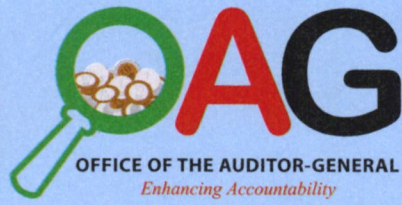
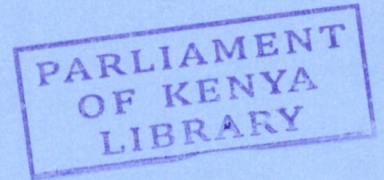


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

ON

MIGWANI LEVEL 4 HOSPITAL

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

PAPERS LAID	
DATE	26/11/25
TABLED BY	S.M.L
COMMITTEE	-
CLERK AT THE TABLE	Belinda

COUNTY GOVERNMENT OF KITUI



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30984 - 00100, NAIROBI
MACHAKOS HUB.

24 OCT 2025

RECEIVED



**MIGWANI LEVEL 4 HOSPITAL
(Kitui County Government)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

Table of Contents

1. Acronyms & Glossary of Terms.....	ii
2. Key Entity Information and Management.....	iii
3. The Board of Management	v
4. Key Management Team	vi
5. Chairman’s Statement	viii
6. Report of The Medical Superintendent	ix
7. Statement of Performance Against Predetermined Objectives.....	x
8. Corporate Governance Statement.....	xi
9. Management Discussion and Analysis	xii
10. Environmental And Sustainability Reporting.....	xiii
11. Report of The Board of Management	xiv
12. Statement of Board of Management’s Responsibilities	xv
13. Report of The Auditor General on the Financial Statements of Migwani Level 4 Hospital	xvi
14. Statement of Financial Performance for The Year Ended 30 June 2025	1
15. Statement of Financial Position As At 30 th June 2025	3
16. Statement of Changes in Net Assets for The Year Ended 30 June 2025.....	5
17. Statement of Cash Flows for The Year Ended 30 June 2025	6
18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 June 2025.....	8
19. Notes to the Financial Statements	10
20. Appendices.....	47

1. Acronyms & Glossary of Terms

The following is a list of all acronyms and glossary of terms used in the preparation of this report

OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
CECM	County Executive Committee Member
Dr.	Doctor
NYC	National Youth Council
PLWDs	People Living With Disabilities
NHIF	National Hospital Insurance Fund
SHIF	Social Health Insurance Fund
CSR	Corporate Social Responsibility
KEMSA	Kenya Medical Supplies Agency
SRC	Salaries and Remuneration Commission
WIBA	Work Injury Benefits Act
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

(a) Background information

Migwani Hospital is a level 4 hospital established under gazette notice number Vol CXXII-No. 24 and is domiciled in Kitui County under the Health and Services Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to provide medical services. The hospital is SHIF accredited and satisfactorily offers medical services including maternity, X-ray Services. Other general medical services offered include:

- Child Wellness Clinic,
- Mother Child Health,
- Laboratory,
- Nutrition,
- Inpatient,
- Outpatient,
- Comprehensive care clinic,
- Pharmacy,
- Physiotherapy and
- Medical Out Patient Clinic (MOPC) services.

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management

(d) Fiduciary Management

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

No.	Designation	Name
1.	CECM-Finance, Economic Planning and Revenue Management	Peter Mwikya Kilonzo
2.	CECM-Health and Sanitation	Ruth Koki Mwanzia
3.	Chief Officer- Finance, Revenue Management and Accounting	John Makau Kimwele
4.	Chief Officer- Public Health and Sanitation	Lynn Kitwan
5.	Chief Officer- Medical Services	Dr. Benson Musyoka Wambua
6.	Chief Officer-Drugs and Medical Supplies	Aggrey Kinyalili Kamba
7.	Medical Superintendent	Dr. Benjamin Mwanza

(e) Fiduciary Oversight Arrangements

- Kitui County Assembly Public Investment and Accounts Committee
- Kitui County Assembly County Budget and Appropriation Committee
- Kitui County Assembly Finance and Economic Planning Committee
- Kitui County Budget and Economic Forum
- Controller of Budget
- National Treasury
- Office of the Auditor General
- The County Assembly of Kitui
- Kitui County Assembly Health Committee

(f) Entity Headquarters

Migwani Level 4 Hospital
P.O. Box 3-90402
Migwani-Mwingi

(g) Entity Contacts

Telephone: 0736114288
E-mail: Migwanihospital2022@gmail.com
Website: health@kitui.go.ke

(h) Entity Bankers

Kenya Commercial Bank
Mwingi Branch
Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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









(k) County Attorney

P.O. Box 33-90200
Kitui, Kenya





3. The Board of Management

Currently, the Board of Management for the hospital is not in place.

4. Key Management Team

Ref	Management	Details
1.	 Peter Mwikya Kilonzo	CECM-Finance, Economic Planning and Revenue Management CPA (K)
2.	 Ruth Koki Mwanzia	CECM-Health and Sanitation Bachelor in Medicine and Surgery
3.	 John Makau Kimwele	Chief Officer- Finance, Revenue Management and Accounting CPA (K)
4.	 Lynn Kitwan	Chief Officer- Public Health and Sanitation Degree in Public Health
5.	 Dr. Benson Musyoka Wambua	Chief Officer- Medical Services Degree in Pharmacy
6.	 Aggrey Kinyalili Kamba	Chief Officer-Drugs and Medical Supplies Degree in Pharmacy
7.	 Dr. Benjamin Mwanza	Medical Superintendent MBCHB
8.	 Simon Waita	Head of Administration Bachelors Degree in Business Administration

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

9.	 CPA Winnie Mue	Head of Finance BSc-Human Resource Management, CPA-K
10.	 Susan Njiiri	Head of Nursing Department Higher Diploma in Comprehensive Reproductive Health
11.	 Oscar Malombe	Head of Supply Chain MSc Procurement and logistics management
12.	 Nichodemus Makau	Head of Laboratory Diploma in Medical Laboratory
13.	 Thomas Gichoni	Head – Clinical Officers Diploma in Clinical Medicine and Surgery

5. Chairman's Statement

Currently, the Board of Management for the hospital is not in place.

