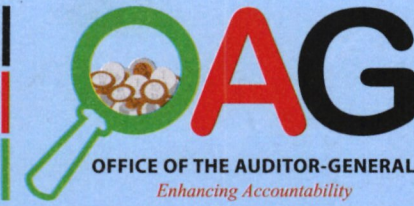


REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

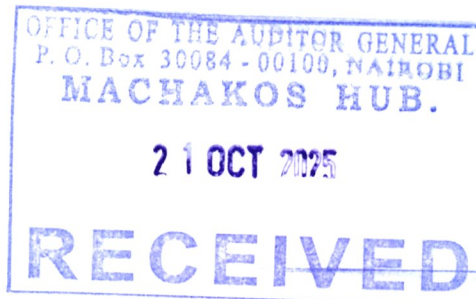
**MWALA LEVEL 4 HOSPITAL**

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

**COUNTY GOVERNMENT OF MACHAKOS**

PAPERS LAID	
DATE	12.11.25.
TABLED BY	S.M.W
COMMITTEE	-
CLERK AT THE TABLE	Aliguel





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**MWALA LEVEL 4 HOSPITAL  
(Machakos County Government)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025**

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**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**

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 Mwala Level 4 Hospital.

## **2. Key Mwala Level 4 Hospital Information and Management**

### **(a) Background information**

Mwala Hospital is a level (4) hospital established under Gazette Notice Number No.786 dated 4<sup>th</sup> February 2020 and is domiciled in Machakos County under the Department of Health and Emergency Services. The hospital is governed by Management appointed by the department. The hospital has seen a lot of development by the County government providing more funds to improve the in-patient and out-patient services.

### **(b) Principal Activities**

The Vision of the Hospital is to become a Centre of excellence in quality healthcare services, training & research in Machakos County and Kenya at large, while its mission is to provide accessible, responsive, quality healthcare services through innovation, training and research. The main mandate of Mwala Level 4 Hospital is to provide curative, preventive, promotive and rehabilitative health services. It offers specialized clinical services in various disciplines. It serves as a centre for research activities, training for medical students and health workers.

The Following are the key Objectives of the Hospital:

- ✦ To provide High quality healthcare services,
- ✦ To provide Super-specialized healthcare services
- ✦ To conduct clinical research
- ✦ To train different levels of health cadres
- ✦ To serve as a Centre that can be utilized by local stakeholders for development or implementation of medical intervention of health policies.
- ✦ To build and strengthen partnership and sector coordination.
- ✦ To advocate and mobilize for adequate funding to the hospital.

### **(c) Key Management**

The hospital management is under the following key organs:

- County Department of Health and Emergency Services
- Accounting Officer/ Medical Superintendent
- Hospital Management Team (HMT)
- County Department of Finance and Economic Planning)

### **(d) Fiduciary Management**

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Emmanuel Wambua Kimeu
2.	Accountant	Eric Milo
3.	Head of supply chain	Maurine Mukene Mwanja
4.	Hospital Manager	Kenneth Loveto Evayo
5.	Hospital Administrator	Sylvester Wambua

**(e) Fiduciary Oversight Arrangements**

The following committees and bodies are assigned fiduciary oversight authority for management of Mwala Level 4 Hospital;

- ✦ Clinical Research and Standards Committee.
- ✦ Audit committee
- ✦ Risk Committee
- ✦ County Assembly
- ✦ Parliamentary (Senate) committees

**(f) Mwala Level 4 Hospital Headquarters**

P.O. Box 191-90102  
Mwala  
Machakos-Mwala

**(g) Mwala Level 4 Hospital Contacts**

Telephone: (+254) 0733349565  
E-mail: hospitalMwala@yahoo.com

**(h) Mwala Level 4 Hospital Bankers**

Kenya Commercial Bank (KCB)

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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




**(k) County Attorney**



County law office  
P.O. Box.1996-90100  
Machakos Kenya

**3. The Board of Management**

There is no Board of Directors in Mwala Level (4) Hospital.

**4. Key Management Team**

Ref	Management	Details
1.	 <p>Dr. Emmanuel Wambua holds a Bachelor of Medicine and Bachelor of Surgery Degree with four years' experience as a medical superintendent.</p>	Medical superintendent
2.	 <p>Kenneth Loveto holds a Bachelor's Degree in Arts (Sociology) and has more than 5 years' experience as a hospital manager</p>	Hospital manager
3.	 <p>Sylvester Wambua has a Bachelor's Degree in Business Administration with over ten years' experience.</p>	Hospital administrator

4.	 <p>Eunice Manuna is a registered as a Community Health nurse with more than 10 years' experience.</p>	Nursing Manager
5.	 <p>Eric Milo, holds a Master's Degree in Business Administration, Bachelor's Degree in Commerce and CPA (K) with more than 12 years' experience in finance.</p>	Accountant

**5. Chairman's Statement**

There was no chairman's statement because there is no Board of Management (BOM)

## **6. Report of The Medical Superintendent**

It is my pleasure to present the Mwala Level 4 Hospital Financial Statements for the year ended 30<sup>th</sup> June 2025, which are in line with the Public Finance Management (PFM) Act, 2012. The Act requires final financial statements to be prepared, published, publicized and submitted to the County Assembly, Office of the Auditor General, the National Treasury, the Controller of Budget and Commission for Revenue Allocation within a period of two months after the end of each Financial Year.

Attached are the Hospital's Statements which have been prepared in line with the requirements of the PFM Act 2012, which present a true and fair view of state of affairs of the County Government of Machakos for the year ended 30<sup>th</sup> June, 2025.

The Financial statements highlights both qualitative and quantitative user information about the performance of the hospital based on the revenue received and collected from the county and NHIF/SHA versus numerous expenses incurred in line to promotion of quality health care services.

Additionally, the financial statements have also enumerated various challenges that the management and staff faced during the year. Essentially, the challenges continue to be highlighted to top management and solved on need basis.



.....  
**Name: Dr Emmanuel Wambua**  
**Medical Superintendent**

**7. Statement of Performance Against Predetermined Objectives**

Mwala Level 4 Hospital has Six (6) strategic objectives within the current Strategic Plan for the FY 2024- 25. These objectives have been identified through a participatory process that reviewed the health priorities of the Governor’s Manifesto, the National Government’s priorities of BETA and more specifically on Universal Health Care, NIUPLAN, SDGs and the MTP IV. The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and health sector aspirations.

The strategic objectives are as follows;

- Free maternal health services
- Affordable health care services
- Strategic partnership with Donors for adequate funding
- Clinical services and products
- Healthcare financing and sustainability
- Quality improvement

Mwala Level 4 Hospital develops its annual work plans based on the above six objectives. Assessment of the management’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 own strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Maternal health care services	•To Provide free maternal health care services	•Number of maternal deliveries	•Surgeries, pre-natal and post-natal services •Normal deliveries	•Managed to achieve 99% free maternal health care services
Affordable and timely health care services	•To Ensure timely provision of health care	•Number of in-patients and out-patients served	•Treatment of in-patient and out-patient	•Managed to improve timely health care

