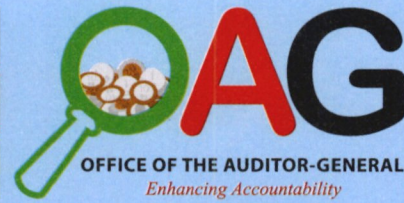


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ON

KISII TEACHING AND REFERRAL HOSPITAL

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

Revised 30th June 2025



KISII COUNTY GOVERNMENT KISII TEACHING AND REFERRAL HOSPITAL

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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***Kisii Teaching and Referral Hospital (Kisii County Government)
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1. Acronyms & Glossary of Terms

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

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

(This list is an indication of the common acronyms and glossary of terms; the entity should include all from the annual report and financial statements prepared)

2. Key Entity Information and Management

(a) Background information

The Kisii Teaching and Referral Hospital Corporation was established by and derive its authority and accountability from Kisii County Teaching and Referral Hospital Act, 2024 on 6th May. The Fund is wholly owned by the County Government of Kisii and is domiciled in Kenya.

The entity's objective is to provide financial resources for medical supplies, equipping of the hospital and improving the quality of health care services.

The entity's principal activity is to provide financial resources for medical supplies, equipping of the hospital and improving the quality of health care services

(b) Principal Activities

The principal activity of the entity is to:

- i. Provide financial resources for medical supplies, rehabilitation and medical equipment for health facilities in the hospital.
- ii. Support capacity building in the management of the hospital.
- iii. To give decision making autonomy to the hospital management committees, to plan and manage the resources within their control
- iv. To improve the quality of health care services in the hospital.

(c) Key Management

The Hospital's day today management is under the following key organs:

- i. Board of Directors
- ii. Chief Executive
- iii. Key Management Staff

(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:

Ref	Designation	Name
1.	Chief Executive	Dr.Oimeke Mariita
2	Head of Nursing unit	Julia Mecha
3	Hospital Administrator	Kennedy Mbane
4	Head of finance	CPA Mosagwe Elijah
5	Head of Procurement	Jairus Nyaundi
6	Head of Human Resource	Paul Matundura

(e) Fiduciary Oversight Arrangements

- i. Audit and Finance Committee
- ii. Internal Audit
- iii. Parliamentary Oversight Committees
- iv. Development partners
- v. County Assembly

(f) Entity Headquarters

P.O. Box 92-40200
Kisii –Hospital Road
Kisii, KENYA

(g) Entity Contacts

Telephone: (254) 734749322
Email: info@ktrh.go.ke
Website: www.ktrh.or.ke

(h) Entity Bankers

Kenya Commercial Bank
P.O. Box 47640200
Kisii, Kenya

(i) Independent Auditors

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


(j) Principal Legal Adviser

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

(i) County Attorney

P.O. Box. 92-40200
Kisii, Kenya

3. The Board of Management

Ref	Directors	Details
1.	<p>Dr. John P.N. Simba EGH, MBS, OGW</p> 	<p>Dr. John Simba is the chairman of the KTRH Board of Management. Dr. Simba is a Senior Partner in Simba & Simba Advocates LLP. He has experience and interest in Corporate Law, Banking Law and Securitization, Capital Markets, Company Restructure, Privatization and Pensions Law. He has participated as advisor and team member of companies listing and listed on the Nairobi Securities Exchange. Currently, he is Chair of the Board of Directors of Bamburi Cement Limited, Sanlam Kenya Plc, Funguo Investments Limited whilst also sitting on the Board of Carbacid CO₂ Limited and Almasi Beverages Limited (a Coca-Cola bottling company). He has previously been the Chief Executive Officer at the Industrial and Commercial Development Corporation (ICDC), the National Bank of Kenya and the immediate past Chancellor of Pwani University. He has also chaired the Nairobi Area Local Committee and Income Tax Tribunal of the Kenya Revenue Authority. John is an Advocate of the High Court of Kenya, a Notary Public and Commissioner for Oaths. He holds a Bachelor of Laws degree from the University of Dar-es-Salaam and a Diploma in Law from the Kenya School of Law. He has also undertaken specialized courses in Law and Investments from Georgetown University and Finance and Negotiations from the University of Sussex. In 2012, The University of Nairobi conferred on him an honorary Doctor of Laws Degree and in 2023, he was recognized as one of the best Commercial Lawyers in Kenya by The Lawyer Africa – Commercial Hall of Fame.</p>
2.	<p>Prof. Leonidah Kerubo Omosa</p>	<p>Prof. Leonidah Kerubo Omosa currently serves as a Professor of Organic Chemistry at the</p>



University of Nairobi, where she has built a distinguished career in academia, research, leadership, and public service.

She holds a PhD in Natural Products Chemistry from the University of Nairobi, a Master of Science in Applied Chemistry Degree from University of Devi Ahilya (M.P), Indore, India and a Bachelor of Science Degree from University of Barkatullah, Bhopal, India.

Her research has focused on the discovery of bioactive molecules with the potential to be formulated into drugs from Kenyan ethnomedicinal flora, a pursuit that aligns closely with the mission of Kisii Teaching and Referral Hospital to improve healthcare through locally relevant innovations. In addition, she has explored biopesticides from entomopathogenic fungi and biocatalysts for industrial applications, particularly in the textile sector. These areas of research not only contribute to scientific advancement but also offer practical solutions for public health, agriculture, and industry.

Prof. Kerubo has published 65 peer-reviewed journal articles and 8 book chapters, with a Hirsch-index of 23, an i10-index of 41, and over 2,023 citations on Google Scholar. Her work has been presented at numerous national and international conferences, and she has successfully supervised five (5) PhD candidates, twenty one (21) MSc students, and twenty-eight (28) undergraduate projects to completion. She has previously served as an external examiner in Chemistry at Embu University and is currently engaged in the same capacity at Masinde Muliro University of Science and Technology and Maseno University, contributing to academic quality assurance across institutions.

She is an editorial board member of Phytomedicine Plus and the Journal of Investigational Medicinal Chemistry & Pharmacology, and regularly reviews manuscripts for journals such as Phytochemistry Letters and Natural Products Research. Her professional affiliations include

***Kisii Teaching and Referral Hospital (Kisii County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025***

the Kenya Chemical Society and NAPRECA Kenya, and she maintains strong collaborative networks both locally and internationally.

In academic administration, Prof. Kerubo has held several key leadership roles at the University of Nairobi. She served as Dean of the School of Physical Sciences from **2019 to 2021**, Associate Dean of the Faculty of Science and Technology from **2021 to 2022**, and currently serves as Dean of the Faculty of Science and Technology (**2022 to date**). She also served as Deputy Vice Chancellor, Academic Affairs, for seven months (**15th January 2024 to 2nd August 2024**), during which she led strategic reforms in curriculum development, quality assurance, and academic policy. Her leadership helped align university programs with competency-based education and training, resulting in increased international student enrollment and improved academic relevance.


Among her notable achievements is the initiation of Nyandarua University, aimed at expanding access to higher education in underserved regions. She also led the mobilization of over KShs. 4.2 billion for the construction of the Science & Engineering Complex at the University of Nairobi, a transformative project that will redefine science and engineering education in Kenya.

Under her leadership, the Faculty of Science and Technology has grown into a vibrant academic hub, hosting over 6,000 students and supported by 280 academic and 250 technical and administrative staff. The faculty has shifted its research focus from traditional publications to innovation and enterprise development, aligning with the University's Strategic Plan (**2023–2027**) and the national Science, Technology, and Innovation policy. She has championed research in emerging areas such as climate science, big data, food safety, and cybersecurity, and overseen the revision and development of curricula to meet national and global standards.