6. Report of The Medical Superintendent

Migwani Sub County Hospital has continued to operate fairly well during the financial year ended 30th June 2025. Moreover, the Country is yet to heal from the Covid-19 effects and so is Migwani Sub County Hospital.

During the year ended 30th June 2025 the disbursements made to Migwani Hospital by the County Government of Kitui amounted to Ksh. 14,597,150.

Some of the challenges faced during the year included:

- Inadequate funding from the County Government of Kitui;
- Late disbursement of funds to the hospital by the County Government of Kitui;
- Inadequate Staff both medical and administrative/Operational;
- Huge unpaid SHIF claims;
- Inadequate medical supplies thus reducing patients' workload due to reduced trust from the Hospital side; among others

In the future, the Hospital proposes to:

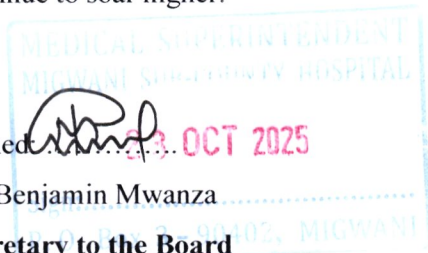
- Request for additional funding from the County Government of Kitui so as to be able to meet debts as and when they fall due;
- Request for timely funding by the County Government of Kitui;
- Request for additional staff from the County Government of Kitui for an optimal staff establishment;
- Conduct follow ups with SHIF to have claims settled in time; and
- Request for optimal medical supplies from the County Government of Kitui;

In conclusion, with the right equipment, supplies and motivated staff, Migwani Sub County Hospital will continue to soar higher.

Signed 

Dr. Benjamin Mwanza

Secretary to the Board



7. Statement of Performance Against Predetermined Objectives

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County Government entity's performance against predetermined objectives.

Migwani Sub County Hospital falls under the Ministry of Health and Sanitation of the County Government of Kitui which has several strategic pillars which are broadly summarised in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Provide reliable medical services	To provide reliable medical services	<ul style="list-style-type: none"> • Number of medical staff • Adequate Pharmaceutical and non-pharmaceutical stock levels 	<ul style="list-style-type: none"> • Maintaining proper staff levels • Maintaining proper Pharmaceutical and non-pharmaceutical stock levels 	<ul style="list-style-type: none"> • Staff levels improved • Improved Pharmaceutical and non-pharmaceutical stock levels
Increase revenue	To increase revenue collected	<ul style="list-style-type: none"> • SHIF Claims paid • Revenue swiped to Kitui County Revenue Account 	<ul style="list-style-type: none"> • Follow up on SHIF Unpaid claims • Timely collection of revenue from patients 	<ul style="list-style-type: none"> • SHIF Claims paid • Increased revenue collected
Customer/Patients' satisfaction	To increase Patients' satisfaction	<ul style="list-style-type: none"> • Number of Patients served • Customer complaints received 	<ul style="list-style-type: none"> • Improve customers' or patients' service 	<ul style="list-style-type: none"> • Satisfied patients

8. Corporate Governance Statement

The previous Board of Management for Migwani Sub County Hospital were gazetted on 25th June 2021 as per Kenya Gazette Notice Number 6318. This appointment was later revoked via Kenya Gazette Notice No. 13546 dated 6th October 2023.

The functions of the board of management included:

- a. Supervise and control the administration of funds allocated to the hospital;
- b. Through minutes, request the CECM to open and operate a bank account;
- c. Prepare work plans based on estimated expenditure and drug stock levels and usage;
- d. Cause to be kept basic books of accounts;
- e. Cause to be kept records of accounts for income and expenditure and assets and liabilities;
- f. Cause to be kept permanent record of all its deliberations;
- g. Provide oversight to the hospital; among others

A member shall be added or removed according to the existing regulations on establishment of boards of management.

Remuneration of the board members is as advised by SRC.

Generally, the hospital operates as per the set Terms of Reference concerning the number of Board meetings held and the attendance to those meetings by members, succession plan, existence of a Board charter, process of appointment and removal of Board members, roles and functions of the Board, induction, and training, Board and member performance, conflict of interest, board remuneration, ethics, and conduct as well as governance audit

9. Management Discussion and Analysis

The following is a brief outline of management discussion and analysis: -

Clinical/operational performance

Migwani Sub County Hospital being geographically centrally located in Mwingi West Subcounty, receives patients from the neighbouring wards including Mbondoni, Nguutani, Kyome/Thaana and Kiomo/Kyethani.

During the Financial Year 2024/25 the amount disbursed to Migwani Sub County Hospital amounted to Kshs. 14,597,150. This amount was utilized as per the agreed budget in running the day to day operations of the hospital. The hospital plans to discuss with the management at County level on the possibility of increasing funding so as to meet its expenses as and when they fall due and also avoid accumulation of pending bills.

Revenue collected from provision of medical services amounted to Kshs.13, 393,160. This amount was however transferred to The Kitui County Revenue Account as per the existing standing orders. The unpaid claims by NHIF/SHIF amounted to Kshs. 3,976,358

The hospital has a capacity of 70 beds (Maternity ward-13, Male ward-24, Female ward-20, surgical ward -5 and children's ward-8).

Signed.....

Dr. Benjamin Mwanza

Secretary to the Board



10. Environmental And Sustainability Reporting

Migwani Sub County 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

The hospital has planted trees around the fence to improve environmental sustainability of the region

ii) Environmental performance

The area around the hospital receives fair amount of rainfall.

iii) Employee welfare

The hospital operates as per the set Human Resource Policies both at County and International levels.

iv) Market place practices-

The following can be stated in relation to Migwani Sub County Hospital:

a) Responsible competition practice.

