

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



PARLIAMENT
OF KENYA
LIBRARY

~~1116~~

REPORT

OF

THE AUDITOR GENERAL

ON

346

MASIMBA SUB COUNTY HOSPITAL

PAPERS LAID	
DATE	17/2/20
TABLED BY	Sen. (D) Telegu
COMMITTEE	
FOR THE YEAR ENDED	7/1/20

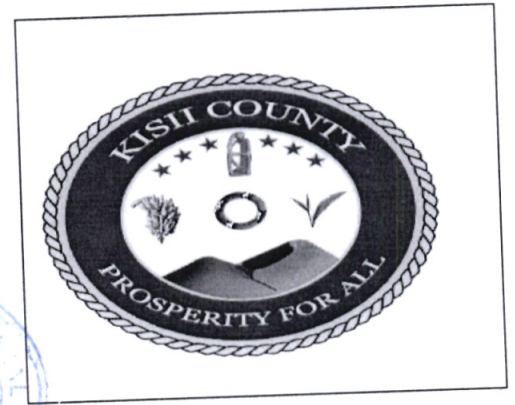
FOR THE YEAR ENDED

30 JUNE, 2025

COUNTY GOVERNMENT OF KISII

Handwritten text inside a circle, possibly a signature or initials.

Handwritten text, possibly initials or a signature.



MASIMBA LEVEL 4 HOSPITAL (Kisii 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.....	iii
2. Key Entity Information and Management.....	iv
3. The Board of Management.....	vi
4. Key Management Team.....	viii
5. Chairman's Statement.....	x
6. Report of The Medical Superintendent.....	xi
7. Statement of Performance Against Predetermined Objectives.....	xii
8. Corporate Governance Statement.....	xiii
9. Management Discussion and Analysis.....	xiv
10. Environmental And Sustainability Reporting.....	xv
11. Report of The Board of Management.....	xvi
12. Statement of Board of Management's Responsibilities.....	xvii
13. Report of the Independent Auditor on Nyamasibi Level Hospital for the year ended 30 th June 2025.....	xviii
14. Statement of Financial Performance for the Period Ended 30 June 2025.....	1
15. Statement of Financial Position As At 30 th June 2025.....	2
16. Statement of Changes in Net Assets for The Year Ended 30 June 2025.....	3
17. Statement of Cash Flows for The Year Ended 30 June 2025.....	4
18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2025 5	
19. Notes to the Financial Statements.....	6

1. Acronyms & Glossary of Terms.

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

2. Key Entity Information and Management

(a) Background information

Masimba Sub county Hospital is a level (4/5) hospital established under gazette notice volume 104 number 48 and is domiciled in Kisii County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to offer affordable and all round healthcare services to the community. The core objectives include is to provide quality healthcare through skilled personnel, technology, professionalism and integrity

(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.	Medical Superintendent	Harrison ochiki
2.	Head of finance	Lyticia Ndege-
3.	Head of supply chain	Jared Kanyangi
4.	Hospital administrator	Richard Ogeto
5.	Hospital Pharmacist	John Taipei-
6.	Nurse Manager	Caroline moruri

(Include all positions regarded as top management in your hospital).

e) Fiduciary Oversight Arrangements

- Clinical Research and Standards Committee.
- Audit committee
- Risk Committee
-

- **Key Entity Information and Management (continued)**

-
- County Assembly
- Parliamentary committees
- Other oversight committees

f) **Entity Headquarters**

P.O. Box 906, Keroka
OPPOSITE MARKET
MASIMBA TOWN

g) **Entity Contacts**

Telephone: (+254) 717579890
E-mail: masimbasdhospital@gmail.com

h) **Entity Bankers**

Kenya Commercial Bank, Keroka East Branch, 1102022888

i) **Independent Auditors**

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




j) **Principal Legal Adviser**




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

k) **County Attorney**




Office of the County Attorney
Kisii Municipal Building
P.O Box 4550
GOP 40200
Kisii, Kenya



3. The Board of Management

Ref	Directors	Details
1.	<p>Evans Gesanda Ombati Board Chairman</p> 	<p>Mr Evans is a 65 year old, Retired teacher, with 42 years working experience. He is an independent Member</p>
2.	<p>Wilson Moranga Ombongi</p>  <p>member</p>	<p>Wilson is a 65 year old, retired engineer of roads with 40 years of working experience. He is an independent member in the board of management</p>
3.	<p>Nelson Ombati Ratemo</p> <p>member</p> 	<p>Nelson is a 27 year old businessman with 3 years working experience. He is an independent member of the Board of management</p>