Her tenure as Associate Dean saw a record 39

		<p>PhD graduations in one academic year, and she has initiated partnerships that provide internship opportunities and access to cutting-edge research infrastructure for early-career scientists. Prof.Kerubo believes that leadership in academia and public service must be visionary, inclusive, and grounded in community impact. She has actively mentored high school girls to foster interest in STEM fields and championed policies that promote student success and retention.</p> <p>As a board member of Kisii Teaching and Referral Hospital, Prof.Kerubo brings a wealth of experience in academic governance, research leadership, and strategic planning.</p> <p>As the accounting officer of the Faculty of Science and Technology, Prof.Kerubo has demonstrated strong financial stewardship, overseeing budget planning, resource allocation, and infrastructure development. Her experience in managing large-scale academic budgets and mobilizing external funding positions her as a valuable asset to the Finance, Planning and General Purpose Committee of Kisii Teaching and Referral Hospital. She brings not only financial acumen but also a strategic mindset focused on transparency, sustainability, and transformation.</p> <p>Her deep understanding of drug discovery, public health innovation, and institutional development, combined with her commitment to service, positions her to contribute meaningfully to the hospital’s mission of delivering world-class healthcare and training.</p>
3.	<p>Ratemo W. Michieka, Professor Emeritus PHD (RUTGERS) FKNAS, EBS, SS,MKIM</p>	<p>Prof.Ratemo W. Michieka is the current National Research Fund (NRF) Chairman of the Board of Trustees and Chancellor, Tharaka University. He was the founding Chairman of the African Scientific Research and Innovation Council (ASRIC), and a Distinguished Professor at Rutgers University, USA, with a speciality in Weed Science and Environment. Hewas a Postgraduate Research Fellow at the International Institute of Tropical Agriculture</p>

*Kisii Teaching and Referral Hospital (Kisii County Government)
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		<p>(IITA). He is a well-known scholar, having been the founding Vice Chancellor of Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is the Former Chairman of the Kenyatta University Council, Kenya Educational Network (KENET), Kenya Agricultural Research Institute (currently KALRO), Inter-University Council of East Africa (IUCEA), United Nations Framework Convention on Climate Change (UNFCCC). Ratemo is a Former Director General of Kenya's National Environment Management Authority (NEMA). He was Chair of the African Centre for Technology Studies (ACTS). Ratemo was a Council member of the Kenya Institute of Management (KIM) and a Board Member of the Kenya Marine and Fisheries Research Institute (KEMFRI). He is currently the Patron of Japan Ex-Participants of Kenya (JEPAK) and Seventh Day Adventist (SDA) students, Upper Kabete Campus, UoN. He was the Founder and Chairman of the African Institute for Capacity Development (AICAD).</p> <p>Prof. Michieka has published widely in his field of expertise and gives lectures in local and international fora, aiming to promote research, science, technology, innovation, and environmental management. He has also published books and book chapters.</p> <p>Despite his retirement from the University of Nairobi, Michieka continues to advise, mentor, and supervise postgraduate students. He is also engaged in other research activities within the country.</p>
4.	<p>CSCATHERINE OMWENO, MBS</p>	<p>CS Catherine Omweno holds a Master's degree in Business Administration from Moi University and a Bachelor of Arts degree from Punjab University, India.</p> <p>She has professional membership with the Institute of Certified Secretaries and the Institute of Human Resource Management respectively.</p> <p>She holds several other professional certifications among them certified professional</p>



trainer, career coach with a passion for people issues. Currently she is a practicing human resource and OD consultant.

She served as Chairperson of County Public Service Board of Kakamega County and a commissioner with the Public Service Commission from 2013 to 2019.

As a Commissioner during the transition to devolved Government, she played a leading role in capacity building the Human Resources in the Counties. She served on several committees and task forces on development of policies, regulations and legislations among them being a member of Employment and Labour Relations Committee of the Judiciary that revised the Employment and Labour Relations Court (Procedure) and Rules 2016 and was a Member of SRC Technical Committee on the 2nd Cycle Job Evaluation of the Public Service from 2016.

She led the team that developed and produced the Revised Human Resource and Policies Manual for the civil service 2016 and served as a Trustee of Public Service Commission Staff SuperAnnuation Scheme from inception in September 2014 to January 2019.


She has wealth of experience and competencies in Human Capital Management and leadership with exposure in both the Public and Private sectors having started her career in Human Resources with the civil service and moving on to CMC Motors as Group Human Resources Manager and back to Government as Commissioner Public Service Commission.

Her core competencies are in Organization Development, Performance Management, and Strategic Human Resource Management among others.

Finally, she was recognized for her contribution to National Programs and awarded Presidential Honors of Moran of the Burning Spear (MBS).

She held the elective position Chairperson of the CPSB's National Consultative Forum 2019

Kisii Teaching and Referral Hospital (Kisii County Government)
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		to 2022.
5.	<p>Dr.Oimeke Mariita</p> 	<p>Dr.Oimeke Mariita is a Consultant Primary Care Physician and Level 5 Healthcare Leader with over a decade of experience in medical practice and executive healthcare management. He is currently serving as the Chief Executive of Kisii Teaching and Referral Hospital (KTRH), appointed in March 2023.</p> <p>Dr.Mariita holds a Master of Medicine in Family Medicine from Aga Khan University and a Bachelor of Medicine and Bachelor of Surgery (M.B.Ch.B) from the University of Nairobi. He holds an Advanced Healthcare Management Programme certification from Strathmore Business School. Dr.Oimeke is also a trained Strategic Leader from the Kenya School of Government and holds certifications in Leadership and Management in Health and HIV/AIDS Care from the University of Washington.</p> <p>Previously, Dr.Mariita served as Physician Manager overseeing the Emergency Department, Maternal and Child Health, Specialty Clinics, and General Outpatient Services at KTRH, as well as Registrar in Family Medicine at Aga Khan University Hospital. He has also held leadership roles as Senior Medical Officer and Sub-County Medical Officer of Health in Uriri and Rongo, Migori County.</p>

4. Key Management Team

Ref	Management	Details
1.	Dr.Oimeke Mariita	Chief Executive
2.	Julia Mecha	Head of Nursing unit
3.	Kennedy Mbane	Hospital Administrator
4.	CPA Elijah Mosagwe	Head of finance
5.	Jairus Nyaundi	Head of Procurement
6.	Paul Matundura	Head of Human Resource

5. Chairman's Statement

It is my pleasure to present the Annual Report and Financial Statements for Kisii Teaching and Referral Hospital (KTRH). Once again, Kisii Teaching and Referral Hospital has demonstrated its commitment to centralized specialized healthcare services to all Kenyan citizens in the region that spans to counties in south Nyanza and Western Kenya.

Kisii Teaching and Referral Hospital provides quality specialized healthcare to patients in services that include Orthopaedic surgery, Plastic surgery, Critical care services, New born services, Renal and Radiology services.

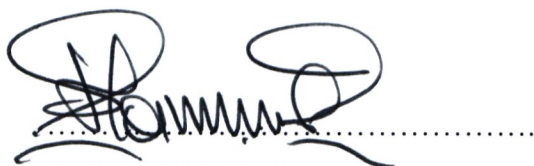
Management of operations of the hospital is guided by the existing legal policies and institutional frameworks that govern the health sector to ensure efficient and effective delivery of services in the hospital.

The Hospital's operations are also influenced by various global, regional and national strategies aimed at promoting, restoring and maintaining the health care service delivery.

In terms of corporate governance, the Board of Management carried out its mandate diligently and with focus to steer Kisii Teaching and Referral Hospital to achieve its mission. The Board of Management consists of the right balance of skills, experience and backgrounds to support and challenge the management team.

On behalf of the Board of Management, I could like to extend my appreciation to all our stakeholders and development partners for the continued support that has enabled Kisii Teaching and Referral Hospital realize its mandate. I would also like to thank Kisii Teaching and Referral Hospital management and staff for their commitment and dedication that ensured the highest quality service delivery and improved performance this financial year.

Finally, I would like to express my sincere gratitude to my fellow Board Members, for their dedication and hard work during the year. I would also like to take this opportunity to applaud the Chief Executive for creating synergy and leading the management team and all the staff to greater achievement.



Dr. John P.N. Simba

KTRH Board Chairman

6. Report of The Chief Executive

The performance review for financial year 2024/2025 provides us another opportunity to reflect on the gains made and opportunities for improvement towards continuous provision of quality, timely and cost effective and patient-centred specialised healthcare services. KTRH maintained steady growth throughout the year attributed to increased activity levels with a majority of the areas exceeding the targeted performance.

KTRH has a robust financial management system that is based on the existing government financial management rules and regulations, Public Finance Management (PFM) Act 2012, International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standard (IFRS). KTRH complied with the reporting framework as per PFM Act 2012, by submitting all the quarterly reports and financial statements to treasury.

The Kisii Teaching and Referral Hospital manages its fund based on existing government financial management rules and regulations. The fund is used for financial hospital operations including but not limited to; Purchase of Pharmaceutical and Non-Pharmaceuticals, Maintenance of proper Sanitation, Plant, Machinery and Equipment of various department, running of community outreach programs as well as free medical camps.

The long-term sustainability of KTRH operations will be determined by its continued ability to improved profitability and generate cash flow, KTRH continued to implement sound financial management policies and efficient utilization of funds, which ultimately enables the accomplishment of this objective.

I take this opportunity to acknowledge the support of Kisii County Government, and Development partners. Many thanks to the Chairman and Members of the Board for their strategic guidance and support. I wish to also register my appreciation to all stakeholders including our suppliers for supplying goods and services required for patient care and the entire staff for their commitment to providing excellent services to our clients and having played different roles and keeping us focused on our mandate.



.....
Dr.Oimeke Mariita.

Chief Executive - KTRH

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.

