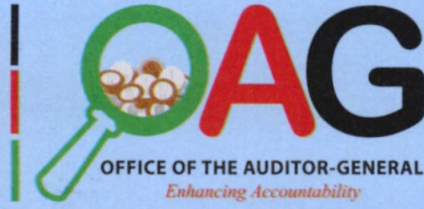


REPUBLIC OF KENYA



REPORT

OF

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THE AUDITOR-GENERAL

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COMMITTEE	
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KISEGI LEVEL 4 HOSPITAL

FOR THE YEAR ENDED  
30 JUNE, 2025

COUNTY GOVERNMENT OF HOMA BAY



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**HOMA BAY COUNTY**

**KISEGI LEVEL 4 HOSPITAL  
(Homa Bay County Government)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2025**

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

*Kisegi Level IV Hospital  
Homa Bay County Government  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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**1. Acronyms & Glossary of Terms**

<b>CSR</b>	Corporate Social Responsibility
<b>PFMA</b>	Public Financial Management Act
<b>HAO</b>	Health Administrative Officer
<b>MED- SUP</b>	Medical Superintendent
<b>NO I/C</b>	Nursing Officer In charge
<b>UHC</b>	Universal Healthcare
<b>HMT</b>	Health Management Team
<b>SHIF</b>	Social Health Insurance Fund
<b>SHA</b>	Social Health Authority

## **2. Key Entity Information and Management**

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

Kisegi level 4 Hospital is a level (4) hospital established under gazette notice number 786 and is domiciled in Homa Bay County under the Department of Health Services. A Board of Management governs the hospital.

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

The principal activity/mission/ mandate of the *hospital* is to

- (i) Provide affordable and accessible universal health coverage
- (ii) To modernize infrastructure, machinery and equipment
- (iii) To attain financial sustainability
- (iv) To strengthen human resource capability
- (v) To develop facility health management information system

### **Vision**

To offer high quality and integrated medical care services that are affordable and accessible.

### **Mission**

To be a well-established institution offering high quality efficient integrated medical care services and training of competent health care workers

### **Mandate**

To provide conducive environment that enhance active participation in the provision of high-quality medical care services.

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

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

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

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Medical Superintendent/Facility In Charge	Mr. Harbert Ochieng
2.	Health Administrative Officer	Mr Mosses Odunga
3.	Director Nursing Services (NO I/C)	Mr Lucas Nyahuru
4	Accountant	Mr. Sylus Ouma

**(e) Fiduciary oversight Arrangement**

Increasingly, hospitals and health systems, along with the individuals serving in their committees and governing boards, are seeing the need for prudent oversight of their organizations. Due to a rising number of lawsuits, trustees need to ensure that their organizations are taking proactive steps to protect their organizations and themselves. Kisegi

Sub County Hospital, being a government entity has formed various committees to ensure robust fiduciary oversight.

**I. Curative Committee**

This is a multidisciplinary committee responsible for overseeing policies and procedures related to all aspects of medicines and other HPT use, is formed to improve diagnosis and treatment processes through proper dispensing of medicines. Its importance appears in different aspects such as drug selection process, cost-effectiveness, and control of drug losses. MTCs have shown an important role in promoting, controlling and educating activities of rational drug use.

**Members are:**

Mr. Herbert Ochieng (Medical Superintendent) – Chairperson

Mr. Lucas Nyahuru (Nursing Officer)

Mr. Mosses Odunga (Hospital Administrator)

This committee consists of all Hospital departmental heads who run the facility through general management and effective decision-making. The team ensures that all procedures are adhered to and that clients receive quality services through HMT follow up meetings

**II. Hospital finance Committee**

Goes through departmental budget proposals and ensure the allocations are done putting into consideration priorities.

**III. Hospital Management Committee**

Oversight and resource mobilization roles to the facility.