4.	<p>Martha Ogendi member</p> 	<p>Martha is a 47 year old peasant farmer and an independent member of the board</p>
5.	<p>Harrison Ochiki</p> 	<p>Clinical officer, 40 years old with 15 years working experience. He holds a BSC in clinical medicine He serves as the board secretary. Hes not a member of an ICS</p>
6.	<p>Callen Bitutu Andrew</p> 	<p>Callen is a 55 year old retired early childhood teacher. Diploma in ECD She is an independent member of the Board of Management</p>

4. Key Management Team

Ref	Management	Details
1.	 Harrison Ochiki	AIE Holder and oversees the overall operations of the hospital
2.	Richard Ogeto Administrator Diploma in Business Administration	Hospital administrator. Oversees hospital operations. staff scheduling and oversees hospital operations
3.	 Lyticia Ndege Accountant CPA-K	Is the hospital finance manager that processes hospital payments, does financial reports and handles budgeting
4.	 Caroline Moruri Registered nursing officer in charge	Oversees the overall clinical unit or ward, ensuring adherence to

		standards, quality patient care and resource allocation.
5.	 <p>Walter Maosa Public health officer</p>	Head of public health unit within the facility
	 <p>Jared Kanyangi Procurement Officer BA in Economics</p>	Procurement officer in charge of acquiring goods and services for the hospital

5. Chairman's Statement

I'm pleased by the state of the hospital, the state of the wards, the landscaping of the hospital is really fascinating. I want to commend all of you for a job well done. The hospital prides itself in professionalism, quality services and integrity. I'm glad that the hospital vehicle was repaired and back in operation and I'm also happy that there's constant water flow in the hospital..However, there were some challenges we faced which include understaffing in professional personnel, Lack of medical equipment, and delay in delivering of pharmaceuticals and non-pharms. These challenges need to be addressed and worked upon so that there is improved service delivery The Medsupt tells me that there's increase in revenue to the hospital courtesy of SHA. It is my hope that the management continues to collaborate together to ensure quality service delivery, availability of enough resources and infrastructure and respect for regulation and internal controls. All this will propel the hospital to higher heights. Thank you.



Name Evans Gesanda
Chairman to the Board

6. Report of The Medical Superintendent

I would like to commend the revenue collection from SHA which has upped our total revenues leading to improvement in operations such as in procurement of resources. Our staff have been punctual and professional and I would really like to thank our management team, nursing personnel, clinical officers and casual staff for the work well done. Our hospital vehicle is now in operation and we have running water in the facility owing to collaboration between the management, procurement and finance. I would like to mention about delay in payments especially in the signing of cheques and hope that the health headquarters will work to improve the same. I encourage all departments to keep collaborating in order to keep offering quality primary healthcare services to all. Thank you.



.....
Name : Harrison Ochiki

Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

Masimba hospital has strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2024- FY 2025. These strategic pillars/ themes/ issues are as follows:

Pillar /theme/issue 1: Service delivery

Pillar/theme/issue 2: health workforce

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

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1:Service delivery	Providing high quality accessible and efficient services in order to achieve universal health coverage	-patient satisfaction - infection rates -Efficiency	-Patient registration and admission -proper treatment and care -referral services -discharge and follow-up	-reduced infection rates -increased patient satisfaction -increased efficiency
1:Health workforce	Ensure a sufficient, appropriately trained and well managed workforce to meet the health needs of the community.	-staffing ratios -operational efficiency -patient experience -employee turnover rate	-staff appraisals such as skills audits -conducting trainings and mentorship to employees.	-reduced understaffing -quality patient experience -low turnover rate -streamlined operations patient registration and admission

8. Corporate Governance Statement

The board of Masimba hospital is appointed by the Kisii County Government, Department for medical services, public health and sanitation following guidelines in the Facility Improvement Financing Act (Cap 277)..They are appointed via a gazette notice. And are to serve for a period of three years. They are six members who constitute representatives from various groups such as people with disability, youth, Faith base, vulnerable and a woman rep.

