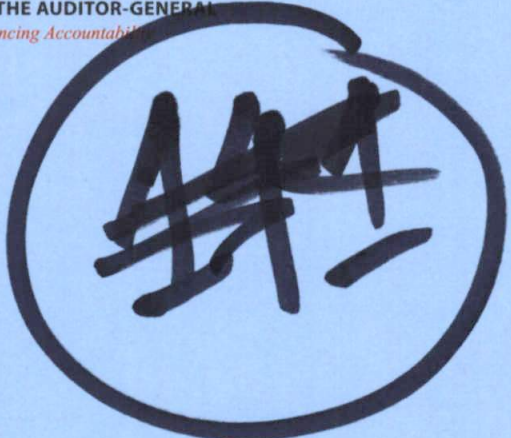
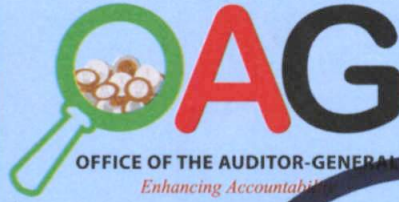


REPUBLIC OF KENYA

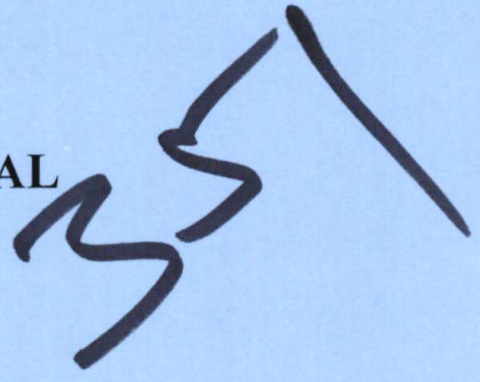


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REPORT

OF

THE AUDITOR GENERAL



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ON

MIGORI COUNTY HEALTH SERVICE FUND
COUNTY GOVERNMENT OF MIGORI

FOR THE YEAR ENDED
30 JUNE, 2025





REPUBLIC OF KENYA

MIGORI COUNTY HEALTH SERVICES FUND

COUNTY GOVERNMENT OF MIGORI

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2025

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



2. Key Entity Information and Management

a) Background information

Migori County Health Services Fund is established by and derives its authority and accountability from The Migori County Health Services Act, 2019. The Fund is wholly owned by the County Government of Migori Department of Health and is domiciled in Kenya.

Objectives

- a) Ensure that the delivery of equitable, quality, effective, safe, affordable and accessible health services are adequately resourced throughout the county;
- b) Provide financial resources for procurement of emergency medical supplies and small scale health products and equipment, and for basic operations and maintenance;
- c) Support health facilities to plan and manage the financial resources within their control;
- d) Support hospitals and primary health care facilities to be more responsive to medical and public health emergencies;
- e) Ensure equitable distribution of financial resources to health facilities based on workload and catchment population.
- f) Provide funding for community health units for effective provision community health services.
- g) Support the establishment of county social health insurance scheme to ensure universal health coverage.
- h) Provide funding for preventive and promotive health services.
- i) Support health services coordination and health system development and capacity building activities.
- j) Support applied and health system research and development activities.
- k) Ensure that funds for health from user-charges and other non-exchequer sources are ring fenced and used for purposes of providing health services.

b) Principal Activities

- 1) Allocation and disbursement of funds to each health facility and community health unit, public health and sector coordination activities in accordance with these regulations.
- 2) Develop guidelines and criteria for determining s funds to be allocated to hospitals, dispensaries, health centres, community health units, programmes and other eligible activities.
- 3) Reallocate unspent funds to any eligible project or activity.

Vision

Having an integrated, quality and affordable health care to all citizens and having established nationally competitive, productive and healthy community-based primary health care system.

Mission

**Migori County Health Services Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

To provide integrated, responsive and high-quality client-centered promotive, preventive, curative and rehabilitative health care services that is evidence based and technologically driven to the people of Migori County.

c) Fund Administration Committee

Ref	Name	Position
1	Mary Auma Ogal	Chairperson
2	Dr. Aggrey Idagiza Akidiva	Vice chairperson
3	Dr. Dan Ochiel – Director Medical Services	Committee Member
3	Kennedy Ochieng Ngao	Committee Member
4	Margret Atieno Omollo	Committee Member
5	Ravasco Mtundi Nchagwa	Committee Member
6	Edward Okeyo	Committee Member
7	Nick Ochieng Ndeda	Committee Member
8	CPA Mary Robi Chacha	Fund Administrator

d) Key Management Team

Ref	Name	Position
1	Eng. Samuel Atula Doe	Chief Officer-Medical services
2	CPA Mary Robi Chacha	Fund Administrator
3	CPA Janet A. Oyugi	Fund Accountant

Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	Ms Janet Apiyo Kagali

e) Registered Offices

P.O. Box 202 -40400
Department of Health Administration Building

Migori DC's Office Road
MIGORI KENYA

f) Fund Contacts

Telephone: +254710191453
254724546108
E-mail: migoricountygov@gmail.com

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
P.O Box 95
Migori branch

h) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

i) Principal Legal Adviser

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

j) County Attorney





The County Attorney
Governor's Annex
Suna Migori, KENYA




3. Fund Administration Committee

Name	Details of qualifications and experience
<p>1. Mary Ogal</p> 	<p>Date of birth 1-1-1962 Retired Nurse</p> <ul style="list-style-type: none"> • Certificate and Diploma in Registered Community Nursing, • Senior Management Course - Kenya School of Government • Bachelor of Science (Community Health and Development, JOOUST) <p>Work Experience: 34 years in medical field Position: Chairperson</p>
<p>2. Idagiza Aggrey</p> 	<p>Date of birth 1960. Education: Medical degree from University of Nairobi 1990. Work Experience: 25 Years in medical field Position: Vice chairperson</p>
<p>3. Ravasco Mutundi</p> 	<p>Date of Birth 03/06/1984. Education: Diploma in Education. Director Emmanuel Takyi School. Position: Member</p>
<p>4. Kennedy Ngao</p> 	<p>Date of Birth: 20/08/1973. Education:</p> <ul style="list-style-type: none"> • Bachelor of Business Commerce (Finance Option) • Master in Business Administration <p>Work Experience: 20 Years in Finance Position: Chairman - Finance Committee of the FIF.</p>




**Migori County Health Services Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

<p>5. Edward Odhiambo</p> 	<p>Date of Birth. 27/11/1960. Education:</p> <ul style="list-style-type: none"> • Bachelor of Education Science, Kenyatta University 2002. • Executive Masters’ degree in Education Leadership and Policy Studies, Moi University 2014 <p>Work Experience: 20 years Position: Chairman Quality and Standards Committee.</p>
<p>6.Ndeda Nick</p> 	<p>D.O.B 15/01/1990 Education:</p> <ul style="list-style-type: none"> • KCSE grade B • Certificate in Systems management <p>Work Experience: 8 years Position: Member</p>
<p>7.Dr. Dan Ochiel</p> 	<p>D.O.B 27/2/1961 Education: M/Med (Gen. Surgery) Work Experience: 4 years Position: Technical advisor on medical matters</p>
<p>8.Margret Omollo</p> 	<p>Date of birth – 29.11.1969 Education:</p> <ul style="list-style-type: none"> • Kenya Advanced Certificate of Education (KACE) • Certificate in Computer studies and Accounts <p>Work Experience: 20 years Position: Member</p>

**Migori County Health Services Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

<p>9.Mary Robi</p> 	<p>DOB - 12.12.1974, Education:</p> <ul style="list-style-type: none">• Masters' degree in Business Management,• Bachelor's degree in Business Management,• CPA(K)• Higher Diploma in project management, <p>Work Experience: 20 years Position: Fund Administrator.</p>
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4. Management Team

Name	Details of qualifications and experience
<p>1. Samuel Atula</p> 	<p>D.O.B 6th August 1989 Qualifications Bsc. Mechanical Engineering Work experience: 10 year in Managerial Position and 3 years in Public Sector. Chief Officer, County Medical Services</p>
<p>2. Mary Robi</p> 	<p>DOB 12th December. 1974 Education: Masters in business management, Bachelor's degree in business management, Professional qualification: (CPAK), higher diploma in project management, Work experience: 20 years work experience Fund Administrator</p>
<p>3. Janet A. Oyugi</p> 	<p>D. O.B 7th April 1984 Education: Masters in Business Administration (Finance option) Bachelor of Commerce (Finance) Professional :CPAK,CS(K) Work experience: 3 years in banking sector, 4 years in private sector and 10 years public sectors. Fund Accountant</p>

5. Fund Chairperson's Report

I am pleased to report that the Migori County Health Services Fund being in existence for a period of two years, Where the fund has performed well for the period 2023-2024 it managed to collect kshs 147m out of budgeted kshs 140m. 2024-2025 it managed to collect 347.6M out of budgeted of 250m despite various challenges in the health care sector such as general nurses strikes, political turbulence environment and technological challenges. Despite these challenges, the management of the Fund is optimistic and ready to co-operate with various stakeholders for better work and revenue performance.

During the period under review no board member retired, died or resigned. It has been a cordial working relationship among the board members. and health fraternity.

The board is currently developing various policies and framework among them being conflict of interest policy and communication policy, to enable in line with vision 2030 Health priorities.

In the next financial year, the board intends to fast track the establishment and operationalization of various

dispensaries through compliance with the requisite processes, consultations and collaborations and also ensure

maximum collection of funds and better service delivery to all. We remain committed to the objects of Migori

County Health Services Fund.

Name.....*Mary Ogal*..... Signature.....*[Signature]*..... Date.....*13/11/2025*.....

