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REPORT

OF

THE AUDITOR-GENERAL

ON

MALAVA SUB-COUNTY HOSPITAL - COUNTY GOVERNMENT OF KAKAMEGA

FOR THE YEAR ENDED 30 JUNE, 2025

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MALAVA SUB COUNTY HOSPITAL (County Government of Kakamega)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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

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1. Acronyms & Glossary of Terms

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

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

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2. Key Entity Information and Management

(a) Background information

Malava Hospital is a level 4 hospital established under gazette notice number 52 and is domiciled in Kakamega County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity of the hospital is to provide affordable and quality healthcare services to the public.

The hospitals **vision** is to be a Centre of Excellence in quality health service provision

Mission

The Mission of Malava Sub County Hospital is to provide quality curative, preventive, promotive and rehabilitative health services to the community through innovation and evidence based medicine

The core **objective** of the hospital is to provide health services to the community which include; customer care/enquiries, health information management, consultation accident and emergency services, outpatient services, maternal child health and family, planning, laboratory services, dental services, radiology services, pharmaceutical services, maternity & newborn services, inpatient services, surgical services (emergency and elective), rehabilitative services, orthopedic & trauma services, psychosocial support services, HIV comprehensive care services and gender based violence services (GBV).

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Health Management Committee (HMT)

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr Michael Wafula Watamba
2.	Head of finance	Cpa Milscent Khautu Kerry
3.	Head of supply chain	Ms Sharon Atai Mutama
4.	Health administrative officer	Mr Oyugi Victor Otieno
5.	Nursing officer in charge	Ms Patricia Nafula Wesakania

(e) Fiduciary Oversight Arrangements

- Clinical Research and Standards Committee.
- Health Management Committee (HMC)
- HMC Finance and General purpose sub-committee
- HMC Audit sub committee
- HMC service delivery/quality improvement sub-committee
- Audit committee
- Risk Committee
- County Assembly
- Parliamentary committees
- Other oversight committees

(f) Entity Headquarters

Kakamega County Department of Health
P.O. Box 36-50100
Kakamega
Kenya

(g) Entity Contacts

Malava Sub County Hospital
Telephone: (+254) 701547682
E-mail: malavahospital@hotmail.com

(h) Entity Bankers

Kenya Commercial bank
Co-operative bank of Kenya
Equity bank

(i) Independent Auditors

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




(j) Principal Legal Adviser




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




(k) County Attorney

P.O. Box. 56
Kakamega, Kenya




3. The Board of Management



Ref	Directors	Details
1.	 <p>Mr. Isaac Lumbasi Ibrahim</p>	<p>Chairperson Board Of Directors</p> <ul style="list-style-type: none"> Retired Head teacher with over 20 years' experience. Diploma in Management.
2.	 <p>Ms Lucy Tsinyeni Mulombi</p>	<p>Member of the board</p> <ul style="list-style-type: none"> Bachelor of Education Arts- Social Sciences with over 25 years' experience in teaching. County chair of PWD Kakamega County. Founder of 'Change for Women with disabilities initiative' in Malava Sub County.
3.	 <p>Mr. Ben Mulupi Lichungu</p>	<p>Member of the board</p> <ul style="list-style-type: none"> Diploma in supply chain management Worked with west Kenya Sugar Company for over 8years as a supply chain officer.

4.	 <p>Mr Luchivya Simon Chiluyi</p>	<p>Member of the board</p> <ul style="list-style-type: none"> • Diploma in Mechanical Engineering. • Former chancellor (served for 5 years). • Served as a manager for Pan paper Sacco for 6years.
5.	 <p>Mr Kelly Kitiabi</p>	<p>Member of the board</p> <ul style="list-style-type: none"> • Degree in sales and marketing • Worked with EKV Associates as sales officer for over 8 years. • Worked with Mkopa Solar as executive customer care for 6 years.
6.	 <p>Mr Alphayo Olunga</p>	<p>Member of the board</p> <ul style="list-style-type: none"> • Bachelor of education arts. • Over 8 years' experience in teaching.
7.		<p>Member of the board</p> <ul style="list-style-type: none"> • Degree in ICT

	 <p>Mr Daniel Katee Mwendwa</p>	<ul style="list-style-type: none"> • Workerd for Telkom Kenya as IT personnel for five years.
8.	 <p>Mr. Shalakra Muniolo</p>	<p>Member of the board</p> <ul style="list-style-type: none"> • Degree in accounting. • Worked with the Ministry of Finance- National Treasury- Pensions Department for over ten years.
9.	 <p>Dr. Watamba Michael Wafula</p>	<p>Medical superintendent- Secretary to the board</p> <p>Bachelors degree in pharmacy</p>

4. Key Management Team

Ref	Management	Details
1.	 Dr Watamba Michael Wafula	<p>Medical Superintendent Bachelors' degree in pharmacy</p>
2.	 Ms Milscent Khautu Kerry	<p>Accountant Bachelor of Commerce -Finance CPA (K)</p>
3.	 Mr Oyugi Victor Otieno	<p>Health Administrative Officer Degree in Administration</p>

4.	 Ms Patricia Nafula Wesakania	Nursing Officer Incharge Degree in Nursing
5.	 Ms Sharon Atai Mutama	Supply Chain Management Officer Diploma In Supplies Management

5. Chairman's Statement

I am pleased to present the Chairman's report for the year 2024-2025, summarizing the key activities, successes, challenges, and the way forward for Malava sub county Hospital. The Board of Management, in collaboration with the hospital's leadership team, has overseen various critical activities aimed at improving healthcare service delivery.

Staff Training and Development: Several staff members underwent professional training programs. Improved Patient Outcomes; There was a general increased patients recovery rate.

Community Engagement: The hospital engaged in multiple community outreach programs, providing health services to Malava Sub County citizens such as free screenings of Cancers, SGBV, Psychiatric Outreach. The outreach programs have gained momentum.

Challenges Faced Despite the achievements, The hospital encountered several challenges among them Financial Constraints, Limited funding from County Executive affected our ability to upgrade certain facilities.

Staffing Issues: The hospital faced a shortage of specialized personnel in critical departments like Neurosurgeon, Specialised Nurses and various consultants. Staff turnover has remained an obstacle with nurses and doctors seeking to further studies and others for greener pastures outside the country.

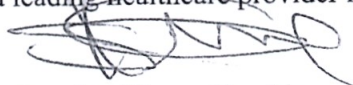
Infrastructure: Some key facilities, such as Construction of Amenity Facility were realized though there is need to expand, to meet the growing patient numbers.

Way Forward ; In the coming year, we aim to:

Expand Services: There are plans to expand the facility as a whole especially the maternity wing.

Increase Funding: We will actively seek additional funding from County Government to facilitate infrastructure and service upgrades.

Enhance Patient Care: The Board will communicate to the County Public Service Board to recruit specialized staff and acquisition of modern equipment to further improve patient care. We are confident that, with continued support from all stakeholders, Malava Sub county Hospital will maintain its position as a leading healthcare provider in the region.



**Mr. Lumbasi Isaac Ibrahim
Chairman, Board of Management**

6. Report of The Medical Superintendent

I am honoured to present the Medical Superintendent's report for the year 2024-2025, highlighting the hospital's operational performance, key achievements, financial health, and the challenges we encountered as we worked toward providing quality healthcare services to our patients.

During the past year, Malava sub county Hospital has made significant strides in improving healthcare delivery, addressing patient needs, and enhancing operational efficiency. This report provides a detailed account of the activities undertaken, the successes we consolidated, the challenges faced, and the hospital's financial performance.