Kisii Teaching and Referral Hospital ‘s key development objectives as per the strategic plan 2024-2029 are as follows;

- a) Infrastructure- improve physical facilities, provide modern medical equipment, integrate ICT in the hospital.
- b) Adequate skilled human resource
- c) Enhance financial performance
- d) Enhance Audit and Risk Management
- e) Strengthen supply chain management
- f) Integrate environment, social and governance concerns into our mission
- g) Optimize customer experience
- h) Enhance research, training and innovative activities
- i) Improve clinical services

KTRH develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The *KTRH* achieved its performance targets set for the FY 2024/2025 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Achievements
Operational Excellence	Seamless, effective and timely service delivery and efficient Utilization of Resources
Excellence in clinical outcomes	Improved quality healthcare
Business growth	Financial Stability

8. Corporate Governance Statement

The Kisii Teaching and Referral Hospital Board of management has a Board Charter that describes Board Members responsibilities, the Board Functions and Structures and Ethical conduct. In addition to this, the Mwongozo Code of Governance for State Corporations governs Board Operations.

Appointment and Induction of Board Members

Appointment of Board members is as prescribed under the County Government Act, 2012 and section 6(1) (a) to (g) of the Kisii Teaching and Referral Hospital Act, 2024. The Governor appoints the Board Members

Role of the Board

The responsibility of driving good corporate governance and stewardship of the Hospital is vested in the board of Directors. The board through its committees provide strategic direction while the Chief Executive Officer assisted by the Executive Management Committee is accountable to the Board for implementing the strategy.

Board Meetings Attendance

In the FY 2024/2025, Board meetings were held as per the Board Almanac for committees and full Board.

Board Committees

- a) Finance and General Purpose committee
- b) Audit and Risk Management Committee
- c) Standard Quality Assurance, Research and Recourse Committee

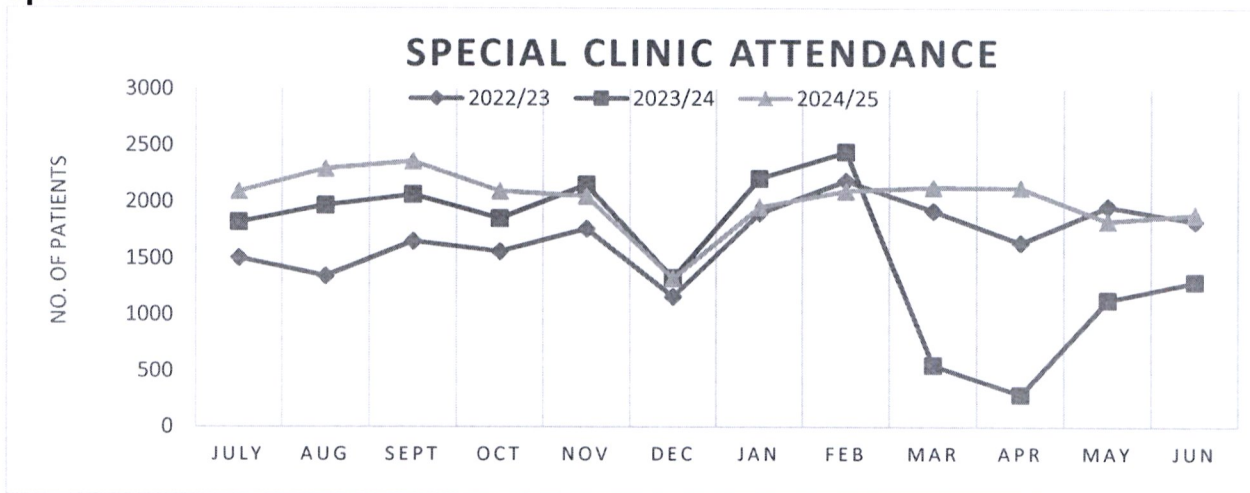
Conflict of Interest

Declaration of conflict of interest is a standing agenda in all meetings of the Board Almanac for committees and full Board. A register is maintained by the institution to record all declarations made by the board members.

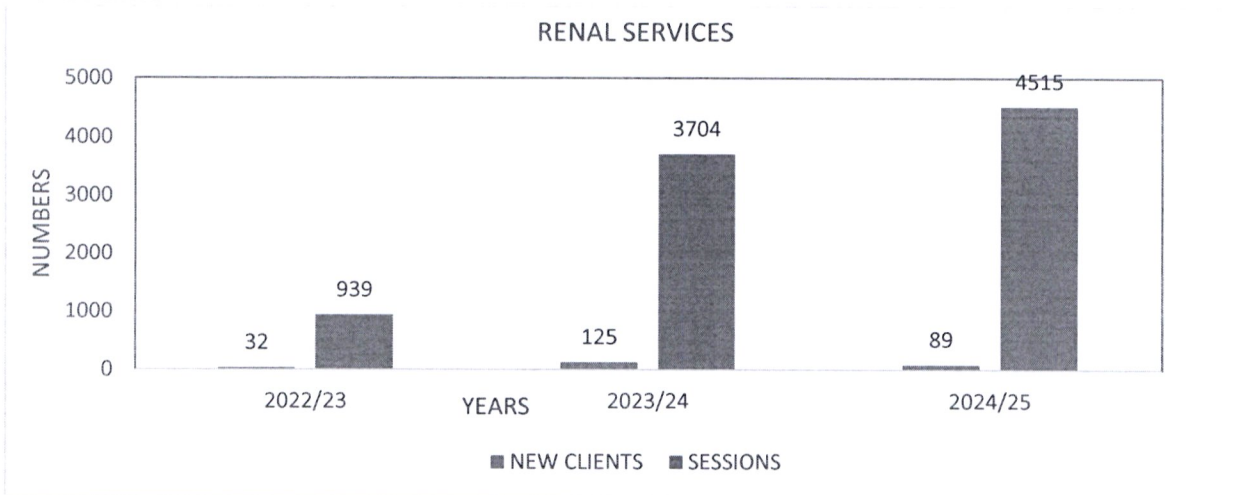
9. Management Discussion and Analysis

Clinical/operational performance

Special clinic



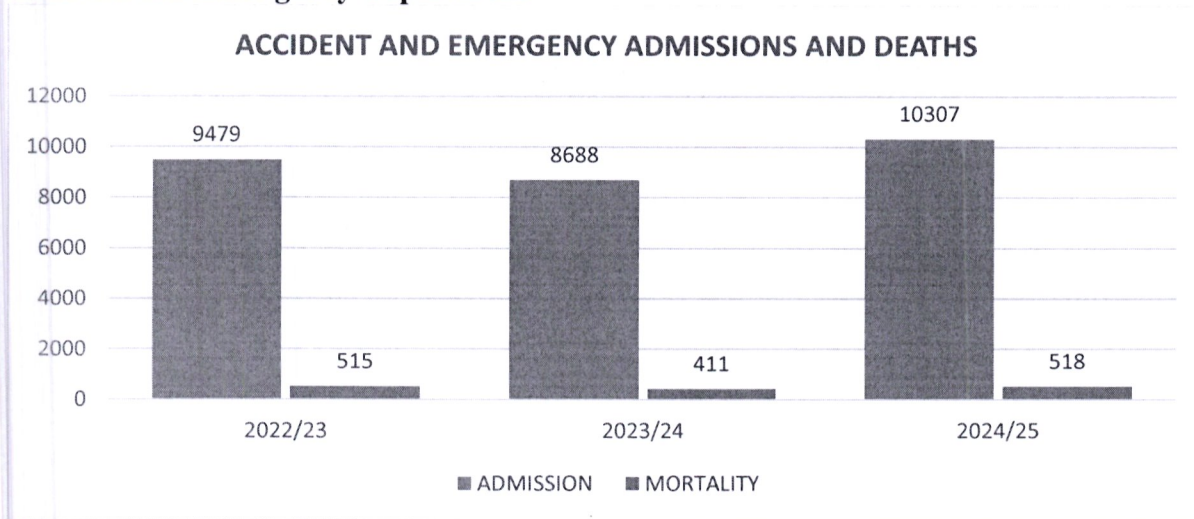
Renal unit



Observation

- Only 4 dialysis beds were working as at the last financial year from the available 12 beds
- New enrolment dropped from 125 in the year 2023/24 to 89 in the last financial year. This was attributed to frequent breakdown of the water plants, dialysis machines malfunction and inconsistency supply of commodities