*Mwala Level 4 Hospital (Machakos County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

	services to all patients			provision from 65% to 75%
Clinical services and products	<ul style="list-style-type: none"> <li>• To Establish and enhance good clinical governance</li> </ul>	<ul style="list-style-type: none"> <li>• No of stock-out tracer drugs</li> <li>• No of prescription reviewed</li> <li>• Updated SOPs</li> <li>• No of Pharma covigilance conducted</li> </ul>	<ul style="list-style-type: none"> <li>• Rational use of Medications</li> <li>• Rational use of blood and blood products</li> <li>• Provision of Health products</li> </ul>	<ul style="list-style-type: none"> <li>• Hospital Drug formulary in place.</li> <li>• %reduction in morbidity and mortality.</li> </ul>
Healthcare financing and sustainability	<ul style="list-style-type: none"> <li>• To increase revenue Generation</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue Reports</li> <li>• %increase in revenue</li> </ul>	<ul style="list-style-type: none"> <li>• Diversify Revenue Streams</li> <li>• Review User Fee Charges</li> <li>• Increase Customer Base</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue improved compared to previous year</li> <li>• Review of user fees continuous and on progress</li> </ul>
Strategic partnership	Conduct sensitization and research in order to attract donors	Number of donors offering financial support	-Collaboration with donors	Managed to partner with Red-Cross
Quality improvement	<ul style="list-style-type: none"> <li>• Enhance Continuous Quality Improvement</li> <li>• Enhance customer care services</li> </ul>	<ul style="list-style-type: none"> <li>• Training Reports</li> <li>• Customer care desks</li> </ul>	<ul style="list-style-type: none"> <li>• Training of staff</li> <li>• Customer care desks Minutes of the change Agents</li> </ul>	<ul style="list-style-type: none"> <li>• More than 50 Staff trained and its continuous</li> <li>• Monthly meeting for change Agents Achieved.</li> </ul>

## **8. Corporate Governance Statement**

In the absence of a formally constituted Board, the governance of Mwala Level 4 Hospital is overseen by the County Government through the Department of Health Services. The Hospital Management, led by the Medical Superintendent ensures effective administration, accountability, and adherence to relevant laws and policies. This statement outlines the governance framework in place for the year ended 30th June 2025.

### **i. Appointment of Board Members**

Currently, Mwala Level 4 Hospital does not have a Board in place. Governance oversight is exercised by the County Government through the Department of Health Services, in line with the Public Finance Management Act and other relevant regulations.

### **ii. Roles and Functions of the Board**

Since there is no Board, strategic oversight and policy direction are provided directly by the County Government. The Hospital Management Team is responsible for day-to-day operations and reports to the County Executive Committee Member (CECM) for Health.

### **iii. Induction, Training, and Development**

Not applicable. However, management staff undergo continuous professional development and training in line with County Government programs.

### **iv. Board and Members' Performance**

Not applicable. Oversight performance is instead assessed through County Government reporting mechanisms, performance contracting, and both internal and external audits.

### **v. Number of Board Meetings**

Not applicable. Governance meetings are instead conducted through leadership forums convened by the County Health Department.

### **vi. Succession Plan**

The County Government is responsible for leadership appointments within the hospital and succession planning for critical positions to ensure continuity of service delivery.

### **vii. Policy to manage Conflict of Interest**

All hospital staff and management are bound by the Public Officer Ethics Act, County Public Service policies, and professional codes of conduct to prevent conflicts of interest.

**viii. Board Remuneration**

There is no Board remuneration since no Board exists. Staff remuneration follows the guidelines of the Salaries and Remuneration Commission (SRC) and County Public Service regulations.

**ix. Ethics and Conduct**

The hospital is guided by the Public Service Code of Conduct, County Government regulations, and professional ethical standards to promote integrity, accountability, and transparency.

**x. Governance Audit**

Governance audits are undertaken by the County Government's Internal Audit Department, the Controller of Budget, and the Auditor-General in line with statutory requirements.

**xi. Communication Policy**

The hospital communicates key information through established County Government channels to ensure transparency, accountability, and timely dissemination of information to stakeholders.

**xii. Terms of Reference of Committees**

Although there is no Board, the hospital has internal committees to oversee critical functions and support decision-making.

**xiii. Policy on Related Party Transactions**

The hospital adheres strictly to the Public Procurement and Asset Disposal Act and other regulations to ensure fairness, competitiveness, and transparency in related party transactions.

## **9. Management Discussion and Analysis**

The main operational performance of Mwala Level 4 Hospital involves provision of health care services. However, while offering the services, the hospital collects some revenue from patients either via Mpesa-paybill or NHIF/SHA. Currently, the operations of the facility are managed by transfers from the County Government. The monies are used to improve the facility and provide both curative and preventive care services to Mwala residents. The main challenges faced include; delay in disbursement of funds from the County Treasury, large patients work load visa-vis available workforce, frequent breakdown of the equipment, cost of repairs and high cost of electricity bills.

Mwala Level 4 Hospital is governed by all medical regulatory frameworks, the constitution of Kenya 2010 and other statutory policies put in place either by the national or county government. To that extent, no major non-compliance that may lead to contingent liabilities has been reported. The hospital has no pending court cases unless those of patients such as rape cases and which the facility must support upon request from law-enforcement agencies. However, the facility has pending account payables that should be settled from various suppliers.

The hospital is planning to implement the following projects,

- Overhauling the plumbing system of the hospital
- Renovating and painting the whole hospital
- Planting trees around the hospital and open spaces
- Repair of existing incinerator
- Automation of the hospital services
- Install solar power lighting system.

The major risks facing Mwala Level 4 Hospital and which the top management should address immediately for smooth operations and quality health care services include;

- Operational costs emanating from faulty and out-dated medical equipment.
- Market risks resulting from competition from private sector offering quality health care services
- Credit risk emanating from long outstanding pending bills
- Delayed Cashflow from County Treasury
- Over stretched work force in some sections within the facility.

All staff statutory deductions such as PAYE, NSSF and NHIF/SHA are remitted by the County Government. However, the facility has long outstanding pending bills which should be paid.



.....  
**Name: Dr Emmanuel Wambua**  
**Medical Superintendent**

## **10. Environmental And Sustainability Reporting**

Mwala Level 4 Hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

### **i) Sustainability strategy and profile**

Mwala Level 4 Hospital and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that Mwala Level 4 Hospital going concern is secured. The hospital has conducted a basic assessment of available options for feasible financing tools that would assure the hospital of its long-term sustainability. The hospital has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options, which include:

- Introduction of new specialized services such as heart surgery services, renal transplant, neurosurgical services, oncology services etc.
- Public Private Partnership Draft
- Upgrading the hospital to referral and get more funding
- Enhancing Client satisfaction through quality service care
- Bringing on board more financial institutions i.e. lobbying for more engagement with other insurance firms.

### **ii) Environmental performance**

Mwala Level 4 Hospital is using the National Health Care Waste Management policy guideline which is guiding us in the management of the waste that we generate in the organization and we have a copy of the policy.

#### **Successes**

- We are having colour-coded bins [receptacles] at all generation points in the departments.
- There are segregation posters alongside the receptacles to guide in the segregation of waste.
- We have waste treatment equipment within the organization that helps us treat our waste and we only dispose off non-contaminated waste to the dumping site.
- The general cleanliness of the organization is well maintained both indoors and grounds.

### **Challenges**

- Frequent breakdown of the equipment and the cost of repair.
- High-cost electricity bill.
- Shortage of staffs.
- Delay of funds disbursement.

### **Efforts to Reduce Environmental Impact of Waste Products**

The waste passes through a microwave during treatment process, which renders it harmless before it is taken to the dumpsite. The incinerator burns the waste at a very high temperature and the products is harmless.

