcare facility initiates the process by writing a request letter addressed to the Chief Officer of Medical Services, seeking additional staff. If the budget permits, the department will then forward this request to the County Public Service Board for the advertisement of vacant positions, conducting interviews, and selecting successful candidates.

In an effort to enhance the skills and expertise of its staff and keep them informed about current regulations in various fields, the facility conducts weekly CME's and also provides opportunities for staff members to attend training sessions. However, there have been concerns raised by staff regarding delayed promotions, which has led to demotivation.

iv) Market place practices-

Below are some of the efforts the hospital has deployed to ensure equitable and transparent participation in its procurement process.

- ❖ The hospital enforces strict anti-corruption measures, including transparent procedures, regular audits, and clear channels for reporting unethical behaviour. Employees are trained to recognize and prevent corruption.
- ❖ The hospital avoids political bias and maintains neutrality in its operations. It follows legal guidelines on political contributions and ensures transparency in any political engagements.
- ❖ The hospital competes fairly by prioritizing high-quality care, patient outcomes, and service innovation. It refrains from unfair practices such as price manipulation.

- ❖ The hospital maintains a respectful stance towards other healthcare providers, avoiding negative comparisons and focusing on enhancing its own services and patient care.
- ❖ The hospital maintains good business practices with its suppliers. Upon the supplier's delivery of all items in accordance with the purchase order, an inspection and acceptance committee appointed by the Medical Superintendent conducts an inspection of the delivered items. Once the committee approves the delivered items, the hospital promptly prepares a payment voucher. This payment voucher is then submitted to the accountant for payment

v) Corporate Social Responsibility / Community Engagements

The hospital did not engage in any social corporate responsibility.

11. Report of The Hospital Management Committee

The committee submit their report together with the Audited Financial Statements for the year ended June 30, 2025, which show the state of the Witu sub county affairs.

Principal activities

The principal activities of the hospital are to provide safe, high quality and patient centred medical care.

Results

The results of the hospital for the year ended June 30 20025 are set out on pages 1 to 7

Board of Management

The members of the committee who served during the year are shown on page VI - IX. There were no changes of board of management during the period

Auditors

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

By Order of the Board

12. Management Discussion and Analysis

As the Medical Superintendent of Witu Sub county Hospital, I am pleased to present this Management Discussion and Analysis (MD&A) for the Financial Year ending 30th June 2025. This year has been one of remarkable transformation, growth, and foundational development for the hospital. Our journey has focused on strengthening clinical operations, improving infrastructure, expanding services, and enhancing partnerships to meet the healthcare needs of the Witu community and the broader Witu Ward.

I officially assumed leadership at the facility midway through the financial year and oversaw key operations and developments during the last two quarters.

Clinical/operational performance

Bed capacity of the hospital: The hospital has a total bed capacity of, distributed as follows:

- Accident & Emergency: 2 beds
- Male Ward: 8 beds
- Female & Paediatric Ward: 12 beds (shared)
- Isolation Ward 8 Beds
- Maternity Unit: 16 beds

Overall patient attendance during the year for both inpatient and outpatient: Patient volumes showed a steady increase throughout the year due to improved services and community trust. We recorded:

- Outpatient attendance: 6668
- Inpatient admissions: 639

Accident and Emergency attendance: The OPD complex has hosted an active A&E area with 2 dedicated beds. Throughout the year, the department managed various emergencies, from obstetric to trauma cases.

Total A&E cases attended: 218

Specialised clinic attendance: Specialty services offered include:

- HIV/TB clinics
- Mental health services
- Dental Services
- ENT Services
- MOPC/SOPC/POPC
- Minor surgeries
- Orthopaedic and physiotherapy sessions
- Family planning and post-abortion care
- Chronic disease management (e.g., diabetes and hypertension)
- Immunization and MCH services

Total specialty clinic visits: 865

Average length of stay for in patient:

The ALOS remained between 4 days, reflecting efficient case management and timely discharges.

Bed occupancy rate:

Bed occupancy improved across all units, notably in maternity.

Average Bed Occupancy Rate: 24%

Mortality rate:

Facility mortality remained low. Each mortality case was followed by a facility-based audit to review and strengthen clinical care.

Mortality rate: 6.26 per 1000 admissions/ 0.626%

Total mortalities: 4

Surgical theatre utilisation:

Following successful repair of the anaesthetic machine and theatre air conditioning, theatre services resumed and improved significantly.

