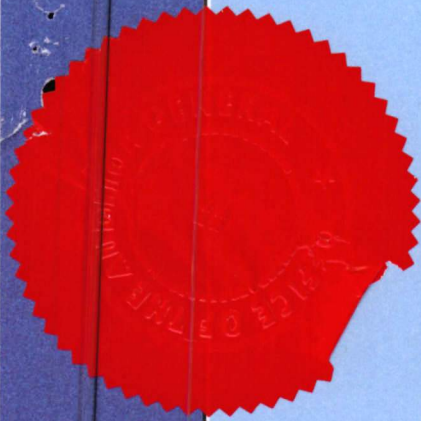
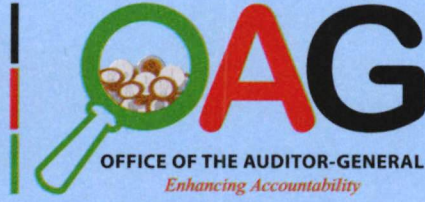


REPUBLIC OF KENYA



133



REPORT

OF

THE AUDITOR-GENERAL

ON

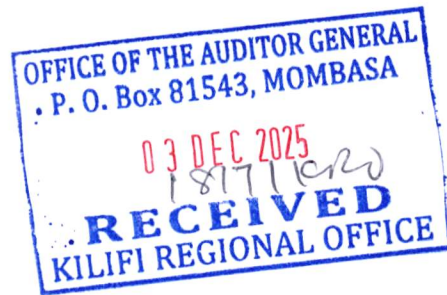
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MPEKETONI SUB-COUNTY LEVEL 4 HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF LAMU

55



MPEKETONI SUB-COUNTY HOSPITAL (Lamu County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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1. Acronyms & Glossary of Terms

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

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the hospital.
Hospital	Mpeketoni Sub County Hospital
FIF	Facility Improvement Fund
PPP	Public Private Partnership
HMT	Hospital Management Team

2. Key Hospital Information and Management

(a) Background information

Mpeketoni Sub - County Hospital is a level 4 hospital with MFL code 11649 with registration number GK-007586. The hospital is domiciled in Lamu West Sub – County, Bahari ward under the Medical Services Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity of the hospital is to offer quality medical care services to the people of Lamu west.

Vision

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

Mission

To provide accessible, compassionate and high – quality healthcare services to all patients to promote health and well-being of the Lamu west residence

Core Values

Compassion: Providing care with empathy and respect for all individuals.

Integrity: Upholding high ethical standards in all actions and decisions.

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

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

(c) Key Management

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

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

(d) Fiduciary Management

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

SN	Designation	Name
1.	Medical Superintendent	Mohamed Moroa
2.	Head of finance	CPA Mohamed Abbas Abubakar
3.	Head of supply chain	Jamila Mitsanze
4.	Hospital Administrator	Bill Jumlai
5.	Chief Officer Medical Service	Dr. Victor Tole

(e) Fiduciary Oversight Arrangements

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

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

(f) Hospital Headquarters

Mpeketoni Sub Hospital Headquarters

P.O. Box 88 - 80503

Mpeketoni Sub – County Hospital Lamu, KENYA.

(g) Hospital Contacts

Mpeketoni Sub - County Hospital Contacts

Telephone: (+254) 202682093/ 4700460993

E-mail mpeketonisch@gmail.com

Website: www.lamu.go.ke

(h) Hospital Bankers

Mpeketoni Sub - County Hospital Bankers

Kenya Commercial Bank

P.O Box 121 – 80500

Mpeketoni Branch.

(i) Independent Auditors

Auditor General

Office of Auditor General

Anniversary Towers, Institute Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

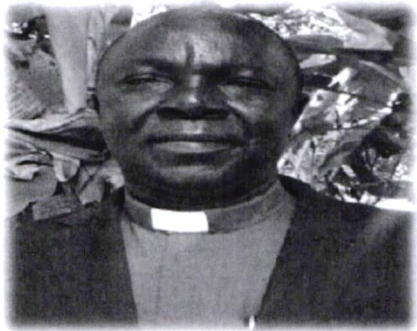


(k) County Attorney





Directorate of Legal Services

P.O.Box 74-80500



Lamu, Kenya

3. The Board of Management



Name	Details
 <p>Bishop Maurice Pepela Busuru Chairperson</p>	<p>Masters in Theology Bachelor of Arts- Theology Higher National Diploma-Theology Actively serving as lead Bishop in Christ of the King Church that is domiciled in Mpeketoni. He rose within the ranks to become a Bishop with an experience of over 25years serving the Lord in the Christian faith</p>
 <p>Christine Mumbua Muthoka Member</p>	<p>Madam Christine is a renowned business woman and a contractor /supplier of goods and services in Lamu county. Her highest level of education is form 4 and currently pursuing a Diploma in Fashion and Design</p>
 <p>Hannah Wangari Gitau Member</p>	<p>Madam Hannah is a known business lady and a large scale farmer who transports her agricultural products within Lamu and other parts of the country and even neighboring countries. Her level of education is form 4</p>

 <p>Jane Mbaire Mbuno Member</p>	<p>A Retired Civil Servant who worked as an Agricultural Officer in Kenya until her retirement 5 years ago. She currently does small scale farming and runs carpentry business in partnership with his husband at Mpeketoni town she holds a Diploma in Agriculture and Economics.</p>
 <p>Dr. Majid Hobeni Member</p>	<p>Holds a PhD curriculum development. He is a renowned business man in mpeketoni and currently the CEO Aisha center an Islamic institution in kanamai kilifi county</p>
 <p>Dr. Mohamed Moroa Medical Superintendent/ Secretary</p>	<p>Mph,Bsn, krchn ,PhD (Eepidemiology) student Has a vast experience having worked in the health department in several parts of the country. He also worked in south Sudan as a health expatriate for 2 years from 2011 to 2013 under UNDP</p>
 <p>Bill Jumlai Hospital Administrator</p>	<p>BBM-HRM, Dip. Business Administration, Member IHRM-K. Bill is a Senior administrator who rose within ranks to become what he is today. He has been working as an administrator in health department for over 15 years</p>

4. Key Management Team

Name	Designation
 <p>Dr. Mohamed Moroa Medical Superintendent/ Secretary</p>	<p>Medical Superintendent Secretary to the Board of Management</p>
 <p>Mohamed Abbas Abubakar B.COM Finance, Masters – Finance, CPA(K)</p>	<p>Head of finance</p>
 <p>Ms. Jamila Mitsanze B.COM Procurement, Masters - Procurement</p>	<p>Fif head of procurement</p>

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

Name	Designation
 <p>Mr. Bill Jumlai Bachelors in Business Management, HRM</p>	Hospital Administrator
 <p>Dr. Victor Tole Bachelors in Pharmacy, Masters</p>	Chief Officer Medical Service

5. Chairman's Statement

The Board of Management is pleased with the hospital's accomplishments during this time towards becoming self reliant. It is my pleasure to submit the hospital's 2024/25 Annual report and Financial Statements. I am very impressed by the staff's dedication to provide patients with the finest care possible, especially given the size and complexity of operations at this facility.