**(f) Entity Headquarters**

P.O. Box 469-40300

Homa Bay, KENYA

**Entity Contacts**

Telephone: (254) 2038617565/55

E-mail: [governorsofficehomabaycounty.go.ke](mailto:governorsofficehomabaycounty.go.ke)

Website: [www.Homa Bay.go.ke](http://www.Homa Bay.go.ke)

**g) Entity Contacts**

P.O. Box 50,40305

Mbita ,Kenya

**Telephone:** (+254) 71196440

E-mail: [kisegisdh@gmail.com](mailto:kisegisdh@gmail.com)

**h) Entity Bankers**

Kenya Commercial Bank

Mbita Branch

**i) Independent Auditors**

Auditor General

Office of Auditor General

Anniversary Towers, Institute Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**j) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O BOX 40112

City Square 00200





Nairobi Kenya




**k) The County Attorney**

P.O. Box 4069-40300





Homabay, Kenya

**3. The Board of Management**

No.	Designation	Qualification
1.	Florence Msuba Magati 	-Diploma In Nursing -25 years practicing as a Nurse -Chairperson -PMTCT -Adherence
2.	Herbert Ochieng 	-Diploma in Clinical Medicine -Over 10 years Working Experience -Secretary to the board
3.	George Ogot 	Member
4.	James Komwaga 	Member

No.	Designation	Qualification
5	<p>Mrs.Olga Liwaya</p> 	<p><b>Diploma in Education</b></p>
6	<p>Mrs. Beril Ochungo</p> 	<p><b>Member</b></p>
8	<p>Mr. Charles Odhiambo</p> 	<p><b>PI Teacher</b></p>

**4. Management Team**

Name	Details of qualifications and experience
<p>1. Mr. Herbert Ochieng</p> 	<ul style="list-style-type: none"> <li>- Facility In charge</li> <li>- Diploma in Clinical Medicine and Surgery.</li> </ul>
<p>2. Mr. Lukas Nyahuru</p> 	<ul style="list-style-type: none"> <li>- Position: Nursing Officer In charge</li> <li>- Chief Registered Nurse from KMTC.</li> <li>- Bachelor Degree in Nursing</li> <li>- Over 7 years' Experience</li> </ul>
<p>3. Mr. Moses Odunga</p> 	<ul style="list-style-type: none"> <li>- Hospital Administrator</li> <li>- Higher Diploma in Health Administration</li> </ul>
<p>4. Mr. Sylus O Ouma</p> 	<ul style="list-style-type: none"> <li>- Position: Senior Accountant</li> <li>- Master of Science in Finance from (Maseno University)</li> <li>- Bachelors of Business Administration (Accounting Option) from Maseno University.</li> <li>- Certified Public Accountants (CPA ) on going</li> <li>- Certified Public Secretary (CPS) 4 on going</li> <li>- Diploma human Resource Management (Kisumu Poly)</li> <li>- Advance Diploma in Tax Administration (Kenya School of Revenue Administration).</li> <li>- Over 10 years of working experience.</li> <li>- Doctor Of Philosophy In Accounting (On Going</li> </ul>

## **5. Chairman's Statement**

It's my pleasure to present the Annual Report and financial statements of Kisegi Level 4 Hospital. Once again, the Hospital has demonstrated its commitment to centralized specialized health care services to all Kenyans citizens in the region that spans to counties in south Nyanza and western Kenya.

Management and 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 hospitals 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 Kisegi Hospital to achieve its mission. The Board of management consists the right balance of skills, experience and backgrounds to support and challenge the management team.

On behalf of the Board of management, I would like to extend my appreciation to all our stakeholders and development partners for the continued support that has enabled Kisegi Hospital realize its mandate. I would also like to thank Kisegi 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 Medical Superintendent, for creating synergy and leading the management team and all staff to greater achievement.

Signed:  \_\_\_\_\_

Mrs Florence Magati

**Chairman to the Board**

## **6. Report of the Medical Superintendent/Facility in charge**

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. Kisegi Level IV Hospital maintained steady growth throughout the year attributed to increased activity levels with a majority of the areas exceeding the targeted performance.

The Hospital 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).

During the period just to mention little achievement, the team at Kisegi Level IV Hospital managed to during the period of review

### **Entity Main Objective.**

The hospital is entrusted with the responsibility of ensuring the provision of quality healthcare services to its residents.

### **Sub Objectives**

- Eliminating communicable conditions,
- Halting and reversing the rising burden of non-communicable conditions,
- Reducing the burden of violence and injuries.
- Providing essential health services,
- Minimizing exposure to health risk factors.
- Strengthening collaboration with private and other sectors.