- Total Caesarean Sections: 82
- Minor surgeries: 9
- Major surgeries: 17

Sponsorships and partnerships:

The hospital benefitted significantly from collaborations:

EMKF: Donation of a patient monitor and staff triage training

Dr. Alfred Mutua's Office: Pledged additional equipment support

Al khair foundation: Donation of Patient Monitor, BP machines, Wheelchairs and Medications

County Government of Lamu: Repaired the standby generator, Procurement of Dental chairs, Patient Beds and improved staffing

Financial performance that includes: -

- ***Revenue sources:***

Hospital income was generated from:

SHA reimbursements (Outpatient claims, SHIF/Capitation)

Out-of-pocket user fees via the hospital's cashless system

County health department allocations

- ***Utilisation of funds:*** During the financial year, available funds were prudently utilized to support both clinical and operational needs. Expenditures were guided by service delivery priorities and included:

Items	Description
Drugs, Laboratory and Medical Supplies	Continuous procurement ensured essential services and patient care continuity
X-ray and Imaging Commodities	Funds supported restocking after repair of the hospital's imaging equipment
Sanitary and Cleaning Materials	Consistent availability of cleaning agents improved infection control.
Casual Labour Wages	Payments covered essential Casual staffs
Maintenance of Plant and Machinery	Key repairs included the anaesthetic machine, air conditioners, generator, laboratory analyzers, and laundry equipment.
Maintenance of Buildings (Infrastructure Improvements)	Works included Dental Room renovations, Ultrasound Room Renovation, mosquito screen installation, floor repairs, and roofing extensions.
Purchase of Medical Equipment	Procured items included Handheld Oximeter, ENT Equipments, Plaster cutter and spreader.,
Printing and Stationery Services	Supported documentation through the printing of clinical tools, registers, Service Charter, Patients Files and forms.
Purchase of Office Furniture	Enhanced administrative and clinical working environments with Tables & chairs.
Other Operational Costs	Included essential items such as transport facilitation, communications, minor repairs & general running costs.

Major Risks Facing the Hospital

Despite significant achievements, several operational and structural risks continue to affect service delivery:

1. Human Resource Gaps

No stationed Accountant or Procurement Officer, delaying critical financial and procurement processes
Staff shortages in key clinical areas, contributing to fatigue and burnout

2. Infrastructure Challenges

Inadequate Wards: Female and Paediatrics patients share one room, compromising privacy and infection control

Lack of dedicated office space for administration and department leads

Unfinished Perimeter Wall: Security risk, especially at night

3. Utilities and Equipment Constraints

One Neonatal Resuscitaire in the hospital, placed in the Labour Ward. No Resuscitaire in the theatre in case of Caesarean section compromising Neonatal resuscitation.

Two Functional Patient Monitors in the Whole Hospital.

Material Arrears and Statutory Obligations

The hospital lacks direct control over statutory payments (e.g., SHA employer contributions, PAYE), as this is handled centrally

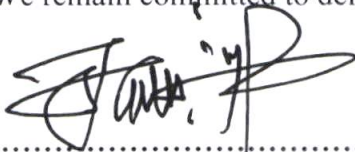
Pending utility reimbursements and delayed SHA reimbursements have impacted procurement cycles
Limited budget absorption due to absence of on-site procurement/accounting officers, affecting timely execution of planned purchases

Conclusion

This financial year marked a transition period for Witu Sub county Hospital. Having taken over midway, I oversaw the execution of key improvements during the final two quarters. Notable progress was made in service expansion, infrastructure upgrades, and external collaboration — despite the risks and limitations outlined.

We continue to advocate for full staffing, improved infrastructure (separate wards, complete perimeter wall, dedicated offices), and strategic investments to transform the hospital into a robust rural referral facility.

We remain committed to delivering high-quality, equitable, and patient-centered care to all.



.....
Tariq Salim Mohamed
Secretary to the Board

13. Report of The Board of Management

Section 164 of the Public Finance Management Act, 2012 and the Lamu County Health Facilities Improvement Fund Act 2023 requires the hospital management committee to prepare financial statements in respect of that 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 hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the hospital. The council members are also responsible for safeguarding the assets of the hospital.