Serving as a public hospital in Lamu West and beyond, the hospital continues to provide services to patients from the surrounding regions. These include, among other things, inpatient services, Outpatient services general surgery, dental services, Imaging services, Diagnostic services, Rehabilitative services and dialysis services under PPP. Our strong sense of purpose in providing high-quality, individualized care with cutting-edge technologies was made progressively building on the progress made in the preceding years and supported by transparent systems and processes as well as an enabling environment.

To guarantee the effective and efficient provision of services in the hospital, management and operations are directed by the institutional, legal, and policy frameworks that now oversee the health sector. The right to the best possible standard of health, including emergency medical care and reproductive health care, is guaranteed by the 2010 Kenyan Constitution's Bill of Rights.

The hospital has maintained compliance with audit standards and in the last Audit of the Q3 & Q4 of FY 2024/24 we managed to get the auditors qualified report this demonstrated that we are on course to quality objectives and sustain standards through continual improvement of our quality management systems. With a team of dedicated management and staff this shall be possible.

The hospital is still facing difficulties arising from shortage of health care personnel and specifically nursing, medical officers which has strained enhancement of the calibre of services provided to clients. In reaction to this, the Board continues to be focussed in advocating for resources and supporting initiatives that will sustain the hospital in its operations

On behalf of the Board, I would like to thank all our stakeholders especially H.E The Governor, The DG/CECM-Health and the Chief Officer-Medical Services and our partners for the support they continue to accord the hospital without which our achievements would not have been realized. As we focus on the new financial year 2025/26 commencing 1st July 2025, my sincere appreciation goes out to the Board of Management and the employees of Mpeketoni Sub County Hospital, who embody our hospital's goal and values every single day and take great pride in their work. In closing, I firmly hold that, as has been the case over the years, our strategy and the personnel we have on board will continue to propel our growth in the future.

.....
BISHOP MAURICE PEPELA BUSURU
CHAIRMAN BOARD OF MANAGEMENT
MPEKETONI SUB COUNTY HOSPITAL

6. Report of The Medical Superintendent

It is with great pleasure that I present to you annual report and financial statement for the year ended 30th June 2024 for Mpeketoni sub County Hospital under the Facility Improvement Fund. The FIF came into existences as a result of the Lamu County Health Facility Improvement Finance Act, 2023 was assented to ensure that health services are available, accessible, acceptable, and affordable and of good quality and standard. Ensure that health facilities shall be well funded to offer quality care; accountability, transparency and integrity shall be upheld, observed, promoted and protected in the collection, management and use of revenue; and that revenue generated at public health facilities be considered to be additional to the budgets appropriated to public health facilities by the County Assembly or National Parliament and not a substitute.

Health Service Delivery

Kenya is experiencing a change in disease patterns marked by a burden of non-communicable diseases (NCDs) such as such as cancers, diabetes respiratory, digestive disease, injuries from boda-bodas and conflicts among others account for significant percentage of the total deaths and over 50 per cent of total hospital admissions in Kenya. This has warranted new approaches for prevention, diagnosis, treatment and cure of such afflictions. As management we have established and operationalize the emergency outpatient wing to handle life threatening injuries in a more coordinated and wholistic approach. The hospital has also engaged the community health workers to conduct outreach activities and conducting health promotion and interventions to improve individual level behaviour, physical environment and societal environment with the help of the public health personnel. Under the year or review the hospital managed to operationalize the new maternity theatre and also started NBU services. The hospital also managed to expand its laboratory services to offer services that were never before and this has improved quality of services offered to our clients

Investments

In recognition of the fact that infrastructure go hand in hand with improvement of equipment's during the year several projects were undertaken some done by the health department of Lamu under the leadership of his excellency governor and through FIF. Some of the achievements include renovation of x-ray room, streamlining revenue collection, overhaul of the sewer system in the old general ward, buying of small equipment, building of a walkway to the mortuary among other developments under FIF

Financial

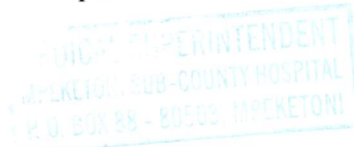
In our pursuit to improve on transparency and accountability, the Hospital has and will continue to manage its finances in accordance with the principles of fiscal responsibility as spelt out in the public finance management Act (2012) and its regulations and other applicable laws. The Hospital collected KES **41,816,685** for 2024-2025. This collection arises from cash collection of **16,159,057**, other insurance **466,138** rent hospital stalls **55,200** and from nephromed **427600** and NHIF/SHA **24,832,113** capitation and claims. The revenue was budgeted by the Board and submitted to the Chief officer for issuance of Appropriation in Aid (AIA) to finance its operation on Medical/Clinical costs, Board of Management expenses, Repairs and maintenance, Purchase of computers, printers and other ICT General office expenses among others.

Appreciations

I appreciate the unrelenting support from the Board of Management, Hospital Management Team and most importantly the Mpeketoni Sub – County Hospital medical and non- medical staff And above all the support from the county government of Lamu headed by the governor. I look forward to continuing partnership and cooperation in areas of mutual interest in the FY 2024/2025.



.....
MOHAMED MOROA
SECRETARY BOARD OF MANAGEMENT
MPEKETONI SUB COUNTY HOSPITAL



7. Statement of Performance Against Predetermined Objectives

Mpeketoni sub county Hospital has 4 strategic pillars and objectives within the current Strategic Plan for the FY 2023/2024. These strategic pillars are as follows:

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

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

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar1: Information Surveillance, and Research	To ensure health service statistics provided to patients are adequately captured and collated in standardized formats and reported to a national database.	Number of Monthly summary reports compiled and submitted.	1. Ensuring that each department within the Hospital compiles their service data and submit it for data entry routinely. 2. Timely data Entry in KHIS. 3. Data Analysis for decision making.	1. Percentage on timeliness of reports submitted and entered on KHIS. 2. All Vital events on births and deaths occurring at the hospital are notified.
Pillar 2: Management of Health Services	To minimise wasteful and harmful practices by applying appropriate and consistent medical knowledge.	Cost-effectiveness and equity of interventions.	Applying appropriate and consistent Medical Knowledge	Reduced wastage rates and improved health care quality outcomes
Pillar 3: Human Resources	To invest in people who provide technical health care services for achieving progress against disease and injury.	Availability of specialized and motivated health care providers in various departments.	1. Evaluating the staffing needs of the facility. 2. Identifying the departments that need more staffing. 3. Communicate to the employing	1.Improved productivity 2.low attrition rates.

			authority for consideration. 4. Identifying employee satisfaction needs and helping them to achieve them.	
Pillar 4: Financing	To mobilize sufficient funds for operating the health system and to apply those funds well.	Sustainability of quality health care service delivery.	1. Prioritization of facility health needs. 2. Identification of additional ways of raising revenue. 4. Public financing	Smooth running of the hospital activities with reduced stock outs and interruption of services.