The organization exists to provide medical services for no profit.

b) Responsible Supply chain and supplier relations

Migwani Hospital maintains good business practices, and treats its own suppliers responsibly by honouring contracts and paying the dues owed as and when they fall due.

c) Responsible marketing and advertisement

Being a non-profit making organization, no advertisements are done but the hospital maintains good customer care services

d) Product stewardship

Migwani Hospital has several staff each with specific roles so as to uphold proper use of resources allocated to the hospital.

v) Corporate Social Responsibility / Community Engagements

The hospital has reduced its CSR activities due to continued Covid-19 effects

11. Report of The Board of Management

The hospital submitted Financial Statements for the year ended June 30, 2025, which show the state of its affairs.

Principal activities

The principal activities of the entity are to provide medical services

Results

The results of the entity for the year ended June 30 are set out on page 1 to 7

Board Of Management

Currently, the hospital Board of Management is not in place.

Auditors

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

By Order of the Board



.....
Dr. Benjamin Mwanza
Secretary of the Board

PRINTED
KITUI COUNTY HOSPITAL
30 JUN 2025
SIGN:
P.O. BOX 3-41402, MII...

12. Statement of Board of Management's Responsibilities

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

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

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

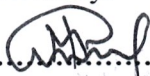
In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern.

Nothing has come to the attention of the Board of management to indicate that the *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 signed on 22/6/25 by:

.....
Name:
Chairperson
Board of Management

.....

Name: Dr. Benjamin Mwanza
Accounting Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MIGWANI LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF KITUI

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Migwani Level 4 Hospital set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net

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

In my opinion, except for the effects of the matter described in the Basis of Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Migwani 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 Qualified Opinion

Non-Disclosure of Property, Plant and Equipment

The statement of financial position and as disclosed in Note 31 to the financial statements reflect property, plant and equipment balance of Kshs.92,000 in respect to additions during the year. However, review of the Hospital's records and physical verification revealed assets including land, buildings and motor vehicles which were not disclosed in the financial statements and whose ownership documents were not provided for audit review.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.92,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Migwani Level 4 Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Information

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

Management Team, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance Against predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management and Statement of Board of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN 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

1.0 Deficiencies in implementation of Universal Health Coverage

Review of Hospital's 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 by 71 or approximately 70 % of the authorized establishment.

Staffing Requirement	Level 4 Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	3	13	81
Anesthesiologists	2	2	0	0
General Surgeons	2	3	-1	-50
Gynecologists	2	1	1	50
Pediatricians	2	0	2	100

Radiologists	2	2	0	0
Registered Community Health Nurses	75	19	56	75
Total	101	30	71	70

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

Equipment and Machines	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	50	100	87
Incubators (Newborn)	5	2	3	60
Resuscitaire in labour ward	2	1	1	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	50

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 will not be able to deliver on its mandate.

2.0 Failure to Comply with Law on Procurement

The statement of financial performance and as disclosed in Notes 14 and 20 to the financial statements reflect medical/clinical costs and general expenses totalling Kshs.5,473,935 and Kshs.6,100,561 respectively both totalling Kshs.11,574,496. However, review of procurement records revealed that direct method of procurement was used to procure the goods and services. This is contrary to Section 103 (1) and (2) of the Public Procurement and Assets Disposal Act, 2015 which states that a procuring entity may use direct procurement as allowed under sub-section (2) as long as the purpose is not to avoid competition and that a procuring entity may use direct procurement if the goods, works or services are available only from a particular supplier or contractor, or a particular supplier or contractor has exclusive rights in respect of the goods, works or services, and no reasonable alternative or substitute exists.

Further, included in the amount is Kshs.884,320 paid for medical supplies and general expenses. However, electronic tax register (ETR) receipts were not attached for the low value items contrary to Kenya Revenue Authority directive on the issue of ETR- generated

receipts for all sales and Regulation 104 (1) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that all receipts and payments vouchers of public moneys, shall be properly supported by pre-numbered receipts and payment vouchers and shall be supported by the appropriate authority and documentation.

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

3.0 Irregular Expenditure

The statement of financial performance reflects general expenses amounts of Kshs.6,100,561 which as disclosed in Note 20 to the financial statements includes Kshs.1,221,260 in respect to fuel and lubricants. Included in the amount is Kshs.900,000 for fuel. However, the payment was not supported with ETR receipts contrary to Kenya Revenue Authority directive that oil marketers and petrol stations to issue ETR- generated receipts for all fuel sales and Regulation 104. (1) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that all receipts and payments vouchers of public moneys, shall be properly supported by pre-numbered receipts and payment vouchers and shall be supported by the appropriate authority and documentation.

No explanation was provided by Management for engaging a supplier who was noncompliant with Kenya Revenue Authority directive.

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

4.0 Non-Compliance with Law on Ethnic Composition and Disabilities Distribution

During the year under review, the total number of employees of the Hospital was Eighty-one (81) out of whom sixty-two (62) or approximately 77 % were from the dominant ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that 'All public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff, and that 'no public establishment shall have more than one third of its staff from the same ethnic community'.

In addition, Management did not employ any person living with disability contrary to Section 13 of the Persons living with Disability Act, 2023 which require that at least five percent (5%) of employment is given to persons with disabilities.

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

5.0 Irregular Transfers of Revenue to the County Revenue Fund

The statement of financial performance and as disclosed in Note 10(b) to the financial statements reflect Kshs.12,551,637 being transfers to Kitui County Revenue Fund and Migwani Revenue Accounts. This is contrary to Section 5(1) and (2) of the Facilities

Improvement Financing Act, 2023 which stipulates that (1) there shall be retention of all monies raised or received by or on behalf of all Public Health Facilities. (2) There shall be opened a facility improvement financing account for each Public Health Facility into which shall be paid all monies received by or on behalf of the respective Public Health Facility.