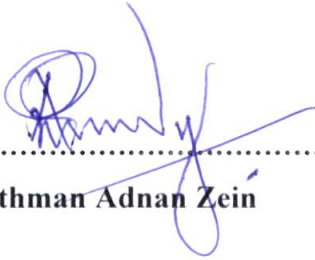
The Committee is responsible for the preparation and presentation of the hospital financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial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

The Committee accepts responsibility for the Hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Lamu County Health Facilities Improvement Fund Act 2023. The Board members are of the opinion that the hospital's financial statements give a true and fair view of the state of Hospital's transactions during the financial year ended June 30, 2025, and of the hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital which have been relied upon in the preparation of the hospital's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the members have assessed the Fund's ability to continue as a going concern. Nothing has come to the attention of the 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.

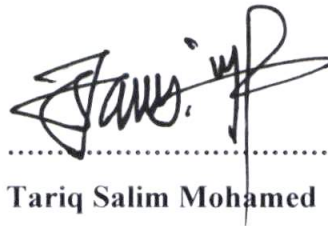
Approval of the financial statements

The Hospital's financial statements were approved by the Board on 25-11-2025 and signed on its behalf by:



.....
Ms. Athman Adnan Zein

**Chairperson
Board of Management**



.....
Tariq Salim Mohamed

**Medical Superintendent
Witu sub county hospital**



REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

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

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 Witu Sub County Hospital – Lamu County set out on pages 1 to 43, which comprise of the statement of financial

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Witu Sub County Hospital – Lamu County 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 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccurate Expenditure on Medical/Clinical Costs

The statement of financial statements reflects medical/clinical costs totalling Kshs.8,115,242 whereas Note 9 to the financial statements reflects an amount of Kshs.8,155,242 resulting to unreconciled variance of Kshs.40,000.

In the circumstances, the accuracy and completeness of the expenditure on medical/clinical costs totalling Kshs.8,115,242 could not be confirmed.

2. Unsupported Financial Statement Amounts

The statement of financial performance reflects amounts that have not been supported in respect of income and expenditure as detailed below:

Component	Note	Amount (Kshs)	Missing Supporting Documents
In Kind Contribution	6	9,178,861	Supporting schedules, Journal Vouchers, work plans, AIEs
Grants from Donors and Development Partners	7	286,708	Detailed schedules, financing agreements
Rendering of Services	8	5,046,077	Supporting schedules, bank statements, work plans, AIEs, revenue receipts, bank statements
Medical/Clinical Costs	9	8,155,242	Other accountable documents such as the procurement records
Employee Costs	10	2,436,500	Detailed schedule, list of contractual/casual employees and their job groups and muster roll for casuals
Board of Management Expenses	11	40,500	Detailed schedule, list of board of Management, allowance rates and the amount drawn by each.

Component	Note	Amount (Kshs)	Missing Supporting Documents
Depreciation and Amortization Expense	12	115,590	Detailed schedule not provided.
General Expenses	14	5,003,096	Other accountable records such as the procurement records
Finance costs	15	45,653	Detailed schedule & Journal Vouchers
Medical service contracts	16	8,155,044	Detailed schedule, claims and their reimbursements
Inventories	19	772,118	Stock take Report

In the circumstances, the accuracy and completeness of the financial statement amounts could not be confirmed

3. Inaccuracies in the Statements of Cash Flows and Comparison of Budget and Actual Amounts

The statement of cash flows reflect cash in flows from operating activities totalling Kshs.20,088,774 which includes grants from donors and development partners totalling Kshs.286,708. However, the statement of comparison and actual amounts reflects a Kshs.Nil amount resulting to unexplained variance of Kshs.286,708. In addition, the statement of cash flows reflects cash out flows from operating activities totalling Kshs.17,658,109 which includes outflows in respect of medical/clinical costs and general expenses totalling Kshs.8,887,360 and Kshs.5,003,095 respectively. However, the statement of comparison of budget and actual amounts reflects corresponding expenses totalling Kshs.8,115,242 and Kshs.5,499,221 respectively resulting to unexplained variances of Kshs.772,118 and Kshs.496,126 respectively.

Further, the budget reconciliation does not address the variances highlighted and is not accurate.

In the circumstances, the accuracy and completeness of the statements of cash flows and comparison of budget and actual amounts could not be confirmed.