These Objectives are well highlighted in Kenya's epidemiological profile

### **Summary of Achievements:**

This report gives most significant achievements in Kisegi Level IV Hospital during the fiscal year with milestones such as:

- a) **Availability of Health Commodities for healthcare services:** This has been achieved by ensuring constant Procurement of drugs, Non-pharmaceuticals, Lab Reagents, Sanitary items balanced patient Ration to the patients seeking healthcare services in the hospital.
- b) **Promoted healthy behaviours** The department has launched several initiatives to promote healthy behaviours in the community, including a campaign to discouraging gender based Violence, VCT Services, effects of alcohol addiction, regular exercise and healthy eating, and providing friendly environment for youth friendly and MAPS service uptake areas within the hospital to encourage them to come to the facility for uptake of the services, to achieve this goal, the hospital has constantly engaged CHVs for mobilization and community dialog and encouraging community to register with SHIF
- c) **Improved maternal and child health:** This is achieved by encouraging mothers through CHVs to take advantage of Linda Mama, increase attendance of MCH services and increase of immunization rate. And also renovating maternity ward and paediatric ward.

- d) **Strengthened partnerships:** The Hospital has fostered strong partnerships with partners, and local organization to improve health outcomes and reduce health disparities especially in the area of malaria, HIV and TB control and treatment.

**Challenges and Mitigation Measures:**

- a) Low uptake of health services due to poor health seeking behaviour in community;
- b) Low uptake of NHIF/insurance in the catchment
- c) Investment towards curative and rehabilitative services at the expense of preventive and promotive services.
- d) Lack of infrastructure and personnel like nurses, medical doctors and lab technologists, which affect services deliveries.

**Mitigation Measures:**

To address these challenges, the following measures are put in place

- a) Community outreaches and sensitization on the availability of telemedicine services for children in the facility, this is to be done by CHVs and the facility to facilitate
- b) Encouraged use of home-based care services.
- c) Strengthening of community-based care services especially in schools, churches, or community centres; adoption of integrated care models for patients who have chronic conditions or require rehabilitation; ensuring ongoing patient education and empowerment.
- d) Employing technical staff on contract/locum basis to address acute shortage of nurses and lab technologies.

I take this opportunity to acknowledge the support of The Homabay 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.

Signed: 

**Mr. Herbert Ochieng**

**Medical Superintendent**



## **7. Statement of Performance against Predetermined Objectives**

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

### **Key Objectives**

The overall objective is improved clinical outcomes, satisfied clients, learning, growth and development. This will be achieved only if the Hospital is able to: -

- 1) Enhance access to quality services commensurate with the level and expectations of the coverage population by; -
  - (a) Improving drug and laboratory reagent supplies
  - (b) Staff motivation to enhance positive attitude and a conducive work place
  - (c) Improving essential and emergency medical services, medical laboratory and imaging diagnostic services including specialist pathology services,
  - (d) Expanding and ensuring equitable access by all clients by anticipating and planning for the marginalized ('ignored'), indigent and vulnerable
    - Advocating for registration with the NHIF
    - Providing fee exemptions and improving the waiver system
    - Providing outreach services
    - Providing cohort friendly service packages e.g. for the Adolescents, Youth, Elderly, Men, Commercial Sex Workers etc.
    - Delivery package for new born mothers
- 2) Improve human resource capacity (adequacy), effectiveness (knowledge and skills), motivation and satisfaction.
  - a) Human Resource is indispensable in the provision of Healthcare Services
  - b) There's need to investment in identification for recruitment and training to match staff establishment requirements and skills' mix with current and projected coverage population needs
- 3) Improve financial resources collection, mobilization, risk management and accountability
  - a) The hospital must exploit its full potential with regards to insured clients in the coverage population including but not limited to the SHF (Social Health Insurance Fund
  - b) The hospital must assess and mitigate the risk of revenue loss through willful negligence, laxity, corrupt practices and theft.
  - c) The Hospital must strengthen existing systems that enhance access without inherent revenue reduction e.g. subsidized services and commodities, waiver system.
  - d) The hospital must make every effort to aggressively market its strengths and exploit its opportunities
- 4) Improve consumables (pharmaceuticals, non-pharmaceuticals, supplies and other materials) availability and security