Chairperson of the Board/Fund

6. Report of The Fund Administrator

Migori County Health Services fund draws its functions from the Migori County Health Services Act, 2019 and Migori County Health Services regulations. During the period under review (2024-2025), the total budgeted provision from collection in health care facilities was Kshs. 250 m. But the fund managed to collect 347.6m. a record of 139%. 39% increment which was as a result of inter-twinned activities which include board spot checks visitations in all the facilities on a quarterly basis to check on how services were being delivered and any issues arising from such that needed to be addressed were captured and action taken, Sensitization and mass registration of SHA, facility bed capacity increment the board members were also taken for an induction course where a lot of things were brought to their knowledge. The board equally approved a monthly routine supervision done by revenue change management team for revenue enhancement in all facilities, carrying out public awareness and sensitization on SHA registration in all sub-counties catchments, Commencement of revenue digitalization. A lot more strategies were put in place to ensure compliance with Migori County Health Services Act, 2019 resulting in a revenue improvement by 39% in comparison to budgeted.

Several activities were initiated including collection of revenue from public health facilities. whereby additional primary care facilities were inaugurated and officially opened, deployment of SHA clerks to various hospitals, enhanced stringent measures on monthly-timely reporting, sensitization and trainings for sub-county hospital board committees also brought fruition on improved functions in monitoring the operations of sub county hospitals.

The board also carried out various sensitization meetings with dispensaries and health centers in charges, Facilities chairpersons, Subcounty Medical Officers to ensure they are adequately skilled on digitalized revenue collection process and SHA registration and submission of insurance claims in the primary care facilities. These activities have been fully funded by the fund.

Challenges faced by the Fund include delays on claims reimbursement resulting to inadequate funding to various facilities, under-staffing leading to burn outs among revenue staffs. External pressure and resistance from locals on free services harsh economic and business climate in the country which has led to more waivers in the subcounty hospitals, a snail roll out on revenue digitalization system.

I am positive that with the guidance of County executive Member and Migori County Health Services Fund Board, we will deliver our mandate and realize the vision of this fund which is to

Migori County Health Services Fund

Annual Report and Financial Statements for the year ended June 30, 2025

promote quality and affordable health services and facilitate the realization of the highest attainable standard of health including the right to health care services, curative, preventive and reproductive health care.

Name..... M. O. ROBI Signature.....  Date .. 13/11/2025

Fund Administrator

7. Statement of Performance Against the County Fund's Predetermined Objectives

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Fund are to:

- a) Promotion and provision of health services to all
- b) Provide for the prudent management of county health care funds
- c) Facilitate the realization of the highest attainable standard of health including the right to health care services and reproductive health care.
- d) Support health system research and development activities

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision for the management of county health care facilities	To ensure all health care facilities are well managed	Number of health care facilities well managed.	% of health care facilities well managed.	During The financial year 2024/2025 we conducted sensitization for all subcounty hospitals and 80 high performing health centers and dispensaries.
Prudent management of health funds	Ensure funds are prudently managed	Amount of money disbursed and utilized well	Availability of drugs and other non-pharms in facilities	Almost all the facilities had the requisite basic requirements for them to run.
Health system research and development activities	Ensure research and development activities are undertaken	More findings and solutions to health problems	Solutions to problems in health sector	The research and development started and continuing

8. Corporate Governance Statement

The board is in existence through appointment by the Governor, gazettelement done by Finance County executive member Fund board means the Migori County Health Services Fund Board established under section 49 of the Migori County Health Services Act, 2019. According to Migori county health service act 2019 sec 49. (1)A full board consists of:

- i) A chairperson to be appointed by the Governor on recommendation from the Executive Committee Member for the time being responsible for health.
- ii) The Chief Officer of the Department for the time being responsible for matters relating to Finance or his/her designated alternate, not being below the level of director of Budget.
- iii) The Chief Officer of the Department for the time being responsible for matters relating to Medical Services or his/her designated alternate, not being below the level of Director of Medical Services;
- iv) The Chief Officer of the Department for the time being responsible for matters relating to Public Health Services or his/her designated alternate, not being below the level of Director of Public Health;
- v) The County Attorney or his/her designated alternate;
- vi) Three persons of whom two shall be women appointed by the Executive Member of which one person shall be appointed by virtue of his/her knowledge or experience in financial management, accounting or economics.
- vii) One person shall be appointed by virtue of his/her experience in Public Health or health services management.
- viii) One person shall be appointed by virtue of his/her expertise and experience as a medical practitioner;
- ix) One person nominated by faith-based health service providers' association or network in the county appointed by the Executive Committee Member for the time being responsible.

For the period under review the board members included:

1. Mary Auma Ogal – Chairman
2. Nchagwa Ravasco – Member
3. Dr Dan Ochiel - Member
4. Kennedy ochieng– Member
5. Margaret Atieno – Member
6. Aggrey Idagiza – Member
7. Edward Odhiambo – Member
8. Ndeda Nick– Member

There is established the offices of the County Director of public Health Services and medical services. The Directors are recruited through a competitive process in conformity with the rules and regulations set from time to time by the County Public Service Board. Removal of directors

follows human resource advisory committee process. The board operates within an existence charter.