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

Emphasis of Matter

Budget Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget amount of Kshs.19,802,067 and actual on comparable basis amount of Kshs.19,802,067 resulting to 100% budget funding. Similarly, the Hospital Spent Kshs.17,336,463 against an actual receipt of Kshs.19,802,067 resulting to underutilization of Kshs.2,465,604 or 12% of the receipts.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

The Management is responsible for the Other Information set out on page iii to xxx which comprise of Key Hospital 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 Hospital Management Committee 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. Non-Compliance with Law and Effectiveness of Upgrade of Hospitals

Review of the Hospital records and interview with management on services offered, equipment used and technical/medical specialists in the Hospital revealed that the

Hospital had thirty-three (33) staff members against the recommended two hundred and nineteen (219) leading to shortage of one hundred and eighty-six (186) staff members. In addition, the Hospital had in place twenty-seven (27) equipment against the required forty-four (44) leading to shortage of seventeen (17). This was contrary to Kenya Quality Model for Health Policy Guidelines (2016).

In the circumstances, Management is in breach of the policy guidelines.

2. Unbalanced Budget

The statement of comparison of budget and actual amounts reflects a final total income budget of Kshs.19,802,067 against a final total expenditure budget of Kshs.17,988,195 resulting to a budgeted surplus of Kshs.1,813,872. This was contrary to Regulation 31 of the Public Finance Management (County Governments) Regulations, 2015 that states unless provided otherwise in the Act, these Regulations or any other guidelines developed in furtherance of the Act or these Regulations, at all times during budget formulation and approval all revenue and expenditure shall be entered into the budget estimates; expenditure entered in budget estimates shall be authorised for one financial year only and that budget revenue and expenditure appropriations shall be balanced.

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

3. Non-Compliance with Climate Change and Environmental Management Requirements

Review of operations of Witu Level 4 Hospital revealed that during the year under review, the hospital did not have its own incinerator to collect and burn its medical waste. Further, the hospital has not established a system for conducting environmental and social impact assessments (ESIAs) for development projects undertaken, such as infrastructure improvements and waste management facilities. This was in breach of Regulation 26 of the Environmental Management and Co-ordination (Waste Management) Regulations (Legal Notice 178 of 2024) which states that every waste generator shall treat or cause to be treated all biomedical waste in the manner set out in the Ninth Schedule to these Regulations, before such biomedical waste is stored or disposed of.

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

4. Non- Compliance with Public Sector Accounting Standards Board Reporting Template

Review of the financial statements revealed the following anomalies:

- i) The table of content pagination is not aligned with the financial statement contents.
- ii) The Board of Management information on pages vii to ix excludes details on age, academic or professional qualifications, work experience and membership to Board sub committees.
- iii) The Management team information on page x to xi also excludes details on age, academic/professional qualification and work experience.

- iv) The Chairman's statement on page xii reflect revenue of Kshs.10,623,206 whereas the statement of performance reflects Kshs.14,411,646 resulting to unreconciled variance of Kshs.3,888,440.
- v) The financial statements on pages xviii, xix and xxx refer to the Fund instead of Hospital.
- vi) The Report of the Hospital Management Committee on page xxiv reflect the financial year as 20025 instead of 2025. The statement also omits the total Hospital bed capacity on page xxv.
- vii) The financial statements reflect Report of the Board of Management on page xxix instead of statement of Management Responsibilities.
- viii) The statement of performance against predetermined objectives on page xv did not indicate the performance against the strategic objectives of the Hospital.
- ix) The budget information on page 14 reflects the word quarterly bases instead of basis and investment property on page 15 reflect depreciation period as 2024-2025 instead of the actual number of years applicable.
- x) The financial statements on pages 16, 17,22 and 23 reflect the guide notes as part of the statements. In addition, related parties' information on page 24 refer to designations not in line with management information on pages vii to xi.