#### **iii) Employee welfare**

Hiring process involves bringing new employees on board. This is the mandate of the County Public Service Board reference made from the Public Service Commission Human Resource Manual and procedures May 2016, mentioned in section B which provides the rules governing recruitment and appointment of new officers. Improvement of employee skills and career management is done through employee sponsorship to further their studies in line with their careers. This is done by sponsorship and supporting employees to attend short courses offered by the government institutions. Training programs are based on the identified needs from the training needs assessments and are emphasized for performance improvement addressing both individual and organizational goals. Performance management system is a process conducted by the employer to identify areas of weakness and support the individuals in order to get better results. It's an annual exercise intended to provide employees with clear understanding of job expectations, regular feedback on performance, advice and steps for improving performance, rewards for good performance and actions for poor performance. It helps to measure performance and ultimately the achievement of intended results for the organization.

The Human Resource Manual procedures also provide for guidelines and standards for the prevention and protection of officer against accidents and occupational hazards arising at the work place. It provides for guidelines, procedures and modalities for the administration and payment of compensation for work related injuries and accidents contracted while and in the course of employment

**iv) Market place practices-**

**a) Responsible competition practice.**

This is effectively done through proper use of the available website for advertisement purposes as well as making good use of the instituted internal committees to help minimize anticorruption.

**b) Responsible Supply chain and supplier relations**

Ensures best involvement of suppliers in the tendering process and feedback given to suppliers in good time.

**c) Responsible marketing and advertisement or Responsible engagement with citizens**

Effectively done through the use of website and daily newspapers, corporate social responsibility/community engagement

**d) Product stewardship or Awareness Creation**

Ensure quality product or service provision guided by ethic and timeliness

**v) Corporate Social Responsibility / Community Engagements**

Support to adolescent leaving with HIV/AIDS being trained on photography supported by partner program to ensure self-reliance. Cancer patients supported by various community-based groups through department of Health-Machakos to develop conical gardens in their homes which enhances nutritional sustainability. Organization of free medical camps Based on assessment; patients have reduced medical cost including waivers given by the hospital.

## **11. Report of the Management**

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

### **Principal activities**

The principal activities of the Mwala Level 4 Hospital are to provide quality and affordable preventive, promotive, rehabilitative and curative health services in both Mwala Sub- County and other local regions.

### **Results**

The results of the Mwala Level 4 Hospital for the year ended June 30 are set out on page 1 to 9.

### **Board of Management**

There was no Board of Management (BOM) during FY 2024-2025

### **Auditors**

The Auditor General is responsible for the statutory audit of the Mwala Level 4 Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.



.....  
**Name: Dr Emmanuel Wambua**

**Medical Superintendent**

**12. Statement of Board of Management’s Responsibilities**

Section 164 of the Public Finance Management Act, 2012 require the Management to prepare annual financial statements in respect of Mwala Level 4 Hospital, which give a true and fair view of the state of affairs of the hospital at the end of the period and the operating results of the Mwala Level 4 Hospital for that period. The Management is also required to ensure that the Mwala Level 4 Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the Mwala Level 4 Hospital. The Management is also responsible for safeguarding the assets of the Mwala Level 4 Hospital.

The Management is responsible for the preparation and presentation of the Mwala Level 4 Hospital’s financial statements, which give a true and fair view of the state of affairs of the Mwala Level 4 Hospital for and as at the end of the period 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 Mwala Level 4 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 Mwala Level 4 Hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.


The Management accepts responsibility for the Mwala Level 4 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. The Management is of the opinion that the Mwala Level 4 Hospital’s financial statements give a true and fair view of the state of Mwala Level 4 Hospital’s transactions during the financial year ended June 30, 2024, and of the Mwala Level 4 Hospital’s financial position as at that date. The Management further confirms the completeness of the accounting records maintained for the Mwala Level 4 Hospital, which have been relied upon in the preparation of the Mwala Level 4 Hospital’s financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Management to indicate that the Mwala Level 4 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 Management on \_\_\_\_\_ and signed on its behalf by:

.....  
**Name:**  
**Chairperson**  
**Board of Directors**

  
.....  
**Name: Dr Emmanuel Wambua**  
**Accounting Officer**

# REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke  
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HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
P.O Box 30084-00100  
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON MWALA LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF MACHAKOS

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### 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.

An Unmodified Opinion is issued when the Auditor-General concludes that 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 aim to address the Auditor-General's statutory roles and responsibilities 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

#### Opinion

I have audited the accompanying financial statements of Mwala Level 4 Hospital set out on pages 1 to 61, which comprise of the statement of financial position as at

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*Report of the Auditor-General on Mwala Level 4 Hospital for the year ended 30 June, 2025 - County Government of Machakos*

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, the financial statements present fairly, in all material respects, the financial position of Mwala Level 4 Hospital as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual basis) and comply with the Health Act, 2017, the County Governments Act, 2012, and the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Mwala 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 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. There were no key audit matters to report in the year under review.

### **Other Matter**

### **Unresolved Prior Year Matters**

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of Mwala Level 4 Hospital in 2024/2025 revealed that the following matters remained unresolved.

<b>No.</b>	<b>Financial Year</b>	<b>Audit Issue</b>
1.	2023/2024	Failure to Maintain Fixed Assets Register
2.	2023/2024	Lack of Policy Guidelines on Payment of Locums

### **Other Information**

The Management is responsible for the Other Information set out on pages iii to xx which comprise of Key Entity Information and Management, The Board of Management, Key

Management Team, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Management and Statement of Board of Management 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. Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital as at the time of audit in September, 2025 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits. The hospital had in post of thirty-four (34) medical personnel resulting in a deficit of sixty-seven (67) or approximately 73% out of the required one hundred and one (101), as tabulated below:

Staffing Requirement	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	4	12	88
Anesthesiologists	2	2	0	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100

<b>Staffing Requirement</b>	<b>Level 4 Standard</b>	<b>Number in Hospital</b>	<b>Variance</b>	<b>Percentage %</b>
Pediatricians	2	1	1	50
Radiologists	2	1	1	100
Registered Community Health Nurses	75	26	49	68
<b>Total</b>	<b>101</b>	<b>34</b>	<b>67</b>	<b>73</b>

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

### **Equipment and Machines**

<b>Equipment &amp; Machines</b>	<b>Level 4 Hospital Standard</b>	<b>Actuals in the Hospital</b>	<b>Variance</b>	<b>Percentage %</b>
Incubators (Newborn)	5	1	4	80
COTS	5	1	4	80
Resuscitaire in Theatre	1	1	0	0
Resuscitaire in Labour Ward	2	2	0	50
Functional ICU Beds	6	0	6	100
HDU Beds	6	0	6	100
Renal unit with Dialysis Machines	5	0	5	100
Functional operating Theaters Maternity and General	2	1	1	100

### **Bed Capacity**

<b>Bed Capacity</b>	<b>Minimum Requirement</b>	<b>Actual Numbers</b>	<b>Variance</b>	<b>Percentage (%) Actual Against Minimum Requirement</b>
Beds available	150	30	120	87
<b>Total</b>	<b>150</b>	<b>36</b>	<b>146</b>	<b>87</b>

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

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

## **2. Failure to Conduct Safety and Health Audit**

Review of Hospital records revealed that Management did not conduct a Safety and Health Audit contrary to Section 11(1) of the Occupation and Safety Health Act, 2007

which states that the occupier of a workplace shall cause a thorough Safety and Health Audit of his workplace to be carried out at least once in every period of twelve months by a safety and health advisor, who shall issue a report of such an audit containing the prescribed particulars to the occupier on payment of a prescribed fee and shall send a copy of the report to the Director. Although Management explained that plans were in place to engage a certified service provider to carry out safety and health audit within the facility once funds are available, no evidence was provided for audit review.