8. Corporate Governance Statement

Maintaining shareholder value and satisfying their expectations requires a dedication to sound corporate governance. The principles of excellent corporate governance—accountability, transparency, responsibility, and fairness—form the foundation of our structures, procedures, and processes. The Board of Management at Mpeketoni Sub County Hospital is resolute in upholding legal obligations.

The Hospital Board of Management is constituted in accordance with the provisions of FIF legislation and is composed of 8 members of whom one is an *ex officio member*. One member is now deceased having passed on in Sept 2024 thus changing the composition from 9 to 8 members. The Constitution of the Board considers diversity in gender, age, ethnicity and culture. In addition, the current Board of Management has diverse skills and experience in the fields of Audit/finance, community development, business and as well as administration.

Appointment of the Board

The members of the Board are nominated by H.E The Governor and gazetted by CECM-Health in accordance with Sec 13 & 17 of the Lamu County Health Facility Improvement Financing Act 2023. The term of office of all appointed members shall be three years renewable only once for a further term of three years with the exception of those appointed by virtue of their offices in the government.

Roles and functions of the board-Chairman

The Chairman is responsible for the strategic leadership of the board and is pivotal in creating conditions for the overall effectiveness of the board, promotes an open environment for debate and ensures all members are able to speak freely and contribute effectively. He ensures that the Board plays a full and constructive part in the development and determination of the Hospital's strategies and policies. The chairman ensures that board

meetings are held as and when necessary and members are supplied with accurate, timely and sufficient information to enable them to discharge their duties effectively

Roles and functions of the board-Members

The responsibility of driving good corporate governance and stewardship of the Hospital is vested in the Board of Management supported by Board Committees and the board's Secretary. The Board, through its Committees provides strategic direction while the Medical Superintendent/Secretary is assisted by the HMT. Board members are expected to be responsible, prudent and skilful while carrying out their fiduciary duties on behalf of the Hospital

Board Meetings

The Chairman, in conjunction with the Board's Secretary, sets the agenda for each Board meeting which is circulated at least seven days prior to meeting. In the year under review, the Board held a total of 4 meetings to consider pertinent issues relating to strategy, hospital performance and operational sustainability.

Ethics & Conduct

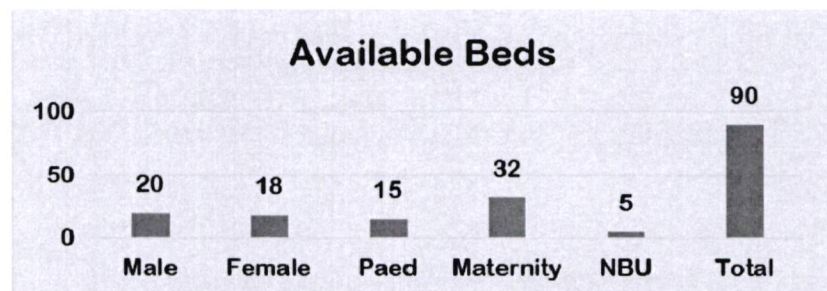
The hospital is committed to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders. All Board members and employees of the Hospital are expected to avoid activities and financial interests that could undermine their responsibilities to the Hospital.

Board Remuneration

During every Board meeting, members are entitled to a sitting allowance in line with the FIF Act 2023 Sec 21. (1) The Chairperson of the Board of Management shall be paid a sitting allowance of Kenya Shilling five thousand per sitting while the other members will be paid Kenya Shilling four thousand per sitting.

9. Management Discussion and Analysis

Bed capacity of the hospital.



WARD	BEDS
Male	20
Female	18
Paediatric	15
Maternity	32
NBU	5
Total	90

Overall patient attendance during the year for both inpatient and outpatient.

Data Element	July 2023 - June 2024	July 2024 - June 2025	Drop/Increase margin as %
OPD Attendance <5yrs Female	3,982	2,282	42.7
OPD Attendance <5yrs Male	4,391	2,770	36.9
OPD attendance >5yrs Female	14,767	11,065	25.1
OPD attendance >5yrs Male	10,251	7,716	24.7
Over 60 years Attendance	4,681	3,621	22.6
Total OPD Attendance	38,072	27,454	27.9

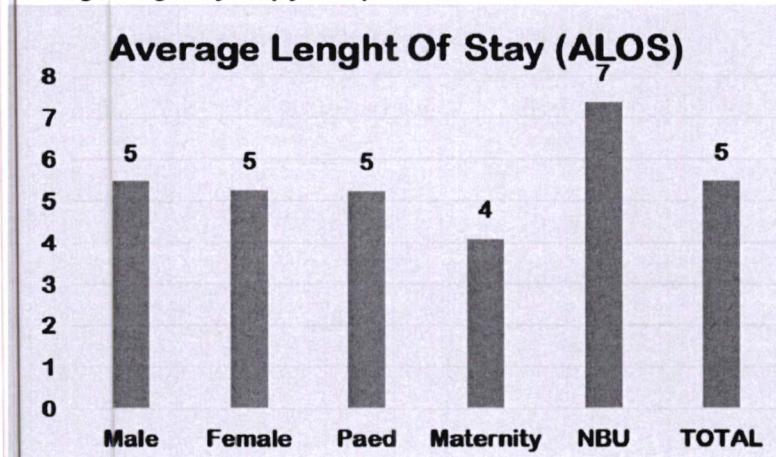
Data Element	July 2023 - June 2024	July 2024 - June 2025	Drop/Increase margin as %
CWC Attendance	4,158	5,396	-29.8
ANC Attendance	3,702	2,600	29.8
PNC Attendance	582	453	22.2
FP Attendance	2,105	1,541	26.8
Total MCH Attendance	10,547	9,990	5.2

Data Element	July 2023 - June 2024	July 2024 - June 2025	Drop/Increase margin as %
Admission 0-28 days	51	135	-164.7
Inpatient Admissions Over Five	2,613	2,079	20.4
Inpatient Admissions Under Five	733	454	38.1
Total IP Admissions	3,397	2,668	21.5