In the circumstances, the Management did not comply with the Public Sector Accounting Standards Board Financial Reporting Requirements.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of the Management and Board of Management

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

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to 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

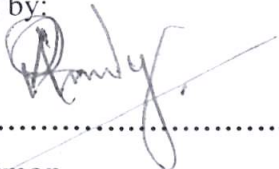
Nairobi

04 December, 2025


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

Description	Notes	Period Ended 30th June 2025
		Kshs
Revenue from non-exchange transactions		
In- kind contributions from the County Government	6	9,178,861
Grants from donors and development partners	7	286,708.00
Total Revenue from non- exchange transactions		9,465,567.00
Revenue from exchange transactions		
Rendering of services- Medical Service Income	8	5,046,077
Revenue from exchange transactions		5,046,077
Total revenue		14,511,646
Expenses		
Medical/Clinical costs	9	8,115,242
Employee costs	10	2,436,500
Board of Management Expenses	11	40,500
Depreciation and amortization expense	12	115,589.55
Repairs and maintenance	13	1,245,000
General expenses	14	5,003,095
Finance costs	15	45,653.45
Total expenses		17,001,580
Other gains/(losses)		
Medical services contracts Gains/Losses	16	8,155,043.70
Total other gains/(losses)		8,155,043.70
Net Surplus for the year		5,665,109

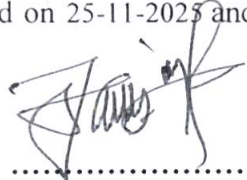
The Hospital's financial statements were approved by the Board on 25-11-2025 and signed on its behalf by:



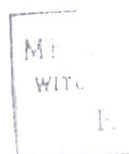
Chairman
Board of Management



Head of Finance
ICPAK No: 23585



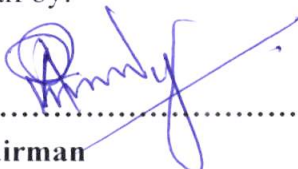
Medical Superintendent




Witu sub county Hospital (Lamu County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025
Statement of Financial Position As At 30th June 2025

Description	Note	Period Ended 30th June 2025
		Kshs
Assets		
Current assets		
Cash and cash equivalents	17	3,941,428
Receivables from exchange transactions	18	2,577,915
Inventories	19	772,118.45
Total Current Assets		7,291,462
Non-current assets		
Property, plant, and equipment	20	380,536.45
Total Non-current Assets		380,536.45
Total assets (A)		7,671,998
Liabilities		
Current liabilities		-
Non-current liabilities		-
Total Liabilities (B)		-
Net assets (A-B)		7,671,997
Represented by:		
Revaluation reserve		
Accumulated surplus/Deficit		5,665,109
Capital Fund		2,006,888
Net Assets		7,671,997

The Hospital's financial statements were approved by the Board on 25-11-2025 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No: : 23585



Medical Superintendent

MEDICAL SUPERINTENDENT
 WITU SUB COUNTY REFERRAL HOSPITAL
 P.O. BOX 21- 80504

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2024	-	-	1,235,972	1,235,972
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	770,916	-	770,916
Capital/Development grants	-	-	-	-
As at June 30, 2025	-	770,916	1,235,972	2,006,888

As at July 1, 2025	-	770,916	1,235,972	2,006,888
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	5,665,109	-	5,665,109
Capital/Development grants	-	-	-	-
As at June 30, 2025	-	6,436,025	1,235,972	7,671,997

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

Description	Note	Period Ended 30th June 2025
		Kshs
Cash flows from operating activities		
Receipts		
Transfers from the County Government		-
Grants from donors and development partners		286,708
Transfers from other Government entities		-
Public contributions and donations		-
Rendering of services- Medical Service Income		5,046,077
In-kind contribution		9,178,861
Revenue from rent of facilities		-
Finance / interest income		-
Gains from NHIF comprehensive		5,577,128.70
Total Receipts		20,088,774
Payments		
Medical/Clinical costs		8,887,360
Employee costs		2,436,500
Board of Management Expenses		40,500
Repairs and maintenance		1,245,000
Grants and subsidies		-
General expenses		5,003,095
Finance costs		45,653
Purchase of property, plant, equipment, & intangible assets		
Transfer to County		-
Total Payments		17,658,109
Net cash flows from/(used in) operating activities	21	2,430,666
Cash flows from investing activities		
Purchase of property, plant, equipment, & intangible assets		(496,126)
Proceeds from the sale of property, plant, and equipment		-
Acquisition of investments		-
Net cash flows from /(used in) investing activities		(496,126)
Cash flows from financing activities		
Proceeds from borrowings		-
Repayment of borrowings		-
Capital grants received		-
Net cash flows from /(used in) financing activities		-
Net increase/(decrease) in cash and cash equivalents		1,934,540
Cash and cash equivalents at 1 July		2,006,888
Cash and cash equivalents at June 2025	17	3,941,428