- a) The critical and indispensable role health commodities play in the outcomes of health processes MUST always be recognized and prioritized for investment and resource allocation.
  - b) While it is accurate to consider healthcare a service industry, it is unreasonable to expect any positive results or outcomes without the input of requisite appropriate, affordable and quality health commodities
  - c) It will be necessary to forecast the required quantities of all essential health commodities relevant to the needs of the Hospital's coverage population
  - d) There's need to provide adequate and appropriate space for the storage and security of the commodities
  - e) There's need to supplement the supplies procured by the County Government by establishing own source revenue.
  - f) The authority of hospital managers should be increased and hospital tender committees created and empowered to enable us to purchase goods more efficiently and responsively.
  - g) Spending bands should be widened, and modern systems and managerial skills developed to increase the hospital procurement capacity.
  - h) If the hospital has the capacity and is in a position to comply with the requisite financial regulations we will in time, be able to decide whether to procure on our own, through government and other agencies
- 5) Improve infrastructural development and equipment and medical devices availability, maintenance and security
- a) This relates to the built environment, in-patient beds, furniture, equipment and machines, transport and technology (ICT) required for effective delivery of health services.
  - b) It is a fundamental pillar in the improvement of client experience and outcomes
  - c) Infrastructure must be designed, chosen, placed and maintained to ensure, Client safety, Efficiency and effectiveness, Sustainability and Equity and Accessibility.
  - d) There's need to ensure all critical and capital-intensive equipment are under service contracts and that preventive and / or routine maintenance of the same is the rule and is carried out as indicated in a plan.
  - e) As much as possible, mutually beneficial comprehensive placement agreements will be encouraged to broaden the range of service availability, to reduce client inconvenience and to facilitate better service delivery and outcomes
- 6) Improve on health and financial information systems automation, integration, transparency and application. Improve care through technology.
- a) A health information system (HIS) is a system that integrates data collection, processing, reporting, and use of the information necessary for improving health service effectiveness and efficiency through better management at all levels of health services.

***Kisegi Level IV Hospital  
Homa Bay County Government  
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- b) It is a way of collecting, storing, managing and transmitting (reporting) data including, Clients’ electronic medical records (EMR), Hospital’s operational (HR< Finance, Procurement) management
  - c) When functioning well, the HIS facilitates planning, monitoring, and the overall quality assurance and improvement
- 7) Foster a visionary governance and competent committed leadership
- a) Good governance and effective leadership are considered core components of a resilient health system
  - b) Good governance ensures evidence-based policy making resulting in Efficient and effective service provision and management systems, Transparency with checks and balances and Accountability
  - c) There’s need to promote and lobby for leadership with demonstrable willingness to take ownership and stewardship of the hospital and to continually do what is best for the same.
- 8) Foster and expand partnerships, collaboration and social responsibility, The overriding goal is to achieve better outcomes through either one or a combination of, raising awareness about unmet needs, Provision of resources (Finances, HR, Consumables, Equipment, Plant and Machinery, Provision of joint platforms for coordination, monitoring and evaluation, Tapping into each other’s unique but complementary expertise, Research and learning
- 9) Foster learning, change and improvement culture in the Hospital through improved stakeholder participation and feedback management, research and innovation.
- a) Strengthen and expand partnership and collaboration with training institutions including but not limited to the Kenya Medical Training College, Medical training universities and colleges, AMREF International University and the Kenya School of Government.
  - b) Strengthen and expand partnership and collaboration with research institutions including the Kenya Medical Research Institute and other institutions of higher learning
  - c) Institutionalize and strengthen continuous professional development
  - d) Institutionalize and invest in operational research initiatives
  - e) Facilitate continuous client feedback management

Two strategic themes were identified each with a strategic result whose successful execution will enable the Hospital achieve its mission and vision. These are:

	<b>Strategic Theme</b>	<b>Strategic Result</b>
1	Managerial and Operational Excellence	Seamless, effective and timely service delivery and efficient Utilization of resources
2	Professional in clinical services	Improved quality healthcare services

## **8. Corporate Governance Statement**

The Kisegi Board of management have responsibilities, Functions, structures and ethical conduct. In addition to this, their major priority is ensuring excellent service delivery to patients.