Key activities during the year

The primary care network (PNC) was launched by the Ministry of Health in December 2024, at Malava Sub-County Hospital to advance Kenya's Universal Health Coverage goals. This effort improved immunization by 15%, facilitated over 2,000 patient referrals, and reached more than 50,000 households through community health teams. The initiative also rolled out digital health tools like eCHIS, which digitized records for about 30,000 residents.

There was improved partner support which led to improved service delivery indicators. Nuru Ya Mtoto supported HIV services in terms of recruiting Human resource, capacity building, support supervision and technological support. Jacaranda Health on the other hand supported maternal and child health through out-reaches for ANC profile, capacity building for new born unit (NBU) nurses and provision of some medical equipment. Other partners who supported the Hospital in reproductive health included maristopes, TIKo among others.

Revenue collected by the facility by either Cash or SHA was retained during the year and 30% of the funds disbursed to the facility was allocated for procurement of medical drugs and non-pharms. This helped address the issue of shortages of the said commodities.

There were several oversight visits, support supervision visits and needs assessment visits by the executive, county assembly committees and County Health Management Team.

The Hospital supported several staff welfare activities staff including end of the year party and attendance to scientific conferences.

Financial Performance; The financial performance of the hospital for the year 2024-2025 reflects our efforts to balance the delivery of quality care with the financial sustainability of the institution.

Revenue Generation: Our total revenue increased by 10% due to enhanced service provision, partnerships with SHA and county Government, and increased patient visits. Revenue from outpatient services grew by 5%, while inpatient services experienced a 5% rise.

Expenditures: Operating expenses also increased, particularly in areas such as personnel costs, equipment maintenance, and utility bills. However, we managed to maintain a positive cash flow through stringent financial controls and better resource utilization.

Challenges Faced

While we achieved significant milestones, we also faced a number of challenges:

Staff Shortages: We continue to experience a shortage of specialists in key departments such as Neurosurgeon, Cardiac Specialised, Specialised Nurses and various consultants. This has affected our ability to offer timely services, especially during periods of high demand.

Financial Constraints: Budget limitations have affected our ability to invest in large-scale infrastructure projects and modern equipment. Failure by SHA to clear outstanding claims has remained our major setback against increased pending bills.

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Infrastructural Limitations: Some of our facilities, particularly in wards, are not equipped to handle the increasing patient load. Overcrowding and inadequate space have affected patient comfort and service delivery in certain departments.

Future Outlook

Looking ahead, Malava sub county Hospital has several strategic initiatives aimed at addressing current challenges and positioning the hospital for sustained growth and service improvement:

Expansion of Services: We plan to introduce new services in areas such as Orthopaedic trauma department, which will improve access to specialized care for patients.

Staff Recruitment and Training: We are actively recruiting more specialized personnel and offering continuous professional development to our existing staff to ensure we maintain high standards of care.

Infrastructure Development: Plans are in place to expand our wards, Amenity wing, Insured Outpatient Unit, which will increase our capacity and reduce the burden on existing services.

Financial Sustainability: To ensure financial stability, we will focus on improving operational efficiency, cost management, and exploring new revenue streams, including partnerships with private entities and expansion of insurance coverage for patients.

In conclusion, Malava sub county Hospital has made significant progress over the past year, despite the challenges we encountered. I am confident that, with the continued dedication of our staff, support from stakeholders, and strategic planning, the hospital will continue to provide high-quality healthcare to the community.



Dr Michael Wafula Watamba

Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

Kakamega County CIDP 2022-2028 has its goal stated as;

To achieve Social-economic transformation of the people through sustainable in all sectors by 2028.

To achieve this the county government of Kakamega has identified Five (5) strategic pillars within the current strategic Plan for FY 2024/2025. These strategic pillars are as follows:

1. To improve food security from 68 per cent to 80 per cent by 2028.
2. To improve transport infrastructure.
3. To improve access to quality and affordable health services
4. To improve quality of education.
5. To improve access to clean and safe water.

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

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1: To Improve access to quality and affordable health services	To Reduce preventable mortalities	Reduction of preventable mortalities	Number of Emergency Surgeries done	580
			Number of rehabilitative Services started	5
			Number of departments started	1
			Percentage of clients counselled and tested for HIV	100%

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			Number of rehabilitative Services started	3
			Percentage of HIV positive Clients linked to care	100%
			Percentage of Clients with a viral load of <200cp	91%
			Number of Women of reproductive age screened for Ca Cervix	498
			Number of stake holders meeting by MOH/partner	90
		Improved Maternity Services through operationalization of the Theatre	Number of Emergency Caesarean sections done	490
			Number of open Maternity Days done	12
	To provide accessible and appropriate	Increased number of diagnostic tests carried out by the facility	Number of new diagnostic tests done	95

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	curative and diagnostic services	Introduction of specialized clinic	Number of Clinics done	202
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8. Corporate Governance Statement

I. Appointment of Board members

Malava sub county Hospital Management Committee were gazetted on 18th February 2022. The members are as listed below:

1. Mr Lumbasi Isaac Ibrahim – Chairperson
2. Medical Superintendent – Secretary
3. Shalakha Munialo– Member
4. Lucy Tsinyeni Mulombi– Member
5. Alphayo Olunga – Member
6. Daniel Katee Mwendwa– Member
7. Kelly Kitiabi – Member
8. Ben Mulupi Lichungu-Member
9. Luchivya Simon Chiluyi-Member

The serving term of the above members lapsed in February 2025 and a new board was elected/appointed. However the new board members have not been gazetted and therefore the handing over is yet to be done.

Ad Hoc Members adopted by the Medical Superintendent for easier coordination in bringing the board up to speed, they included; The Nursing Officer In-Charge and Health Administrative Officer.

The Sub Committees were divided into the following:

1. Audit Sub Committee
2. Finance Sub Committee
3. Quality Improvement Sub Committee

The board is on a three-year appointment and members are eligible to vie for two terms, at the end of their term a new board is elected and a handing over is done for continuity of office.

In the current sitting HMC all members attended the scheduled meetings and when missing a representative or an apology was sent beforehand.

The facility has an organogram depicting the role of the board in managing the facility but no official charter other than the one inherited from the national government under the Mwongozo Code of governance is used, the code's core values are; Transparency, Accountability, Integrity, Professionalism, innovativeness and customer focus.

Other than the Audit Sub Committee the two sub committees cover the following functions:

1. Governance

2. Risk
3. Compliance
4. Finance
5. Technical Matters
6. Strategy
7. Human Resource

II. Roles and functions of the board

In furtherance of its responsibilities, the Board has the following roles:

- (a) Determine the facility's mission, vision, purpose and core values.
- (b) Review, evaluate and approve, on a regular basis, long-term plans for the facility.
- (c) Review, evaluate and approve the facility's budget and financial forecasts.
- (d) Review, evaluate and approve major resource allocations and capital investments.
- (e) Ensure that the procurement process is cost-effective and delivers value for money.
- (f) Review and approve the operating and financial results of the organization.
- (g) Ensure effective, accurate, timely and transparent disclosure of pertinent information on the facility's operations and performance.
- (h) Ensure that effective processes and systems of risk management and internal controls are in place.
- (i) Review and evaluate the overall facility structure, the assignment of senior management responsibilities and plans for senior management development and succession.
- (j) Review, evaluate and approve the remuneration structure of the facility.
- (k) Adopt, implement and monitor compliance with the Code of Conduct and Ethics.
- (l) Review on a quarterly basis the attainment of targets and objectives set out in the agreed performance measurement framework with the County Government of Kakamega.
- (m) Review periodically the facility's strategic objectives and policies relating to sustainability and social responsibility.
- (n) Protect the rights of patients and optimize value of care;
- (o) Enhance the facility's public image and ensure engagement with the community through effective communication.
- (p) Monitor compliance with the Constitution, all applicable laws, regulations and standards
- (q) Review, monitor and ensure that the facility is effectively and consistently delivering on its mandate.