Roles and functions of the board

- a) Oversee and facilitate the efficient administration and management of the activities and operations of the Fund;
- b) Set the policies and guidelines to guide the operations of the fund including the criteria for the selection of the eligible projects and the conditions for financing;
- c) Advise the County Executive Committee member on the appropriate guidelines and procedures for better management of the Fund;
- d) Supervise, control, manage all the assets of the Fund and make regulations for such management;
- e) Forge and facilitate strategic linkages and partnerships in support of the Fund's objectives.
- f) Employ such persons to perform such duties as the Board may consider necessary for the proper administration of the Fund on such terms and conditions of service as they deem fit;
- g) Ensure equitable distribution of resources to hospitals, health facilities and community health units;
- h) Consider, verify and approve funding to the hospitals, health facilities and community health units;
- i) Consider and approve funding for preventive and promotive health services; receive, consider and approve project proposals for funding in accordance with these Regulations;
- j) Ensure timely and efficient disbursement of funds;
- k) Ensure compliance with the laws, guidelines and regulations for the fund and any funding agreements entered with development partners;
- l) Fundraise and develop strategies for resource mobilisation for the fulfilment of the objectives of the Fund
- m) Establish investment strategy and plans for the fund which shall include marketing and advertising;
- n) Administer the funds and assets of the Board in such manner and for such purpose as shall promote the best interest of the Board in accordance with the Act to
- o) Ensure efficient management of the Fund;
- p) Receive reports on the performance of the fund from the fund management;
- q) Monitor and evaluate programs and activities funded by the Fund;
- r) Arrange for financial audits of the Fund;
- s) Prepare an annual report on the operations and performance of the fund to the executive;
- t) Receive and address complaints that may arise from the administration of the Fund; and
- u) Carry out such other functions and duties as the Board may deem necessary from time to time for the proper management of the Fund.

Induction, training, and development

The board was taken to an induction course in Kisumu so as to familiarize with roles and functions of the fund which included: Financial management, Their roles and responsibilities, Boards mandates.

Board and members' performance:

The board carried all its strategic roles within its work plan for financial year 2024-25. The quorum for meetings were maintained as five members of the Board, all meetings minuted and in custody of fund board administrator. In accordance to Fund regulations 2019, The Board shall meet at intervals of not more than three calendar months provided that the Chairperson or in his/her absence the Vice Chairperson may convene meetings of the Board as and when he/she considers the same necessary or desirable for the proper conduct of the Fund's business. Every Meeting of the Board shall be convened by a written notice.

Number of Board meetings held and the attendance

Board meetings are attended by members on a monthly basis for approvals of monthly disbursement, the Committee meet once in each quarter in each financial year and maintain records of its deliberations. The quorum for the meeting of the Committee shall be five of members excluding Secretary.

Succession plan: The Board which shall be classified as Schedule 5 county government entity, shall be a body corporate with perpetual succession and a common seal, and shall, in its corporate name. A vacancy arising as a result of the removal of a member under subsection (5) of health services regulation 2019, shall be filled in the manner set out in section 9 of health service act 2019 within thirty days of the occurrence of the vacancy

Policy to manage conflict of interest was not in existence as at 30th June 2025

Board remuneration is through being paid daily subsistence allowances, sitting allowances, transport reimbursements and lunches as and when required to attend meetings.

Ethics and Conduct Moral conduct of the board is guided by the Migori health services Act and regulation 2019 and fund board policy 2023. The board provides oversight to the management and ensures the employees operate within the code of conduct and ethics, Public Officers and Ethics Act, Leadership and Integrity Act among other policies.

Governance audit done in financial year 2024-25 internal auditors

Communication policy in the draft stage

Terms of Reference of Committees

Committee Member for health, may in consultation with the Executive Member for Finance and the County Attorney, make general guidelines and rules for the governance, control and administration of the Fund and in particular for —

- (a) the criteria for granting exemptions and waivers.
- (b) user fees and charges.

(c) allocation of funds to health facilities and community health units.

Policy on related party transactions is on draft stage.

9. Management Discussion and Analysis

During the period ending 30th June 2025, the total budgeted provision from collection from health care facilities was Kshs. 250,000,000 million which was the amount appropriated by the County Assembly during supplementary. In the same period, a lot of strategies were put in place to ensure compliance with Migori County Health Services Fund Act, 2019 resulting to achieving increased revenue of Kshs 347,557,847 million for the year ended June 30, 2024 and inauguration of more primary health care facilities and massive mass SHA registration. Use of goods for the period was Ksh.37.12M. Recivables from SHA amounted to Ksh.47.21M awaiting payments.

Several activities were initiated including mapping of primary care facilities, Sub-County hospitals revenues from public health revenue streams. In addition, there were a number of sub-county committee sensitization meetings and campaigns on strategies to carry out the functions of the fund, mass SHA registration and inclusion of other insurance streams from AON and AAR insurance.

The fund in its day-to-day operations has faced several challenges among which are Lack of enough budgetary allocations, non remittance of claims by NHIF, inadequate staff, inadequate rules and regulations, challenges in adopting to cashless revenue collection.

The fund is now seeking high levels of cooperation and partnership with other stakeholders and the national government in achieving bigger goals.