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

### **3. Failure to Replace Hazardous Asbestos Roof**

Audit inspection conducted at the Hospital revealed that the Hospital houses are roofed with asbestos contrary to the Cabinet approval of 11 March, 2025 directing nationwide removal of asbestos from all public and private facilities.

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

### **4. Irregular Engagement of Casual Workers**

Review of payroll records revealed that Management engaged twelve (12) casual employees continuously for more than three (3) months. This is contrary to County Public Service Human Resource Manual, 2013 Section B.16(1) which states that casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and they shall not be engaged for more than three months, as stipulated in the Employment Act, 2007.

### **5. Failure to Prepare Quarterly Revenue Reports**

The statement of financial performance and as disclosed in Note 11 and to the financial statements reflect Kshs.16,975,078 in respect to revenue from rendering of services. However, Management did not provide evidence to confirm that quarterly reports were prepared and submitted to the County Treasury and a copy to the Auditor-General. This is contrary to Regulation 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or Collector of Revenue or Receiver of Revenue to submit quarterly reports to the County Treasury and a copy to the Auditor-General within 15 days after the end of the quarter.

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

### **6. Failure to Open a Revenue Account**

Review of cash and cash equivalents revealed that all monies received from rendering of medical services by the Hospital were banked directly into the accounts of the County Government. This is contrary to Section 5(1) of the Facilities Improvement Fund Act, 2023 which requires the retention of all monies received or raised on behalf of a public facility. In addition, Management had not opened a bank account contrary to Section 5(2) of the Facilities Improvement Fund Act, 2023 requires each public health facility to open an

account into which all monies received or collected by the public health facility shall be paid.

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**

#### **Failure to Appoint a Board of Management**

During the year under review, the Hospital did not have a Board of Management in place to govern the Hospital contrary to Section 11(1) of Machakos County Health Services Act, 2021 which states that there is established for every Hospital, a Board to be known as Hospital Management Board.

In the circumstances, the effectiveness of internal controls on management of the Hospital 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 Board of Management**

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

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

31 October, 2025

*Mwala Level 4 Hospital (Machakos County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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

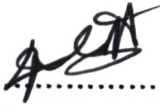
Description	Notes	2024/25	2023/24
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	8,000,000	14,125,000
In-kind contributions from the County Government	7	110,296,900	
Grants from donors and development partners	8	-	-
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
		<b>118,296,900</b>	<b>14,125,000</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	11	16,975,078	3,168,505
Revenue from rent of facilities	12	-	25,000
Finance /Interest Income	13	-	-
Other income ( <i>specify</i> )	14	500	15,100
<b>Revenue from exchange transactions</b>		<b>16,975,578</b>	<b>3,208,605</b>
<b>Total revenue</b>		<b>135,272,478</b>	<b>17,333,605</b>
<b>Expenses</b>			
Medical/Clinical costs	15	18,912,077	6,190,635
Employee costs	16	102,341,716	3,446,953
Board of Management Expenses	17	-	-
Depreciation and amortization expense	18	-	-
Repairs and maintenance	19	4,230,709	4,097,418
Grants and subsidies	20	-	-
General expenses	21	4,414,641	4,874,118
Finance costs	22	-	-
<b>Total expenses</b>		<b>129,899,143</b>	<b>18,609,124</b>
<b>Other gains/(losses)</b>			
Gain on disposal of non-Current assets	23	-	-
Unrealized gain on fair value of investments	24	-	-
Medical services contracts Gains/Losses	25	-	-
Impairment loss	26	-	-
Gain on foreign exchange transactions		-	-
<b>Total other gains/(losses)</b>		<b>-</b>	<b>-</b>
<b>Net Surplus/ (Deficit) for the year</b>		<b>5,373,335</b>	<b>(1,275,519)</b>

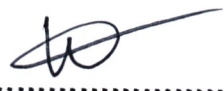
**Mwala Level 4 Hospital (Machakos County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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The Hospital's financial statements were approved by the management on 15/10/25 and signed on its behalf by:

.....  
**Chairman**  
**Board of Management**

  
.....  
**Head of Finance**  
**ICPAK No: 34845**

  
.....  
**Medical Superintendent**

*Mwala Level 4 Hospital (Machakos County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

**15. Statement of Financial Position As At 30<sup>th</sup> June 2025**

<b>Description</b>	<b>Notes</b>	<b>2024/25</b>	<b>2023/24</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	27	8,177	2,568
Prepayments	28	-	-
Receivables from exchange transactions	29	5,367,725	1,463,300
Receivables from non-exchange transactions	30	-	-
Inventories	31	4,000,962	3,772,790
<b>Total Current Assets</b>		<b>9,376,864</b>	<b>5,238,658</b>
<b>Non-current assets</b>			
Property, plant, and equipment	32	-	-
Intangible assets	33	-	-
Investment property	34	-	-
Biological Assets	35	-	-
<b>Total Non-current Assets</b>		<b>-</b>	<b>-</b>
<b>Total assets (A)</b>		<b>9,376,864</b>	<b>5,238,658</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	36	3,683,423	4,918,552
Refundable deposits from customers/Patients	37	-	-
Provisions	38	-	-
Finance lease obligation	39	-	-
Current portion of deferred income	40	-	-
Current portion of borrowings	41	-	-
<b>Total Current Liabilities</b>		<b>3,683,423</b>	<b>4,918,552</b>
<b>Non-current liabilities</b>			
Provisions	38	-	-
Non-Current Finance lease obligation	39	-	-
Non-Current portion of deferred income	40	-	-
Non - Current portion of borrowings	41	-	-
Service concession Arrangements	42	-	-
<b>Total Non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total Liabilities (B)</b>		<b>3,683,423</b>	<b>4,918,552</b>



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

<b>Description</b>	<b>Revaluation reserve</b>	<b>Accumulated surplus/Deficit</b>	<b>Capital Fund</b>	<b>Total</b>
<b>As at July 1, 2023(previous year)</b>	-	1,595,625	-	1,595,625
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	(1,275,519)	-	(1,275,519)
Capital/Development grants	-	-	-	-
<b>As at June 30, 2024 (previous year)</b>	-	320,106	-	320,106
				-
<b>At July 1, 2024 (current year)</b>	-	320,106	-	320,106
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	5,373,335	-	5,373,335
Capital/Development grants	-	-	-	-
<b>At June 30, 2025 (current year)</b>	-	5,693,441	-	5,693,441

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

<b>Description</b>	<b>Notes</b>	<b>2024/25</b>	<b>2023/24</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government	6	8,000,000	14,125,000
Grants from donors and development partners	8	-	-
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
Rendering of services- Medical Service Income	11	11,607,353	3,168,505
Revenue from rent of facilities	12	-	25,000
Finance / interest income	13	-	-
Miscellaneous receipts	14	500	15,100
<b>Total Receipts</b>		<b>19,607,853</b>	<b>17,333,605</b>
<b>Payments</b>			
Medical/Clinical costs	15	6,090,605	6,190,635
Employee costs	16	4,866,288	3,446,953
Board of Management Expenses	17	-	-
Repairs and maintenance	19	4,230,709	4,097,418
Grants and subsidies	20	-	-
General expenses	21	4,414,641	4,874,118
Finance costs	22	-	-
Refunds paid out			-
<b>Total Payments</b>		<b>19,602,243</b>	<b>18,609,124</b>
<b>Net cash flows from operating activities</b>		<b>5,610</b>	<b>(1,275,519)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment		-	-
Purchase of intangible assets		-	-
Proceeds from the sale of PPE		-	-
Acquisition of investments		-	-
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Capital grants received		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,610</b>	<b>(1,275,519)</b>

*Mwala Level 4 Hospital (Machakos County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