Each individual Board member shall be expected to:

- (a) Exercise the highest degree of care, skill and diligence in discharging their duties
- (b) Act in the best interest of the facility and not for any other purpose
- (c) Act honestly at all times and must not place themselves in a situation where their personal interests' conflict with those of the facility.
- (d) Exercise independent judgment
- (e) Devote sufficient time to carry out their responsibilities, regularly update their knowledge and enhance their skills
- (f) Promote and protect the image of the facility.
- (g) Owe their duty to the facility and not to the nominating or appointing authority

(h) Owe the facility the duty to hold in confidence all information available to them by virtue of their position as a Board member.

iii. Induction, training, and development

Following the handing over, the current board has never been formally inducted but on job trainings have been conducted within the facility.

iv. Board and members' performance

Each individual Board member shall be expected to:

- (a) Exercise the highest degree of care, skill and diligence in discharging their duties
- (b) Act in the best interest of the facility and not for any other purpose
- (c) Act honestly at all times and must not place themselves in a situation where their personal interests' conflict with those of the facility.
- (d) Exercise independent judgment
- (e) Devote sufficient time to carry out their responsibilities, regularly update their knowledge and enhance their skills
- (f) Promote and protect the image of the facility.
- (g) Owe their duty to the facility and not to the nominating or appointing authority
- (h) Owe the facility the duty to hold in confidence all information available to them by virtue of their position as a Board member.

v. Number of Board meetings held and the attendance to those meetings by members

Following the expiry of the term of service, the sitting HMC had one full board meeting for three quarters and three sub committees had one subcommittee meeting for the three quarter totalling to Three full board meetings and Nine subcommittee meetings.

The full board meetings are attended by all board members whereas sub committees are attended by the sub committee members .

vi. Succession plan

To ensure uninterrupted leadership and critical operations by identifying, developing, and retaining capable personnel who can step into key roles when necessary

1. Succession Planning Process

a). Identify Key Positions

Positions critical for continuity of services and compliance with guidelines.

b). Assess Potential Successors

- Competency mapping
- Track leadership capabilities

c). Develop Capacity

- Continuous Professional Development (CPD)
- Job shadowing and mentoring
- Short leadership courses

d). Review and Update Annually

- Review potential successors and gaps
- Include in hospital's annual performance contract

2. Emergency Succession Plan

In cases of sudden resignation, transfer, illness, death, strike or absenteeism

Protocol:

- Immediate acting appointments (within 24 hours)
- Engage sub-county or county health leadership
- Communication to staff and public to maintain confidence

3. Record Keeping and Documentation

- Maintain a confidential file of successors and their readiness

4. Monitoring and Evaluation

- Conduct semi-annual succession reviews
- HR department to coordinate evaluations and reports
- Include succession readiness in internal audits

5. Recommendations

- Collaborate with Kakamega County Health Department for support in capacity building
- Advocate for funding of training and leadership development
- Build a strong mentorship culture within the facility

vii. Policy to manage conflict of interest.

Hospital boards effectively manage conflicts of interest and maintain trust and integrity in their decision-making processes in the following ways:

1. Establishing clear policies: Developing and implementing policies that define what constitutes a conflict of interest and outline procedures for disclosure and management.
2. Disclosure: Board members are required to disclose potential conflicts of interest, such as financial ties to the hospital or personal relationships with hospital staff.
3. Transparency: Ensure transparency in decision-making processes and minutes to prevent hidden agendas.

4. Recusal: Board members with conflicts should recuse themselves from relevant discussions and decisions.
5. Regular review: Periodically review and update policies to address emerging issues.
6. Training: The hospital Provide training for board members on conflict of interest policies and procedures.

viii. Board remuneration

The remuneration for board members is as follows:

Full Board;

- i. Chairman –ksh. 5000
- ii. All other Members – ksh.3500

Sub Committees;

Chairperson- kshs.3,500

All Members – ksh.2500

ix. Ethics and Conduct

Hospital board members carry out ethics and conduct through:

1. Establishing policies: Developing and implementing policies that promote ethical behaviour.
2. Code of conduct: Creating and adhering to a code of conduct that outlines expected behaviour.
3. Conflict of interest policies: Managing conflicts of interest through disclosure and recusal.
4. Whistle blower protection: Implementing policies to protect whistle blowers who report misconduct.
5. Compliance oversight: Ensuring compliance with laws, regulations, and industry standards.
6. Training and education: Participating in training and education on ethics and compliance.
7. Accountability: Holding themselves and hospital leadership accountable for ethical behaviour.
8. Transparency: Fostering a culture of transparency and openness.
9. Regular review: Periodically reviewing and updating ethics and conduct policies.
10. Leadership by example: Demonstrating ethical behaviour and setting a positive tone for the organization

x. Governance audit

A governance audit in a hospital board evaluates the effectiveness and efficiency of governance practices, ensuring alignment with regulatory requirements and best practices. It assesses:

1. Board structure and composition
2. Roles and responsibilities
3. Decision-making processes
4. Risk management and oversight
5. Compliance with laws and regulations
6. Transparency and accountability

The audit identifies areas for improvement, enhancing governance practices and ultimately patient care and hospital performance

xi. Communication policy

The hospital board's communication policy includes:

1. Transparency: Openly sharing information with stakeholders.
2. Clear messaging: Ensuring consistent and accurate communication.
3. Regular updates: Providing timely information to stakeholders.
4. Multiple channels: Utilizing various communication channels through meetings and reports
5. Stakeholder engagement: Encouraging feedback and involvement.
6. Confidentiality: Protecting sensitive information.
7. Crisis communication: Having a plan for emergency situations.

Effective communication policies foster trust, accountability, and informed decision-making within the hospital board and with external stakeholders

xii. Terms of Reference of Committees

Terms of reference are contained in the appointment letters of board members

xiii. Policy on related party transactions

A hospital board's policy on related party transactions typically includes:

1. Definition: Identifying related parties (e.g., board members, executives, family members).
2. Disclosure: Requiring disclosure of potential conflicts and related party transactions.
3. Approval process: Outlining procedures for reviewing and approving related party transactions.
4. Fairness and transparency: Ensuring transactions are fair, reasonable, and transparent.
5. Conflict of interest: Managing conflicts of interest and recusal procedures.
6. Documentation: Maintaining records of related party transactions.
7. Compliance: Ensuring compliance with laws, regulations, and industry standards.

The policy aims to prevent conflicts of interest, ensure transparency, and maintain public trust in the hospital's governance.



Dr Watamba Michael Wafula
Secretary to the Board

9. Management Discussion and Analysis

The financial report for Malava sub county Hospital presents the financial situation of the facility over the past one year.

The promulgation of the Constitution of Kenya, 2010 under Chapter 11 ushered Kenya into a new system of governance, replacing the centralized system with a devolved system of governance. The devolved system of governance consists of the National Government and 47 County Governments. Health was among the devolved functions.