Specialised clinic attendance

PERIOD	DATA ELEMENT	Mpeketoni Sub-County Hospital
July 2024 - June 2025	Obstetrics/Gynaecology Attendance	615
	ENT Clinic Attendance	443
	Surgical Clinics attendances	466
	Eye Clinic Attendance	436
	Paediatrics attendances	9
	Psychiatry Attendance	136
	Medical Attendance	633

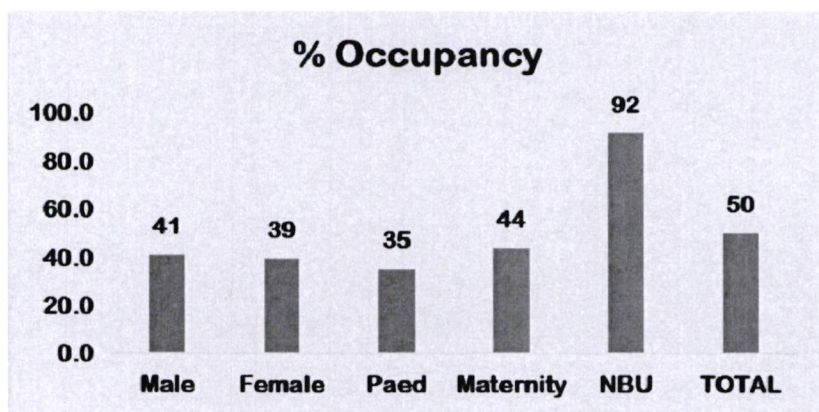
Average length of stay for in patient.



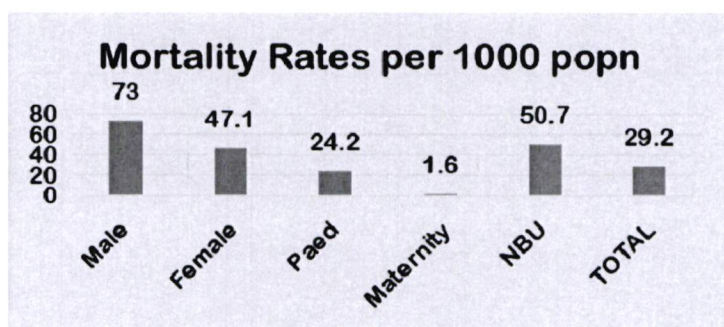
WARD	ALOS
Male	5
Female	5
Paediatric	5
Maternity	4
NBU	7
TOTAL	5

Bed occupancy rate

WARD	%
Male	40.9
Female	39.2
Paediatric	35.4
Maternity	43.8
NBU	91.6
TOTAL	50.2

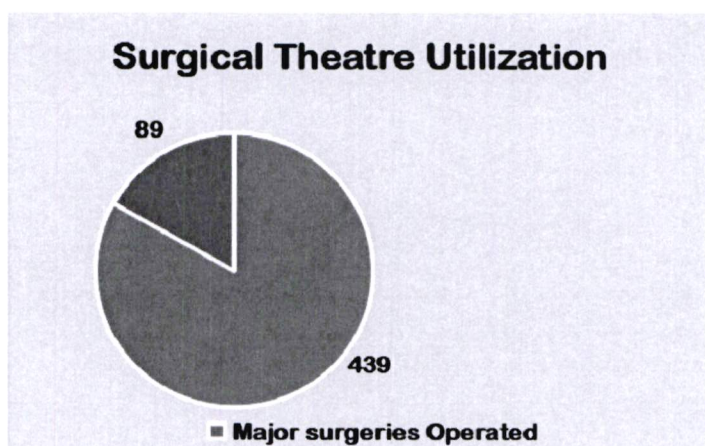


Mortality rate



WARD	Mortality Rates per 1000 population
Male	73
Female	47.1
Paediatric	24.2
Maternity	1.6
NBU	50.7
TOTAL	29.2

Surgical theatre utilisation (number of operations over a period of time)



	Major surgeries Operated	Minor surgeries operated
July 2024 - June 2025	439	89

10. Environmental And Sustainability Reporting

i) Sustainability strategy and profile

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

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

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

ii) Environmental performance

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

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

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

iii) Employee welfare

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

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

iv) Market place practices-

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

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

- ❖ The hospital maintains good business practices with its suppliers. Upon the supplier's delivery of all items in accordance with the purchase order, an inspection and acceptance committee appointed by the Medical Superintendent conducts an inspection of the delivered items. Once the committee approves the delivered items, the hospital promptly prepares a payment voucher. This payment voucher is then submitted to the accountant for payment.

v) Corporate Social Responsibility / Community Engagements

The hospital acts as a teaching hospital and accommodates Kenya training college students from Mombasa KMTC and Portreiz KMTC who come to the hospital to gain experiencing in nursing, clinical medicine, orthopedic and trauma and lastly emergency medical technician. Additionally, in collaboration with KDF Manda base an orthopedic surgeon visits the hospital every Thursday of the week to perform orthopedic surgical cases for our patients.

11. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2025, which show the state of the Mpeketoni sub county Hospital's affairs.

Principal activities

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

Results

The results of the hospital for the year ended June 30 2025 are set out on pages 1 to 7

Board of Management

The members of the Board who served during the year are shown on page III-X. There were no changes of board of management during the period

Auditors

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

By Order of the Board



.....
Mr. Mohamed Moroa
Secretary to the Board



12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 and the Lamu County Health Facilities Improvement Fund Act 2023 requires the Board of Management to prepare financial statements in respect of that Hospital, which give a true and fair view of the state of affairs of the hospital at the end of the financial year and the operating results of the hospital for that year. The Board of Management is also required to ensure that the hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the hospital. The council members are also responsible for safeguarding the assets of the hospital.

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

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

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

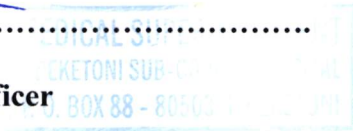
In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern. Nothing has come to the attention of the Board of management to indicate that the Mpeketoni Sub – County Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 30-06-2025 and signed on its behalf by:

.....
Name:
Chairperson
Board of Management

.....
Name:
Accounting Officer



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 MPEKETONI SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF LAMU

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mpeketoni Sub-County Level 4 Hospital set out on pages 1 to 49, 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 Mpeketoni Sub-County Level 4 Hospital 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 Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccurate Revenue from Exchange Transactions

The statement of financial performance reflects revenue from exchange transactions totalling to Kshs.50,466,599. The revenue include revenue from rendering services (medical service income) of Kshs.49,983,599. However, the ledger provided reflects an amount of Kshs.47,461,693 resulting to a variance of Kshs.2,521,906. This is attributed to the fact that the Hospital used manual receipt books to collect revenue in the period July, 2024 to April, 2025 but failed to carry out reconciliation of revenue collections. In addition, several manual receipt books with serial numbers had been omitted from the revenue reports provided.