Accident and Emergency Department

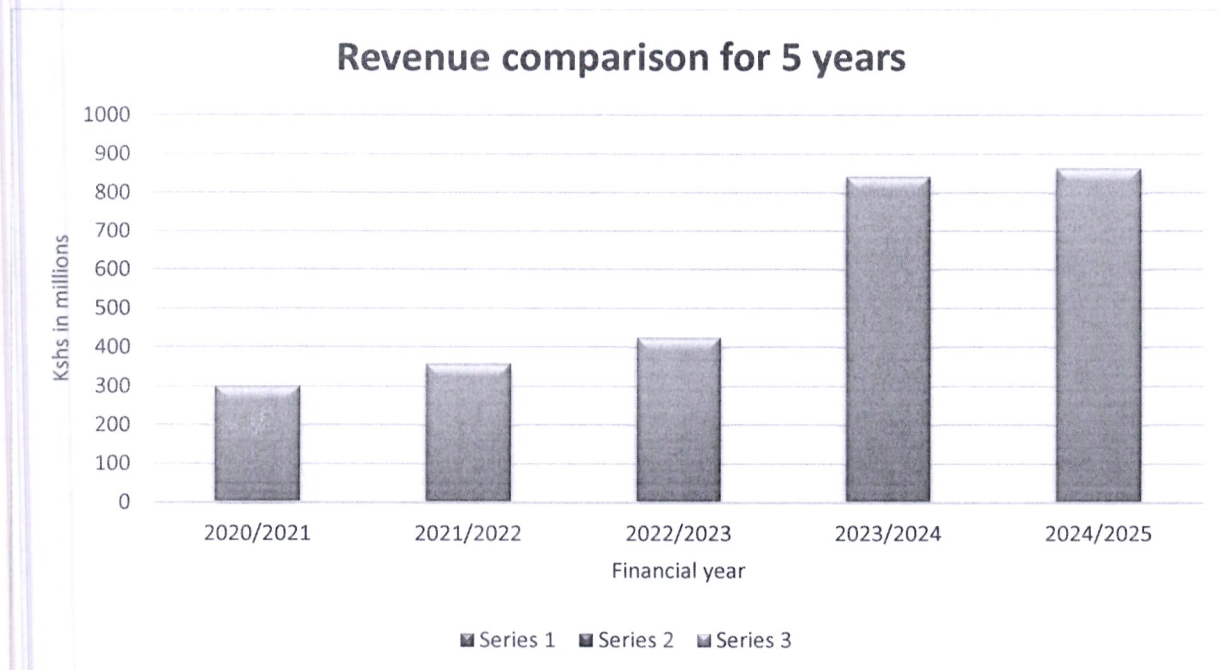


Observations

- Crude A & E Mortality Rate 2022/23 – 5.43%, 2023/24 – 4.73%, 2024/25 – 5.03%

Financial performance

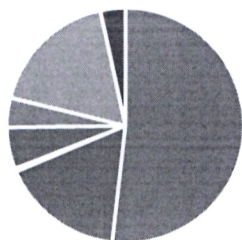
The Hospital’s revenue comprises of fee charged for services rendered. During the year revenue grew by 2.5% from financial year 2023/2024. The revenue trend over the past year is as depicted in the chart below.



Kisii Teaching and Referral Hospital (Kisii County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025


The revenue generated during the year was utilized to fund the hospitals expenditure. Fund utilization in the year under review is shown in the chart below.

Expenditure



- Clinical costs
- Employee costs
- Board expenses
- Repair & maintenance
- Acquisition costs
- General expenses
- Depreciation and amortization

Dr.Oimeke Mariita

Signature.....

10. Environmental And Sustainability Reporting

KTRH 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 county teaching and referral hospital, we recognize that we must conduct our operations in a manner that considers the environmental and social impact to ensure that success and longevity of the business. We are committed to being transparent, candid and open about our operations.

At KTRH we have a pragmatic approach to sustainability; we focus on identifying and putting into practice initiatives and programs that deliver real world and lasting benefits to all our stakeholders. Engaging with our stakeholders informs our decision making, strengthens our relationship and helps us deliver our commitments and success as an entity. In order to achieve these goals, we recognize that we must work in partnership with other interested stakeholders in who we share our commitment and have a stake in our entity.

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

ii) Environmental performance

In our offices and clinical areas, we continue encouraging employees to help reduce energy consumption by switching of their computers and lights at the end of the day when they are not in use.

As part of adopting energy efficiency technology we have a microwave incinerator that helps with waste management.

In packaging of medicine, we use environment friendly bags. In medical waste we are using bags which are clearly marked for clinical waste, bottles and leftover food, staffs are also provided with personal protective equipment.

iii) Employee welfare

KTRH staff are employed and remunerated by the Kisii County Government. With recruitment policy of at least a third is not of more than one gender. Employees are encouraged and supported to continually build on their skills and knowledge, these includes courses in leadership, management and technical competencies relevant to each employee. The staffs are also allowed to join unions for collective bargaining agreements. The entity also has a policy on safety which is compliant with Occupational Safety and Health Act of 2007, (OSHA.)

iv) Market place practices-

a) Responsible competition practice.

Ensuring responsible competition practices is crucial for an organization to maintain their integrity, reputation, and legal compliance. It involves adhering to ethical standards, promoting fair competition, and avoiding activities that can harm competitors or undermine the principles of a free market. Here's how our organization ensure responsible competition practices in various aspects

Anti-Corruption Measures: To prevent corruption, KTRH has created clear rules against it. Everyone in the organization needs to know about these rules. Also, before working with other organizations, especially in places where corruption is common, we check if those organizations are honest.

Responsible Political Involvement: The hospital does not involve in politics, it is open about it and follows the law. We have guidelines to make sure it doesn't do anything wrong.

Fair Competition: The hospital follows the laws that make sure competition is fair by not doing things like fixing prices, working together with competitors secretly, or trying to take over a market completely. Instead, we focus on making better products and treating customers well.

Respect for Competitors: The hospital respect competitors' ideas and do not copy them without permission.

Regular Audits and Monitoring: The hospital regularly checks if it is following these rules and also make sure that employees and partners know and follow the rules.

Training and Awareness: the hospital trains its staff according to their needs.

b) Responsible Supply chain and supplier relations

Maintaining responsible supply chain and supplier relations is essential for the hospital to uphold ethical business practices, ensure the quality of products or services, and build trust with our suppliers. KTRH does this through,

Fair Agreements: The hospital creates clear and fair agreements with our suppliers. These agreements spell out things like what's being bought, how much it costs, when it should be delivered, and when payment is due. Both sides should agree to these terms.

Ethical Sourcing: The hospital buys things from suppliers who follow good and ethics by treating their workers fairly, following environmental rules, and respect human rights.

On-Time Payments: the hospital pays suppliers on time according to the agreed-upon schedule.

Open Communication: the hospital talks to suppliers and shares information including updates on orders, any changes that come up, and addresses any problems quickly.

Fair Treatment: the hospital treats its suppliers fairly and equally.

Quality Check: the hospital makes sure that the things received from suppliers are of good quality and meet the agreed-upon standards. If there are any issues, we work with the suppliers to fix them.

Diversity in Suppliers: the hospital supports a mix of suppliers from different backgrounds and give everyone a fair chance to do business with the organization.

c) Responsible marketing and advertisement

Maintaining ethical marketing practices is essential for KTRH to build trust with our customers, protect our reputation, and adhere to legal and societal standards and we practice this by;

Being Truthful and Transparent:

- Always telling the truth in marketing materials and not exaggerate or mislead.
- Share all important information about products or services, including any downsides.

Consumer Rights:

- Letting people easily say no to marketing messages if they want to.
- Respect their privacy preferences, like "Do Not Track" requests.

Ethical Targeting:

- We are responsible when choosing who to target with marketing, and don't take advantage of vulnerable groups.
- Use data responsibly to make sure advertising is relevant but not invasive.

Environmental Responsibility:

- We promote eco-friendly products and practices in marketing, but make sure any claims about being green are true.
- We avoid saying things that aren't true to make a product seem more environmentally friendly than it really is.

d) Product stewardship.

Safeguarding consumer rights and interests through product stewardship is crucial to ensure the safety, quality, and satisfaction of consumers while promoting responsible consumption and environmental sustainability. Here's an outline of efforts the hospital has taken to uphold consumer rights and interests through product stewardship:

Safety and Quality: Make sure products are safe to use and meet quality standards from start to finish.

Consumer Education: Give consumers clear and complete information about products, including how to use them safely.

Recalls: Have a plan to quickly take back and replace products that have problems or are dangerous.

Fair Prices: Charge reasonable prices and avoid tricky pricing tactics.

Environmental Responsibility: Think about the environment when designing and making products. Use eco-friendly materials and reduce waste.

Supply Chain Transparency: Let consumers know where products come from and make sure the materials used are sourced ethically and sustainably.

Protect Data and Privacy: Keep consumer data safe and private, following data protection laws and being clear about what data is collected and how it's used.

v. Corporate Social Responsibility / Community Engagements

As a way of creating awareness on health seeking behaviour and encourage early diagnosis and treatment, KTRH conducts clinical outreach programs in the communities within its catchment area. It offers screening and free medical services to those who cannot afford to pay for them at the main hospital. Its also an opportunity to provide mentorship and partnership with county health facilities.

Report of the Board of Management

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

Principal activities

The principal activities of the entity are;

- I. Provide financial resources for medical supplies, rehabilitation and medical equipment for health facilities in the hospital.
- II. Support capacity building in the management of the hospital.
- III. To give decision making autonomy to the Hospital Management Committees, to plan and manage the resources within their control.
- IV. To improve the quality of health care services in the hospital.