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1.0 Lack of an Effective Audit Committee

During the year under review, the Audit Committee operated without an Audit Committee Charter and they did not hold any meeting during the year under review. This is contrary to Regulation 172(1) of the Public Finance Management (County Governments) Regulations, 2015 which require the Audit Committee to meet at least once in every three months. Further, the Internal Audit Plan and the budget of the Hospital were not approved by the Audit Committee.

In the circumstances, the effectiveness of the internal control mechanisms that could have an impact on achievement of the strategic objectives of the Hospital could not be confirmed.

2.0 Lack of an Approved Information and Communication Technology (ICT) Security Policy

Review of the Hospital's Information and Technology Systems revealed that the Hospital did not have an approved ICT Policy for governance and management of its ICT resources. In addition, there was no ICT Steering Committee in place to assist in the

development of ICT Policy Framework to enable the Hospital realize its long-term ICT strategic goals. Lack of an approved ICT Policy may result in an unclear direction regarding maintenance of information security across the organization and safeguarding the Hospital's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risks of errors, fraud and the loss of data confidentiality, integrity and availability.

In the circumstances, the existence of effective measures to prevent loss, confidentiality, integrity and availability of data could not be confirmed.

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

Responsibilities of the Management and those Charged with Governance

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

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

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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements

comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

In conducting the audit, Article 229(6) of the Constitution also require 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

06 November, 2025

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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


Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	14,597,150	12,796,850
In-kind contributions from the County Government	7	92,017,665	91,460,991
Grants from donors and development partners	8	-	-
Public contributions and donations	9	-	-
		106,614,815	104,257,841
Revenue from exchange transactions			
Rendering of services- Medical Service Income	10	13,393,160	12,241,840
Revenue from rent of facilities	11	-	-
Revenue from exchange transactions		13,393,160	12,241,840
Total revenue		120,007,975	116,499,681
Expenses			
Medical/Clinical costs	14	5,473,935	5,101,360
Employee costs	15	88,942,780	2,147,800
Board of Management Expenses	16	-	-
Depreciation and amortization expense	17	-	-
Repairs and maintenance	18	822,845	512,820
Grants and subsidies	19	-	91,460,991
General expenses	20	6,100,561	5,057,885
Finance costs	21	-	-
In Kind Medical Supplies dispensed	7	5,146,996	
Transfer to Kitui County Revenue and Migwani Revenue Accounts	10b	12,551,637	12,187,631
Total expenses		119,038,754	116,468,487
Other gains/(losses)			
Gain/Loss on disposal of non-Current assets	22	-	-

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

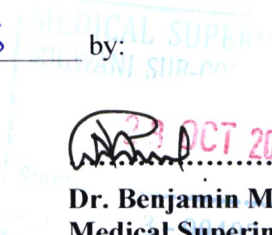

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Unrealized gain on fair value of investments	23	-	-
Medical services contracts Gains/Losses	24	-	-
Impairment loss	25	(-)	-
Gain on foreign exchange transactions		-	-
Total other gains/(losses)		-	-
Net Surplus / (Deficit) for the year		969,221	31,194

The Hospital's financial statements were signed on 22/10/25 by:

.....
Chairman
Board of Management



CPA Winnie Mue
Head of Finance
ICPAK No:28941


 MEDICAL SUPERINTENDENT
 MIGWANI SIIR-001

 23 OCT 2025
Dr. Benjamin Mwanza
Medical Superintendent

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

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	26	918,954	41,733
Prepayments	27	-	-
Receivables from exchange transactions	28	3,976,358	-
Receivables from non-exchange transactions	29	-	2,803,150
Inventories	30	281,098	1,133,830
Total Current Assets		5,176,410	3,978,713
Non-current assets			
Property, plant, and equipment	31	92,000	-
Intangible assets	32	-	-
Investment property	33	-	-
Biological Assets	34	-	-
Total Non-current Assets		92,000	-
Total assets (A)		5,268,410	3,978,713
Liabilities			
Current liabilities			
Trade and other payables	35	3,644,799	3,324,323
Refundable deposits from Patients/Prepayments	36	-	-
Provisions	37	-	-
Finance lease obligation	38	-	-
Current portion of deferred income	39	-	-
Current portion of borrowings	40	-	-
Total Current Liabilities		3,644,799	3,324,323
Non-current liabilities			
Provisions	37	-	-
Non-Current Finance lease obligation	38	-	-
Non-Current portion of deferred income	39	-	-


Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025


Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Non - Current portion of borrowings	40	-	-
Service concession Arrangements	41	-	-
Total non-current liabilities		-	-
Total Liabilities (B)		3,644,799	3,324,323
Net assets (A-B)		1,623,611	654,390
Represented by:			
Revaluation reserve		-	-
Accumulated surplus/Deficit		1,623,611	654,390
Capital Fund			-
Net Assets		1,623,611	654,390

(The notes on pages 10 to 46 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were signed on 22/10/25 by:

.....
Chairman
Board of Management


.....
CPA Winnie Mue
Head of Finance
ICPAK No:28941


.....
Dr. Benjamin Mwanza
Medical Superintendent

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2023	-	623,196	-	623,196
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	31,194	-	31,194
Capital/Development grants	-	-	-	-
As at June 30, 2024	-	654,390	-	654,390
At July 1, 2024	-	654,390	-	654,390
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	969,221	-	969,221
Capital/Development grants	-	-	-	-
At June 30, 2025	-	1,623,611	-	1,623,611