In the circumstances, the accuracy and completeness of revenue from exchange transactions totalling Kshs.65,655,086 could not be confirmed.

2. Unsupported Receivables from Non-Exchange Transactions Balance

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.8,649,713 as disclosed in Note 17 to the financial statements. Included in this is a balance of Kshs.6,838,040 in respect to receivables from Social Health Authority (SHA). However, the balance was not supported by a breakdown of outstanding patient invoices not settled by the SHA.

In the circumstances, the accuracy and completeness of the receivables from non-exchange transactions balance of Kshs.8,649,713 could not be confirmed.

3. Unsupported and Misstated Expenditure on General Expenses

The statement of financial performance reflects general expenses totalling to Kshs.17,531,223 as disclosed in Note 14 to the financial statements. Review of records revealed that the expenditure included Kshs.5,691,620 on food and rations made vide local purchase number 3891059, 3891060 and 3891061 of Kshs.201,920, Kshs.272,012 and Kshs.7,300 dated 1 July, 2024 totaling to Kshs.481,232. However, the supplier was paid Kshs.544,872 resulting to an overpayment of Kshs.63,640. In addition, the expenditure on electricity of Kshs.4,027,432 and on water and sewerage charges of Kshs.450,000 was based on actual payments made to the utility and water

companies. Management did not provide electricity and water bills incurred by the Hospital in the year under review.

In the circumstances, the accuracy and completeness of the general expenses totalling Kshs.17,531,223 could not be confirmed.

4. Unsupported Expenditure on Sitting Allowances

The statement of financial performance reflects board of management expenses totalling to Kshs.148,000 as disclosed in Note 10 to the financial statements. Review of records revealed that Board members were paid sitting allowances in respect of various meetings held during the financial year. However, the payment was not supported by approved annual board work plan.

In the circumstances, the accuracy and completeness of the expenditure on sitting allowances totalling Kshs.148,000 could not be confirmed.

5. Unsupported Property, Plant and Equipment Balance

The statement of financial performance reflects expenditure on medical/clinical costs totalling Kshs.22,063,608 as disclosed in Note 8 to the financial statements. The expenditure included in-kind contributions from the County Government of Kshs.4,250,526. Review of supporting documents revealed that the amount related to assorted medical equipment supplied by the County Government to the Hospital and not consumable medical items. The medical items had not been recorded in the Hospital asset register.

In the circumstances, the accuracy, completeness and existence of property, plant and equipment balance of Kshs.22,063,608 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Mpeketoni Sub-County Level 4 Hospital 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 Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and

Governance. Review of the status during audit of the Hospital in 2024/2025 revealed that the following seven (7) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2023/2024	Inaccuracies in the Financial Statement
2	2023/2024	Inaccurate revenue
3	2023/2024	Budgetary Control Performance
4	2023/2024	Failure to remit thirty percent (30%) to County Health Services Accounts
5	2023/2024	Non-Compliance with Kenya Quality Model Health Checklist for Level Four (4) Hospitals
6	2023/2024	Lack of automated revenue system
7	2023/2024	Lack of systems in the management of inventory

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Irregular Expenditure on Food and Rations

The statement of financial performance reflects expenditure on general expenses totalling to Kshs.17,531,223 as disclosed in Note 14 to the financial statements. Included in this expenditure is an amount of Kshs.5,691,620 in respect of food and rations. Review of the procurement process revealed that a local trader was awarded the tender to supply and deliver food stuffs at a cost of Kshs.1,000,060 as approved in line with the professional opinion dated 6 August, 2024 and quotation number CGL/Q/FIF/MSCH/027/2024-2025. However, the actual payment to the supplier was Kshs.1,540,722 resulting to unjustified payment of Kshs.540,662. This was contrary to Section 48(3) (b) of the Public Procurement and Asset Disposal Act, 2015 which states that the inspection and acceptance committee shall immediately after the delivery of the goods, works or services inspect and review the goods, works or services in order to ensure compliance with the terms and specifications of the contract. Section 134(1) of the Act states that the Accounting Officer shall be responsible for preparation of contracts in line with the award decision.

In addition, the payment was also not supported by contract agreement between the Hospital and the supplier while invoices numbers 613, 615, 695, 696, 697 of Kshs.265,560, Kshs.279,312, Kshs.280,775, Kshs.235,280, Kshs.4,800 and delivery note numbers 688, 689, 690,691, 692 amounting to Kshs.1,065,727 were not dated. This was contrary to Regulation 104(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that all receipts and payment vouchers of public moneys shall be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.

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

2. Non-Compliance With the Kenya Quality Model for Health for Level 4 Hospital Requirements

Review of documents revealed that the Hospital had seventy-seven (77) medical staff against the minimum requirement of one hundred and one (101) resulting to understaffing by twenty-four (24) members of staff or 24% which included the shortage of specialists such as anesthesiologists, gynecologists and pediatrics. In addition, the Hospital had one hundred and thirty-one (131) equipment and machines against the requirement of one hundred and eighty-one (181) for a Level 4 Hospital resulting to a shortage of fifty (50) or 28% which included shortage of vital services such as functional Intensive Care Unit (ICU) beds and High Dependency Unit (HDU) which require a minimum of six (6) beds.

This was contrary to Gazette Notice No. 786 Vol.CXXII No. 24 of 4 February, 2020 which provides for classification of healthcare facilities, including the basic essential primary services each level should carry out. Article 43(1) of the Constitution of Kenya, 2010 provides that every person has the right to the highest attainable standard of health, which includes the right to health care services, including reproductive health care.

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

3. Weak Imprest Management System

The statement of financial performance reflects general expenses totalling Kshs.17,531,223 as disclosed in Note 14 to the financial statements. Included in this is an amount of Kshs.1,286,000 in respect of publishing and printing. Review of supporting schedules revealed that imprest warrant number 4131033 was issued to an officer for Kshs.100,000 for catering, courier, printing and lab purposes. However, the imprest was used for maintenance, daily subsistence allowance, payment for low-income earners and general office supplies.

This expenditure was not in line with the purpose for which the imprest was approved contrary to Regulation 93 (1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that an imprest shall be issued for a specific purpose, and any payments made from it, shall be only for the purposes specified in the imprest warrant.