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

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

Description	Original budget	Adjustments	Final budget	Actual	Performance differences	% of utilization
	a	b	c=(a+b)	d	e	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Rendering of services- Medical Service Income	5,046,077	0	5,046,077	5,046,077	-	100%
medical gains/loss	5,577,129		5,577,129	5,577,129	-	100%
In Kind Contribution	9,178,861	0	9,178,861	9,178,861	-	100%
Total income	19,802,067	0	19,802,067	19,802,067	-	
Expenses						
Medical/Clinical costs	8,620,599	0	8,620,599	8,115,242	505,357	94%
Board of Management expenses	40,500	0	40,500	40,500	0	100%
Repairs and maintenance	1,245,000	0	1,245,000	1,245,000	0	100%
Employees cost	2,436,500	0	2,436,500	2,436,500	0	100%
General expenses	5,645,596	0	5,645,596	5,499,221	146,375	97%
Total expenditure	17,988,195	0	17,988,195	17,336,463	651,692	96%
Surplus for the period				2,465,604		

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

Budget notes

The under absorption in medical cost and general expenses was due to delay in supplies.

Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	2,465,604
1 Reason for differences: budget difference (opening balance)	2,006,888
2 Reason for differences: budget difference (operating cash flow)	2,430,666
3 Reason for differences: budget difference (capital expenditure)	(496,126)
Closing Cash and Cash Equivalent as per the statement of Cash flows	3,941,428

18. Notes to the Financial Statements

1. General Information

Witu sub county hospital is established by and derives its authority and accountability from Lamu county health facility improvement financing Act. The hospital is wholly owned by the Lamu County Government and is domiciled in Lamu County in Kenya. The hospital's principal activity is to provide medical care for Lamu resident.

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

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

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

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

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

Standard	Effective date and impact:
	<p>IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an hospital shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the</p>

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Standard	Effective date and impact:
	nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the hospital's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The Hospital did not early – adopt any new or amended standards in the financial year or *the hospital adopted the following standards early*

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 *Hospital* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The budget for hospital was approved by Board on *quarterly bases*. No Subsequent revisions or additional appropriations were made to the approved budget during the period. The *witu sub county hospital* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of **2024-2025** years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Hospital. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value

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of the future minimum lease payments. The Hospital also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Biological Assets

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

i. Research and development costs

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

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

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

j. Financial instruments

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

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

Financial assets

Classification of financial assets

The hospital classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the hospital's

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities
Classification

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

k. Inventories

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

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

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

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

I. Provisions

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

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

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

Notes to the Financial Statements (Continued)

m. Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The hospital 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 hospital will incur in fulfilling the present obligations represented by the liability.

n. Contingent liabilities

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

o. Contingent assets

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

p. Nature and purpose of reserves

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

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

s. Foreign currency transactions

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

t. Borrowing costs

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

u. Related parties

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The Hospital regards a related party as a person or a hospital with the ability to exert control individually or jointly, or to exercise significant influence over the *Hospital*, or vice versa.

Members of key management are regarded as related parties and comprise the directors, the CEO/principal and senior managers.

v. Service concession arrangements

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

w. Cash and cash equivalents

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

x. Comparative figures

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

y. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note. 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. In Kind Contributions from The County Government

Description	Period ended 30 th June 2025
	KShs
Salaries and wages	2,016,000
Medical supplies-Drawings Rights (KEMSA)	2,179,380
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	1,998,189
oxygen	259,098
Food & ratio	1,813,140
Electricity bills	913,054
Total grants in kind	9,178,861

7. (a) Grants from donors and development partners (Classification)

Name of the Hospital 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
Donor e.g., DANIDA	286,708	-	-	286,708	-
Total	286,708	-	-	286,708	-

8. Rendering of Services-Medical Service Income

Description	Period ended 30 th 2025
	Kshs
Pharmaceuticals	1,161,600
Laboratory	902,200
Radiology	709,050
Orthopaedic and Trauma Technology	98,000
Theatre	81,500
Ward Admission services	973,671
Consultation	512,100
Dental services	74,200
other medical services	306,806
nutrition	10,800
Ent	51,100
other insurance	165,050

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Total revenue from the rendering of services	5,046,077
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9. Medical/ Clinical Costs