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

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		14,597,150	13,896,850
Grants from donors and development partners		-	-
Transfers from other Government entities		-	-
Public contributions and donations		-	-
Rendering of services- Medical Service Income		13,393,160	12,241,840
Revenue from rent of facilities		-	-
Salaries and wages paid in kind		86,870,669	-
Finance / interest income		-	-
KEMSA Supplies		-	-
Total Receipts		114,860,979	26,138,690
Payments			
Medical/Clinical costs		5,473,935	5,234,760
Employee costs		88,942,780	2,313,160
Board of Management Expenses			
Repairs and maintenance		822,845	972,390
Grants and subsidies			
General expenses		6,100,561	5,394,928
Finance costs			
Transfer to County Revenue Account		12,551,637	12,187,631
Total Payments		113,891,758	26,102,869
Net cash flows from operating activities	42	969,221	35,821
Cash flows from investing activities			
Purchase of property, plant, equipment		(92,000)	(-)
Purchase of intangible assets		(-)	(-)
Proceeds from the sale of PPE		-	-
Acquisition of investments		(-)	(-)
Net cash flows used in investing activities		(92,000)	(-)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(-)	(-)

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Repayment of borrowings		(-)	(-)
Capital grants received		-	-
Net cash flows used in financing activities		(-)	(-)
Net increase/(decrease) in cash and cash equivalents		877,221	35,821
Cash and cash equivalents as at 1 July	27	41,733	5,912
Cash and cash equivalents as at 30 June	27	918,954	41,733

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	-	41,733	41,733	41,733	-	100%
Receipts						
Transfers from the County Government	15,600,000	-	15,600,000	14,597,150	1,002,850	94%
Grants from donors and development partners	-	-	-	-	-	-
Transfers from other Government entities	-	-	-	-	-	-
Public contributions and donations	-	-	-	-	-	-
Rendering of services- Medical Service Income	13,393,160	-	13,393,160	13,393,160	-	100%
Revenue from rent of facilities	-	-	-	-	-	-
Finance / interest income	-	-	-	-	-	-
In kind salaries and wages	86,660,065	-	86,660,065	86,870,669	(210,604)	100%
Total receipts	115,653,225	41,733	115,694,958	114,902,712	792,246	100%
Payments						
Medical/Clinical costs	5,591,590	-	5,591,590	5,473,935	117,655	98%
Employee costs	90,081,588	-	90,081,588	88,942,780	1,138,808	99%
Remuneration of directors		-				-
Repairs and maintenance	1,320,510	-	1,320,510	822,845	497,665	62%
Grants and subsidies	-	-	-	-		-
General expenses	6,107,900	-	6,107,900	6,100,561	7,339	99%
Finance costs	-	-	-	-		-
Transfers to Revenue Accounts	12,551,637	-	12,551,637	12,551,637	-	100%
Total Operational Expenditure paid	115,653,225	0	115,653,225	113,891,758	1,761,467	
Capital Expenditure paid	-	-	-	-		-
Surplus	0	41,733	41,733	1,010,954	969,221	-

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Budget notes

1. The 98% variance on medical costs is due to under-expenditure of Ksh. 117,655.
2. The 99% variance on employee costs is due to under-expenditure of Ksh. 1,138,808.
3. The 62% variance on Repairs and maintenance costs is due to under-expenditure of Ksh. 497,665.
4. The 99% variance on general expenses is due to under-expenditure of Ksh. 7,339
5. The 94% variance on transfers from the County Government is due to under-funding of Kshs. 1,002,850

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	1,010,954
1	Budget carryovers from the previous year	(41,733)
	Closing Cash and Cash Equivalent as per the statement of Cash flows	969,221

19. Notes to the Financial Statements

1. General Information

Migwani Sub County Hospital is established by and derives its authority and accountability from PFM Act, 2012. The entity is wholly owned by the Kitui County Government and is domiciled in Kitui County in Kenya. The entity's principal activity is to provide medical services.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *hospital's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed accordingly. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *hospital*. The financial statements have been prepared in accordance with the PFM Act (2012) and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

3. Adoption of New and Revised Standards

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

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

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

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

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Standard	Effective date and impact:
IPSAS 49- Retirement Benefit Plans	<p>Applicable 1st January 2026</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>Applicable 1st January 2027</p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2024/2025 was approved by Board on 5/6/2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *entity* recorded additional nil appropriations on the FY 2024-2025 budget. The *entity*'s budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

c. Taxes

Sales tax/ Value Added Tax

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

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

d. Investment property

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

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

e. Property, plant and equipment

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

f. Leases

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

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

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

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

g. Intangible assets

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

h. Biological Assets

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

i. Research and development costs

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

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

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

j. Financial instruments

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

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

k. Inventories

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

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

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

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

I. Provisions

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

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

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

m. Social Benefits

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

n. Contingent liabilities

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

o. Contingent assets

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

p. Nature and purpose of reserves

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

q. Changes in accounting policies and estimates

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

r. Employee benefits

Retirement benefit plans

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

s. Foreign currency transactions

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

t. Borrowing costs

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

u. Related parties

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

w. Cash and cash equivalents

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

x. Comparative figures

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

y. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

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

Provisions

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

6 a Transfers from the County Government

Description	2024/2025	2023/2024
	KShs	KShs
Unconditional grants		
Operational grant	14,597,150	12,796,850
Level 4/5 grants	-	-
Unconditional development grants	-	-
Other grants (<i>specify</i>)	-	-
	-	-
Conditional grants	-	-
User fee forgone	-	-
Transforming health services for Universal care project (THUCP)	-	-
DANIDA	-	-
Laboratory grant	-	-
Total government grants and subsidies	14,597,150	12,796,850

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance*	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Kitui County Government	14,597,150	-	-	14,597,150	12,796,850
Total	14,597,150	-	-	14,597,150	12,796,850

7. In Kind Contributions from The County Government

Migwani Level 4 Hospital (Kitui County Government)

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

Description	2024/2025	2023/2024
	KShs	KShs
Salaries and wages	86,870,669	84,531,874
Medical supplies-Drawings Rights (KEMSA)	5,146,996	6,929,117
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	-	-
Utility bills	-	-
Total grants in kind	92,017,665	91,460,991

Distribution of in kind contribution from the county Government

Description	2024/2025	2023/2024
	KShs	KShs
Salaries and wages paid	86,870,669	84,531,874
KEMSA Medical supplies Dispensed	5,146,996	6,929,117
Total grants in kind	92,017,665	91,460,991