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

4. Non-Compliance with Fiscal Responsibility Principles on Budgeting

The statement of comparison of budget and actual amounts reflects total revenue budget amount of Kshs.57,005,372 and total expenditure budget of Kshs.60,777,625 resulting to a budget deficit of Kshs.3,772,253. This was contrary to Regulation 31 of the Public Financial Management (County Governments) Regulations, 2015 which states that unless provided otherwise in the Act, these Regulations or any other guidelines developed in furtherance of the Act or these Regulations, at all times during budget formulation and approval, budget revenue and expenditure appropriations shall be balanced.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Poor Inventory Management System

Physical verification of the stores department revealed that the Hospital did not have an Inventory Management System in place to manage receipts and issue of stock items. In addition, the store did not have enough shelves as some items were placed on the floor exposing them to possible damage and deterioration. Further, it was noted that there was no proper segregation of duties within the stores section where the same officer was responsible for receiving, issuing, and updating stock records (bin cards/inventory cards).

This was contrary to Section 161 (1) of the Public Procurement and Asset Disposal Act, 2015 which provides that an Accounting Officer of a procuring entity shall set up an Inventory Management System which shall be managed by the Head of the procurement function, for the purpose of control and managing its inventory, stores and assets.

In the circumstances, the effectiveness of internal controls, risk management and governance on inventory 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 those Charged with Governance

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

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

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

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

Those charged with governance are 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

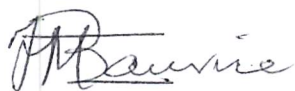
Nairobi

05 December, 2025

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

Description	Notes	Year ended 30th June 2025	Year ended 30th June 2024
		Kshs	Kshs
Revenue from non-exchange transactions			
In- kind contributions from the County Government	5	15,188,687	
Total Revenue from non- exchange transactions		15,188,687	
Revenue from exchange transactions			
Rendering of services- Medical Service Income	6	49,983,599	20,785,361
Revenue from rent of facilities	7	482,800	
Revenue from exchange transactions		50,466,399	20,785,361
Total revenue		65,655,086	20,785,361
Expenses			
Medical/Clinical costs	8	22,063,608	11,226,224
Employee costs	9	6,554,267	
Board of Management Expenses	10	148,000.00	57,000.00
Depreciation and amortization expense	11	1,596,601.26	86,535
Repairs and maintenance	12	5,988,077	627,800
Transfers	13		8,270,802
General expenses	14	17,531,223	3,992,628
Total expenses		53,881,777	24,260,988
Other gains/(losses)			
Medical services contracts Gains/Losses	15		17,790,670
Total other gains/(losses)			17,790,670
Net Surplus for the year		11,773,309	14,315,042

The Hospital's financial statements were approved by the Board on 30-6-2025 and signed on its behalf by:



.....
Chairman
Board of Management



.....
Head of Finance
ICPAK No: 23585



.....
Medical Superintendent

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

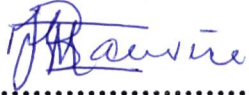
15. Statement of Financial Position As At 30th June 2025

Description	Notes	Year ended 30th June 2025	Year ended 30th June 2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	16	11,364,877	13,847,258
Receivables from non-exchange transactions	17	8,649,713	60,000.00
Inventories	18	274,493	425,291
Total Current Assets		20,289,084	14,332,549
Non-current assets			
Property, plant, and equipment	19	6,012,585	443,573
Total Non-current Assets		6,012,585	443,573
Total assets		26,301,669	14,332,549
Liabilities			
Current liabilities			
Trade and other payables	20	195,810.00	
Total Current Liabilities		195,810.00	
Non-current liabilities			
Total Non-current liabilities			
Total Liabilities		195,810.00	
Net assets		26,105,859	14,332,549
Revaluation reserve			
Accumulated surplus/Deficit		26,088,352	14,315,042
Capital Fund		17,507	17,507

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

Total Net Assets and Liabilities	26,105,859	14,332,549
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The Hospital's financial statements were approved by the Board on 30-06-2025 and signed on its behalf by:



.....
Chairman
Board of Management



.....
Head of Finance
ICPAK No: 23585



.....
Medical Superintendent

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2023	-	-	-	-
Opening balance			17,507	17,507
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	14,315,042	-	14,315,042
Capital/Development grants	-	-	-	-
As at June 30, 2024	-	14,315,042	17,507	14,332,549
As at July 1, 2024	-	14,315,042	17,507	14,332,549
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	11,773,309	-	11,773,309
Capital/Development grants	-	-	-	-
As at June 30, 2025	-	26,088,352	17,507	26,105,859

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

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

Description	Note	Year ended 30th June 2025	Year ended 30th June 2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Rendering of services- Medical Service Income		41,393,886	20,785,360
Revenue from rent of facilities		482,800	
Gains from NHIF comprehensive			17,790,670
Total Receipts		41,876,686	38,576,031
Payments			
Medical/Clinical costs		21,266,879	11,226,224
Employee costs		689,267	
Board of Management Expenses		148,000	57,000
Repairs and maintenance		5,988,077	627,800
transfers			8,270,802
General expenses		13,393,475	3,992,628
Total Payments		41,485,698	24,174,453
Net cash flows from/(used in) operating activities	22	390,988	14,401,577
Cash flows from investing activities			
Purchase of property, plant, equipment, & intangible assets		(2,933,369)	(86,535)
Proceeds from the sale of property, plant, and equipment			
Acquisition of investments			
Net cash flows from /(used in) investing activities		(2,933,369)	(86,535)
Cash flows from financing activities			
Net cash flows from /(used in) financing activities		-	
Net increase/(decrease) in cash and cash equivalents		(2,542,381)	14,315,042
Cash and cash equivalents at 1 July	16	13,907,258	17,507
Cash and cash equivalents at June 2025	16	11,364,876	13,907,258

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

Description	Original budget	Adjustments	Final budget	Actual	Performance differences	% of utilization
	a	b	c=(a+b)	d	e	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Rendering of services- Medical Service Income	16,625,195	-	16,625,195	16,625,195	-	100%
medical gains/loss	24,708,690	-	24,708,690	24,708,690	-	100%
revenue from rent	482,800	-	482,800	482,800	-	100%
In kind contribution		15,188,687	15,188,687	15,188,687	-	100%
Total income	41,816,685	15,188,687	57,005,372	57,005,372	-	100%
Expenses						
Medical/Clinical costs	23,551,000	1,131,223	24,682,223	22,063,608	2,618,615	89%
Board of Management expenses	148,000	-	148,000	148,000	-	100%
Repairs and maintenance	6,682,840		6,682,840	5,988,077	694,763	90%
employee cost	690,000	5,865,000	6,555,000	6,554,267	733	100%
General expenses	14,517,098	3,941,938	18,459,036	17,531,223	927,813	95%
Medical equipment		4,250,526	4,250,526	4,250,526	-	100%
Total expenditure	45,588,938	15,188,687	60,777,625	56,535,701	4,241,924	96%
Surplus for the period				469,671		

Budget notes

The difference is caused by in kind contribution of from department of medical services to hospital amounting to 15,188,687