### **Role of the Board**

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

Kisegi Level 4 Hospital would typically outline the hospital's commitment to effective governance practices, which ensure transparency, accountability, and ethical conduct in its operations. Here's a sample outline of what such a statement might include:

- a) **Introduction and Purpose:** Begin with an overview of the importance of corporate governance in healthcare institutions like Kisegi Level 4 Hospital. Explain that the statement aims to articulate the hospital's governance framework and principles.
- b) **Governance Structure:** Describe the hospital's governance structure, including its governing body (such as a board of directors or trustees), committees, and management hierarchy. Outline the roles, responsibilities, and composition of these entities.
- c) **Code of Conduct and Ethics:** Discuss the hospital's code of conduct and ethics, which guides the behavior of all stakeholders, including board members, executives, employees, and volunteers. Emphasize the hospital's commitment to integrity, professionalism, and respect for patients' rights and confidentiality.
- d) **Transparency and Accountability:** Highlight the hospital's commitment to transparency and accountability in its decision-making processes, financial management, and reporting. Describe mechanisms for internal controls, risk management, and compliance with regulatory requirements.
- e) **Stakeholder Engagement:** Explain how the hospital engages with its stakeholders, including patients, families, staff, communities, government agencies, and regulatory bodies. Discuss channels for feedback, communication, and collaboration to ensure that stakeholders' interests are considered in decision-making.
- f) **Quality and Patient Safety:** Address the hospital's focus on quality of care and patient safety, including processes for monitoring and improving clinical outcomes, infection control, medication safety, and patient satisfaction. Emphasize the importance of continuous improvement and learning from adverse events.
- g) **Risk Management:** Outline the hospital's approach to identifying, assessing, and mitigating risks, including strategic, operational, financial, and legal risks. Discuss processes for risk management planning, monitoring, and reporting to the board and stakeholders.

- h) **Compliance and Legal Framework:** Describe how the hospital ensures compliance with relevant laws, regulations, accreditation standards, and industry best practices. Discuss mechanisms for monitoring changes in the legal and regulatory environment and adapting policies and procedures accordingly.
- i) **Sustainability and Corporate Social Responsibility:** Discuss the hospital's commitment to sustainability, environmental stewardship, and corporate social responsibility. Highlight initiatives related to community health, diversity and inclusion, workforce development, and philanthropy.
- j) **Conclusion:** Summarize the key principles and commitments outlined in the Corporate Governance Statement, reaffirming the hospital's dedication to upholding the highest standards of governance, ethics, and accountability in fulfilling its mission of providing quality healthcare services to the community.
- k) This statement serves as a public declaration of Kisegi Level 4 Hospital's commitment to good governance practices, helping to build trust and confidence among stakeholders, including patients, staff, donors, regulators, and the wider community.

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

Welcome to the Management Discussion and Analysis (MD&A) for Kisegi Level 4 Hospital. This report provides an in-depth analysis of the hospital's financial performance, operational highlights, and future outlook. We aim to provide transparency and insight into our operations, addressing key developments and challenges faced during the reporting period.

### **Key Highlights**

- **Service Expansion:** During the period, we successfully expanded our services to meet the growing healthcare needs of the community. This expansion included the addition of specialized clinics, diagnostic services, and outreach programs, resulting in increased patient access to quality care.
- **Financial Resilience:** Despite economic uncertainties and operational challenges, Kisegi Hospital maintained financial resilience, achieving sustainable revenue growth and effective cost management. This resilience enabled us to continue our mission of providing affordable healthcare services to all segments of society.
- **Quality Improvement Initiatives:** We intensified our focus on quality improvement initiatives, implementing evidence-based practices, enhancing patient safety protocols, and investing in staff training and development. These efforts contributed to improved clinical outcomes and patient satisfaction ratings.
- **Community Engagement:** Kisegi Hospital remained actively engaged with the community through health education campaigns, preventive care initiatives, and collaborations with local organizations and government agencies. These partnerships strengthened our ties with the community and facilitated greater health awareness and empowerment.