8. Grants From Donors and Development Partners

Description	2024/2025	2023/2024
	KShs	KShs
Cancer Centre grant- DANIDA	-	-
World Bank grants	-	-
Paediatric ward grant- JICA	-	-
Research grants	-	-
Other grants (<i>specify</i>)	-	-
Total grants from development partners	-	-

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

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA	-	-	-	-	-
JICA	-	-	-	-	-
World Bank	-	-	-	-	-
Total	-	-	-	-	-

8. (b) Transfers From Other Government Entities

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Description	2024/2025	2023/2024
	KShs	KShs
Transfer from National Government (Ministry of Health)	-	-
Transfer from a National Hospital	-	-
Transfer from an Institute	-	-
Total Transfers	-	-

9. Public Contributions and Donations

Description	2024/2025	2023/2024
	Kshs	Kshs
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Amortised and transferred to revenue	-	-
Conditions to be met – remain liabilities	-	-

10. a. Rendering of Services-Medical Service Income

Description	2024/2025	2023/2024
	Kshs	Kshs
Pharmaceuticals	569,440	582,150
Laboratory	260,220	352,390
Inpatient	570,430	
Medical Exam	35,850	
Orthopedic and Trauma Technology	1,800	11,700
Outpatient	80,550	
Physiotherapy	16,800	
X-Ray	75,200	82,250
Antenatal Clinic & Mother Child Care-Exemptions	68,000	
NHIF/SHIF	10,316,970	9,335,103
Exemption	297,000	
Waivers	13,480	

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Farewell home services	851,200	722,150
Clinics	41,500	
Dental services	32,200	75,980
Records	162,520	
Other medical services income (specify)		1,080,117
Total revenue from the rendering of services	13,393,160	12,241,840

10. b Analysis of the revenue from the rendering of services

	2024/2025	2023/2024
Transfer of Revenue Income to Kitui County Revenue Account and Migwani Revenue Account	12,551,637	12,241,840

11. Revenue From Rent of Facilities

Description	2024/2025	2023/2024
	Kshs	Kshs
Residential property	-	-
Commercial property	-	-
Total Revenue from rent of facilities	-	-

12. Finance /Interest Income

Description	2024/2025	2023/2024
	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	-	-
Total finance income	-	-

13. Miscellaneous Income

Description	2024/2025	2023/2024
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender	-	-
Services concession income	-	-
Sale of goods (water, publications, containers etc)	-	-

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Write backs (Deposits, payments in advance etc)	-	-
Bad debts recovered	-	-
Total Miscellaneous income	-	-

14. Medical/ Clinical Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Laboratory chemicals and reagents	1,032,950	1,068,350
Food and Ration	1,941,475	1,194,820
Dressing and Non-Pharmaceuticals	1,045,200	938,344
Pharmaceutical supplies	335,000	128,500
Health information stationery		770,516
Sanitary and cleansing Materials	641,260	658,330
X-Ray/Radiology supplies	478,050	342,500
Total medical/ clinical costs	5,473,935	5,101,360

15. Employee Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	88,601,440	1,824,900
Contributions to pension schemes	271,630	244,900
Staff medical expenses and Insurance cover	69,710	78,000
Employee costs	88,942,780	2,147,800

16. Board of Management Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Chairman's Honoraria	-	-
Sitting allowance	-	-
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	-

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Airtime allowances	-	-
Total	-	-

17. Depreciation and Amortization Expense

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

18. Repairs And Maintenance

Description	2024/2025	2023/2024
	Kshs	Kshs
Property- Buildings	456,715	-
Medical equipment		-
Office equipment		442,820
Furniture and fittings		-
Computers and accessories	45,000	70,000
Motor vehicle expenses	321,130	-
Maintenance of civil works		-
Total repairs and maintenance	822,845	512,820

19. Grants And Subsidies

Description	2024/2025	2023/2024
	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(<i>specify</i>)	-	-
Total grants and subsidies	-	-

20. General Expenses

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Description	2024/2025	2023/2024
	Kshs	Kshs
Bank charges	27,279	59,005
Office running expenses	-	1,094,190
Contracted services	1,238,400	981,280
Electricity expenses	578,441	360,000
Fuel and Lubricants	1,221,260	1,000,000
Travel and accommodation allowance	1,200,800	1,163,500
Other fuels-charcoal	-	130,000
Printing and stationery	1,371,376	249,910
Water and sewerage costs	103,005	20,000
Telephone and mobile phone services	360,000	-
Total General Expenses	6,100,561	5,057,885

21. Finance Costs

Description	2024/2025	2023/2024
	KShs	KShs
Borrowings (amortized cost) *	-	-
Finance leases (amortized cost)	-	-
Interest on Bank overdrafts/Guarantees	-	-
Interest on loans from commercial banks	-	-
Total finance costs	-	-

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

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

23. Unrealized Gain On Fair Value Investments

Description	2024/2025	2023/2024
	KShs	KShs
Investments at fair value	-	-
Total gain	-	-

24. Medical Services Contracts Gains /Losses

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Description	2024/2025	2023/2024
	KShs	KShs
Comprehensive care contracts with NHIF/SHIF	-	-
Non- Comprehensive contracts care with NHIF/SHIF	-	-
Linda Mama Program	-	-
Waivers and Exemptions	-	-
Total Gain/Loss	-	-

25. Impairment Loss

Description	2024/2025	2023/2024
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Investments	-	-
Total impairment loss	-	-

26. Cash And Cash Equivalents

Description	2024/2025	2023/2024
	KShs	KShs
Current accounts	918,954	41,733
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others(<i>specify</i>)- Mobile money	-	-
Total cash and cash equivalents	918,954	41,733

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

Description		2024/2025	2023/2024
Financial institution	Account number	KShs	KShs
Current account			
KCB-Revenue Acc	1156714532	394,274	191
KCB-Operations Account	1156714397	524,680	41,542
Total		918,954	41,733