Results

The results of KTRH for the year ended June 30, 2025 are set out on page 1

Board of Management

The members of the Board who served during the year are shown on page vi and x. During the year four directors retired namely; Dr. Kenneth Onsate Nyangena, Prof. Joseph Mochama Abuya, Dr. Stella Moraa Omari, Mrs. Martha Momanyi Omambia. Additionally, four directors were appointed during the year namely; Dr. John P.N. Simba, Prof. Leonidah Kerubo Omosa, Prof. Ratemo W. Michieka and CS. Catherine Raini Omweno

Auditors

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

By Order of the Board



Dr. Oimeke Mariita
Chief Executive- KTRH

11. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 and Section 19 of the Kisii Teaching and Referral Hospital Act, 2014 requires the Board of Management to prepare financial statements in respect of the *KTRH Act* which give a true and fair view of the state of affairs of the *Kisii Teaching and Referral Hospital* for that year/period. The Board of Management is also required to ensure that Kisii Teaching and Referral Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Kisii Teaching and Referral Hospital*. The council members are also responsible for safeguarding the assets of Kisii Teaching and Referral Hospital.

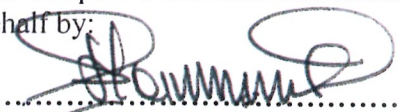
The Board of Management is responsible for the preparation and presentation of the Kisii Teaching and Referral Hospital's financial statements, which give a true and fair view of the state of affairs of Kisii Teaching and Referral Hospital for and as at the end of the financial year (period) ended on June 30, 2024. 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 Kisii Teaching and Referral 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 *Kisii Teaching and Referral Hospital's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Kisii Teaching and Referral Hospital Act 2024. The Board members are of the opinion that Kisii Teaching and Referral Hospital's financial statements give a true and fair view of the state of *Kisii Teaching and Referral Hospital's* transactions during the financial year ended June 30, 2025, and of the *KTRH'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.

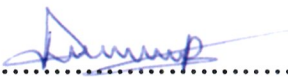
Nothing has come to the attention of the Board of management to indicate that the *Kisii Teaching and Referral Hospital* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 15/8/25 and signed on its behalf by:


.....

Name: Dr. John P. N. Simba
Chairperson Board of Directors


.....

Name: Dr. Oimeke Mariita.
Chief Executive

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 KISII TEACHING AND REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

1. 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;
2. 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,
3. 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 the Kisii Teaching and Referral Hospital set out on pages 1 to 54, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kisii Teaching and Referral Hospital as at 30 June, 2024 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 the Kisii County Teaching and Referral Hospital Act, 2014 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Property, Plant and Equipment Balance

The statement of financial position and as disclosed under Note 16 to the financial statements reflect property, plant and equipment balance of Kshs.4,405,318,571. The balance includes land valued at Kshs.3,300,000,000. However, the management did not provide proof of ownership to land parcel by way of title or leasehold deeds. Further, Management did not have an up to date fixed asset register in place indicating the following information; date of acquisition, type of asset, supplier name, cost, accumulated depreciation, net book value, assets code, custodian and location for the assets the assets owned.

In the circumstances, the rightful ownership and valuation of the land valued at Kshs.3,300,000,000 could not be confirmed while the controls over asset management are weak.

2. Long Outstanding Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 14 to the financial statement reflects receivables from exchange transaction balance of Kshs.322,563,936. Review of supporting records provided for audit revealed that Kshs.136,542,884 has been outstanding for more than one (1) year with no evidence of active follow-up for recovery the long outstanding amounts. Further, the Hospital had not developed a debt management policy to guide on repayment timelines, the extent to which services may be offered on credit, and the criteria and period for classifying accounts receivable as doubtful debts. As a result, no provisions have been made for the likely impairments of the receivables.

In the circumstance, the recoverability and fair statement of receivable from exchange transactions balance of Kshs.136,542,884 as at 30 June, 2025 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kisii Teaching and Referral Hospital 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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 1,250,000,000 and Kshs.863,675,851 respectively, resulting in an underfunding of Kshs.386,324,149 or 31% of the budget.

In the circumstances, the under-funding may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

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 matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of 2023/2024 financial year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the following issues or given any explanation for failure to resolve them;

S/No.	Financial Year	Audit Issue
1	2023/2024	Unexplained Variance on Compensation of Employees
2	2023/2024	Unconfirmed Property, Plant and Equipment Balance
3	2023/2024	Budgetary Control and Performance
4	2023/2024	Irregular Repairs and Maintenance of Motor Vehicles
5	2023/2024	Lack of Finance, ICT and Risk management Policy
6	2023/2024	Inventory – Weak Controls in the Stores

Non-implementation of the previous audit recommendations implies anomalies noted during audit might have continued to recur, hence affecting the operational efficiency of the Fund.

Other Information

The Management is responsible for the Other Information set out on page iii to xxvii, which comprises 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, 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 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. Non-Compliance with Law on Staff Regional Diversity

During the year under review, the Hospital’s master roll indicated that one hundred and eighty-seven (187), 86% of the two hundred and seventeen (217) employees of the Hospital were members from one ethnic community contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008. Further, out of the 217 employees only one employee was a person with disabilities, contrary to the provisions of Section 13 of Persons with Disabilities Act, 2003.

In circumstances, Management was in breach of the law.

2. Non-Compliance with Requirements of Level 5 Hospital Resources

Review of the Hospital’s operations and records revealed that the Hospital operated below the set standards as per the Kenya Quality Assurance Model for Health Checklist for level 5 hospitals due to staff deficits by one hundred (100) as detailed below;

Category	Requires as per Kenya Quality Model for Health Checklist	In place (No)	Variance
Medical officers	50	8	-42
Anesthesiologists	7	2	-5

Category	Requires as per Kenya Quality Model for Health Checklist	In place (No)	Variance
General Surgeons	4	6	+2
Gynecologists	4	11	+7
Pediatricians	4	7	+3
Radiologists	4	4	0
Kenya Registered Community Health Nurses	250	185	-65
Total	323	223	-100

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

Equipment	Standard	In place	Variance
Wards Bed capacity	500	700	+200
Functioning ICU	12	6	-5
Functioning HDU	12	3	-9
Operational theatres	7	8	+1
New Born Unit- Incubators	10	9	-1

The shortages identified 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, the deficiencies contravene the Kenya Quality Model for Health Policy Guidelines and hindered the realization of the Government program on Universal Health Coverage (UHC).

In the circumstances, the effectiveness of the medical services offered and the Universal Health Coverage program could not be confirmed.

3. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 18 to the financial statement reflects Kshs.198,621,455 in respect to trade and other payables. An analysis of the trade and other payables ageing analysis revealed creditors' balances totaling Kshs.10,970,506 that have remained unpaid for over two (2) years. Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

In the circumstances, management was in breach of the Law.

4. Risk Management and Fire Management Strategy

The Hospital has not developed a risk and fire management strategy contrary to the provisions of Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015, which require public entities to establish and maintain effective risk management systems, including measures for the management of fire and other hazards. Lack of a risk and fire management strategy exposes the

hospital to significant safety and operational risks. In the event of a fire or other emergency, the absence of a structured response plan could result in loss of life, damage to property, interruption of critical health services, and potential legal liabilities.

In the circumstances, management was in breach of the Law.

5. Avoidable Costs Incurred on Medical Gases

The statement of financial performance and as disclosed under Note 7 to the financial statements reflects Kshs.479,884,816 in respect to medical/clinical costs. Included in the purchase of medical gases amount of Kshs.33,104,000 is Kshs.19,421,400 in respect to supply of oxygen and nitrous gas. Examination of documents and a site inspection revealed that the hospital owns three oxygen plants (one under the Mess Project and two other plants fully owned by the hospital). The hospital-owned plants, each with production capacity of 6,000 litres per hour were reported faulty and have not been repaired since June 2023 as per the Engineer's report. Further, the technical assessment by the Service and Maintenance Company dated 25 February, 2024 confirmed the plants were serviceable with normal wear and tear but the hospital continues to procure oxygen in mini gas cylinders. As a result, the piped oxygen network within wards and critical areas remains unused.

In the circumstances, the hospital incurred avoidable cost of Kshs.19,421,400 on the procurement of medical gases while value for money is not being realized from the un serviced oxygen plants.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Weak Inventory Management Systems

Records provided for audit revealed that the hospital has not developed a stock management policy and has also not implemented an inventory management system to automate and streamline record-keeping processes. Further, the Hospital did not

carry out quarterly stock-takes contrary to the provisions of Section 162(2) of the Public Procurement and Asset Disposal Act, 2015 states that the head of procurement function should arrange for occasional visits of inspection to the stores, at least quarterly in each calendar year, and conduct quarterly and annual inventory and stock taking in order to ensure compliance with all respective governing laws and submit the report to the Accounting Officer.