Description	Period ended 30th June 2025
	Kshs
Laboratory supplies	705,918
Non Pharmaceutical supplies	1,340,150
pharmaceutical supplies	3,622,385
purchase of x-ray supplies	58,600
purchase of dental commodities	200,000
purchase of medical and dental equipment	90,000
purchase of medical equipment	2,098,189
Total medical/ clinical costs	8,155,242

10. Employee Costs

Description	Period ended 30th June 2025
	Kshs
casual labour wages	259,500.00
Contractual Employees	161,000.00
Casual salary	2,016,000
Total	2,436,500

Notes to the Financial Statements (Continued)

11. Board of Management Expenses

Description	Period ended 30th June 2025	Period Ended 30th June 2024
	Kshs	Kshs
Sitting allowance	40,500	
Total	40,500	-

12. Depreciation and Amortization Expense

Description	Period ended 30th June 2025	Period Ended 30th June 2024
	Kshs	Kshs
Depreciation and amortization	115,590	
Total depreciation and amortization	115,590	-

13. Repairs And Maintenance

Description	Period ended 30th June 2025	Period Ended 30th June 2024
	Kshs	Kshs
Repair of building	275,000	
Repair and Maintenance of Medical Equipment	572,000	
maintenance of plants machinery and equipment	398,000	
Total repairs and maintenance	1,245,000	-

Notes to the Financial Statements (Continued)

14. General Expenses

Description	Period ended 30 th June 2025
	Kshs
Bank charges	30,779
Travel and accommodation allowance	282,750
General office supplies	134,875
Courier and postal services	317,000
Sanitary and cleaning materials	237,500
Telephone and mobile phone services	330,000
Catering services	30,000
Purchase Of Kitchen Ware	60,000
Oxygen	259,098
Food & ratio	1,813,140
electricity	913,054
Publishing And Printing	189,900
Other Fuels	405,000
Total General Expenses	5,003,096

15. Finance Costs

Description	Period ended 30th June 2025	Period Ended 30th June 2024
	Kshs	Kshs
Finance cost	45,653.45	
Total finance costs	45,653.45	-

Notes to the Financial Statements (Continued)

16. Medical Services Contracts Gains /Losses

Description	Period ended 30 th June 2025	Period ended 30 th June 2024
	KShs	KShs
Comprehensive care contracts with NHIF/SHA	8,155,043.70	-
Total Gain/Loss	8,155,043.70	-

17. Cash And Cash Equivalents

Description	Period ended 30 th June 2025
	Kshs
Current account	3,941,428.05
Total cash and cash equivalents	3,941,428.05

Notes to the Financial Statements (Continued)

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

Description	Account number	Period ended 30 th June 2025
		Kshs
Financial institution		
a) Current account		
Kenya Commercial bank	1324547243	651,691.75
Kenya Commercial bank	1104838044	3,288,946.30
Cash in hand (pay bill)		790.00
Grand total		3,941,428.05

18. Receivables from Exchange Transactions

Description	Period ended 30 th June 2025	Period ended 30 th June 2024
	KShs	KShs
Medical services receivables	2,577,915	-
Total receivables	2,577,915	-

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Analysis of Receivables from Exchange Transactions

Description	Period ended 30 th June 2025		Period ended 30 th June 2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	2,577,915	100%	-	%
Total (a+b)	2,577,915	100%	-	%

19. Inventories

Description	Period ended 30 th June 2025
	KShs
Pharmaceutical supplies	736,688.45
Cleaning materials supplies	13,500
General supplies	22,000
Total	772,188.45

20. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture and Fittings	ICT Equipmen t	Plant and medical equipme nt	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost								
As at 1st July 2024 (<i>beginning of the year</i>)	-	-	-	-	-	-	-	-
Additions during the year	-	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-	-
Transfers/adjustments during the year	-	-	-	-	-	-	-	-
As at 30th June 2025	-	-	-	-	-	-	-	-
As at 1st July 2025 (<i>beginning of the year</i>)	-	-	-	-	-	-	-	-
Additions during the year	-	-	-	189,990	28,072.00	278,064	-	496,126
Disposals during the year	-	-	-	-	-	-	-	-
Transfers/adjustments during the year	-	-	-	-	-	-	-	-
As at 30th June 2025	-	-	-	189,990.	28,072.00	278,064	-	496,126
Depreciation and impairment								
As at 1st July 2024	-	-	-	-	-	-	-	-