### **Financial Performance**

- **Revenue Analysis:** Total revenue for the period increased compared to the previous year, driven by higher patient volumes, improved reimbursement rates, and expanded service offerings.
- **Expense Management:** Operating expenses were effectively managed through stringent cost control measures and operational efficiencies. Despite inflationary pressures and rising healthcare costs, we maintained a disciplined approach to expense management, resulting in improved operating margins.
- **Capital Investments:** Significant investments were made in capital assets, including medical equipment upgrades, facility renovations, and technology enhancements. These investments were aligned with our strategic priorities of enhancing patient care quality, operational efficiency, and long-term sustainability.

### **Operational Review**

- **Patient Care Metrics:** Patient volumes across all departments saw a [50]% increase, reflecting the growing demand for healthcare services in the region. Our focus on reducing wait times, improving appointment scheduling, and streamlining clinical workflows contributed to enhanced patient access and satisfaction.
- **Clinical Excellence:** Clinical outcomes continued to surpass industry benchmarks, with notable improvements in key performance indicators such as infection rates, readmission

rates, and mortality rates. Our multidisciplinary care teams demonstrated exceptional professionalism, compassion, and expertise in delivering patient-centered care.

- **Staffing and Talent Development:** We remained committed to attracting and retaining top talent in healthcare, investing in staff training, professional development, and wellness programs. Our workforce engagement initiatives fostered a culture of teamwork, innovation, and continuous learning, driving employee satisfaction and performance.
- **Outlook and Future Plans**  
Looking ahead, Kisegi Hospital is well positioned to capitalize on emerging opportunities and address evolving healthcare challenges. Our strategic priorities include:
  - **Continued Growth:** We will focus on expanding our service offerings, geographic reach, and market presence to serve a larger patient population and diversify revenue streams.
  - **Technology Integration:** Harnessing the power of technology, we will invest in telemedicine platforms, electronic health records systems, and data analytics tools to improve care coordination, patient engagement, and clinical decision-making.
  - **Partnership Development:** We will explore strategic partnerships with healthcare providers, insurers, and technology vendors to drive innovation, improve care coordination, and enhance the overall healthcare experience for our patients.
  - **Community Empowerment:** Our commitment to community engagement and empowerment will remain a cornerstone of our mission, as we continue to advocate for health equity, social justice, and preventive care initiatives.
- **Conclusion**  
In conclusion, Kisegi Level 4 Hospital remains steadfast in its commitment to delivering high quality, compassionate healthcare services to the community. We are confident in our ability to navigate challenges, seize opportunities, and achieve sustainable growth, guided by our unwavering dedication to excellence, integrity, and service excellence.

We thank our patients, staff, partners, and stakeholders for their continued support and trust in Kisegi Hospital's mission and vision.

Signed: 

**Mr Herbert Ochieng**  
**Medical Superintendent**



## **10. Environmental and Sustainability Reporting**

The Hospital exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant goods and 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 Sub County 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 Kisegi Level IV Hospital 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, strengthened 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 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.

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

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

### **iii) Employee welfare**

The Hospital staff are employed and remunerated by the Homabay County Government.

With recruitment policy of at least a third is not of more than one gender.

### **Policy guiding hiring process**

Every department prepares Human Resource Plans to support achievement of goals and objectives in their strategic plans. The plans are based on comprehensive job analysis and are reviewed every year to address emerging issues and staffing needs.

On the basis of these Human resource plans, departments develop annual recruitment plans which are forwarded to the County Public Service Board at the beginning of each financial year to enable it plan to fill vacancies.

Departments through the County Public Service Board will advertise all vacant posts in a manner that reaches the widest pool of potential applicants.

Recruitment is undertaken on the basis of fair competition and merit, representation of Kenyans diverse communities, adequate and equal opportunities to all gender, youth, members of all ethnic groups, persons with disabilities and minorities.

### **Efforts made in improving skills and managing careers**

Training and capacity building in the County's Public Service is key towards improving skills and managing career progression.

Training Needs Assessment is a performance audit that generates and provides information to assess the inadequacy of knowledge and skills which inhibits an organisation from attaining its objectives.

Training in the County's Public Service is based on Training Needs Assessment which are conducted in each department.

Departments are required to prepare training projections based on Training Needs Assessment to guide in the nomination of officers for training.

Selection of trainees for all training programmes are based on identified needs and normally emphasises on training for performance improvement.