The following is a highlight analysis of the facility:

Clinical/operational performance

- Bed capacity of the hospital -106
- Overall outpatient attendance-39,016 Overall inpatient attendance -5226
- Accident and Emergency attendance-3232
- Specialised clinic attendance-9967
- Average length of stay for in patient-8days
- Bed occupancy rate-53.2 %
- Mortality rate-13.75 per 1000 population
- Surgical theatre utilisation (number of operations over a period of time) -82.6%
- Sponsorships and partnerships

The facility receives its main support from the County Government of Kakamega and other program supporting partners and stakeholders

Financial performance that includes: -

Revenue sources,

The facility's main source of revenue is SHA and cash banked by clients consuming services

Utilisation of funds

The funds are collected into two accounts, one collects revenue received from SHA and the other is for cash-based collection, the funds are then swiped to The County Revenue Account. The facility then receives allocated funds from disbursements and spends using Imprest Accounts after acquisition of AIE from Chief Officer Health Services.

10. Environmental And Sustainability Reporting

(i) Sustainability strategy and profile

Malava sub county hospital maintains a Mission to promote and participate in provision of an integrated quality curative and rehabilitative services to all Kenyans. This is a continuous objective that needs to be sustained over time, to achieve this the Hospital has identified the following sustainability priorities; consultative planning and budgeting process, improving revenue collection and lobbying for staff deployment.

In consultative planning and budgeting the facility has brought together the county health management and various stakeholders in order to achieve the facility's mandate. This has directly affected the budgeting process where aside from the in-house priorities, program-based targets are given a say in the budgets. This has greatly influenced indicators of the facility on the positive side. On matters improving revenue the Hospital management team in line with the gazetted County charges for level five have sealed loopholes that led to revenue loss. This together with encouraging the local populous on SHA uptake has led to tremendous revenue increase.

Staff numbers and appropriate deployment is key to quality service provision which is line with the facility's core mandate, this has put to task the Medical Superintendent and the Board to lobby for deployment of staff to the Hospital.

However, in the course of implementation of the above mentioned, there are challenges experienced in the facility. They include; Inadequate staffing, Inadequate funding and delays in disbursement also had a derail in implementation of the facility annual work plan.

Environmental performance

Malava Sub county Hospital has yet to establish an environmental policy guideline, however the facility uses established National and County Executive Guidelines on environmental issues as its guiding principles in the matter.

Some of the environmental issues experienced in the facility include; waste generation, waste segregation, waste disposal and management. These still remain a challenge for the facility and more engagements are needed.

(ii) Environmental performance

Malava Sub County Hospital is yet to establish an environmental policy guideline; however, the facility uses established National Guidelines on environmental issues as its guiding principles. Some of the environmental issues experienced in the facility include; waste generation, waste segregation and waste disposal and management. These still remain a challenge for the facility and more engagements are needed.

(iii) Employee welfare

The Majority of employees within the facility are County Government of Kakamega employees, followed by UHC engaged staff. Despite the effort the facility has a massive shortage of staff that, that gap is plugged by Casual staff engaged by the board.

To improve staff performance, the Hospital has initiated capacity building programmes to staffs through on-job trainings, continuous medical education, workshops and conference attendance that is supported. Furthermore, the facility management conducts staff appraisal performance which is coordinated from the County department of health and the Human Resource Department.

The facility has complied to Occupational Safety and Health Act of 2007, (OSHA) by providing adequate office space that is regularly cleaned, providing sanitation facilities, regular trainings on drug and substance abuse and providing PPEs to all staff.

(iv) Market place practices-

The facility outlines its efforts to:

Responsible competition practice.

All staff are inducted into the Code of Conduct, Human Resource Manual and Disciplinary process as well as made aware of their scope of service, this sorts a lot of the issues with regards to corruption. The facility has also embraced a total cashless system for easier accountability and reduce the risk of corruption.

Responsible Supply chain and supplier relations

All procurement processes in the facility adhere to the laid down regulations, with the facility procurement officer taking lead to ensure guidelines and regulations are followed. The facility

maintains good practices and treats its own suppliers responsibly by honouring contracts, all of which are subject to funds availability.

Responsible marketing and advertisement

The facility through Continuous Medical Examination ensures that all its staff are well aligned with the International, National and County guidelines in regards to Ethical practices within the facility.

Product stewardship

The Patients' rights Charter which all staff are well aligned with and frequently reminded of is one of the documents we use to ensure that Client's rights are respected and upheld.

E Corporate Social Responsibility / Community Engagements

The Hospital is fostering interaction with the surrounding community from which majority of clients come from. Regular community dialogues are conducted on dialogue days which are usually planned and executed. The dialogue brings on board the administrative arm of the government, the community health volunteers and other NGOs.

Community Health volunteers linked to the facility are also engaged in marketing the facility services and escort clients especially for delivery and Ante natal clinic services. This has led to a drop in maternal mortalities and morbidities.

Corporate Social Responsibility (CSR) for Malava Sub county Hospital involve initiatives that benefit the community, environment, and stakeholders beyond the hospital's core medical services.

The following are potential CSR areas and activities:

1. Community Health Initiatives

- Health Education Programs: The facility Conducts workshops and seminars on preventive healthcare, disease management, and healthy living practices for the local community.

- Free Medical Camps: The hospital in partnership with County Government of Kakamega organize free health check-ups, screenings, and consultations for underserved populations.

- Maternal and Child Health Programs: The hospital provides prenatal care, immunizations, and health education for mothers and children.

2. Social Impact

- Community Outreach: The facility partners with local organizations to address social determinants of health, such as poverty, education, and housing

3. Ethical Practices

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

- Transparency and Accountability: The hospital ensures transparency in financial reporting, governance, and decision-making processes.
- Patient Rights and Confidentiality: Uphold patient rights, privacy, and confidentiality in all interactions.

11. Report of The Board of Management

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

Principal activities

The principal activity of the hospital is to provide affordable and quality healthcare services to the public.

The hospital's **vision** is to be a Centre of Excellence in quality health service provision

Mission

The **Mission** of Malava Sub County Hospital is to provide quality curative, preventive, promotive and rehabilitative health services to the community through innovation and evidence based medicine

The **core objective** of the hospital is to provide health services to the community which include; customer care/enquiries, health information management, consultation, accident and emergency services, outpatient services, maternal child health and family, planning, laboratory services, dental services, radiology services, pharmaceutical services, maternity & newborn services, inpatient services, surgical services (emergency and elective), rehabilitative services, orthopedic & trauma services, psychosocial support services, HIV comprehensive care services and gender based violence services.

Results

The results of the entity for the year ended June 30 2025 are set out on page 1 to 9.

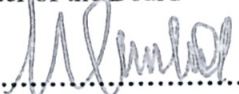
Board of Management

The members of the Board who served during the year are shown on page xvi. During the year, on 20th February 2025, the term of all the board members expired. New board members were elected/appointed through the Ministry of health and are awaiting gazettelement.

Auditors

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

By Order of the Board


.....

Name

Secretary to the Board

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Malava Sub County Hospital - County Government of Kakamega set out on pages 1 to 46, which comprise of the

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Malava Sub County Hospital - County Government of Kakamega as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kakamega County Health Services Act, 2022, the Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Receivables from Exchange Transactions

The statement of financial position and Note 19 to the financial statements show receivables from exchange transactions balance of Kshs.16,120,107 in respect to amounts owed by the Social Health Authority (SHA) and the defunct National Hospital Insurance Fund (NHIF). However, ageing analysis provided for audit showed that the receivable balance of Kshs.7,268,800 in relation to NHIF had been outstanding for over one (1) year and there were no debt recovery measures and debt management policy in place to guide on debt management.

In the circumstances, the completeness, accuracy and recoverability of the receivables balance of Kshs.7,268,800 could not be confirmed.