<b>Description</b>	<b>Notes</b>	<b>2024/25</b>	<b>2023/24</b>
		<b>Kshs</b>	<b>Kshs</b>
Cash and cash equivalents at 1 July		2,568	1,278,086
<b>Cash and cash equivalents at 30 Jun</b>		<b>8,177</b>	<b>2,568</b>

*Mwala Level 4 Hospital (Machakos County Government)*  
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**18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2025**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	c=(a+b)	d	e=(c-d)	f=d/c %
	Kshs	Kshs	Kshs	Kshs		Kshs
Budget carryovers from the previous year	2,568	-	2,568	2,568	-	100%
<b>Receipts</b>						
Transfers from the County Government	8,000,000	-	8,000,000	8,000,000	-	100%
Grants from donors and development partners	-	-	-	-	-	-
Transfers from other Government entities	-	-	-	-	-	-
Public contributions and donations						
In-kind contributions from the County Government	110,296,900	-	110,296,900	110,296,900	-	100%
Rendering of services- Medical Service Income	16,975,078	-	16,975,078	11,607,353	5,367,725	68%
Revenue from rent of facilities	-	-	-	-	-	-
Finance / interest income	-	-	-	-	-	-
Miscellaneous receipts	500	-	500	500	-	100%
<b>Total receipts</b>	<b>135,275,045</b>	<b>-</b>	<b>135,275,045</b>	<b>129,907,320</b>	<b>5,367,725</b>	<b>96%</b>
<b>Expenses</b>						
Medical/Clinical costs	18,942,077	-	18,942,077	18,912,077	30,000	100%

*Mwala Level 4 Hospital (Machakos County Government)*  
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Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	c=(a+b)	d	e=(c-d)	f=d/c %
	Kshs	Kshs	Kshs	Kshs		Kshs
Employee costs	104,741,651	-	104,741,651	102,341,716	2,399,935	98%
Remuneration of directors	-	-	-	-	-	0%
Repairs and maintenance	5,748,209	-	5,748,209	4,230,709	1,517,500	74%
Grants and subsidies	-	-	-	-	-	0%
General expenses	5,843,108	-	5,843,108	4,414,641	1,428,467	76%
Finance costs	-	-	-	-	-	0%
Refunds	-	-	-	-	-	0%
<b>Total Operational Expenditure paid</b>	<b>135,275,045</b>	<b>-</b>	<b>135,275,045</b>	<b>129,899,143</b>	<b>5,375,902</b>	<b>96%</b>
<b>Capital Expenditure paid</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,177</b>	<b>(8,177)</b>	

*Budget notes*

1. The budget performance for Employee costs, Repairs and Maintenance and General expenses were below 90% due to shortfall in revenue.

**Budget Reconciliation**

	<b>Description of Particulars</b>	<b>Amount in Kshs</b>
	Actual Surplus Amounts as per the statement of Budget	8,177
1	Reason for differences	-
	<b>Closing Cash and Cash Equivalent as per the statement of Cash flows</b>	<b>8,177</b>

## **19. Notes to the Financial Statements**

### **1. General Information**

Mwala Level 4 Hospital is established by and derives its authority and accountability from Gazette Notice Number No.786 dated 4<sup>th</sup> February 2020. The Mwala Level 4 Hospital is wholly owned by the Government of Kenya and is domiciled in Kenya. The Mwala Level 4 Hospital's principal activity is rendering medical services to the public.

### **2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Mwala Level 4 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 5. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Mwala Level 4 Hospital. The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**3. Adoption of New and Revised Standards**

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

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

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

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Mwala Level 4 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><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that</p>

Standard	Effective date and impact:
	<p>satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><b>Applicable 1<sup>st</sup> January 2026</b></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 Mwala Level 4 Hospital shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><b>Applicable 1<sup>st</sup> January 2026</b></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</p>

Standard	Effective date and impact:
	for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><b>Applicable 1<sup>st</sup> January 2027</b></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"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>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.</li> <li>iii. Disclosures that identify and explain the amounts in the Mwala Level 4 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.</li> </ul>

**iii) Early adoption of standards**

The Mwala Level 4 Hospital did not early – adopt any new or amended standards in the financial year.

**4. Summary of Significant Accounting Policies**

**a. Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other Government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 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 County Assembly on **26<sup>th</sup> June 2024**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Mwala Level 4 Hospital upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Mwala Level 4 Hospital recorded additional appropriations of **Zero (0)** on the FY 2024-25 budget following the County Assembly's approval. The Mwala Level 4 Hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 1 under section 2 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 10 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 Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 Hospital expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Mwala Level 4 Hospital can demonstrate:

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

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

**j. Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Mwala Level 4 Hospital does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the hospital's financial statements.

A financial instrument is any contract that gives rise to a financial asset of one Mwala Level 4 Hospital and a financial liability or equity instrument of another Mwala Level 4 Hospital. At initial recognition, the Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 Hospital's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 Hospital recognizes a loss allowance for such losses at each reporting date.

## **Financial liabilities**

### **Classification**

The Mwala Level 4 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 Mwala Level 4 Hospital.

### **l. Provisions**

Provisions are recognized when the Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 Hospital will incur in fulfilling the present obligations represented by the liability.

**n. Contingent liabilities**

The Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 Hospital creates and maintains reserves in terms of specific requirements.

**q. Changes in accounting policies and estimates**

The Mwala Level 4 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 Mwala Level 4 Hospital provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Mwala Level 4 Hospital pays fixed contributions into a separate Mwala Level 4 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.

**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 Mwala Level 4 Hospital regards a related party as a person or an Mwala Level 4 Hospital with the ability to exert control individually or jointly, or to exercise significant influence over the Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 Hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**w. Cash and cash equivalents**

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

**x. Comparative figures**

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

**y. Subsequent events**

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

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Mwala Level 4 Hospital's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Estimates and assumptions.**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 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

6. Transfers from the County Government

Description	2024/25	2023/24
	KShs	KShs
<b>Unconditional Grants</b>		
Operational Grant	8,000,000	14,125,000
Level 5 Grants	-	-
Unconditional Development Grants	-	-
Other Grants	-	-
	<b>8,000,000</b>	<b>14,125,000</b>
<b>Conditional Grants</b>		
User Fee Forgone	-	-
Transforming Health Services For Universal Care Project (THUCP)	-	-
DANIDA	-	-
Wards Development Grant	-	-
Paediatric Block Grant	-	-
Administration Block Grant	-	-
Laboratory Grant	-	-
<b>Total Government Grants And Subsidies</b>	<b>8,000,000</b>	<b>14,125,000</b>

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the period	2023/24
			Kshs	Kshs	Kshs
Machakos County Government	8,000,000	-	-	8,000,000	14,125,000
<b>Total</b>	<b>8,000,000</b>	<b>-</b>	<b>-</b>	<b>8,000,000</b>	<b>14,125,000</b>

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	2024/25	2023/24
	KShs	KShs
Salaries and wages	97,475,428	-
Food and rations	2,747,561	-
Medical supplies-Drawings Rights (KEMSA)	-	-
Pharmaceutical and Non-Pharmaceutical Supplies	10,073,911	-
Utility bills	-	-
<b>Total grants in kind</b>	<b>110,296,900</b>	<b>-</b>

8. Grants From Donors and Development Partners

Description	2024/25	2023/24
	KShs	KShs
Cancer Centre grant- DANIDA	-	-
World Bank grants	-	-
Paediatric ward grant- JICA	-	-
Research grants	-	-
Other grants (specify)	-	-
<b>Total grants from development partners</b>	<b>-</b>	<b>-</b>