The role of the hospital board is to review and approve strategic plans, annual work plans, and budgets. They also provide strategic oversight, policy direction, and ensure transparency through public reporting and engagement. The board also oversees systems ensuring high-quality clinical care and patient safety. They develop and approve policies on clinical quality, human resources, procurement, infrastructure, and administration.

The board of Masimba meet every quarter once or twice through a written invitation by the med supt. They are usually given a sitting allowance for every sitting.

9. Management Discussion and Analysis

The hospital management of Masimba is pleased to present this discussion outlining key operational achievements, challenges, financial performance, and strategic priorities for the reporting period. The report reflects ongoing efforts to strengthen service delivery, enhance patient experience, and maintain financial sustainability

The hospital recorded **increased outpatient visits** by 12% compared to the previous quarter, largely due to improved extended consultation hours. Inpatient occupancy averaged **30%**, with the maternity ward experiencing the highest demand..

There was a **5% increase in deliveries**, attributing to improved community outreach and strengthened linkages with community health promoters. Immunization coverage remained stable at **93%**, consistent with national targets.

Total revenue for the quarter was, SHA claims accounted for 70% of total revenue, with improved claims submission timeliness. Cash revenue increased slightly due to higher inpatient

10. Environmental And Sustainability Reporting

Masimba 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

As a hospital we conduct our operations in a manner that considers the environment. We are committed to being transparent and open with our operations.

We actively engage with government regulators, customers, suppliers and citizens to create an environment that is supportive of solutions.

ii) Environmental performance

As part of adopting energy-efficient technology, the hospital incinerates its medical waste using bags for clinical waste, and staff are also provided with personal protective equipment

iii) Employee welfare

Employees are encouraged and supported to continually build on their skills and knowledge in courses in leadership, management, continuous medical education and technical competencies relevant to each employee.

iv) Community Engagements

As a way of creating awareness on health seeking behaviour and encourage early diagnosis and treatment, the hospital conducts clinical outreaches in the communities within its catchment area.

11. Report of The Board of Management

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

Principal activities

The principal activities of the entity are to review and approve the financial statements....

Results

The results of the entity for the year ended June 30 2025 are set out on pages 1 to 5

Board of Management

The members of the Board who served during the year are shown on page v.

Auditors

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



.....

Name Harrison Ochiki

Secretary to the Board

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 *entity* for that year/period. The Board of Management is also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The council members are also responsible for safeguarding the assets of the *entity*.

The Board of Management is responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *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 *entity*; (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 *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*– entities should quote applicable legislation as indicated under*). The Board members are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2025, and of the *entity's* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board of management to indicate that the *entity* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 5/9/2025 and signed on its behalf by:

.....
Name: EVANS GESANDA
Chairperson
Board of Management

.....
Name: Mr. HAROLD N. OUMU
Accounting Officer

REPUBLIC OF KENYA

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



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

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

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 Masimba Sub - County Hospital – County Government of Kisii set out on pages 1 to 15, 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 for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Masimba Sub County Hospital – County Government of Kisii as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with Public sector Accounting Standards Accrual Basis and comply with Public Finance Management Act, 2012, County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

Non-disclosure of Property, Plant and Equipment

The statement of financial position does not include any balance of property, plant and equipment. However, audit verification revealed that the Hospital occupied a parcel of land, whose size could not be verified, with permanent buildings, furniture and fittings, computers and accessories, machine, equipment and civil works within its premises. However, the value of these assets could not be confirmed as no valuation was undertaken during the year under review, and no valuation certificates were provided for audit verification. Further, the Hospital was in possession of two (2) motor vehicle. However, the logbook for the motor vehicles to confirm ownership was not provided. In addition, physical verification conducted on 4 November, 2025 revealed that motor vehicle registration GKH 426 had been grounded within the Hospital premises. However, work tickets, maintenance records, and documentation showing the last date the vehicle was operational and efforts made to repair or dispose of it were not provided for audit review.

In the circumstances, the ownership and valuation of property, plant and equipment and the accuracy and completeness of the financial statements could not be confirmed.

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

Emphasis of Matter

Budget Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.5,570,000 and Kshs.7,424,008 respectively,

resulting in over-funding of Kshs.1,854,008 or 33% of the budget. Further, the Hospital expenditure amounted to Kshs.4,781,978 against the realized revenue of Kshs.7,424,008, resulting in an under-utilization of Kshs.2,642,030 or 36% of the actual revenue.

In the circumstances, the under-utilization may have impacted negatively on the health services to the public.