27. (b) Prepayments

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Description	2024/2025	2023/2024
	Kshs	Kshs
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Others specify	-	-
Total	-	-

28. Receivables From Exchange Transactions

Description	2024/2025	2023/2024
	KShs	KShs
NHIF/SHIF Claims	3,976,358	-
Rent receivables	-	-
Other exchange debtors	-	-
Less: impairment allowance	(-)	(-)
Total receivables	3,976,358	-

Analysis of Receivables From Exchange Transactions

Description	2024/2025		2023/2024	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	3,976,358	100%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years			-	%
Over 3 years			-	%
Total (a+b)	3,976,358	100%	-	%

29. Receivables From Non-Exchange Transactions

Description	2024/2025	2023/2024
	KShs	KShs
Transfers from the County Government	-	2,803,150
Other debtors (<i>non-exchange transactions</i>)	-	-
Less: impairment allowance	(-)	(-)
Total	-	2,803,150

Analysis of Receivables From Non-Exchange Transactions

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

30. Inventories

Description	2024/2025	2023/2024
	KShs	KShs
Pharmaceutical supplies	144,495	1,133,830
Non Pharmaceutical supplies	88,515	-
Laboratory	14,140	-
Cleaning materials supplies	13,200	-
General supplies	20,748	-
Less: provision for impairment of stocks	-	-
Total	281,098	1,133,830

Detailed disclosure on inventories

	2024/2025	2023/2024
Opening balance	1,133,830	
Additional Inventory in the year	5,146,996	
Inventory expensed in the year	5,999,728	
Write-downs in the year	-	
Others specify	-	
Closing balance	281,098	1,133,830

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

31. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (specify)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
Cost									
At 1 July 2023 (previous year)	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	-	(-)
Transfers/adjustments	-	-	(-)	-	-	-	-	-	(-)
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
At 30th Jun 2024	-	-	-	-	-	-	-	-	-
At 1 July 2024 (current year)	-	-	-	-	-	-	-	-	-
Additions	-	-	-	60,000	16,000	16,000	-	-	92,000
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	-	(-)	(-)
Transfer/adjustments	-	-	-	-	-	-	-	(-)	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
At 30th Jun 2025	-	-	-	60,000	16,000	16,000	-	-	92,000
Depreciation and impairment									
At 1 July 2023 (previous year)		-	-	-	-	-	-	-	-
Depreciation for the year		-	-	-	-	-	-	-	-
Disposals		(-)	(-)	(-)	(-)	(-)	(-)	-	(-)
Impairment		(-)	(-)	(-)	(-)	(-)	(-)	-	(-)

**Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (specify)	Capital Work in progress	Total
At 30 June 2024	-	-	-	-	-	-	-	-	-
At July 2024 (current year)	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Disposals	-	(-)	(-)	(-)	(-)	(-)	(-)	-	(-)
Impairment	-	(-)	(-)	(-)	(-)	(-)	(-)	-	(-)
Transfer/adjustment	-	-	-	-	-	-	-	-	-
At 30th June 2025	-	-	-	-	-	-	-	-	-
Net book values									
At 30 th Jun 2024 (previous)	-	-	-	-	-	-	-	-	-
At 30 th Jun 2025 (current)	-	-	-	60,000	16,000	16,000	-	-	92,000

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Notes to the Financial Statements (Continued)

32. Intangible Assets-Software

Description	2024/2025	2023/2024
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
Additions-Internal development	-	-
Disposal	(-)	(-)
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization for the period	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

33. Investment Property

Description	2024/2025	2023/2024
	KShs	KShs
At beginning of the year	-	-
Additions	-	-
Disposals during the year	(-)	(-)
Fair value gain	-	-
Depreciation (<i>where investment property is at cost</i>)	(-)	(-)
Impairment	(-)	(-)
At end of the year	-	-

34. Biological Assets

Description	2024/2025	2023/2024
	Kshs	Kshs
Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Others specify	-	-
Total	-	-

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

35. Trade and other Payables

Description	2024/2025		2023/2024	
	KShs		KShs	
Trade payables	3,644,799		3,324,323	
Employee dues	-		-	
Third-party payments (e.g. unremitted payroll deductions)	-		-	
Audit fee	-		-	
Pending Bills	-		-	
Total trade and other payables	3,644,799		3,324,323	
Ageing analysis:	2024/2025	% of the Total	2023/2024	% of the total
Under one year	3,644,799	100%	3,047,547	91%
1-2 years	-	0%	276,776	9%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	3,644,799	100%	3,324,323	100%

36. Refundable Deposits from Customers/Patients

Description	2024/2025		2023/2024	
	KShs		KShs	
Medical fees paid in advance	-		-	
Credit facility deposit	-		-	
Rent deposits	-		-	
Others (specify)	-		-	
Total deposits	-		-	
Ageing analysis:	2024/2025	% of the Total	2023/2024	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

37. Provisions

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

38. Finance Lease Obligation

Description	2024/2025	2023/2024
	Kshs	Kshs
Current Lease obligation	-	-
Long term lease obligation	-	-
Total	-	-

39. Deferred Income

Description	2024/2025	2023/2024
	KShs	KShs
Current Portion	-	-
Non-Current Portion	-	-
Total	-	-

The deferred income movement is as follows:

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

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

40. Borrowings

Description	2024/2025	2023/2024
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	(-)	(-)
Repayments of domestic borrowings during the year	(-)	(-)
Balance at end of the period	-	-

Breakdown of Long- and Short-Term Borrowings

Description	2024/2025	2023/2024
	KShs	KShs
Current Obligation	-	-
Non-Current Obligation	-	-
Total	-	-

41. Service Concession Arrangements

Description	2024/2025	2023/2024
	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	=	=