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

Name of the Mwala Level 4 Hospital sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	-	-	-	-	-
JICA	-	-	-	-	-
World Bank	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Notes to Financial Statements Continued**

**9. Transfers From Other Government Entities**

Description	2024/25	2023/24
	KShs	KShs
Transfer from National Government (Ministry of Health)	-	-
Transfer from - National Hospital	-	-
Transfer from – Institute	-	-
<b>Total Transfers</b>	-	-

**10. Public Contributions and Donations**

Description	2024/25	2023/24
	KShs	KShs
Public donations	-	-
Donations from local leadership	-	-
Donations from religious institutions	-	-
Donations from other international organisations and individuals	-	-
Other donations	-	-
Donations in kind-amortised	-	-
<b>Total donations and sponsorships</b>	-	-

**10 (a) Reconciliations of amortised grants**

Description	2024/25	2023/24
	Kshs	Kshs
<b>Balance unspent at beginning of year</b>	-	-
Current year receipts	-	-
Amortised and transferred to revenue	-	-
<b>Conditions to be met – remain liabilities</b>	-	-

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Description	2024/25	2023/24
	KShs	KShs
Pharmaceuticals		
Non-Pharmaceuticals	-	-
Laboratory	-	-
Radiology	-	-
Orthopedic and Trauma Technology	-	-
Theatre	-	-
Accident and Emergency Service	-	-
Anesthesia Service	-	-
Ear Nose and Throat service	-	-
Nutrition service	-	-
Cancer centre service	-	-
Dental services	-	-
Reproductive health	-	-
Paediatrics services	-	-
Farewell home services	-	-
Ambulance Services		
Other medical services income (SHA)	16,975,078	3,168,505
<b>Total revenue from the rendering of services</b>	<b>16,975,078</b>	<b>3,168,505</b>

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	2024/25	2023/24
	KShs	KShs
Residential property	-	-
Commercial property	-	25,000
<b>Total Revenue from rent of facilities</b>	<b>-</b>	<b>25,000</b>

13. Finance /Interest Income

Description	2024/25	2023/24
	Kshs	Kshs
Interest income from Cash investments and fixed deposits	-	-
Interest income from short- term/ current deposits	-	-
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
<b>Total finance income</b>	<b>-</b>	<b>-</b>

14. Miscellaneous Income

Description	2024/25	2023/24
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender	-	-
Services concession income	-	-
Sale of goods (water, publications, containers etc)	-	-
Write backs (Deposits, payments in advance etc)	-	-
Bad debts recovered	-	-
Others	500	15,100
<b>Total Miscellaneous income</b>	<b>500</b>	<b>15,100</b>

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	2024/25	2023/24
	KShs	KShs
Dental costs/ materials	229,960	-
Laboratory chemicals and reagents	1,033,815	781,812
Public health activities	-	-
Food and Ration	3,212,638	837,710
Uniform, clothing, and linen	-	-
Dressing and non-pharmaceuticals	1,260,556	3,068,264
Pharmaceutical supplies	11,088,480	777,909
Health information stationery	-	-
Reproductive health materials	-	-
Sanitary and cleansing Materials	414,815	724,940
Purchase of Medical gases	-	-
X-Ray/Radiology supplies	-	-
Other medical related clinical costs (Other Current Transfers)	1,671,813	-
<b>Total medical/ clinical costs</b>	<b>18,912,077</b>	<b>6,190,635</b>

16. Employee Costs

Description	2024/25	2023/24
	KShs	KShs
Salaries, wages, and allowances	102,341,716	3,446,953
Contributions to pension schemes	-	-
Service gratuity	-	-
Performance and other bonuses	-	-
Staff medical expenses and Insurance cover	-	-
Group personal accident insurance and WIBA	-	-
Social contribution	-	-
Other employee costs (specify)	-	-
<b>Employee costs</b>	<b>102,341,716</b>	<b>3,446,953</b>

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	2024/25	2023/24
	Kshs	Kshs
Chairman's Honoraria	-	-
Sitting allowance	-	-
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	-
Airtime allowances	-	-
<b>Total</b>	-	-

18. Depreciation and Amortization Expense

Description	2024/25	2023/24
	Kshs	Kshs
Property, plant and equipment	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
<b>Total depreciation and amortization</b>	-	-

19. Repairs And Maintenance

Description	2024/25	2023/24
	KShs	KShs
Property- Buildings	2,601,357	2,525,116
Medical equipment	-	949,728
Office equipment	1,123,412	335,000
Furniture and fittings	55,900	150,124
Computers and accessories	-	-
Motor vehicle expenses	450,040	137,450
Maintenance of civil works	-	-
<b>Total repairs and maintenance</b>	<b>4,230,709</b>	<b>4,097,418</b>

**Notes to the Financial Statements (Continued)**

**20. Grants And Subsidies**

Description	2024/25	2023/24
	Kshs	Kshs
Community development and social work	-	-
Education initiatives and programs	-	-
Free/ subsidised medical camp	-	-
Disability programs	-	-
Free cancer screening	-	-
Social benefit expenses	-	-
Other grants and subsidies	-	-
<b>Total grants and subsidies</b>	-	-

**21. General Expenses**

Description	2024/25	2023/24
	KShs	KShs
Advertising and publicity expenses	-	-
Catering expenses	580,053	476,700
Waste management expenses	90,000	-
Insecticides and rodenticides	-	184,000
Audit fees	-	-
Bank charges	21,501	35,125
Conferences and delegations	-	-
Consultancy fees	-	-
Contracted services	-	-
Electricity expenses	157,562	-
Fuel and Lubricants	1,601,700	2,177,150
Insurance	-	-
Research and development expenses	-	-
Travel and accommodation allowance	624,100	127,000
Legal expenses	-	-
Licenses and permits	-	-
Courier and postal services	-	40,000
Printing and stationery	1,190,775	1,277,448
Hire charges	-	-
Rent expenses	-	-
Water and sewerage costs	50,000	60,000

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Skills development levies	-	-
Telephone and mobile phone services	98,950	430,695
Internet expenses	-	-
Staff training and development	-	66,000
Subscriptions to professional bodies	-	-
Subscriptions to newspapers periodical, magazines, and gazette notices	-	-
Library books/Materials	-	-
Parking charges	-	-
<b>Total General Expenses</b>	<b>4,414,641</b>	<b>4,874,118</b>

**22. Finance Costs**

Description	2024/25	2023/24
	KShs	KShs
Borrowings (amortized cost) *	-	-
Finance leases (amortized cost)	-	-
Interest on Bank overdrafts/Guarantees	-	-
Interest on loans from commercial banks	-	-
<b>Total finance costs</b>	<b>-</b>	<b>-</b>

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

Description	2024/25	2023/24
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised (specify)	-	-
<b>Total gain on sale of assets</b>	<b>-</b>	<b>-</b>

**24. Unrealized Gain On Fair Value Investments**

Description	2024/25	2023/24
	KShs	KShs
Investments at fair value	-	-
<b>Total gain</b>	<b>-</b>	<b>-</b>

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Comprehensive care contracts with NHIF/SHA	-	-
Non- Comprehensive contracts care with NHIF/SHA	-	-
Linda Mama Program	-	-
Waivers and Exemptions	-	-
<b>Total Gain/Loss</b>	-	-

26. Impairment Loss

Description	2024/25	2023/24
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Investments	-	-
<b>Total impairment loss</b>	-	-

27. Cash And Cash Equivalentents

Description	2024/25	2023/24
	KShs	KShs
Current accounts	8,177	2,568
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others(specify)- Mobile money	-	-
<b>Total cash and cash equivalentents</b>	<b>8,177</b>	<b>2,568</b>