2. Unsupported Revaluation Reserve Balance

The statement of financial position shows revaluation reserve balance of Kshs.10,807,355 as at 30 June, 2025. However, documentation supporting occurrence of the revaluation reserve was not provided for audit review.

In the circumstances, the completeness and accuracy of the revaluation reserve balance of Kshs.10,807,355 could not be confirmed.

3. Inaccuracy of the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts shows rendering of services actual amounts on comparable basis of Kshs.89,180,467 and transfers of Kshs.445,371. However, the amounts differ with the cash flow statement balances of Kshs.74,526,748 and Kshs.72,511,517 resulting to unreconciled variances of Kshs.14,653,710 and Kshs.72,066,146, respectively.

In the circumstances, the completeness and accuracy of the respective balances reflected in the statement of comparison of budget and actual amounts could not be confirmed.

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

Key Audit Matters

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

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I

confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Long outstanding Trade Payables

The statement of financial position and Note 23 to the financial statements reflects trade and other payables balance of Kshs.29,711,824. However, payables amounting to Kshs.15,170,867 had remained outstanding for over one (1) year and no explanation provided for failure to clear outstanding payables contrary to Regulation 41 (1) of the Public Finance Management (County Governments) Regulations, 2015, which states that overall control of County Government budget execution shall be exercised through strict application of the following general rules, which shall apply to all transactions with the specific exception of debt service payments— (2) debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the County Government does not default on debt obligations.

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

2. Failure to Undertake Safety and Health Audits

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

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

3. Lack of Approved Strategic Plan

During the year under review, it was observed that Management of Malava Sub County Hospital - County Government of Kakamega did not have a strategic plan to guide the entity in achieving its objectives contrary to Section 149 (2)(g) of the Public Finance Management Act 2012.

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

4. Non-Compliance with Kenya Quality Model for Health Policy Guidelines on Staffing and Equipment

Review of personnel records provided for audit revealed inadequate staffing of health workers at the hospital. The Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits as shown in the table below:

Item	Level 4 Standard A	Number in Hospital B	Variance C=B-A	Percentage (%) (C/A) *100
Medical officers	16	3	-13	-81%
Anesthesiologists	2	0	-2	-100%
General Surgeon	2	1	-1	-50%
Gynecologists	2	0	-2	-100%
Pediatricians	2	0	-2	-100%
Radiologists	2	0	-2	-100%
Registered Community Health Nurses	75	54	-21	-28%
Total	101	58	-43	-43%

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

Services	Level 4 Hospital Standard A	Actuals in the Hospital B	Variance C=B-A	Percentage (%) (C/A) *100
Resuscitaire in Labour Ward	2	3	+1	+50%
New Born Unit incubators	5	5	0	-
Functional ICU Beds	6	0	-6	-100%
High Dependency Units (HDU) Beds	6	0	-6	-100%
Renal Units with at Least 5 Dialysis Machines	5	0	-5	-100%
Functional operating theaters maternity and general	2	1	-1	-50
Total	26	9	-17	-65%

The deficiencies contravene the First Schedule of the Health Act, 2017 and imply that accessing the highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved. Further, this contravened the Kenya Quality Model for Health Policy Guidelines and hindered the realization of the Government program on Universal Health Coverage (UHC).

In the circumstances, the Hospital may not provide the expected standard of healthcare services, including reproductive health care as envisioned for a Level 4 Hospital.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain

assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Review of Information Communication Technology (ICT) controls environment and records revealed that the Hospital had an ICT Department with one ICT officer. However, it was observed that the department lacked ICT strategic plan, approved ICT policy, established ICT steering committee, remote backup/replication server and backup system.

In the circumstances, the effectiveness of the Hospital's ICT environment internal controls could not be confirmed.

2. Lack of Internal Audit Function

During the year under review, the Hospital did not have an Internal Audit Function to perform risk assessment processes and evaluation of operational effectiveness through reviews of the internal controls.

In the circumstances, the absence of an operational Internal Audit Unit creates a significant gap in the Hospital's governance and control framework, increasing its vulnerability to various risks.

3. Lack of Functional Board of Management

Audit review of governance structure, revealed that the Hospital lacked a functional board of governance to execute its functions as set out in the Mwingozo Code of Governance for State Corporations that include setting and overseeing the overall strategy, approving significant policies and monitoring the Hospital's performance to ensure sustainability.

In the circumstances, the effectiveness of the Hospital's governance could not be confirmed.

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

Responsibilities of the Management and the Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 December, 2025

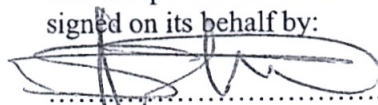
**Malava Sub county Hospital (County Government of Kakamega)
Annual Report and Financial Statements for The Year Ended 30th June 2025**

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

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	17,999,594	0
Grants from donors and development partners	7	151,950	0
Transfers from other Government entities	8	88,058,014	0
		106,209,558	0
Revenue from exchange transactions			
Rendering of services- Medical Service Income	9	90,646,855	0
Revenue from exchange transactions		90,646,855	0
Total revenue		196,856,413	0
Expenses			
Medical/Clinical costs	10	97,815,953	0
Employee costs	11	8,775,556	0
Board of Management Expenses	12	496,900	0
Depreciation and amortization expense	13	320,589	0
Repairs and maintenance	14	4,093,275	0
Transfers	15	72,511,517	0
General expenses	16	14,130,224	0
Total expenses		198,144,014	0
Other gains/(losses)			
Gain/Loss on disposal of non-Current assets	17	0	0
Total other gains/(losses)		0	0
Net Surplus / (Deficit) for the year		(1,287,601)	0


(The notes set out on pages 25 to 46 form an integral part of the Annual Financial Statements.)

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



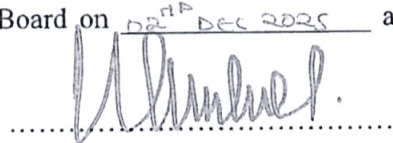
Chairman

Board of Management



Head of Finance

ICPAK No: 30730



Medical Superintendent

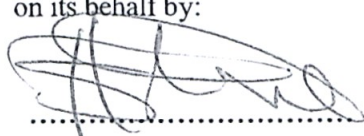
Malava Sub county Hospital (County Government of Kakamega)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	18	418,621	0
Receivables from exchange transactions	19	16,120,107	0
Receivables from non-exchange transactions	20	8,330,104	0
Inventories	21	10,807,355	0
Total Current Assets		35,676,187	0
Non-current assets			
Property, plant, and equipment	22	3,555,391	0
Total Non-current Assets		3,555,391	0
Total assets (A)		39,231,578	0
Liabilities			
Current liabilities			
Trade and other payables	23	29,711,824	0
Total Current Liabilities		29,711,824	0
Non-current liabilities			
Provisions	24	0	0
Total non-current liabilities		0	0
Total Liabilities (B)		29,711,824	0
Net assets (A-B)		9,519,754	0
Represented by:			
Revaluation reserve		10,807,355	0
Accumulated Deficit		(1,287,601)	0
Capital Fund		0	0
Net Assets		9,519,754	0

(The notes on pages 25 to 46 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 02nd Dec 2025 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No: 30730



Medical Superintendent

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

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

Description	Revaluation reserve	Accumulated Deficit	Capital Fund	Total
As at July 1, 2023	0	0	0	0
Revaluation gain	0	0	0	0
Surplus/(deficit) for the year	0	0	0	0
Capital/Development grants	0	0	0	0
As at June 30, 2024	0	0	0	0
At July 1, 2024	0	0	0	0
Reserves- Closing Inventories	10,807,355	-	-	10,807,355
Deficit for the year	-	(1,287,601)	-	(1,287,601)
Capital/Development grants	-	-	0	0
At June 30, 2025	10,807,355	(1,287,601)	0	9,519,754