10. Environmental and Sustainability Reporting

1.Sustainability strategy and profile

This section focuses on what county of Migori has done on Facility Improvement Financing (FIF) and primary health care in regards to provision of convenient calibre and affordable health services to Migori county population being a priority for any county government. For a period of years, the provision of health care has been the recipient of high budgetary allocation. All funds collected by the hospitals, dispensaries public health officers and health centers are transferred to health service fund account where 70% of collection are reimbursed back in facilities operations accounts for facilities expenditures, 17 % to both medical and public health services, 3% to Fund board administration and 10% to emergency reserves. The fund plan to sustainability is by ensuring the funds are used for the purpose of day-to-day operations and hospitals recurrent expenditures which include procurements of drugs, non-pharms, laboratory reagents and any other emergency operational expenses this is strongly guarded by ensuring strong internal controls and a well-defined governance structure.

Key best practices that led to positive results include, Visionary leadership that-led to implementation of FIF, Automation of revenue collection and pay-bill collection, leading to automation of revenue collection, prima to improved revenues collection and enhanced health services

- Constituting hospital Boards and health management team to oversee the management of finances and service delivery, resulting in good governance, accountability and transparency.
- Overall, FIF implementation has directly and positively impacted Migori county health facilities, leading to improved quality of care for the Migori population.
- The county Internal Audit's department that has put in place internal controls and risk management measures that has strengthened financial delivery systems, also external compliance audits, accompanied by annual audits giving an oversight responsibility for better improvement.

2.Environmental performance

Migori county health fund has recorded key environmental performance in meeting their business environmental targets and objectives. Each facility has been focusing on efficient services delivery, whereby revenue maximization could be tracked through facility work load and services offered in respective facility, hence maximizing revenue performance and service delivery, in the other hand minimizing wastages on overhead costs or bills, drug dispensation in turn increasing efficiency. Through good financial management practices facilities management teams have equally, embraced cost effective measures on facility face lifting maintenance and beatification which in return has attracted clients into public hospitals.

Climate change is projected to have escalated catastrophic effects on ecosystems and humans, being the single greatest health threat facing humanity. The production, distribution and consumption of medical drugs, non-pharmaceuticals and laboratory reagents contribute substantially to climate change, principally through releasing greenhouse gas (GHG) emissions. The board through the department of public health and sanitation has taken several measures to ensure sewerage disposal into our rivers is not done unless it is safe for such disposal. Contaminated water sources are a major contributor to illness and mortality. Estimated 2.2 billion people did not have access to safe drinking water and many countries are facing extreme droughts. Yet clean drinking water is being used to produce a consumer commodity with vast social, economic and health costs. To mitigate on these, the department has collaborated with water department to sensitize general public not to drink water from rivers and lakes.

3. Employee welfare

The fund does not have staff that are remunerated directly but draws all its staff as secondments from the County government. The policies that guide the recruitment process, staff training and remuneration of county staff cover the staff seconded to support the fund.

Trainings and capacity building have been organised for the few staff supporting the fund. The fund is yet to develop a policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

4. Market place practices-

The fund through the department of public health and medical services has been involved in several activities aimed at protecting members of public ranging from false Promotion and advertisement

5. Corporate Social Responsibility / Community Engagements

The section has explored the four approaches of which include obstructive, defensive, accommodative and proactive of corporate social responsibility (CRC). The fund's management and staff have participated in planting trees across the eight sub-counties also some facilities managed to offer diapers, mosquito nets and basins to post-partum mothers.

11. Report of The Trustees

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

Principal activities

The principal activities of the Fund are

- Promotion and provision of health services,
- Provide for the management of county health care facilities and
- Facilitate the realization of the highest attainable standard of health including the right to health care services and reproductive health care

Results

The results of the Fund for the year ended June 30, 2025 are set out on page 1

Board

The members of the Board of who served during the year are shown on page vii. No change in the Board happened during the financial year

Auditors

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

By Order of the Board

Mary Ogal 

Chair of the Board/Fund Administration Committee

Date: 13/11/2025

12. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund by Migori County Health Services Act, 2019 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

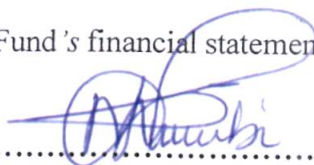
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: i) 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 Fund; (iii) designing, implementing and maintaining internal controls relevant to established 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 Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern nothing has come to the attention of the Administrator to indicate that the Fund 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 Fund's financial statements were approved by the Board on 13/11/2025 and signed on its behalf by:



.....

Administrator of the County Public Fund

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON MIGORI COUNTY HEALTH SERVICES FUND FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF MIGORI

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 for Migori County Health Services Fund - Migori County Government set out on pages 1 to 23 which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial

*Report of the Auditor-General on Migori County Health Services Fund for the year ended 30 June, 2025 -
County Government of Migori.*

performance, statement of cash flows, statement of changes in net assets 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 Migori County Health Services Fund - Migori County Government as at 30 June, 2025, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Public Finance Management Act, 2012, the County Governments Act, 2012 and the Migori County Health Services Act, 2019.

Basis for Qualified Opinion

Accuracy of Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 10 to the financial statements reflects Kshs.66,037,758 in respect to receivables from Social Health Authority (SHA). However, the SHA operations began its operations in the second quarter of 2024/2025 financial year and therefore implying that management did not disclose other receivables which had previously accrued from the defunct National Health Insurance Fund (NHIF).