:

Budget Reconciliation

	Description of Particulars	Amount in Kshs
1	Reason for differences: budget difference opening cash	13,907,257
2	Reason for differences: budget difference (net cash flow)	390,988
3	Reason for differences: budget difference (PPE purchased)	(2,933,369)
	Closing Cash and Cash Equivalent as per the statement of Cash flows	11,394,875

19. Notes to the Financial Statements

1. General Information

Mpeketoni Sub - County Hospital under FIF is established by and derives its authority and accountability from Lamu County Health Facility Improvement Financing Act 2023. The hospital is wholly owned by the Government of Kenya and is domiciled in Kenya. The hospital's principal activity is to provide medical care for Lamu Residents.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *hospital's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 13-43 the financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *hospital*. The financial statements have been prepared in accordance with the PFM Act, and *(include any other applicable legislation)*, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

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

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

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

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Standard	Effective date and impact:
and Equipment	<p>IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has 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 hospital shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>

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> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the hospital's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The Hospital did not early – adopt any new or amended standards in the financial year or *the hospital adopted the following standards early (state the standards, reason for early adoption and impact on hospital’s financial statements.)*

Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2024/2025 was approved by Board on *as per the minute's record*. 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 hospital upon receiving the respective approvals in order to conclude the final budget. The budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 7 under section **18** of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Biological Assets

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

i. Research and development costs

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

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

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

j. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities Classification

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

k. Inventories

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

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

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

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

l. Provisions

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

Where the Hospital expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement. ***Notes to the Financial Statements (Continued)***

m. Social Benefits

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

n. Contingent liabilities

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

o. Contingent assets

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

p. Nature and purpose of reserves

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

q. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

r. Employee benefits

Retirement benefit plans

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

s. Foreign currency transactions

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

monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

t. Borrowing costs

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

u. Related parties

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

v. Service concession arrangements

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

w. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial

statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

x. Comparative figures

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

y. Subsequent events

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

4. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to Financial Statements Continued

5. In Kind Contributions from The County Government

Description	Year ended 30 th June 2025	Year ended 30 th June 2024
	KShs	KShs
Salaries and wages	5,865,000	-
Medical supplies-Drawings Rights (KEMSA)	1,131,223	-
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	4,250,526	-
electricity bill	3,227,432	-
oxygen supply	714,506	-
Total grants in kind	15,188,687	-

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Notes to Financial Statements Continued

6. Rendering of Services-Medical Service Income

Description	Year ended 30th June 2025	Year ended 30th June 2024
	Kshs	Kshs
Pharmaceuticals	2,779,249	1,920,100
Farewell home service	2,701,112	-
Laboratory	2,886,645	1,700,150
Radiology	2,066,320	1,874,610
orthopaedic and Trauma Technology	502,650	555,100
Theatre	205,453	-
Ward Admission services	2,930,310	2,763,000
Consultation	1,155,600	540,100
Dental services	254,450	35300
p3 forms	44,600	
minor procedures	157,280	
nutrition	20,780	-
optical	30,200	-
Ear nose and throat services	94,195	-
medical examination	185,410	-
Out patients book	25,330	-
incineration	2,000	-
Laundry-nephromed	30,000	-
Meals-nephromed	42,200	-
Laboratory-nepromed	45,273	
other insurance	466,138	-
Other medical services income(nhif claim paid)	33,358,404	11,397,000
Total revenue from the rendering of services	49,983,599	20,785,361

7. Revenue From Rent of Facilities

Description	Year ended 30 th June 2025	Year ended 30 th June 2024
	Kshs	Kshs
Rent from facilities	482,800	-
Total Revenue from rent of facilities	482,800	-

Notes to the Financial Statements (Continued)

8. Medical/ Clinical Costs

Description	Year ended 30th June 2025	Year ended 30th June 2024
	Kshs	Kshs
Laboratory supplies	4,836,412	1,605,223
Non Pharmaceutical supplies	6,816,871	2,945,181
x-ray material	520,000	
pharmaceutical	9,890,325	6,675,820
Total medical/ clinical costs	22,063,608	11,226,224

9. Employee Costs

Description	Year ended 30 th June 2025	Year ended 30th June 2024
	Kshs	Kshs
Low cum and casual top up	689,267	
Casual salary in kind contribution	5,865,000	
Total Employee cost	6,554,267	

Notes to the Financial Statements (Continued)

10. Board of Management Expenses

Description	Year ended 30th June 2025	Year ended 30th June 2024
	Kshs	Kshs
Sitting allowance	148,000	57,000
Total	148,000	57,000

11. Depreciation and Amortization Expense

Description	Year ended 30th June 2025	Year ended 30th June 2024
	Kshs	Kshs
Depreciation And Amortization Expense	1,596,601	86,535
Total depreciation and amortization	1,596,601	86,535

12. Repairs And Maintenance

Description	Year ended 30th June 2025	Year ended 30th June 2024
	Kshs	Kshs
Repair of building	4,061,937	612,800
Maintenance of plant Equipment and machinery	1,821,140	
Maintenance of Computers, Software, and Networks	105,000	15,000
Total repairs and maintenance	5,988,077	627,800

Notes to the Financial Statements (Continued)

13. Grants And Subsidies

Description	Year ended 30 th June 2025	Year ended 30 th June 2024
	Kshs	Kshs
grants and subsidies		8,270,802
Total grants and subsidies	-	8,270,802

14. General Expenses

Description	Year ended 30 th June 2025	Year ended 30 th June 2024
	Kshs	Kshs
Electricity	4,027,432	750,000
Water and Sewerage Charges	450,000	
Telephone, Telex, Facsimile and Mobile Phone Services	249,000	153,000
Courier & Postal Services	400,000	112,000
General Office Supplies (papers, pencils, forms, small office equipment etc)	571,000	256,300
Sanitary and Cleaning Materials, Supplies and Services	499,000	462,300
Publishing and Printing	1,286,000	
Purchase of staff uniforms & other materials	391,000	
Refined Fuels-Petrol/Diesel	1,940,000	1,466,700
Other Fuel-Gas	537,000	
Food and Rations	5,691,620	722,125
Daily Subsistence allowance	389,000	13,000
Catering services, gifts, food drinks	216,200	
Purchase of Coffin	60,000	
Supply of oxygen	714,506	
Bank service commission and charges	109,465	57,203
Total General Expenses	17,531,223	3,992,628

Notes to the Financial Statements (Continued)

15. Medical Services Contracts Gains /Losses

Description	Year ended 30th June 2025	Year ended 30th June 2024
	Kshs	Kshs
Medical services contracts gains /loss		17,900,670
Total Medical services contracts Gain/Loss		17,900,670

16. Cash And Cash Equivalents

Description	Year ended 30 th June 2025	Year ended 30 th June 2024
	Kshs	Kshs
Current account	11,364,877	13,907,258
Total cash and cash equivalents	11,364,877	13,907,258

Notes to the Financial Statements (Continued)

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

Description	Account number	Year ended 30th June 2025
Financial institution		Kshs
a) Current account		
Kenya Commercial bank	1324546352	808,268
Kenya Commercial bank	1211639363	10,556,164
Cash in hand (pay bill)		445
Grand total		11,364,877

Provide disclosure on any restricted cash that the hospital is holding.