Training programmes comprise both short- and long-term courses in specific professions that are intended to impart required knowledge, skills and attitudes to enhance staff performance.

The County continually develops its employee's professional knowledge and skills and encourage them to join relevant professional bodies. The County establishes mechanisms for supporting employees where the career guidelines require them to be members of a professional body.

For new staff who have joined the County, Induction Training is expected to help them familiarise with the work environment and requirements. Departments are expected to

conduct induction training within three (3) months for newly recruited officers and those joining the departments on transfers, promotions and re-designation.

#### **Appraisal and reward system**

Staff Performance Appraisal System is predicated upon the principles of work planning, setting of agreed performance targets, feedback and reporting. Appraisal systems are also linked to other human resource systems and processes including staff development, career progression, placement, rewards and sanctions.

Prior to the beginning of the performance appraisal period, departments prepare work plans based on their strategic plans. The departments work plans includes the departmental priorities objectives from which individual performance targets will be derived.

Employee's individual work plans will be derived from the departmental work plans and officers job description.

The appraisals period covers one (1) year starting 1<sup>st</sup> July to 30<sup>th</sup> June of the following year. The performance appraisal reflects the summation of the year's performance including quarterly and mid-year reviews.

#### **Reward System**

Exemplary performance is rewarded through incentives, promotions, recognition of major improvements, training.

#### **Policy on safety and compliance with occupational safety and health Act of 2007, (OSHA)**

Employees are protected from accidents and occupational hazards arising at the work place. Measures to prevent and mitigate against accidents at work place, explosions, fire, floods, earthquakes, both threats. Through provision of First aid kits, fire protection, fire fighting and demonstration, providing fire assembly areas, emergency preparedness in such events.

- Fire protection and protection in buildings
- No hazardous or highly inflammable materials should be stored in buildings
- Fire fighting equipment should be placed in strategic places
- Provision of protective equipment and clothing
- Medical examination
- Compensation of officers in case of injury at work

**iv) Market place practices-**

**Responsible Supply chain and supplier relations**

Suba County has suppliers that supply goods and services. We manage contracts and engage multiple service providers for our operations. Our own reputation as service providers is always a top priority. For that reason, we are focused on ensuring our suppliers comply with best practices and adhere to our contract agreement for all services and goods offered.

**v) Corporate Social Responsibility Statement**

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

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

The Board of Management 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.

### **a) Principal activities**

The principal activities of the Hospital 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

### **b) Results**

The results of the Hospital for the year ended June 30, 2025, are set out on page 1-33

### **c) Auditors**

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

By Order of the Board

Signed:  \_\_\_\_\_

**Mr. Herbert Ochieng**

**Medical Superintendent**



## **12. Statement of Board of Management's Responsibilities**

Section 164 of the Public Finance Management Act, 2012 and Section 19 of the Homabay County Finance Bill 2021 require the Board of Kisegi Level 4 Hospital to prepare financial statements in respect of the Hospital, which give a true and fair view of the state of affairs of the Hospital as at 30 June 2025 and the operating results of the Hospital for the year then ended. The Directors are also required to ensure that the Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the Hospital. The Board are also responsible for safeguarding the assets of the Hospital.

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

The Board accept responsibility for the Hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Homabay County Finance Bill, 2012. The Directors are of the opinion that the Hospital's financial statements give a true and fair view of the state of Hospital's transactions during the financial year ended 30 June, 2025, and of the Hospital's financial position as at that date.

The Board further confirms 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 to indicate that the Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

### **Approval of the financial statements**

The *Kisegi Level 4 Hospital* financial statements were approved by the Board on 28/11/2025 and signed on its behalf by:



Chairperson

**Mrs Florence Magati**

**Board of Management**



Secretary BOM

**Mr. Herbert Ochieng**

**Medical Superintendent**



# REPUBLIC OF KENYA

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**HEADQUARTERS**  
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Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KISEGI LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF HOMA BAY**

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### **PREAMBLE**

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the 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 Kisegi Level 4 Hospital-County Government of Homa Bay set out on pages 1 to 34, 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 amount 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 the Kisegi Level 4 Hospital-County Government of Homa Bay as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with the International Public sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1. Inaccuracies in the Financial Statements**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.18,898,920 which differs with the re-computed balance of Kshs.21,184,916 (calculated as shown below), resulting in an unreconciled variance of negative Kshs.2,285,996.