In the circumstances, the effectiveness of inventory control, asset and store management procedures and internal controls could not be confirmed.

2. Lack of Approved Human Resource Instruments

Records provided for audit revealed that the hospital operated without approved human resource instruments. The organizational structure, staff grading and establishment, career guidelines, human resource policy and procedures manual were not approved. The hospital in breach of the provisions of the Office of the President Circular Ref: No. OP/SCAC.9/21/1/1 dated 15 May, 2017.

In the circumstances, the effectiveness of human resources management could not be confirmed.

3. Weaknesses in Accounting for Medical Stores

The statement of financial performance and as disclosed under note 7 to the financial statements reflect Kshs.479,884,816 in respect to medical/clinical costs. Examination of records revealed that although the hospital has the FUNSOFT HMIS system with inventory management modules, the hospital uses manual bin cards to manage receipts, issues, and balances. Further, despite the hospital's level 5 status, management was not able to produce quarterly stock-taking reports, monitor stock utilization, track re-order levels, or detect aging stock manually. One of the medical stores contained expired medical items and further review of the expired drugs register revealed more than 137 types of expired drugs, whose total monetary value could not be established raising doubt on the valuation, classification and management of the medical stores. In addition, the medical stores also had poor physical conditions, including leaking windows and door panes, wet floors, and drug boxes placed directly on damp surfaces, compromising the shelf life of items.

In the circumstances, the effectiveness of internal controls in the Hospital stores could not be confirmed.

4. Weaknesses in Information, Communication and Technology Environment and Business Continuity Plan

The statement of financial position and as disclosed in Note 17 to the financial statement reflects Kshs.13,939,140 in respect to Intangible assets. Review of the Hospital's ICT environment revealed several critical control weaknesses. There was no approved ICT policy in place, no data security policy, no business continuity plan and disaster recovery plans. Further, the Hospital did not provide approved ICT standards for audit verification. In addition, the Hospital lacked an active information technology steering committee, which is essential for providing strategic direction and oversight of ICT operations and governance. In addition, the Hospital had established a data backup mechanism by engaging a local company to store its data offsite. However, the Service Level Agreement (SLA) between the Hospital and the service

provider was not provided for audit review. This limits assurance over the adequacy of terms related to data security, recovery timelines, responsibilities, and compliance with data protection regulations. The Hospital also utilizes several critical health information systems, including Funsoft Health Information Management System (HMIS), Kenya Health Information System (KHIS), DamuKe, Kenya EMR, Logistics Management Information System (LMIS). However, the amortization policy to amortize and report the intangible assets in the financial statement has not been developed by the Hospital.

In the circumstances, the effectiveness of information technology controls in the Hospital could not be confirmed.

5. Lack of Policy Manuals

The management did not provide approved key policy manuals for accounting and finance, depreciation policy and credit policy among others which play a very important role in guiding operations and acting as a reference guide for accounting. Further, the internal audit charter and the annual internal audit work plans were in draft form and thus they could not be considered as operational or effective. The absence of formally approved policy manuals in these key operational areas undermines the consistency and reliability of financial processes, increases the risk of non-compliance with regulatory requirements, impairs internal controls, and may lead to inconsistent decision-making.

In the circumstances, the effectiveness of financial accounting controls in the Hospital could not be confirmed.

6. Weak Controls over Issuance and Surrender of Imprests

Note 12 to the financial statements discloses travel and accommodation allowance of Kshs.7,742,500 and daily subsistence allowances of Kshs.12,614,800. Included in the daily subsistence is allowances amounting to Kshs.406,000 to paid to officers who conducted market survey. However, the expenditure was not supported by way of documentation to confirm authenticity, authorization, and accountability. For instance, the approved imprest warrants authorizing the release of funds, signed imprest register, evidence of travel, signed payment schedules showing the names of officers, amounts received, and their signatures and back-to-office reports were not provided for audit review.

In the circumstances, the effectiveness of controls over issuance and surrender of imprests 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 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.

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


Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

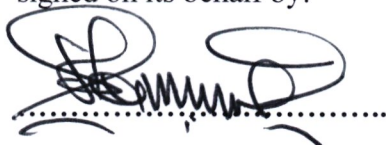
12 November, 2025

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

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government		-	-
		-	-
Revenue from exchange transactions			
Rendering of services- Medical Service Income	6	863,675,851	842,083,181
Revenue from exchange transactions		863,675,851	842,083,181
Total revenue		863,675,851	842,083,181
Expenses			
Medical/Clinical costs	7	479,884,816	293,075,659
Employee costs	8	156,937,977	109,424,752
Board of Management Expenses	9	4,015,600	22,832,276
Depreciation and amortization expense	10	32,791,536	10,534,519
Repairs and maintenance	11	53,072,670	54,066,287
General expenses	12	164,041,807	149,274,114
Total expenses		890,744,406	639,207,607
Net Surplus / (Deficit) for the year		-27,068,556	202,875,574

(The notes set out on pages 9 to 51 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 15/8/25 and signed on its behalf by:



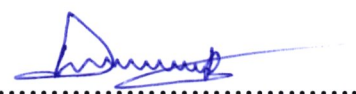
Chairman

Board of Directors



Head of Finance

ICPAK No:24903



**Chief Executive
KTRH**

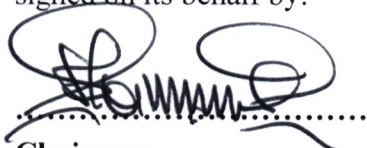
Kisii Teaching and Referral Hospital (Kisii County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

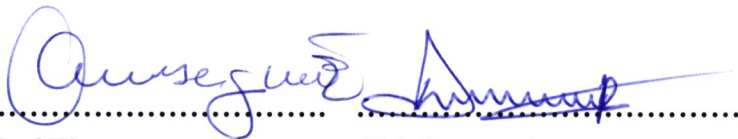
Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	13	43,872,256	3,245,257
Receivables from exchange transactions	14	322,563,936	261,614,072
Inventories	15	69,603,825	81,597,093
Total Current Assets		436,040,017	346,456,422
Non-current assets			
Property, plant, and equipment	16	4,405,318,571	43,267,574
Intangible assets	17	13,939,140	-
Total Non-current Assets		4,419,257,711	43,267,574
Total assets (A)		4,855,297,727	389,723,996
Liabilities			
Current liabilities			
Trade and other payables	18	198,621,455	75,185,481
Refundable deposits from Patients/Prepayments	19	-	793,687
Total Current Liabilities		198,621,455	75,979,168
Non-current liabilities			
Provisions		-	-
Total non-current liabilities		-	-
Total Liabilities (B)		198,621,455	75,979,168
Net assets (A-B)		4,656,676,272	313,744,828
Represented by:			
Revaluation reserve		4,370,000,000	-
Accumulated surplus/Deficit		214,248,968	241,317,524
Capital Fund		72,427,304	72,427,304
Net Assets		4,656,676,272	313,744,828

(The notes on pages 9 to 51 form an integral part of the Annual Financial Statements.)

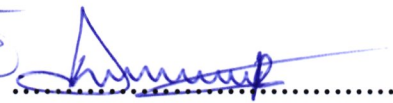
The Hospital's financial statements were approved by the Board on 15/8/25 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No:24903



Chief executive
KTRH

Kisii Teaching and Referral Hospital (Kisii County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

15. 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	-	38,441,950	72,427,304	110,869,254
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	202,875,574	-	202,875,574
Capital/Development grants	-	-	-	-
As at June 30, 2024	-	241,317,524	72,427,304	313,744,828
At July 1, 2024	-	241,317,524	72,427,304	313,744,828
Revaluation gain	4,370,000,000	-	-	4,370,000,000
Surplus/(deficit) for the year	-	-27,068,556	-	-27,068,556
Capital/Development grants	-	-	-	-
At June 30, 2025	4,370,000,000	214,248,968	72,427,304	4,342,931,444

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

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Rendering of services- Medical Service Income		797,824,113	842,083,181
Total Receipts		797,824,113	842,083,181
Payments			
Medical/Clinical costs		362,153,611	293,075,659
Employee costs		156,937,977	109,424,752
Board of Management Expenses		4,015,600	22,832,276
Repairs and maintenance		46,928,018	54,066,287
General expenses		148,380,235	149,274,114
Total Payments		718,415,441	628,673,088
Net cash flows generated from operating activities	20	79,408,672	31,183,686
Cash flows from investing activities			
Purchase of property, plant, equipment		24,842,533	42,263,053
Purchase of intangible assets		13,939,140	-
Proceeds from the sale of PPE		-	-
Acquisition of investments		-	-
Net cash flows used in investing activities		38,781,673	42,263,053
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-

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Capital grants received		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease)in cash and cash equivalents		40,626,999	73,446,739
Cash and cash equivalents as at 1 July, 2025	13	3,245,257	76,691,996
Cashandcashequivalentsasat30 June, 2025	13	43,872,256	3,245,257

(PSASB has now prescribed the direct method of cash flow presentation for all entities under the IPSAS Accrual basis of accounting).