In the circumstances, the accuracy and completeness of receivables from exchange transactions as at 30 June, 2025 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.347,557,847 and Kshs.281,520,089 respectively resulting in an underfunding of Kshs.66,037,758 or 19% of the budget. Similarly, the Fund expenditure amounted to Kshs.280,587,147 against the actual receipt of Kshs.281,520,089 resulting in full utilization of the realized receipts.

In the circumstances, the underfunding may have impacted negatively on the 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 judgment, are of most significance in the audit of the financial statements. Except for the effects of the matter described in the Basis for Qualified opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Management is responsible for the Other Information set out on pages iii to xxii which comprises, the Key Entity Information and Management, Fund Administration Committee, Management Team, Report of the Fund Administrator, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of the Trustee, and Statement of Management's Responsibility. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund'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.

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. Irregular Operation of Bank Accounts

The statement of financial position and as disclosed in Note 4 to the financial statements reflects Kshs.932,942 in respect to cash and cash equivalents held at Kenya Commercial Bank as shown below: -

Account No	Account Name	Balance as at 30 June 2025
1321215207	Migori County Health Service Fund operations	11,770
1321215320	Migori County emergency operations	25,321
317328167	Migori Health Services Fund	895,851

Report of the Auditor-General on Migori County Health Services Fund for the year ended 30 June, 2025 - County Government of Migori.

Total		932,942
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Review of records provided for audit review revealed instructions to the bank on change of signatories through a letter Ref: MIG/TREASURY/10/VO.2 (406) dated 13 January 2025. The instructions effected three individuals to be the authorized signatories. However, management did not provide documentary evidence relating to who were the authorized signatories to the three bank accounts prior to 13 January, 2025. Further, through circular MIG/TREASURY/10/VO.2 (425) further changes were effected on 3 February, 2025 for three other individuals to be signatories. However, the audit revealed that Fund administrator, the two (2) other signatories in the correspondence above ref: MIG/TREASURY/10/VO.2 (425) are not board members of the Fund contrary to Regulation 17 (2) of Public Finance Management (Migori County Health Services Fund) Regulations, 2022 which requires that “the signatories to the account of the Fund maintained in accordance with sub-section (1) shall be the Fund administrator and three other members appointed by the Board from amongst its members”. Further, management did not comment on the reasons behind the frequent changes on the authorized signatories to its bank accounts.

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

2. Irregular Transfers to Other Government Entities

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects Kshs.253,790,237 in respect to transfer to other government entities. Review of documents provided confirmed that this amount transferred back to facilities is a portion of revenues collected of Kshs.347,557,847 by the facilities and remitted to the Migori Health Service Fund Account. However, during the year under review, the board had not developed guidelines or criteria for determining the amount of funds to be wired back to the facilities. In addition, the transfer of funds back to the facilities is not clearly documented in the regulations which governed the operations of the Fund during the year under review. In addition, although the Fund relies on the Migori County Health Services Act, 2019 and the governing regulations; Migori County Health Services Fund Regulations, 2022, the enactment of the Facilities Improvement Financing Act, 2023 require that revenues collected by the facilities shall be retained at the facility level in line with Section 5(1) of the Act.

In the circumstances, the regularity of the Kshs.253,790,237 in respect of transfers to other government entities could not be confirmed.

3. Avoidable Expenditure on Casual Wages

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects Kshs.35,460,538 in respect to use of goods and services which further include Kshs.1,238,487 in respect to casual wages. Documents provided revealed that the Kshs.1,238,487 was a penalty incurred for non-remittance of National Social Security Fund dues in respect to staff at Rongo Health Center and was settled from the Migori County Emergency operations Account at Kenya Commercial Bank. The debtor number is referenced 46785 as per the penalty obligation statement raised by the NSSF. Further, failure to remit the already deducted funds to National Social Security Fund is contrary to Section 10 of the National Social Security Fund Act NO. 45 of 2013 which states “Each month, every contributing employer shall submit

*Report of the Auditor-General on Migori County Health Services Fund for the year ended 30 June, 2025 -
County Government of Migori.*

to the managing trustee returns in the prescribed format and manner together with the contributions payable”.

In the circumstances, the penalty could have been avoided had proper oversight been conducted by the Fund administration committee. In addition, Management was in breach of the law.

4. Late Submission of Financial Statements

The financial statements provided for audit review were submitted on 9 September, 2025, instead of 31 August, 2025 contrary to the National Treasury Circular No:AG.3/88 Vol. VII (41) which require all public sector entities, for both national and county governments, to prepare and submit annual financial statements by 31 August, 2025.

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

5. Irregular Expenditure on Pharmaceuticals and Non-Pharmaceuticals

The statement of financial performance and as disclosed in Note 8 to the financial statement reflects Kshs.35,460,538 in respect to use of goods and services. Included in the Kshs.6,843,360 is Kshs.2,000,000 and Kshs.2,300,000 in respect to pharmaceuticals and non-pharmaceuticals respectively. During the year under review the subject expenditure meant to supplement facilities supplies was paid off by the Fund from the emergency operations Account no. 1321215320. However, no plausible justification was provided to confirm that the expenditure was indeed emergency in nature contrary to Regulation 22(1) of the Migori County Health Services Act, 2022 which states that a portion of fund, equivalent to 5% shall remain unallocated and shall be available for emergencies that may occur within the County.