(Note:

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

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

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

Description	Note	2024/2025	2023/2025
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	17,999,594	0
Grants from donors and development partners	7	151,950	0
Transfers from other Government entities	8(a)	79,727,910	0
Rendering of services- Medical Service Income	9(a)	74,526,748	0
Total Receipts		172,406,202	0
Payments			
Medical/Clinical costs	10(a)	71,655,081	0
Employee costs	11(a)	8,115,827	0
Board of Management Expenses	12	496,900	0
Repairs and maintenance	14(a)	3,176,432	0
Transfers	15	72,511,517	0
General expenses	16(a)	12,777,244	0
Total Payments		168,733,001	0
Net cash flows from operating activities	25	3,673,201	0
Cash flows from investing activities			
Purchase of property, plant, equipment		(3,254,580)	0
Net cash flows used in investing activities		(3,254,580)	0
Cash flows from financing activities			
Proceeds from borrowings		0	0
Net cash flows used in financing activities		(0)	(0)
Net decrease in cash and cash equivalents		418,621	(0)
Cash and cash equivalents as at 1 July	18	0	0
Cash and cash equivalents as at 30 June	18	418,621	0

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

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	A	B	c=(a+b)	D	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Transfers from the County Government	16,800,000	0	16,800,000	17,999,594	(1,199,594)	107%
Grants from donors and development partners	0	151,950	151,950	151,950	0	100%
Rendering of services- Medical Service Income	82,591,318	3,254,580	85,845,898	89,180,467	(3,334,569)	104%
Total receipts	99,391,318	3,406,530	102,797,848	107,332,011	(4,534,163)	104%
Payments						
Medical/Clinical costs	72,823,000	0	72,823,000	71,655,081	1,167,919	98%
Employee costs	9,000,373	0	9,000,373	8,115,827	884,546	90%
Remuneration of directors	550,000	0	550,000	496,900	53,100	90%
Repairs and maintenance		0				91%
	3,475,289		3,475,289	3,176,432	298,857	
Transfers	448,073	0	448,073	445,371	2,702	99%
General expenses	13,094,583	151,950	13,246,533	12,777,244	469,289	97%
Purchase furniture and office equipment	0	3,254,580	3,254,580	3,254,580	0	100%
Total Operational Expenditure paid	99,391,318	3,406,530	102,797,848	99,921,435	2,876,413	97%
Capital Expenditure paid	-	0	0	0		
Surplus	-	0	0	7,410,576		

(Budget carryovers This is for entities whose budget lapses at year-end, but the surpluses are not legally required to be remitted to the Exchequer. Budget carryovers should not include third-party funds such as contractors' retention.)*

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

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	7,410,576
1	Amount received from FIF	65,074,191
2	Amount transferred to FIF	(72,066,146)
	Closing Cash and Cash Equivalent as per the statement of Cash flows	418,621

19. Notes to the Financial Statements

1. General Information

Malava Sub County Hospital is established under gazette notice no.17 of 2022 and derives its authority and accountability from Public Health Act. The entity is wholly owned by the County Government of Kakamega and is domiciled in Kakamega County in Kenya. The entity's principal activity is provision of health services to the public.

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

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

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

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

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

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Standard	Effective date and impact:
Plant and Equipment	<p>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>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>

Standard	Effective date and impact:
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the 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></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year 30th June 2025.

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2024/2025 was approved by Board on 26th 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. Accordingly, the entity did not record additional appropriations on the FY 2024/2025 budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Biological Assets

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

i. Research and development costs

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

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

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

j. Financial instruments

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

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

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual 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. There were no Critical estimates and significant judgments made by management in determining the expected credit loss (ECL).

Financial liabilities

Classification

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

k. Inventories

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

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

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

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

l. Provisions

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

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

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

Notes to the Financial Statements (Continued)

m. Social Benefits

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

n. Contingent liabilities

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

o. Contingent assets

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

p. Nature and purpose of reserves

The entity creates and maintains reserves in terms of specific requirements.

q. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

r. Employee benefits

Retirement benefit plans

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

s. Foreign currency transactions

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

t. Borrowing costs

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

u. Related parties

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

v. Service concession arrangements

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

w. Cash and cash equivalents

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

x. Comparative figures

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

y. **Subsequent events**

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 24. 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.

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Notes to Financial Statements Continued

6. Transfers from the County Government

Description	2024/2025	2023/2024
	KShs	KShs
Unconditional grants		
Level 4 Operational grant	12,810,000	0
	12,810,000	0
Conditional grants		
Medical drugs grant for level 2 and 3	4,625,190	0
Level 2 and 3 operational grants	448,073	0
Other grants MOH	116,331	0
	5,189,594	0
Total government grants and subsidies	17,999,594	0

6 b Transfers from the County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2023/2024
			KShs	KShs	KShs
Kakamega County Government	17,999,594	0	0	17,999,594	0
Total	17,999,594	0	0	17,999,594	0

(Ensure that the amount recorded above as having been received from the County fully reconciles to the amount recorded by the amount recorded as transferred by the County. An acknowledgement note/receipt should be raised in favour of the sending County Government. The details of the reconciliation have been included).

**Amount recognised in the statement of financial performance should be the recurrent grant and the development grant to the extent that there are no conditions attached. Total of column 1 should tie to note 6(the part on unconditional grants).*

Notes to Financial Statements Continued

7. Grants From Donors and Development Partners

Description	2024/2025	2023/2024
	KShs	KShs
Evidence Action	151,950	0
Paediatric ward grant- JICA	0	0
Research grants	0	0
Other grants (<i>specify</i>)	0	0
Total grants from development partners	151,950	0

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

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2023/2024
	KShs	KShs	KShs	KShs	KShs
Evidence Action	151,950	0	0	151,950	0
JICA	0	0	0	0	0
World Bank	0	0	0	0	0
Total	151,950	0	0	151,950	0

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Notes to Financial Statements Continued

8. Transfers From Other Government Entities

Description	2024/2025	2023/2024
	KShs	KShs
Transfers from FIF- Collections	69,904,295	0
Payments on behalf of the hospital	18,153,719	0
Total Transfers	88,058,014	0

8(a) Transfers from other Government entities- Schedule supporting Cash flow statement

Description	2024/2025	2023/2024
	KShs	KShs
Transfers from FIF- Collections	65,074,191	0
Payments on behalf of the hospital	14,653,719	0
Total Transfers	79,727,910	0

9. Rendering of Services-Medical Service Income

Description	2024/2025	2023/2024
	Kshs	Kshs
Pharmaceuticals	21,396,710	0
Non-Pharmaceuticals	19,678,915	0
Laboratory	11,780,100	0
Radiology	9,586,710	0
Orthopedic and Trauma Technology	5,911,230	0
Theatre	7,889,425	0
Accident and Emergency Service	0	0
Anesthesia Service	0	0
Ear Nose and Throat service	0	0
Nutrition service	5,725,416	0
Cancer centre service	0	0
Dental services	8,678,349	0
Reproductive health	0	0
Paediatrics services	0	0
Total revenue from the rendering of services	90,646,855	0

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9(a) Rendering of Services-Medical Service Income- Schedule supporting Cash flow statement