17. 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 utilization
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Rendering of services- Medical Service Income	1,250,000,000	-	1,250,000,000	863,675,851	386,324,149	69
Total receipts	1,250,000,000	-	1,250,000,000	863,675,851	386,324,149	69
Payments						
Medical/Clinical costs	588,642,324	98,710,888	687,353,212	479,884,816	207,468,396	70
Employee costs	186,000,000	-61,069,851	124,930,149	156,937,977	-32,007,828	126
Board of Management Expenses	5,000,000	-	5,000,000	4,015,600	984,400	80
Repairs and maintenance	129,770,951	-4,432,971	125,337,980	53,072,670	72,265,310	42
General expenses	180,636,225	4,391,934	185,028,159	164,041,807	20,986,352	89
Total Operational Expenditure paid	1,090,049,500	37,600,000	1,127,649,500	857,952,870	269,696,630	76
Capital Expenditure paid	163,950,500	-41,600,000	122,350,500	38,781,673	83,568,827	32
Deficit	159,950,500	-37,600,000	122,350,500	-33,058,692	116,627,519	

Budget notes

1. Provide an explanation of differences between actual and budgeted amounts (any over/ 90% under) IPSAS 24.14

There was under collection of revenue from exchange transactions due to transition from NHIF to SHA

There was underutilization of medical/clinical expenses due to inadequate cash flows

The over expenditure in employee costs arose from reduction of the initial budget

The board of management expenses was underutilised since the tenure of the old board lapsed during the year hence less board meetings

There was underutilization of repairs and maintenance due to inadequate cash flows

There was underutilization in general expenses due to inadequate cash flows

There was underutilization in capital expenditure due to inadequate cash flows

2. Provide an explanation of changes between the original and final budget, indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

The changes between original and final budget was due to reallocations in the supplementary budgets.

:

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Deficit Amounts as per the Statement of Budget	-33,058,692
1	Presentation Differences	38,781,673
2	Presentation Differences	-32,791,536
	Net Deficit as per the statement of Financial Performance	-27,068,556

- 1 The capital expenditure figure of kshs. 38,781,673 is presented in the statement of budget but not in statement of financial performance
- 2 The depreciation and amortization figure of Kshs. 32,791,536 is presented in the statement of financial performance but not in the statement of budget

18. Notes to the Financial Statements

1. General Information

The Kisii Teaching and Referral Hospital entity is established by and derives its authority and accountability from the Kisii Teaching and Referral Hospital Act 2024. The entity is wholly owned by the Kisii County Government and is domiciled in Kisii County in Kenya. The entity's principal activity is to provide financial resources for medical supplies, equipping of the hospital and improving the quality of health care 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 *entity's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note XxThe financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*. The financial statements have been prepared in accordance with the PFM Act, and (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

(When an IPSAS becomes effective on 1st January 2025, it is applicable in Kenya from 1st July 2025)

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

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

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

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></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> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 45-	<p><i>Applicable 1st January 2025</i></p>

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

Standard	Effective date and impact:
	timing and uncertainty of revenue and cash flow arising from revenue transactions.
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>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the 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 or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity’s financial statements.)*

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 *Entity* 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 26/07/2024. 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 appropriations on the FY 2024-2025 budget following the Board's approval. The *entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

c. Taxes

Sales tax/ Value Added Tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Notes to the Financial Statements (Continued)

d. Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model 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.

The rates used for depreciation are derived from the Guidelines on Asset and Liability Management in the Public Sector, issued in March 2020 pursuant to Policy on National Assets and Liabilities Management (NALM)

Asset Class	Depreciation Rate
Land	N/A
Buildings-Permanent	2%
Motor-Vehicles-Heavy Duty Utility	12.5%
Furniture and Fittings and office equipment	12.5%

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ICT Equipment	30%
Plant and Medical Equipment	12.5%

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Biological Assets

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

i. Research and development costs

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

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

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

j. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore*

*the new hedge accounting rules have no impact on the hospital's financial statements.
(amend as appropriate).*

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 cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an 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.

l. Provisions

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

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

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

Notes to the Financial Statements (Continued)

m. Social Benefits

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

n. Contingent liabilities

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

o. Contingent assets

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

p. Nature and purpose of reserves

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

q. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

r. Employee benefits

Retirement benefit plans

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

s. Foreign currency transactions

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

t. Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases

when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

u. Related parties

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

v. Service concession arrangements

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

w. Cash and cash equivalents

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

x. Comparative figures

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

y. **Subsequent events**

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

Notes to Financial Statements Continued

6. Rendering of Services-Medical Service Income

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
User fee	245,053,277	207,007,410
NHIF/SHA	447,290,179	474,390,465
Linda Mama Program	-	-
Other income	-	2,459,895
MAKL-Minet	145,696,807	144,516,369
Britam Insurance	236,000	488,500
Old Mutual	447,590	800,655
Trident Insurance	18,272,283	9,342,417
Others(incinerator services)	5,911,438	3,077,470
First Assurance	758,517	-
AAR	9,760	-
Total revenue from the rendering of services	863,675,851	842,083,181

Notes to the Financial Statements (Continued)

7. Medical/ Clinical Costs

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Laboratory chemicals and reagents	56,424,723	30,081,856
Food and Ration	66,543,383	36,867,250
Uniform, clothing, and linen	11,728,780	8,050,190
Dressing and Non-Pharmaceuticals	141,984,183	117,576,458
Pharmaceutical supplies	144,076,229	65,602,413
Reproductive health materials	-	1,042,000
Sanitary and cleansing Materials	5,047,680	2,864,006
Purchase of Medical gases	33,104,000	8,687,100
X-Ray/Radiology supplies	20,975,838	22,304,386
Total medical/ clinical costs	479,884,816	293,075,659

8. Employee Costs

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Salaries and wages	97,802,697	77,335,459
Amenity/main hospital locums	59,135,280	32,089,293
Employee costs	156,937,977	109,424,752

Notes to the Financial Statements (Continued)

9. Board of Management Expenses

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Chairman's Honoraria	-	-
Sitting allowance	4,015,600	8,277,532
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	14,554,744
Airtime allowances		
Total	4,015,600	22,832,276

10. Depreciation and Amortization Expense

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Property, plant and equipment	32,791,536	10,534,519
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	32,791,536	10,534,519

11. Repairs And Maintenance

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Property, Plant ,Machinery & Equipment	22,305,086	18,887,722
Medical equipment	-	317,100
Maintenance of buildings & station	13,632,286	24,884,014
Maintenance of medical& dental	12,073,722	3,256,989
Computers and software	674,900	389,600
Motor vehicle expenses	1,797,026	1,542,725

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Maintenance of electrical works	2,589,650	3,976,137
Maintenance of Hospital MIS	-	812,000
Total repairs and maintenance	53,072,670	54,066,287

Notes to the Financial Statements (Continued)

12. General Expenses

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Advertising and publicity expenses	1,815,400	1,789,502
Catering expenses	1,262,300	1,388,250
Publishing and printing	255,000	-
Contracted security services	23,448,107	15,054,241
Bank charges	102,885	-
Computer accessories	5,597,050	5,466,100
Consultancy	3,288,455	751,535
Contracted cleaning services	18,523,868	20,200,875
Electricity expenses	25,359,939	31,316,205
Fuel and Lubricants	12,221,086	17,090,008
Insurance	1,170,503	390,056
Research and development expenses	557,500	1,240,450
Travel and accommodation allowance	7,742,500	-
Foreign Travel	7,109,748	-
Courier and postal services	118,260	34,565
Stationery	4,923,050	7,144,760
Daily subsistence	12,614,800	14,016,950
Other fuel, firewood, cooking gas	3,386,661	2,997,500
Water and sewerage costs	13,003,494	13,099,171
Telephone and mobile phone services	685,198	1,598,550

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Internet expenses	215,715	1,107,384
Cloud Hosting	1,946,016	-
Civic training and development,CSR,capacity building	910,640	1,491,000
Subscriptions to professional bodies	85,050	157,800
Conferences and delegations	411,700	-
Bad debts written off	-	12,369,972
Waivers and Exemptions	16,792,257	
Patient Refunds and Reversals	494,625	
Current payables	-	569,240
Total General Expenses	164,041,807	149,274,114

Notes to the Financial Statements (Continued)

13. Cash And Cash Equivalents

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Current accounts	43,872,256	3,245,257
Total cash and cash equivalents	43,872,256	3,245,257

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

Description		FY 2024-2025	FY 2023-2024
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank (Main Hospital)	1101996315	38,371,142	1,656,750
Kenya Commercial Bank (Amenity wing)	1316980111	5,501,114	1,588,507
Total		43,872,256	3,245,257