In the circumstances, the regularity of the Kshs.4,300,000 expenditure could not be confirmed.

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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Weak Controls Over Cash Transactions

Review of documents provided for audit including bank statements revealed over the counter cash withdrawals. According to the information provided, the cash withdrawals were meant to cater for administrative operations of the Fund. However, the frequency and amounts of the over-the-counter cash withdrawals appeared not controlled or guided by any policy and therefore prone to abuse. Management however, did not explain why such expenditures could not be paid through the bank. Specifically, the over-the-counter withdrawals were made from the Kenya Commercial Bank A/c 1321215207 amounting Kshs.4,432,979. Further, review of operations of the fund revealed lack of segregation of duties relating to authorization and approvals. This role is solely handled by the Fund administrator only, which could compromise the internal controls relating to cash.

In the circumstances, the internal controls over cash transactions are weak and may not be effective.

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 Those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the fund'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.

Those charged with governance is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the 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.

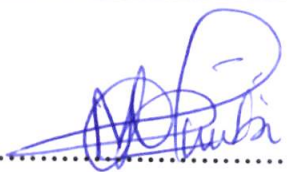

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 November, 2025

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Transfers From the County Government Health Facilities	6	347,557,847	-
Total Revenue		347,557,847	-
Expenses			
Use of Goods and Services	7	35,460,538	-
Transfers to other entities	8	311,164,367	-
Total Expenses		346,624,905	-
Surplus/(Deficit) for the Period		932,942	-



Name: Mary Robi

Administrator of the Fund



Janet Oyugi

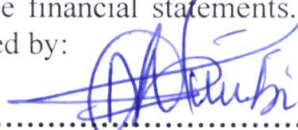
Fund Accountant

ICPAK Member Number 14926.

15. Statement of Financial Position As at 30 June 2025

Description	Note	2024-2025	2023-2024
		Kshs	kshs
Assets			
Current Assets			
Cash and Cash Equivalents	9	932,942	-
Trade and other Receivables from Exchange Transactions	10	66,037,758	-
Total current assets		66,970,700	-
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	11	66,037,758	-
Total current liabilities		66,037,758	-
Non-Current Liabilities		-	
Non-Current Provisions		-	-
Total Liabilities (B)		66,037,758	-
Net Assets (A-B)		932,942	-
Represented By:			
Revolving Fund			
Accumulated Surplus		932,942	-
Net Assets		932,942	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 13/11/2025 and signed by:



.....
Name: Mary Robi
Administrator of the Fund



.....
Janet Oyugi
Fund Accountant
ICPAK Member Number 14926.

16. Statement of Changes in Net Assets for the year ended 30th June 2025

Description	Revolvin g Fund	Revaluatio n Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2024	-	-	-	-
Surplus/(Deficit) For the Period	-	-	932,942	932,942
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2025	-	-	932,942	932,942

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

Description	Note	2024-2025	2023-2024
		Kshs	
Cash flows from operating activities			
Receipts			
Transfers From the County Government Health Facilities		281,520,089	
Total receipts		281,520,089	
Payments			
Use of Goods and Services		26,843,360	
Transfers to other entities		253,743,787	
Total Payments		280,587,147	
Net cash flows from operating activities		932,942	
Net increase/(decrease) in cash & cash Equivalents		932,942	
Cash and cash equivalents at 1 July 2024		-	
Cash and cash equivalents at 30 June 2025		932,942	

18. Statement Of Comparison Of Budget And Actual Amounts For The Period 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Transfers From the County Government Health Facilities	140,000,000	207,557,847	347,557,847	281,520,089	66,037,758	81%
Total Income	140,000,000	207,557,847	347,557,847	281,520,089	66,037,758	81%
Expenses						
Transfers to other entities	130,000,000	181,164,367	311,164,367	253,743,787	57,420,580	82%
Use of Goods and Services	10,000,000	25,460,538	35,460,538	26,843,360	8,617,178	76%
Total Expenditure	140,000,000	206,624,905	346,624,905	280,587,147	66,037,758	81%
Surplus For the Period	-	932,942.00	932,942.00	932,942	-	

Notes to the Budget

1. The performance in the actual revenues was as a result of the adoption of the Social Health Authority (SHA) registration platform. This resulted in massive registration and increased allocation of bed capacity to level 2 and 3 facilities translating into higher revenues.

Migori County Health Services Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	932,942
1	Less: Reason for Difference	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	932,942

19. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

Health Services Fund is established by and derives its authority and accountability from Migori County Health Services Act, 2019. The entity is wholly owned by the Migori County Government and is domiciled in Kenya.

2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

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

<p>IPSAS 45- Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i> 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> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

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(i) Early adoption of standards

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

Summary of Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii. Revenue from exchange transactions

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 each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

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.

b) Budget information

The original budget for FY 2024/2025 was approved by the County Assembly on 30th June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

c) Property, plant and equipment

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

a) 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.

b) 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.) 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.