Notes to the Financial Statements (Continued)

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

Description		2024/25	2023/24
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial Bank	1147478813	8,177	2,568
		-	-
<b>Sub- total</b>		<b>8,177</b>	<b>2,568</b>
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
c) Fixed deposits account			
Bank Name		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
d) Others(specify)			
Cash in hand		-	-
Mobile money- Mpesa, Airtel money		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>Grand total</b>		<b>8,177</b>	<b>2,568</b>

**28. Prepayments**

Description	2024/25	2023/24
	Kshs	Kshs
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Others specify	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**29. Receivables From Exchange Transactions**

Description	2024/25	2023/24
	KShs	KShs
Medical services receivables	5,367,725	1,463,300
Rent receivables	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total receivables</b>	<b>5,367,725</b>	<b>1,463,300</b>

**Analysis of Receivables From Exchange Transactions**

Description	2024/25		2023/24	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	5,367,725	100%	1,463,300	100%
Between 1- 2 years	-	0%	-	0%
Between 2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
<b>Total (a+b)</b>	<b>5,367,725</b>	<b>100%</b>	<b>1,463,300</b>	<b>100%</b>

**30. Receivables From Non-Exchange Transactions**

Description	2024/25	2023/24
	KShs	KShs
Transfers from the County Government	-	-
Undisbursed donor funds	-	-
Other debtors (non-exchange transactions)	-	-
Less: impairment allowance	(-)	(-)
<b>Total</b>	-	-

**Analysis of Receivables From Non-Exchange Transactions**

Description	2024/25		2023/24	
	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	-	%	-	%
<b>Total (a+b)</b>	-	%	-	%

**31. Inventories**

Description	2024/25	2023/24
	KShs	KShs
Pharmaceutical supplies	8,522,281	3,772,790
Maintenance supplies	-	-
Food supplies	-	-
Linen and clothing supplies	-	-
Cleaning materials supplies	-	-
General supplies	-	-
Less: provision for impairment of stocks	-	-
<b>Total</b>	<b>8,522,281</b>	<b>3,772,790</b>

**Detailed disclosure on inventories**

	2024/25	2023/24
Opening balance	-	-
Additional Inventory in the year	-	-
Inventory expensed in the year	-	-
Write-downs in the year	-	-
Others specify	-	-
Closing balance	-	-

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**Notes to the Financial Statements (Continued)**

**32. Property, Plant and Equipment**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, Fittings and Office Equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Cost</b>								
<b>As at 01/07/ 2023 (Previous year)</b>	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
<b>As at 30/06/ 2024</b>	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
<b>As at 01/07 2024 (current year)</b>	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-

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<b>As at 30/06 2025</b>	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
<b>Depreciation and impairment</b>	-	-	-	-	-	-	-	-
As at 01/07/ 2023 (previous year)	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
<b>As at 30/06/ 2024</b>	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
<b>As at 01/07/2024 (current year)</b>	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
<b>As at 30/06/ 2025</b>	-	-	-	-	-	-	-	-

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	-	-	-	-	-	-	-	-
<b>Net book values</b>	-	-	-	-	-	-	-	-
<b>As at 30/06/ 2024 (previous)</b>	-	-	-	-	-	-	-	-
<b>As at 30/06/ 2025 (current)</b>	-	-	-	-	-	-	-	-

Notes to the Financial Statements (Continued)

33. Intangible Assets-Software

Description	Period ended June 2025	Prior year audited
	Kshs	Kshs
<b>Cost</b>		
At beginning of the year	-	-
Additions	-	-
Additions-Internal development	-	-
Disposal	-	-
At end of the year	-	-
<b>Amortization and impairment</b>		
At beginning of the year	-	-
Amortization for the period	-	-
Impairment loss	-	-
At end of the year	-	-
<b>NBV</b>	-	-

34. Investment Property

Description	2024/25	2023/24
	KShs	KShs
At beginning of the year	-	-
Additions	-	-
Disposals during the year		
Fair value gain	-	-
Depreciation (where investment property is at cost)	-	-
Impairment		
At end of the period	-	-

Notes to the Financial Statements (Continued)

35. Biological Assets

Description	2024/25	2023/24
	Kshs	Kshs
Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Others specify	-	-
<b>Total</b>	-	-

36. Trade and other Payables

Description	2024/25		2023/24	
	KShs		KShs	
Trade payables	3,683,423		4,918,552	
Employee dues	-		-	
Third-party payments (e.g. unremitted payroll deductions)	-		-	
Audit fee	-		-	
Doctors' fee	-		-	
<b>Total trade and other payables</b>	<b>3,683,423</b>		<b>4,918,552</b>	
<b>Ageing analysis:</b>	<b>2024/25</b>	<b>% of the Total</b>	<b>2023/24</b>	<b>% of the total</b>
Under one year	-	0%	-	0%
1-2 years	3,683,423	100%	4,918,552	100%
2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
<b>Total</b>	<b>3,683,423</b>	<b>100%</b>	<b>4,918,552</b>	<b>100%</b>

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**37. Refundable Deposits from Customers/Patients**

Description	2024/25		2023/24	
	KShs		KShs	
Medical fees paid in advance	-		-	
Credit facility deposit	-		-	
Rent deposits	-		-	
Others (specify)	-		-	
<b>Total deposits</b>	-		-	
Ageing analysis:	2024/25	% of the Total	2023/24	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	-	%	-	%

**38. Provisions**

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

**39. Finance Lease Obligation**

Description	2024/25	2023/24
	Kshs	Kshs
Current Lease obligation	-	-
Long term lease obligation	-	-
<b>Total</b>	-	-

**40. Deferred Income**

Description	2024/25	2023/24
	KShs	KShs
Current Portion	-	-
Non-Current Portion	-	-
<b>Total</b>	-	-

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

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

**41. Borrowings**

Description	2024/25	2023/24
	KShs	KShs
<b>Balance at beginning of the period</b>	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	-	-
<b>Balance at end of the period</b>	-	-

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

Description	2024/25	2023/24
	KShs	KShs
Current Obligation	-	-
Non-Current Obligation	-	-
<b>Total</b>	-	-

Notes to the Financial Statements (Continued)

42. Service Concession Arrangements

Description	2024/25	2023/24
	KShs	KShs
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	-	-
Net carrying amount	-	-
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	-	-
Service concession liability at end of the year	-	-

43. Cash Generated from Operations

Description	2024/25	2023/24
	KShs	KShs
Surplus for the year before tax	5,373,335	-
<b>Adjusted for:</b>		
Depreciation	-	-
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	(228,172)	-
Increase in receivables	(3,904,425)	-
Increase in deferred income	-	-
Increase in payables	(1,235,129)	-
Increase in payments received in advance	-	-
<b>Net cash flow from/used in operating activities</b>	<b>5,609</b>	<b>-</b>

Notes to the Financial Statements (Continued)

**44. Financial Risk Management**

The Mwala Level 4 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 Mwala Level 4 Hospital's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

The Mwala Level 4 Hospital has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the hospital's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Mwala Level 4 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 2024 (previous year)				
Receivables from exchange transactions	1,463,300	1,463,300	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	2,568	2,568	-	-
<b>Total</b>	<b>1,465,868</b>	<b>1,465,868</b>		
At 30 June 2025 (current year)				
Receivables from exchange transactions	5,367,725	5,367,725	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	8,177	8,177	-	-
<b>Total</b>	<b>5,375,902</b>	<b>5,375,902</b>	-	-

**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 Mwala Level 4 Hospital has significant concentration of credit risk on amounts due. The 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 Mwala Level 4 Hospital's short, medium and long-term funding and liquidity management requirements. The Mwala Level 4 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
<b>At 30 June 2024</b>				
Trade payables		-	4,918,552	4,918,552
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	<b>4,918,552</b>	<b>4,918,552</b>
<b>At 30 June 2025</b>				
Trade payables	-	-	3,683,423	3,683,423
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	<b>3,683,423</b>	<b>3,683,423</b>

**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 Mwala Level 4 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 Mwala Level 4 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 Mwala Level 4 Hospital's exposure to market risks or the way it manages and measures the risk.