42. Cash Generated from Operations

Description	2024/2025	2023/2024
	KShs	KShs
Surplus for the year before tax	969,221	31,194
Adjusted for:		
Depreciation	-	-
Non-cash grants received	(-)	(-)
Impairment	-	-
Gains and losses on disposal of assets	(-)	(-)
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working Capital adjustments		

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Increase in inventory	(852,732)	(1,133,830)
Increase in receivables	3,976,358	(1,703,150)
Increase in deferred income	-	-
Increase in payables	(320,476)	2,841,607
Increase in receivables from non-exchange transactions	(2,803,150)	-
Net cash flow from operating activities	969,221	35,821

43. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	2,803,150	2,803,150	-	-
Bank balances	41,733	41,733	-	-
Total	2,844,883	2,844,883	-	-
At 30 June 2025				
Receivables from exchange transactions	3,976,358	3,976,358	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	918,954	918,954	-	-

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Total	4,895,312	4,895,312	-	-
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The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Trade payables	-	-	3,324,323	3,324,323
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	3,324,323	3,324,323
At 30 June 2025				
Trade payables	-	-	3,644,799	3,644,799
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	3,644,799	3,644,799

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

a) Foreign currency risk

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2025			
Financial assets (investments, cash, debtors)	5,268,410	-	5,268,410
Liabilities			
Trade and other payables	3,644,799	-	3,644,799
Borrowings	-	-	-
Net foreign currency asset/(liability)	1,623,611	-	1,623,611

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2025			
Financial assets (investments, cash, debtors)	5,268,410	-	5,268,410
Liabilities			
Trade and other payables	3,644,799	-	3,644,799
Borrowings	-	-	-
Net foreign currency asset/(liability)	1,623,611	-	1,623,611

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.

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2024 (previous year)			
Euro	10%	-	-
USD	10%	-	-
2025 (current year)			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

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

Management of interest rate risk

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

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance.

iv) Capital Risk Management

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

Description	2024/2025	2023/2024
	KShs	KShs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	(918,954)	(41,733)
Net debt/ (<i>excess cash and cash equivalents</i>)	918,954	41,733
Gearing	-%	-%

44. Related Party Balances

Nature of related party relationships

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

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

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

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

45. Segment Information

The hospital does not operate in a different segment.

46. Contingent Liabilities

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

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

47. Capital Commitments

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

48. Events after the Reporting Period

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

49. Ultimate and Holding Entity

The hospital is a County Corporation/ or a Semi- Autonomous Government Agency under the Department of health and sanitation. Its ultimate parent is the County Government of Kitui.

50. Currency

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

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
1.	Non-disclosure of property, plant, and equipment	Being a devolved entity, Migwani Hospital inherited most of the property, plant, and equipment from the National Government; whose transfer of ownership and valuation is yet to be finalized	Not resolved	2026/2027
2.	Unconfirmed inventories balances	The hospital conducted a board of survey at the close of the year and prepared a report on the same for all the items of stock	Not resolved	2025/ 2026
3.	Non-disclosure of donated drugs	A complete disclosure for all drugs both purchased by the hospital and supplies from KEMSA and MEDs was done in 2024-2025	Not resolved	2025/ 2026
4.	Failure to dispose unserviceable assets	The management will liaise with The County Ministry of Health and Sanitation to dispose unserviceable assets.	Not Resolved	2026/2027
5.	Deficiencies in implementation of Universal Health Coverage	The County Ministry of Health and Sanitation is working on the compliance	Not Resolved	2026/ 2027
6.	Lack of an approved budget	Budget estimates for 2024-2025 were approved	Not resolved	2025/2026
7.	Lack of internal audit function and an audit committee of the board	Internal audit was conducted in 2024-2025	Not resolved	2025/2026
8.	Expiry of medical supplies	The management has initiated disposal process of the expired medical supplies.	Not Resolved	2025/2026

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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)
9.	Lack of hospital board of management	The management has initiated the process of appointing members of the board to office	Not Resolved	2025/2026
10.	Lack of safeguards and controls for own generated revenue	The management has improved on the controls for own generated revenue	Not Resolved	2025/2026

Guidance Notes:

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

MEDICAL SUPERINTENDENT
MIGWANI SUB-COUNTY HOSPITAL
12 OCT 2025
Sign:
Accounting Officer
P. O. Box 3 - 90402, MIGWANI

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

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

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity: County Government of Kitui

Name of Beneficiary entity: Migwani Sub County Hospital

Confirmation of amounts received by Migwani Sub County Hospital as at 30 th June 2025					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
KITUICOUNTY/REC/1103705	16-Aug	1,300,000	-	1,300,000	Received
KITUICOUNTY/REC/1105455	7-Oct	1,300,000	-	1,300,000	Received
KITUICOUNTY/REC/1104411	7-Oct	1,300,000	-	1,300,000	Received
KITUICOUNTY/REC/1106	5-Nov	1,300,000	-	1,300,000	Received
KITUICOUNTY/REC/1104979	27-Nov	2,403,150	-	2,403,150	Received
KITUICOUNTY/REC/1108	31-Dec	1,300,000	-	1,300,000	Received
KITUICOUNTY/REC/1108768	31-Dec	1,300,000	-	1,300,000	Received
KITUICOUNTY/REC/1110603	30-Jan	1,300,000	-	1,300,000	Received
KITUICOUNTY/REC/1112000	5-Mar	1,300,000	-	1,300,000	Received
KITUICOUNTY/REC/1113087	4-Apr	1,300,000	-	1,300,000	Received
TRANSFER FROM REVENUE ACCOUNT	20-Jun	494,000	-	494,000	Received
Total		14,597,150		14,597,150	

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

Head of Accounts Department - Disbursing Entity:
 Name Annadacio Vauti Sign [Signature] Date 22/6/25

Head of Accounts Department - Beneficiary Entity:
 Name: CPA Winnie Mue Sign [Signature] Date 22/6/25

Migwani Level 4 Hospital (Kitui County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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		

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

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