Key Audit Matters

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

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Retain Facilities Improvement Funds (FIF) at the Hospital

Review of revenue records obtained from the Masimba Sub - County Hospital revealed total collection of Kshs.6,442,567 towards the health facilities improvement. Out of this amount, a total of Kshs.4,758,946 was transferred to County Health Facilities Improvement Fund Board account. However, the amount reimbursed by the Board to Masimba Sub - County Hospital could not be ascertained. This is because the Board made payments on behalf of Masimba Sub - County Hospital without disclosing the amount for the expenditures incurred. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing account. In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

In the circumstances, Management of the County Facilities Improvement Funds (FIF) was in breach of the law

2. Non-Compliance with Level 4 Hospital Requirement

Examination of records and operations for the year under review revealed that the Hospital operated below the minimum staffing levels required under the Kenya Quality Model for Health Checklist for Level 4 hospitals as noted below.

Personnel	Recommended as per KQMH	In Place (No.)	Variance
Medical Officers	20	0	20
Anaesthesiologists	3	0	3
General Surgeons	3	0	3
Gynaecologists	3	0	3
Paediatricians	3	0	3
Radiologists	2	0	2
Kenya Registered Community Health Nurses	151	8	143
Total	185	8	177

Further, audit review of the Hospital's operations revealed that the Hospital did not meet the minimum equipment and infrastructure standards prescribed under the Kenya Quality Model for Health checklist for Level 4 hospitals, as detailed below:

Equipment	Standard	In place	Variance
Wards Bed Capacity	300	18	282
Functioning ICU Beds	6	0	6
Functioning HDU Beds	6	0	6
Operational Theatres	4	0	4

New Born Unit – Incubators	6	0	6
TOTAL	322	18	304

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

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

3. Lack of Autonomy in Operations of Hospital

Examination of records revealed that despite the Hospital being designated as an autonomous service delivery unit, its key operational functions remain centralized at the Kisii County Executive (Department of Medical Services, Public Health and Sanitation), operations and procurement of goods and services were centralised at the County Headquarters. Further, the County Executive continued to manage recruitment, promotions, salary payments, including both permanent and casual staff and payments of allowances to staff. In addition, the Hospital only maintained a revenue bank account, with all collections transferred to the Kisii County Ministry of Health Facility Improvement Fund (FIF) Account for expenditure decisions centrally. As a result, the facility operated as a revenue collection point rather than an autonomous service - delivery unit as legally required.

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

4. Lack of Approved Budget

The statement of comparison of budget and actual amounts reflects approved revenue and expenditure budgets of Kshs.5,570,000 each. However, minutes of the Hospital Board deliberating on and approving the 2024/2025 budget were not provided for audit verification. It was therefore not possible to confirm whether the reported revenue and expenditure budgets were duly reviewed, discussed, and approved by the Board prior to implementation. This was contrary to section 15(a) of the Facilities Improvement Financing Act, 2023, which states that a Hospital Management Team shall, in relation to facility Improvement Financing, prepare and present the annual Hospital work plan and budget.

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

5. Failure to Prepare and Submit Quarterly Revenue Reports

The statement of financial performance reflects Kshs.7,424,008 in respect to revenue from exchange transactions – rendering of services (medical service income).

However, review of records revealed that Management did not prepare and submit quarterly revenue collection reports, contrary to Regulation 65(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires every receiver of revenue to prepare and submit to the Accounting Officer and the County Treasury a quarterly report on the revenue collected by the entity within fifteen (15) days after the end of each quarter.

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

6. Expired Medical Supplies

Review of relating to pharmaceuticals at the Hospital revealed that 4,421 units of medicine of undetermined value had expired. In addition, the stock cards used in controlling drugs did not indicate batch numbers and expiry dates to guide in issuing drugs on a First Expiry, First Out (FEFO) basis, contrary to Section 168(c) of the Public Procurement and Asset Disposal Act, 2015, which states that, An accounting officer of a procuring entity shall ensure proper management and distribution of inventory, stores and assets by ensuring that any inventory, stores and assets worn out in the course of public business are removed from the stores records through a disposal process.