Description	2024/2025	2023/2024
	Kshs	Kshs
Pharmaceuticals	17,296,710	0
Non-Pharmaceuticals	15,658,915	0
Laboratory	8,780,100	0
Radiology	8,586,710	0
Orthopedic and Trauma Technology	4,911,230	0
Theatre	5,889,318	0
Accident and Emergency Service	0	0
Anesthesia Service	0	0
Ear Nose and Throat service	0	0
Nutrition service	4,725,416	0
Cancer centre service	0	0
Dental services	8,678,349	0
Reproductive health	0	0
Paediatrics services	0	0
Total revenue from the rendering of services	74,526,748	0

10. Medical/ Clinical Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Dental costs/ materials	1,120,970	0
Laboratory chemicals and reagents	4,851,322	0
Public health activities	280,000	0
Food and Ration	13,538,110	0
Uniform, clothing, and linen	2,257,000	0
Dressing and Non-Pharmaceuticals	22,622,949	0
Pharmaceutical supplies	21,898,383	0
Health information stationery	8,388,200	0
Sanitary and cleansing Materials	9,997,584	0
Purchase of Medical gases	557,000	0
X-Ray/Radiology supplies	4,700,350	0
Therapy	7,604,085	0
Total medical/ clinical costs	97,815,953	0

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10(a) Medical/ Clinical Costs- Schedule supporting Cash flow statement

Description	2024/2025	2023/2024
	Kshs	Kshs
Dental costs/ materials	552,970	0
Laboratory chemicals and reagents	3,991,569	0
Public health activities	280,000	0
Food and Ration	4,964,868	0
Uniform, clothing, and linen	1,677,000	0
Dressing and Non-Pharmaceuticals	17,724,974	0
Pharmaceutical supplies	19,314,509	0
Health information stationery	5,192,400	0
Sanitary and cleansing Materials	7,801,176	0
Purchase of Medical gases	480,000	0
X-Ray/Radiology supplies	3,870,450	0
Therapy	5,805,165	0
Total medical/ clinical costs	71,655,081	0

11. Employee Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	7,679,050	0
Staff medical expenses and Insurance cover	214,506	0
Social contribution	882,000	0
Employee costs	8,775,556	0

11(a) Employee costs-schedule supporting Cash flow statement

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	7,019,321	0
Staff medical expenses and Insurance cover	214,506	0
Social contribution	882,000	0
Employee costs	8,115,827	0

12. Board of Management Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Sitting allowance	88,500	0
Travel and accommodation allowance	408,400	0
Airtime allowances	0	0
Total	496,900	0

13. Depreciation and Amortization Expense

Description	2024/2025	2023/2024
	Kshs	Kshs
Property, plant and equipment	320,589	0
Intangible assets	0	0
Investment property carried at cost	0	0
Total depreciation and amortization	320,589	0

14. Repairs And Maintenance

Description	2024/2025	2023/2024
	Kshs	Kshs
Property- Buildings	1,085,012	0
Medical equipment	371,010	0
Office equipment	0	0
Furniture and fittings	20,000	0
Computers and accessories	69,000	0
Motor vehicle expenses	1,148,763	0
Maintenance of civil works	1,399,490	0
Total repairs and maintenance	4,093,275	0

Malava Sub county Hospital (County Government of Kakamega)
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14(a) Repairs and Maintenance- Schedule supporting Cash flow statement

Description	2024/2025	2023/2024
	Kshs	Kshs
Property- Buildings	774,209	0
Medical equipment	221,010	0
Office equipment	0	0
Furniture and fittings	20,000	0
Computers and accessories	69,000	0
Motor vehicle expenses	974,623	0
Maintenance of civil works	1,117,590	0
Total repairs and maintenance	3,176,432	0

15. Transfers

Description	2024/2025	2023/2024
	Kshs	Kshs
Transfers to FIF	72,066,146	0
Transfers to level 2 and 3	445,371	0
Total Transfers	72,511,517	0

16. General Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Catering expenses	827,230	0
Bank charges	99,637	0
Electricity expenses	1,920,518	0
Fuel and Lubricants	2,675,652	0
Travel and accommodation allowance	1,970,475	0
Courier and postal services	38,100	0
Printing and stationery	2,671,240	0
Water and sewerage costs	61,887	0
Telephone and mobile phone services	1,060,000	0
Internet expenses	620,485	0
Staff training and development	0	0
Subscriptions to professional bodies	0	0
Household appliances	295,000	0
Consumables	1,890,000	0
Total General Expenses	14,130,224	0

16(a) General expenses- schedule supporting Cash flow statement

Description	2024/2025	2023/2024
	Kshs	Kshs
Catering expenses	722630	0
Bank charges	99,637	0
Electricity expenses	1,920,518	0
Fuel and Lubricants	2,675,652	0
Travel and accommodation allowance	1,970,475	0
Courier and postal services	38,100	0
Printing and stationery	1822860	0
Water and sewerage costs	61,887	0
Telephone and mobile phone services	1,060,000	0
Internet expenses	620,485	0
Staff training and development	0	0
Subscriptions to professional bodies	0	0
Household appliances	295,000	0
Consumables	1,490,000	0
Total General Expenses	12,777,244	0

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

Description	2024/2025	2023/2024
	KShs	KShs
Property, plant, and equipment	0	0
Intangible assets	0	0
Other assets not capitalised (<i>specify</i>)	0	0
Total gain on sale of assets	0	0

18. Cash And Cash Equivalents

Description	2024/2025	2023/2025
	KShs	KShs
Current accounts	418,621	0
On - call deposits	0	0
Fixed deposits accounts	0	0
Cash in hand	0	0
Others(<i>specify</i>)- Mobile money	0	0
Total cash and cash equivalents	418,621	0

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

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

Description		2024/2025	2023/2024
Financial institution	Account number	KShs	KShs
a) Current account			
KCB Imprest Ac	1252636679	169,959	0
KCB Revenue Ac	1152067672	245,286	0
KCB Development Ac	1152067508	1,312	0
CO OP Free maternity Ac	0114163129 6000	138	0
CO OP KEPI Ac	0114116502 700	1,926	0
Sub- total		418,621	0
b) On - call deposits			
Kenya Commercial bank		0	0
Equity Bank – etc		0	0
Sub- total		0	0
c) Fixed deposits account			
Bank Name		0	0
Sub- total		0	0
d) Others(<i>specify</i>)		0	0
cash in hand		0	0
Mobile money- Mpesa, Airtel money		0	0
Sub- total		0	0
Grand total		418,621	0

19. Receivables From Exchange Transactions

Description	2024/2025	2023/2024
	KShs	KShs
Medical services receivables	16,120,107	0
Rent receivables	0	0
Other exchange debtors	0	0
Less: impairment allowance	(0)	(0)
Total receivables	16,120,107	0

Analysis of Receivables From Exchange Transactions

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	2024/2025	% of the total	2023/2024	% of the total
Less than 1 year	8,851,307	55%	0	0%
Between 1- 2 years	7,268,800	45%	0	0%
Between 2-3 years	0	%	0	0%
Over 3 years	0	%	0	0%
Total (a+b)	16,120,107	100%	0	0%

20. Receivables From Non-Exchange Transactions

Description	2024/2025	2023/2024
	KShs	KShs
Transfers from FIF	4,830,104	0
Payments on behalf of the hospital	3,500,000	0
Other debtors (<i>non-exchange transactions</i>)	0	0
Less: impairment allowance	(0)	(0)
Total	8,330,104	0

Analysis of Receivables From Non-Exchange Transactions

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	2024/2025	% of the total	2023/2024	% of the total
Less than 1 year	8,330,104	100%	0	0%
Between 1- 2 years	0	0%	0	0%
Between 2-3 years	0	0%	0	0%
Over 3 years	0	0%	0	0%
Total (a+b)	8,330,104	100%	0	0%