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

d) 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 of 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 of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

e) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

f) Social Benefits

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

g) Contingent liabilities

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

Contingent assets

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

h) Nature and purpose of reserves

The Entity did not create and does not maintain reserves in terms of specific requirements.

i) Changes in accounting policies and estimates

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

j) Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

k) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

l) 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.

m) Related parties

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

n) 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.

o) Comparative figures

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

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made e.g.

a) Estimates and assumptions –

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

b) 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:

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

c) Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. Transfers From the County Government Health Facilities

Description	2024-2025	2023 - 2024
	Kshs	
Transfers From the County Government Health Facilities	347,557,847	-
Total	347,557,847	-

7. Use of Goods and Services

Description	2024-2025	2023-2024
	Kshs	Kshs-
Domestic travel and accommodation	6,661,450	-
Fuel	2,600,000	-
Casual Wages	1,238,487	-
Training Allowance	6,896,000	-
Boards, Conferences and Seminars	2,180,826	-
Field Operation Allowance	10,707,709	-
General office supply	3,119,248	-
Food and ration	617,178	-
Sanitary and cleaning materials	181,940	-
Office Maintenance	1,257,700	-
Total	35,460,538	-

8. Transfers to other entities

Description	2024-2025	2023-2024
	Kshs.	Kshs
MCRH/Subcounty hospitals	236,806,540	-
Dispensaries/Health centres	22,114,000	-
Transfer to public health operations	23,097,602	-
Transfer to medical Health operations	29,146,225	-
Total	311,164,367	-

9. Cash and cash equivalents

Description	2024-2025	2023-2024
	Kshs.	Kshs
Migori County Health Services Fund	932,942	-
Total Cash and Cash Equivalents	932,942	-

Detailed analysis of the cash and cash equivalents are as follows:

Financial Institution	Account number	2024-2025	2023-2024
		Kshs.	Kshs
a) Current Account			
Kenya Commercial Bank	1317328167	895,851	-
Kenya Commercial Bank	1321215207	11770	-
Kenya Commercial Bank	1321215320	25,321	-

10. Trade and other Receivables from Exchange Transactions

Description	FY2024/2025	FY2023/2024
	FY	FY
	Kshs	Kshs
Current Receivables		
Receivable from SHA	66,037,758	-
Total Receivables From Exchange Transactions	66,037,758	-

11. Trade and other Payables from Exchange Transactions

Description	FY2024/2025	FY2023/2024
	FY	FY

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	Kshs	Kshs
Transfers to other facilities	57,420,580	-
Use of Goods and Services	8,617,178	-
Total Payables from Exchange Transactions	66,037,758	-

12. Changes in working capital

Description	FY2024/2025	FY2023/2024
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	932,942	-
Adjusted For:		
Working Capital Adjustments		
Increase In Receivables	0	-
Net Cash Flow From Operating Activities	932,942	-

13. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have 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. The fund/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc.

b) Related party transactions

Description	2024-2025	2023-2024
	Kshs	
Transfers From Related Parties'	0	-
Transfers To Related Parties	0	-

c) Key management remuneration

Description	2024-2025	2023-2024
	Kshs	
Board Of Trustees	0	-
Key Management Compensation	0	-
Total	0	-

d) Due from related parties

Description	2024-2025	2024-2024
	Kshs	
Due From Parent Ministry - SHA	66,037,758	-
Due From County Government	0	-
Total	66,037,758	-

14. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on 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 Fund 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 Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund 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 entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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 entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from xxxx

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

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

The table below represents cash flows payable by the Fund 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.

c) Market risk

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The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

i. Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

d) Capital risk management.

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

Description	2024-2025
	Kshs
Revaluation reserve	-
Revolving fund	-
Accumulated surplus	932,942
Total funds	932,942
Total borrowings	0.00
Less: cash and bank balances	(932,942)
Net debt/(excess cash and cash equivalents)	932,942
Gearing	0%

15. Events after the reporting period

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

16. Ultimate and Holding Entity

The entity is a County Public Fund established by Health Service Act under the Ministry of Health. Its ultimate parent is the County Government of Migori.

17. Currency

The financial statements are presented in Kenya Shillings (Kshs).

20. Annexes

Annex I: Progress on Follow Up Of Prior Year Auditor's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status	Timeframe
N/A	N/A	N/A	N/A	N/A

Fund Administrator

Date.....

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Annex II: Inter-Fund Confirmation Letter



To.

Migori County Health Services Fund
P.O Box 195-40400 Suna



The Migori County Treasury wishes to confirm the amounts disbursed to you as at 30th June 2025 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 th June 2025							
Reference Number	Date Disbursed	Amounts Disbursed by Migori County Treasury (Kshs) as at 30 th June 2025				Amount Received by [beneficiary Fund] (KShs) as at 30 th June 2025 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total							
I confirm that the amounts shown above are correct as of the dates indicated.							

Migori County Government

Migori County Health Services Fund

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Head of Accounts Department - Disbursing Fund:		
Name	Sign	Date
ERIC JAZARAO		11/11/2025
Head of Accounts Department - Beneficiary Fund:		
Name	Sign	Date
M. ROBI		13/11/2025