**a) Foreign currency risk**

The Mwala Level 4 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 Mwala Level 4 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
<b>At 30 June 2024</b>			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

The Mwala Level 4 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.

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**Notes to the Financial Statements (Continued)**

Description	KShs	Other currencies	Total
	Kshs		Kshs
<b>At 30 June 2025</b>			
Financial assets (investments, cash, debtors)	-	-	-
<b>Liabilities</b>			
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
<b>2024</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2025</b>			
Euro	10%	-	-
USD	10%	-	-

**b) Interest rate risk**

Interest rate risk is the risk that the Mwala Level 4 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 Mwala Level 4 Hospital analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase. A rate increase/decrease of 5% would result in a decrease/increase in surplus.

**iv) Capital Risk Management**

The objective of the Mwala Level 4 Hospital's capital risk management is to safeguard the Hospital's ability to continue as a going concern. The Mwala Level 4 Hospital capital structure comprises of the following funds:

Description	2024/25	2023/24
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
<b>Total funds</b>	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/ (excess cash and cash equivalents)	-	-
<b>Gearing</b>	0%	0%

**Notes to the Financial Statements (Continued)**

**45. Related Party Balances**

**Nature of related party relationships**

Entities and other parties related to the Mwala Level 4 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.

Machakos County Government is the principal shareholder of the Mwala Level 4 Hospital, holding 100% of the Mwala Level 4 Hospital's equity interest. The National Government of Kenya has provided full guarantees to all long-term lenders of the Mwala Level 4 Hospital, both domestic and external. The related parties include:

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

Description	2024/25	2023/24
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Services offered to related parties</b>		
Services to -	-	-
Sales of services to -	-	-
<b>Total</b>	-	-
<b>b) Grants from the Government</b>		
Grants from County Government	8,000,000	14,125,000
Grants from the National Government Entities	-	-
Donations in kind	-	-
<b>Total</b>	<b>8,000,000</b>	<b>14,125,000</b>
<b>c) Expenses incurred on behalf of related party</b>		

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Description	2024/25	2023/24
	Kshs	Kshs
Payments of salaries and wages for - employees	-	-
Payments for goods and services for -	-	-
<b>Total</b>	-	-
<b>d) Key management compensation</b>		
Directors' emoluments	-	-
Compensation to the medical Sup	-	-
Compensation to key management	-	-
<b>Total</b>	<b>8,000,000</b>	<b>14,125,000</b>

**46. Segment Information**

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

**47. Contingent Liabilities**

Contingent liabilities	2024/25	2023/24
	Kshs	Kshs
Court case - against the hospital	-	-
Bank guarantees in favour of subsidiary	-	-
<b>Total</b>	-	-

**48. Capital Commitments**

Capital Commitments	2024/25	2023/24
	Kshs	Kshs
Authorised For	-	-
Authorised And Contracted For	-	-
<b>Total</b>	-	-

**49. Events after the Reporting Period**

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

**50. Ultimate and Holding Mwala Level 4 Hospital**

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Department of Health and Emergency Services. Its ultimate parent is the County Government of Machakos.

**51. Currency**

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

**20. Appendices**

**Appendix 1: Progress on Follow Up of Auditor Recommendations**

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


<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1	Non-Disclosure of Property, Plant and Equipment - The statement of financial position reflects nil balance on property, plant and equipment. However, review of Hospital's records and physical verification revealed various assets including land, buildings, hospital ambulance, furniture, computers and equipment which were not disclosed in the financial statements.	Mwala Level 4 Hospital owns and maintains a comprehensive list of all assets. The hospital is currently awaiting the county-wide valuation of assets being conducted by the County. The county-initiated assets valuation process.	Not Resolved	Ongoing
2	Understatement of Receivables from Non-Exchange Transactions - National Health Insurance Fund - The statement of financial position reflects a nil balance on receivables from non-exchange transactions as disclosed in Note 29 to the financial statements. However, a review of National Health Insurance Fund (NHIF) records revealed that the fund owes the hospital claims amounting	Fund owes to the hospital claims from NHIF should be disclosed in Note 28-Receivables from exchange transactions. Therefore, the management has disclosed ksh.1,463,300 under the same note and in statement of financial position. The amount of ksh.1,463,300 is inclusive of the queried amount of ksh.867,100	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	to Kshs.868,500 which includes claims for outpatient and in-patient amounting to Kshs.1,400 and Kshs.867,100, respectively.			
3	Failure to Prepare Quarterly Revenue Reports. The statement of financial performance reflects Kshs.3,168,505 in respect of Rendering of Services -Medical Income as disclosed in Note 11 to the financial statements. However, the Hospital did not provide evidence to show that reports relating to this income were prepared and submitted to the County Treasury with a copy to the Auditor-General. Failure to prepare and submit the quarterly reports is contrary to Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.	The management endeavors to prepare quarterly revenue reports on monthly basis. However, the Public Sector Accounting Standard Board (PSASB) is yet to develop and upload the "Level 4 Receiver of Revenue Template "in their website. We always recognize all the revenues earned by the facilities in our quarterly and annual financial statements.	Resolved	
4	Failure to Maintain Fixed Asset Register- The statement of financial position reflects Nil balance in respect of property, plant and equipment as disclosed in Note 31 to the	Mwala Level 4 Hospital owns and maintains a comprehensive list of all fixed assets. The hospital is currently awaiting the county-wide valuation of assets being conducted by	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	financial statements. However, the audit revealed that the Hospital does not maintain fixed asset register. This is contrary to Regulation 136 (1) of the Public Finance Management (County Government) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. In addition, there was no evidence to show that the Hospital has ever carried out a valuation of its assets.	the County. The county-initiated assets valuation process		

  
 .....  
**Accounting Officer**

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**Appendix II: Projects Implemented by The Mwala Level 4 Hospital**

**Projects**

Projects implemented by the Hospital Funded by development partners

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

**Status of Projects completion**

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

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**Appendix III: Inter-Mwala Level 4 Hospital Confirmation Letter**

**Name of Transferring Entity: Machakos County Government**

**Name of Beneficiary: Mwala Level 4 Hospital**

Confirmation of amounts received by [Insert name of beneficiary Mwala Level 4 Hospital] as at 30 <sup>th</sup> June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
FT24257B5YBH	13-Sep-24	1,500,000		1,500,000	Received
FT24333RL6M3	28-Nov-24	3,000,000		3,000,000	Received
FT250778JSYL	18-Mar-25	3,500,000		3,500,000	Received
<b>Total</b>		<b>8,000,000</b>		<b>8,000,000</b>	

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

**Head of Accounts Department – Machakos County Government**  
 Name Benard Muri Sign [Signature] Date 15/10/25

**Head of Accounts Department - Mwala Level 4 Hospital:**  
 Name Eric Muli Sign [Signature] Date 15/10/25

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**Appendix IV Reporting of Climate Relevant Expenditures**

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

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**Appendix V: Disaster Expenditure Reporting Template**

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