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Depreciation for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
As at 30th June 2025	-	-	-	-	-	-	-	-
Depreciation and impairment								
As at 1st July 2025	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	23,748.75	8,421.60	83,419.20	-	115,589.5
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
As at 30th June 2025	-	-	-	23,748.75	8,421.60	83,419.2	-	115589.5
Net book values								
As at 30th June 2025	-	-	-	-	-	-	-	-
As at 30th June 2025	-	-	-	166,241.25	19,650.40	194,644.8	-	380,536.5

Notes to the Financial Statements (Continued)

21. Cash Generated from Operations

Description	Period ended 30 th June 2025
	Kshs
Surplus for the year before tax	5,665,109
Adjusted for:	
Depreciation	115,590
Working Capital adjustments	5,780,699
Increase in inventory	772,118
Increase in receivables	2,577,915
Net cash flow from/used in operating activities	2,430,666

22. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
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	Kshs	Kshs	Kshs	Kshs
At 30 June 2025 (previous year)	-	-	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2025 (current year)	-	-	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	2,577,915	2,577,915	-	-
M-pesa pay bill	790	790		
Bank balances	3,940,638.05	3,940,638.05	-	-
Total	6,520,133.05	6,520,133.05	-	-

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 hospital has significant concentration of credit risk on amounts due from July 2024 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 hospital’s short, medium and long-term funding and liquidity management requirements. The hospital 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				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2025				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

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

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

a) Foreign currency risk

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

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

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

Notes to the Financial Statements (Continued)

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

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2025 (previous year)			
Euro	10%	-	-
USD	10%	-	-
2025 (current year)			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

Interest rate risk is the risk that the hospital'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.

iii) Capital Risk Management

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

Description	2024-2025
	Kshs
Revaluation reserve	-
Retained earnings	5,665,109
Capital reserve	2,006,888
Total funds	7,671,997
Total borrowings	-
Less: cash and bank balances	(3,941,428.05)
Net debt/ <i>(excess cash and cash equivalents)</i>	3,730,568.95
Gearing	48.6%

Notes to the Financial Statements (Continued)

23. Related Party Balances

Nature of related party relationships

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

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

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

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Description	2024-2025
	Kshs
Transactions with related parties	
a) Services offered to related parties	
Services to xxx	-
Sales of services to xxx	-
Total	-
b) Grants from the Government (Lamu county)	-
Casual salary payment	2,016,000
Oxygen supply	259,098
Electricity bill payment	913,054
Payment for food and ratio	1,813,140
Medical equipment purchased by county(dental)	1,998,189
Pharmaceuticals from county stores	2,179,389
Total	9,178,861
c) Expenses incurred on behalf of related party	-
Payments of salaries and wages for xxx employees	-
Payments for goods and services for xxx	-
Total	-
d) Key management compensation	-
Board allowances	-
Compensation to the medical Sup	-
Compensation to key management	-
Total	-

24. Segment Information

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

25. Contingent Liabilities

Contingent liabilities	Period ended 30 th June 2025	Period ended 30 th June 2024
	Kshs	Kshs
Court case xxx against the hospital	-	-
Bank guarantees in favour of subsidiary	-	-
Total	-	-

26. Capital Commitments

Capital Commitments	Period ended 30th June 2025	Period ended 30th June 2024
	Kshs	Kshs
Authorised For	-	-
Authorised And Contracted For	-	-
Total	-	-

27. Events after the Reporting Period

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

28. Ultimate and Holding Hospital

The Witu sub county is a County Semi- Autonomous Government Agency under the Department of medical services. Its ultimate parent is the County Government of Lamu.

29. Currency

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

19. 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)

Guidance Notes:

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

.....
Accounting Officer

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Appendix II: Projects Implemented by The Hospital

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

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

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

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Appendix III: Inter-Hospital Confirmation Letter


Name of Transferring hospital.....


Name of Beneficiary hospital.....

Confirmation of amounts received by [Insert name of beneficiary Hospital] as at 30th June (Current FY)

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

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

Head of Accounts Department - Disbursing Hospital:
 Name Mahamed Abba Sign  Date 25-11-2025

Head of Accounts Department - Beneficiary Hospital:
 Name TARIR SARIM Sign  Date 25-11-2025 X 21 - 80504

MEDICAL SUPERINTENDENT
 WITU SUB COUNTY REFERRAL HOSPITAL
 Date 25-11-2025 X 21 - 80504

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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		

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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