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17. Receivables From Exchange Transactions

Description	Year ended 30 th June 2025	Year ended 30 th June 2024
	KShs	KShs
Sha	6,838,040	-
Nepromed	827,300	-
Nys	79,650	-
Cic	87,350	-
Minet	428,870	-
Hindi prison	87,350	-
Total receivables	8,649,713	-

Analysis of Receivables From Exchange Transactions

Description	Year ended 30 th June 2025		Year ended 30 th June 2025	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

Analysis of Receivables From Non-Exchange Transactions

Description	Year ended 30th June 2025		Insert Comparative FY	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

18. Inventories

Description	Year ended 30 th June 2025	Year ended 30 th June 2024
	Kshs	Kshs
inventories	274,494	425,291
total inventories	274,494	425,291

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Notes to the Financial Statements (Continued)

19. Property, Plant and Equipment

Description	Motor vehicles	Furniture and Fittings	ICT Equipment	Computers	Plant and medical	Portable and attractive equipments	Capital	Total
	Kshs	Kshs	Kshs		Kshs		Kshs	Kshs
Cost								
<i>As at 1st July 2023 (beginning of the year)</i>	-	-	-		-		-	-
Additions during the year	-	119,751	-	-	392,076		-	511,826
Disposals during the year	-	-	-		-		-	-
Transfers/adjustments during the year	-	-	-		-		-	-
As at 30th June 2024	-	119,751	-	-	392,076		-	511,827
								-
Cost								-
<i>As at 1st July 2024 (beginning of the year)</i>	-	119,751	-	-	392,076		-	511,827
Additions during the year	-	49,350	-	446,019	6,133,526	555,000	-	7,183,895
Disposals during the year	-	-	-		-		-	-
As at 30th June 2025	-	169,101	-	446,019	6,525,602	555,000	-	7,695,721

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Depreciation and impairment								-
As at 1st July 2023	-					-	-	-
Depreciation for the year	-	14,925	-	-	71,610		-	86,535
Disposals	-	-	-		-		-	-
Impairment	-	-	-		-		-	-
As at 30th June 2024	-	14,925	-	-	71,610		-	86,535
Depreciation and impairment								-
As at 1st July 2024	-	14,925	-	-	71,610.00	-	-	86,535
Depreciation for the year	-	21,137	-	133,806	1,275,158	166,500	-	1,596,601
Disposals	-	-	-		-		-	-
Impairment	-	-	-		-		-	-
As at 30th June 2025	-	36,063	-	133,806	1,346,768	166,500	-	1,683,136
Net book values								-
As at 30th June 2024		104,825	-	-	320,466	-	-	425,291
As at 30th June 2025		133,038	-	312,213	5,178,834	388,500	-	6,012,585

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Notes to the Financial Statements (Continued)

20. Trade and other Payables

Description	Year ended 30th June 2025		Year ended 30th June 2024	
	KShs		KShs	
Trade payables	195,810		-	
Employee dues	-		-	
Third-party payments (e.g. unremitted payroll deductions)	-		-	
Audit fee	-		-	
Doctors' fee	-		-	
Total trade and other payables	195,810		-	
Ageing analysis:	Current FY	% of the Total	Compa rative FY	% of the total
Under one year	xxx	%	xxx	%
1-2 years	xxx	%	xxx	%
2-3 years	xxx	%	xxx	%
Over 3 years	xxx	%	xxx	%
Total	xxx	%	xxx	%

21. Refundable Deposits from Customers/Patients

Description	Year ended 30 th June 2025		Year ended 30 th June 2025	
	KShs		KShs	
Medical fees paid in advance	-		-	
Credit facility deposit	-		-	
Rent deposits	-		-	
Others (<i>specify</i>)	-		-	
Total deposits	-		-	
	-		-	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

Notes to the Financial Statements (Continued)

22. Cash Generated from Operations

Description	Year ended 30th June 2025	Year ended 30th June 2024
	Kshs	Kshs
Surplus for the year before tax	390,988	-
Adjusted for:	-	-
Depreciation	-	-
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working Capital adjustments	390,988	-
Increase in inventory	-	-
Increase in receivables	-	-
Increase in deferred income	-	-
Increase in payables	-	-
Increase in payments received in advance	-	-
Net cash flow from/used in operating activities	390,988	-

Notes to the Financial Statements (Continued)

23. Financial Risk Management

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

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

(i) Credit risk

The hospital has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial

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investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the hospital's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the hospital's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025 (previous year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				
At 30 June 2025 (current year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions	8,649,713	8,649,713		
Mpesa pay bill	445	445		
Bank balances	11,364,432	11,364,432		
Total	20,014,600	20,014,600		

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

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				-
Trade payables	-	-	-	-
Current portion of borrowings		-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2025				-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

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

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

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

Notes to the Financial Statements (Continued)

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

Foreign currency sensitivity analysis

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

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

b) Interest rate risk

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

Management of interest rate risk

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

Notes to the Financial Statements (Continued)

Sensitivity analysis

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

iii) Capital Risk Management

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

Description	Current Period	Comparative Period
	Kshs	Kshs
Revaluation reserve	-	
Retained earnings	23,897,727	
Capital reserve	17,507	
Total funds	23,915,234	
Total borrowings	-	
Less: cash and bank balances	(11,364,877)	
Net debt/ <i>(excess cash and cash equivalents)</i>	12,550,357	
Gearing	52.5%	

Notes to the Financial Statements (Continued)

24. Related Party Balances

Nature of related party relationships

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

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

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

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Description	Year ended 30th June 2025	Year ended June 20
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to xxx		
Sales of services to xxx		
Total		
b) Grants from the Government (Lamu county government)		
Oxygen supply		
Casual saary and wages	714,506	
Medical equipment purchased by county(physio & Ent)	5,865,000	
Pharmaceuticals	4,250,526	
electricity	1,131,223	
Total	3,227,432	
	15,188,687	
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees		
Payments for goods and services for xxx		
Total	-	-
d) Key management compensation		
Director allowance	-	-
Compensation to the medical Sup	-	-
Compensation to key management	-	-
Total	-	-
	-	-