Malava Sub county Hospital (County Government of Kakamega)
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21. Inventories

Description	2024/2025	2023/2024
	KShs	KShs
Pharmaceutical supplies	4,460,100	0
Non pharmaceutical supplies	5,687,250	0
Xray supplies	94,100	0
Linen and clothing supplies	54,005	0
Laboratory supplies	485,100	0
General supplies	26,800	0
Less: provision for impairment of stocks	(0)	(0)
Total	10,807,355	0

Detailed disclosure on inventories

	2024/2025	2023/2024
Opening balance	0	0
Additional Inventory in the year	70,236,979	0
Inventory expensed in the year	(59,429,624)	0
Write-downs in the year	0	0
Closing balance	10,807,355	0

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Notes to the Financial Statements (Continued)

22. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (specify)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
Cost									
At 1 July 2023	0	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0	0
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	-	(0)
Transfers/adjustments	0	0	0	0	0	0	0	0	(0)
Revaluation Adjustments	0	0	0	0	0	0	0	-	0
At 30th Jun 2024	0	0	0	0	0	0	0	0	0
At 1 July 2024	0	0	0	0	0	0	0	0	0
Additions	0	0	0	149,580	726,400	3,000,000	0	0	3,875,980
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Transfer/adjustments	0	0	0	0	0	0	0	(0)	0
Revaluation Adjustments	0	0	0	0	0	0	0	0	0
At 30th Jun 2025	0	0	0	149,580	726,400	3,000,000	0	0	3,875,980
Depreciation and impairment									
At 1 July 2023		0	0	0	0	0	0	-	0
Depreciation for the year		0	0	0	0	0		-	0

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (specify)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
Disposals		(0)	(0)	(0)	(0)	(0)	(0)	-	(0)
Impairment		(0)	(0)	(0)	(0)	(0)	(0)	-	(0)
At 30 June 2024		0	0	0	0	0	0	-	0
At July 2024		0	0	0	0	0	0	-	0
Depreciation		0	0	18,698	241,891	60,000	0	-	320,589
Disposals		(0)	(0)	(0)	(0)	(0)	(0)	-	(0)
Impairment		(0)	(0)	(0)	(0)	(0)	(0)	-	(0)
Transfer/adjustment		0	-	0	-	-	0		(0)
At 30th June 2025		0	0	18,698	241,891	60,000	0	-	320,589
Net book values									
At 30 th Jun 2024	0	0	0	0	0	0	0	0	0
At 30 th Jun 2025	0	0	0	130,882	484,509	2,940,000	0	0	3,555,391

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Notes to the Financial Statements (Continued)

23. Trade and other Payables

Description	2024/2025		2023/2024	
	KShs		KShs	
Trade payables	29,711,824		0	
Employee dues	0		0	
Third-party payments (<i>e.g. unremitted payroll deductions</i>)	0		0	
Audit fee	0		0	
Doctors' fee	0		0	
Total trade and other payables	29,711,824		0	
Ageing analysis:	2024/2025	% of the Total	2023/2024	% of the total
Under one year	14,540,957	49%	0	0%
1-2 years	2,317,930	8%	0	0%
2-3 years	2,084,000	7%	0	0%
Over 3 years	10,768,937	36%	0	0%
Total	29,711,824	100%	0	0%

24. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	0	0	0	0
Additional Provisions	0	0	0	0
Provision utilised	(0)	(0)	(0)	(0)
Change due to discount & time value for money	(0)	(0)	(0)	(0)
Total provisions	0	0	0	0
Current Provisions	0	0	0	0
Non-Current Provisions	0	0	0	0
Total Provisions	0	0	0	0

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25. Cash Generated from Operations

Description	2024/2025	2023/2024
	KShs	KShs
Deficit for the year before tax	(1,287,601)	0
Adjusted for:		
Depreciation	320,589	0
Non-cash grants received	(0)	(0)
Impairment	0	0
Gains and losses on disposal of assets	(0)	(0)
Contribution to provisions	0	0
Contribution to impairment allowance	0	0
Working Capital adjustments		
Increase in inventory		(0)
Increase in receivables	(24,450,211)	(0)
Increase in deferred income	0	0
Increase in payables	29,090,424	0
Increase in payments received in advance	0	0
Net cash flow from operating activities	(3,673,201)	0

Notes to the Financial Statements (Continued)

26. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Receivables from exchange transactions	0	0	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0
At 30 June 2025				
Receivables from exchange transactions	16,120,107	16,120,107	0	0
Receivables from –non-exchange transactions	8,330,104	8,330,104	0	0
Bank balances	418,621	418,621	0	0
Total	24,868,832	24,868,832	0	0

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Notes to the Financial Statements (Continued)

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

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0
At 30 June 2025				
Trade payables	659,729	0	29,052,095	29,711,824
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	29,711,824

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Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2025			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

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

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Notes to the Financial Statements (Continued)

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2025			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2023/2024			
Euro	10%	0	0
USD	10%	0	0
2024/2025			
Euro	10%	0	0
USD	10%	0	0

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The hospital's interest rate risk arises from bank deposits. This exposes the hospital to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the hospital's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

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Notes to the Financial Statements (Continued)

Sensitivity analysis

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

iii) Capital Risk Management

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

Description	2024/2025	2023/2024
	Kshs	Kshs
Revaluation reserve- inventories	10,807,355	0
Retained earnings	0	0
Capital reserve	0	0
Total funds	10,807,355	0
Total borrowings	0	0
Less: cash and bank balances	(418,621)	(0)
Net debt/ <i>(excess cash and cash equivalents)</i>	0	0
Gearing	0%	0%

**Malava Sub county Hospital (County Government of Kakamega)
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Notes to the Financial Statements (Continued)

27. Related Party Balances

Nature of related party relationships

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

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

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

Description	2024/2025	2023/2024
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to related parties	0	0
Total	0	0
b) Grants from the Government		
Grants from County Government	12,810,000	0
Grants from the National Government Entities	0	0
Donations in kind	0	0
Total	12,810,000	0
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for zero employees	0	0
Payments for goods and services	0	0
Total	0	0
d) Key management compensation		
Directors' emoluments	0	0

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Description	2024/2025	2023/2024
	Kshs	Kshs
Compensation to the medical Sup	0	0
Compensation to key management	0	0
Total	0	0

28. Segment Information

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

29. Contingent Liabilities

Contingent liabilities	2024/2025	2023/2024
	Kshs	Kshs
Court case against the hospital	0	0
Bank guarantees in favour of subsidiary	0	0
Total	0	0

30. Capital Commitments

Capital Commitments	2024/2025	2023/2024
	Kshs	Kshs
Authorised For	0	0
Authorised And Contracted For	0	0
Total	0	0

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

31. Events after the Reporting Period

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

32. Ultimate and Holding Entity

Malava Sub county Hospital (County Government of Kakamega)
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The entity is a County Corporation/ or a Semi- Autonomous Government Agency under the Department of Health. Its ultimate parent is the County Government of Kakamega.

33. Currency

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

Malava Sub county Hospital (County Government of Kakamega)
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20. Appendices


Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

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

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Accounting Officer

Malava Sub county Hospital (County Government of Kakamega)
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Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

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

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

**Malava Sub county Hospital (County Government of Kakamega)
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Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....

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

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

Head of Accounts Department - Disbursing Entity:
 Name Sign Date

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

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Appendix IV Reporting of Climate Relevant Expenditures

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

**Malava sub county Hospital (County Government of kakamega)
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Appendix V: Disaster Expenditure Reporting Template

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