14. Receivables From Exchange Transactions

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Medical services receivables	316,652,498	258,536,602
Other exchange debtors	5,911,438	3,077,470
Less: impairment allowance	-	-
Total receivables	322,563,936	261,614,072

Notes to the Financial Statements (Continued)

Analysis of Receivables From Exchange Transactions

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	186,021,052	57.7	261,614,072	100
Between 1- 2 years	136,542,884	42.3	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total (a+b)	322,563,936	100	261,614,072	100

15. Inventories

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Non -Pharmaceutical supplies	16,800,948	15,884,726
Drugs	46,446,250	57,584,165
Food supplies	599,540	904,636
Radiology Supplies	466,980	1,721,467
Laboratory reagents	4,906,721	5,300,207
Computer accessories	130,000	-
General supplies(stationeries)	253,386	201,892
Less: provision for impairment of stocks	-	-
Total	69,603,825	81,597,093

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Notes to the Financial Statements (Continued)

16. Property, Plant and Equipment

Description	Land	Buildings and Civil works 2%	Motor vehicles 12.5%	Furniture, fittings, and office equipment 12.5%	ICT Equipment 30%	Plant and medical equipment 12.5%	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost							
At 1 July 2023	-	-	-	180,000	680,000	10,679,040	11,539,040
Additions	-	-	5,950,000	3,227,500	5,228,500	27,857,053	42,263,053
Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-
At 30th Jun 2024	-	-	5,950,000	3,407,500	5,908,500	38,536,093	53,802,093
At 1 July 2024	-	-	5,950,000	3,407,500	5,908,500	38,536,093	53,802,093
Additions					3,011,260	21,831,273	24,842,533
Disposals							0

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Transfer/adjustments								0
Revaluation Adjustments	3,300,000,000	1,070,000,000						4,370,000,000
At 30th Jun 2025	3,300,000,000	1,070,000,000	5,950,000	3,407,500	8,919,760	60,367,366		4,448,644,626
Depreciation and impairment								
At 1 July 2023	-	-	-	-	-	-	-	0
Depreciation for the year	0	-	714,000	340,750	1,772,550	7,707,219		10,534,519
Disposals		-	-	-	-	-		0
Impairment		-	-	-	-	-		0
At 30 June 2024	-	-	714,000	340,750	1,772,550	7,707,219		10,534,519
At July 2025	-	-	714,000	340,750	1,772,550	7,707,219		10,534,519
Depreciation	-	21,400,000	743,750	425,938	2,675,928	7,545,921		32,791,536
Disposals								-
Impairment								-
Transfer/adjustment			-		-	-		-
At 30th June 2025	-	21,400,000	1,457,750	766,688	4,448,478	15,253,140		43,326,055

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Net book values							
At 30th Jun 2024	-	-	5,236,000	3,066,750	4,135,950	30,828,874	43,267,574
At 30th Jun 2025	3,300,000,000	1,048,600,000	4,492,250	2,640,813	4,471,282	45,114,226	4,405,318,571

Notes to the Financial Statements (Continued)

17. Intangible Assets-Software

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Cost		
At beginning of the year	0	0
Work In Progress (W-I-P)	13,939,140	0
Additions	-	0
Additions–Internal development	-	0
Disposal	-	0
At end of the year	13,939,140	0
Amortization and impairment		
At beginning of the year	-	0
Amortization for the period	-	0
Impairment loss	-	0
At end of the year	-	0
NBV	13,939,140	0

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Notes to the Financial Statements (Continued)

18. Trade and other Payables

Description	FY 2024-2025		FY 2023-2024	
	KShs		KShs	
Trade payables	198,621,455		75,185,481	
Total trade and other payables	198,621,455		75,185,481	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the total
Under one year	175,826,780	88.5	75,185,481	100
1-2 years	20,117,585	10.1	-	-
2-3 years	2,407,090	1.2	-	-
Over 3 years	270,000	0.2	-	-
Total	198,621,455	100	75,185,481	100

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19. Refundable Deposits from Customers/Patients

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Medical fees paid in advance	0	793,687
Credit facility deposit	0	
Rent deposits	0	
Others (<i>specify</i>)	0	
Total deposits	0	793,687

Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	-	793,687	100
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	0	0	793,687	100

Notes to the Financial Statements (Continued)

20. Cash Generated from Operations

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Deficit for the year before tax	-27,068,556	202,875,574
Adjusted for:		
Depreciation	32,791,536	10,534,519
Non-cash grants received	0	0
Impairment	0	0
Gains and losses on disposal of assets	0	0
Contribution to provisions	0	0
Contribution to impairment allowance	0	0
Working Capital adjustments		
Decrease in inventory	11,993,268	- 53,380,450
Increase in receivables	-60,949,864	- 223,984,172
Increase in deferred income	0	0
Increase in payables	123,435,974	32,770,843
Increase in payments received in advance	-793,687	0
Net cash flows generated from operating activities	79,408,672	- 31,183,686

Notes to the Financial Statements (Continued)

21. 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 (previous year)				
Receivables from exchange transactions	261,614,072	261,614,072	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	3,245,257	3,245,257	0	0
Total	264,859,329	264,859,329	0	0
At 30 June 2025 (current year)				
Receivables from exchange transactions	322,563,936	322,563,936	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	43,872,256	43,872,256	0	0
Total	366,436,192	366,436,192	0	0

Notes to the Financial Statements (Continued)

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

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Trade payables	0	0	75,185,481	75,185,481
Total	0	0	75,185,481	75,185,481
At 30 June 2025				
Trade payables	0	0	198,621,455	198,621,455
Total	0	0	198,621,455	198,621,455

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2024			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

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

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Notes to the Financial Statements (Continued)

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

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2025 (previous year)			
Euro	10%	0	0
USD	10%	0	0
2025 (current year)			
Euro	10%	0	0
USD	10%	0	0

b) Interest rate risk

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

Management of interest rate risk

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

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Notes to the Financial Statements (Continued)

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs0 (2024: KShs0). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs0 (2025 – KShs0).

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	Current Period	Comparative Period
	Kshs	Kshs
Revaluation reserve	4,370,000,000	-
Retained earnings	214,248,968	241,317,524
Capital reserve	72,427,304	72,427,304
Total funds	4,656,676,272	313,744,828
Total borrowings	0	0
Less: cash and bank balances	(43,872,256)	(3,245,257)
Net debt/ (<i>excess cash and cash equivalents</i>)	(43,872,256)	(3,245,257)
Gearing	0	0

Notes to the Financial Statements (Continued)

22. 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.

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

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

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to xxx	0	0
Sales of services to xxx	0	0
Total	0	0
b) Grants from the Government		
Grants from County Government	0	0
Grants from the National Government Entities	0	0
Donations in kind	0	0
Total	0	0
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	0	0
Payments for goods and services for xxx	0	0
Total	0	0
d) Key management compensation		

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Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Directors' emoluments	4,015,600	22,832,276
Compensation to the medical Sup	0	0
Compensation to key management	0	0
Total	4,015,600	22,832,276

23. Segment Information

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

24. Contingent Liabilities

Contingent liabilities	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Court case xxx against the hospital	0	0
Bank guarantees in favour of subsidiary	0	0
Total	0	0

(Give details)

25. Capital Commitments

Capital Commitments	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Authorised For	0	0
Authorised And Contracted For	0	0
Total	0	0

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

26. Events after the Reporting Period

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

27. 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.

28. Currency

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

19. 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-compliance with the prescribed financial reporting framework	Management revised the financial statements to comply with the prescribed financial reporting framework	solved	11/12/2024
2	Inaccuracies and variance in cash flow Statement	Management revised the statement of cash flow accordingly.	solved	11/12/2024
3	Inaccuracies and variance in the statement of comparison and actual amount	The variance was corrected in the revised financial statement	solved	11/12/2024
4	Variance of financial statement balances and supporting schedules	The inventory balance was reconciled appropriately in the revised financial statement	solved	11/12/2024
5	Unsupported balances or amount in the financial statements	The management has supported the un-reconciled amounts in the revised financial statement with ledgers	solved	11/12/2025
6	Budgetary control and performance	The management will solve in the subsequent financial year	Not solved	30/12/2025
7	Unsupported Board of management expenses	The management provided schedules supporting the board expenses	solved	11/12/2024


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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
8	Substandard works service and repair of hospital bus	The management provided post and pre inspection reports in the revised financial statement for review	solved	11/12/2024
9	Irregular motor vehicle expenses	Management is waiting ownership document transfer from national and county governments	Not solved	30/12/2025
10	Lack of insurance policy document	Management availed insurance policy document to auditors for review	solved	11/12/2024
11	Regularity of Human Resource Management practices	The management took corrective actions	solved	11/12/2024
12	Unconfirmed property plant and equipment balances	The management is on the process of compiling the asset register	Partially solved	30/12/2025

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.

Kisii Teaching and Referral Hospital (Kisii County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025



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Accounting Officer





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