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

7. Continued Use of Asbestos Roofing Materials

Audit inspection of the Hospital revealed that the roofing of the Hospital buildings was done using asbestos sheets that was visibly aged with signs of wear, including cracks and flaking, indicating deterioration and possible release of asbestos fibres into the environment. However, no evidence was provided for verification to confirm that management has undertaken an asbestos risk assessment or implemented any mitigation measures in line with occupational and environmental safety requirements. Consequently, the continued use of asbestos roofing exposes staff, patients and the surrounding community to hazardous asbestos fibre inhalation.

In the circumstances, Management was breach of the Occupational Safety and Health Act, 2007, the Environmental Management and Coordination Act, 1999, and the Public Health Act Cap 242.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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. Weak Controls on Inventories – Pharmaceuticals

The statement of financial position does not disclose any balances on inventories. Further, examination of records revealed that the Hospital did not maintain an automated inventory management system for recording pharmaceutical products for stocks management contrary to Regulation 166(4) of the Public Procurement and Asset Disposal Regulations, 2020 which requires an effective, efficient and transparent use of government inventory, stores and assets at all levels and that an Accounting Officer of a procuring entity shall take full responsibility of the management or control of inventory or assets.

In the circumstances, the effectiveness of inventory management internal controls could not be confirmed.

2. Lack of Fixed Assets Register

The statement of financial position reflects Kshs.1,745,095 in respect to total assets. This balance does not include disclosure of property, plant and equipment. Further analysis of the assets register provided for audit verification revealed that the asset register did not include information on asset type, acquisition costs and conditions of the assets

In the circumstances, the effectiveness of the assets management controls could not be confirmed.

3. Lack Internal Audit Function

During the financial year under review, the audit revealed that the Hospital did not have an Internal Audit department as required by Regulation 162(2)(a)((b)(c) and (d) of the Public Finance Management (County Government) Regulations, 2015, which provides that an Accounting Officer shall ensure that the organizational structure of the internal audit unit facilitates the entity to accomplish its internal audit responsibilities, the internal auditor with sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of internal audit reports, appropriate action to be taken on internal audit recommendations; and the internal auditor to be independent of the programs, operations and activities he or she audits to ensure the impartiality and credibility of the internal audit work undertaken. Further review of records, revealed that Hospital did not have an audit committee contrary to Regulation 174(1) of the Public Finance Management (County Government) Regulations, 2015 which states that each county government entity shall establish an audit committee or share audit committee with another entity.

In the circumstances, the effectiveness of the internal audit and audit committee in providing assurance could not be confirmed.

4. Lack of Approved Key Policy Documents

Audit review revealed that the Hospital lacked key policy documents including approved staff establishment, approved human resource manual, approved ICT manual/policy, approved risk management and fire management strategy and approved strategic plan.

In the absence of these documents, the effectiveness of internal controls, human resource management, ICT governance, risk management, and overall organizational strategic direction could not be confirmed.

In the circumstances, the effectiveness of the internal control, risk management and governance assurance 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 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 Management and those Charged with Governance

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

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

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

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

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

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.


Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathuriga, CBS
AUDITOR-GENERAL

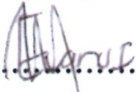
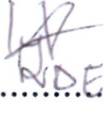

Nairobi

03 December, 2025

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


Description	Note	2024/2025
		Kshs
Revenue from exchange transactions		
Rendering of services- Medical Service Income	1	7,424,008
Revenue from exchange transactions		7,424,008
Total revenue		7,424,008
Expenses		
Transfer to other Government Entities	2	4,758,947
General expenses	3	23,032
Total expenses		4,781,979
Net Surplus / (Deficit) for the year		2,642,029


The Hospital's financial statements were approved by the Board on 5/9/2025 and signed on its behalf by:


		
.....
Chairman EVANS GERANDA	Head of Finance	Medical Superintendent
Board of Management	ICPAK No:	HARRISON OCHIUKI

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

Description	Note	2024/2025
Assets		
Current assets		
Cash and cash equivalents	4	1,745,095
Receivables from exchange transactions		-
Total Current Assets		1,745,095
Non-current assets		
Total Non-current Assets		0
Total assets		1,745,095
Liabilities		
Current liabilities		
Trade and other payables		-
Total Current Liabilities		-
Net assets		1,745,095
Represented By:		
Accumulated surplus/Deficit		2,726,535
Total Net Assets and Liabilities		2,726,535

.....

EVANS GESANDA
 Chairman
 Board of Management

.....

LYTICIA NDEGE
 Head of Finance
 ICPAK No: 30616

.....
 MR. HARRISON OCHILI

 Medical Superintendent

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

Description	Accumulated surplus/Deficit	Capital	Total
		Fund	
At July 1, 2024	84,506	0	84,506
Surplus/(deficit) for the year	2,642,029	0	2,642,029
Capital/Development grants	-		
At June 30, 2025	2,726,535	0	2,726,535

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

Description	Note	2024/2025
		Kshs
Cash flows from operating activities		
Receipts		
Rendering of services- Medical Service Income		6,442,567.85
Total Receipts		6,442,567.85
Payments		
Transfer to other Government Entites		4,758,946.95
General expenses		23,031.75
Total Payments		4,781,978.70
Net cash flows from operating activities		
Net increase/(decrease) in cash and cash equivalents		1,660,589.15
Cash and cash equivalents as at 1 July, 2024		84,506.00
Cash and cash equivalents as at 30 June. 2025	4	1,745,095.15

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Rendering of services- Medical Service Income	5,570,000.00	-	5,570,000.00	7,424,007.85	(1,854,007.85)	133.29%
Total income	5,570,000.00	-	5,570,000.00	7,424,007.85	(1,854,007.85)	133.29%
Expenses						
Transfers From Other Government Entities	5,540,000.00	-	5,540,000.00	4,758,946.95	781,053.05	85.90%
General expenses	30,000.00	-	30,000.00	23,031.75	6,968.25	76.77%
Total Expenses	5,570,000.00	-	5,570,000.00	4,781,978.70	788,021.30	14.15
Surplus for the period	-	-	-	2,642,029.15		
Capital expenditure	-	-	-	-	-	-

Budget notes

The underutilization of budgeted revenue was due to delayed reimbursement from SHA
The underutilization of budgeted expense was due to unattained revenue targets

19. Notes to the Financial Statements

1. Notes to the Financial Statements General Information

Kisii County Health Facilities Improvement Fund entity is established by and derives its authority and accountability from the Kisii County Health Facilities Improvement Fund Act. The entity is wholly owned by the Kisii County Government and is domiciled in Kenya. The entity's principal activity is to provide for the additional funding for the management of health systems and public facilities improvement in the county, to enable sustainable operations of health facilities and for connected purposes.

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 fund's accounting policies.

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

Notes to the Financial Statements (Continued)

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2025:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Fund’s future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Fund’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2025</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Fund provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p>

	<p>(a) The nature of such social benefits provided by the Fund;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Fund's financial performance, financial position and cash flows.</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2025:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p>Applicable 1st January 2025</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement,</p>

	<p>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 Fund.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<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>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

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>

Standard	Effective date and impact
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires: - <ul style="list-style-type: none"> <li data-bbox="435 409 1396 555">i. 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: <li data-bbox="435 577 1396 779">ii. 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.

iii. Early adoption of standards

The fund did not early – adopt any new or amended standards in the year 2022/2023

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 fund and can be measured reliably.

a) Revenue from exchange transactions

i) Rendering of services

The fund 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.

b. Budget information

The original budget for FY 2024/2025 was approved by Board .No *Subsequent* revisions or additional appropriations were made to the approved budget .The fund's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

c. Related parties

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

d. 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.

e. Comparative figures

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

f. 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 Fund'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.

Notes to Financial Statements Continued

6. Rendering of Services-Medical Service Income

Description	2024-2025
User Fee	1,618,648
SHA/NHIF	4,823,920
RECEIVABLES	981,440
Total	7,424,008

7. Transfers to other Government entities

Description	2024 - 2025
	KShs
Transfer to FIF A/C	4,758,947
Total	4,758,947

8. General Expenses

Description	2024-2025
	KShs
Bank Charges	23,032
	23,032

9. Cash and Cash Equivalents

Description	2024-2025
	KShs
Current accounts	1,745,095
Total cash and cash equivalents	1,745,095

10. Detailed Analysis of Cash and Cash Equivalents

Description		2024-2025
Financial institution	Account number	KShs
a) Current account		
Kenya Commerical Bank	1102022888	1,745,095.15
Sub- total		1,745,095
Grand total		1,745,095

13.Events after the Reporting Period

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

14.Ultimate and Holding Entity

The entity is a County Corporation/ or a Semi- Autonomous Government Agency under the Department of Health. Its ultimate parent is the County Government of KISII.

15. Currency

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

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

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

Guidance Notes:

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



Accounting Officer