<b>Receivables from exchange transactions balance as at 30 June, 2024 – HHIF &amp; SHIF</b>	<b>2,473,087</b>
Add: Rendering of services-medical service income NHIF and SHIF earned in 2024/2025– Statement of financial performance	64,077,398
Less: Rendering of services-medical service income received NHIF & SHIF in 2024/2025 - Statement of cash flows	-45,365,569
<b>Re-Computed receivables from exchange transactions balance as at 30 June, 2025</b>	<b>21,184,916</b>

Further, the statement of financial position reflects accumulated surplus balance of Kshs.27,416,593, while the statement of changes in net assets shows a corresponding balance of Kshs.18,659,080, resulting in an unreconciled variance of Kshs.8,757,517. Similarly, the statement reflects nil balance in respect of capital fund, which differs with a corresponding balance of Kshs.8,757,512 reported in the statement of changes in net assets, resulting in an unexplained variance of negative Kshs.8,757,512.

In addition, the statement of financial position, and as disclosed in Note 21 to the financial statements, reflects trade and other payables balance of Kshs.2,115,180 which excludes a balance of Kshs.281,680 reported in the financial statements of Kenya Medical Supplies Authority (KEMSA) as receivable from Kisegi Level 4 Hospital.

Similarly, the statement of financial position reflects total expenditure actual on comparable basis amount of Kshs.46,757,801 which differs with the re-cast total of Kshs.46,585,801, resulting in an unexplained variance of Kshs.172,000.

Moreover, the statement of financial position reflects nil amount in respect of capital expenditure, while the statement of cash flows indicates purchase of property, plant and equipment amount of Kshs.1,293,488, resulting in an unreconciled variance of negative Kshs.1,293,488.

Further, the financial statements do not include budget reconciliation to reconcile the actual surplus of Kshs.640,565 and cash and cash equivalents as at 30 June, 2025 balance of Kshs.106,704 as required.

Also, the statement of cash flows reflects employee costs amount of Kshs.664,000, while the statement of comparison of budget and actual amounts indicates Kshs.986,500, resulting in an unexplained variance of Kshs.322,500 despite the fact that both statements are prepared on cash basis.

In the circumstances, the accuracy and fair presentation of the financial statements could not be confirmed.

## **2. Unconfirmed Property, Plant and Equipment Balance**

The statement of financial position reflects property, plant and equipment balance of Kshs.8,601,930 as disclosed in Note 20 to the financial statements. However, it was noted that Management did not maintain an up-to-date fixed asset register to record necessary information such as date of acquisition, type of assets, supplier name, costs, accumulated depreciation, net book values, value, asset codes, custodian and location among other details in respect of the assets the fund owns. As a result, it was not possible to establish fully depreciated assets, bonded items and how the same will be written off in the books of accounts. This was contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. In addition, there was no evidence to show that the Hospital had ever evaluated its assets to ascertain the correct market values.

Further, it was noted that most of the assets were not tagged and asset movement's registers was not appropriately kept. Thus, such assets may easily be stolen.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.8,601,930 and the effectiveness of internal controls over asset management could not be confirmed.

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

## Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion/Material Uncertainty Related to Going Concern 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 prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in the Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance sections respectively. Review of the status during audit of the Hospital in 2024/2025 revealed that the following matters remained unresolved:

S/No.	Financial Year	Audit Issue
1	2023/2024	Inaccuracies and Variances in the Financial Statements
2	2023/2024	Board of Management Expenses
3	2023/2024	Property Plant and Equipment
4	2023/2024	Budget Control and Performance
5	2023/2024	Non-Compliance with Level 4 Hospital Requirement
6	2023/2024	Lack of Autonomy in Operations of Hospital
7	2023/2024	Lack of Quarterly Revenue Reports
8	2023/2024	Lack of Approved Strategic Plan
9	2023/2024	Lack of an Operational Risk Management Policy and Internal audit Function
10	2023/2024	Employee Costs
11	2023/2024	Revenue Safeguards and Controls
12	2023/2024	Unreported Inventories
13	2023/2024	Failure to Disclose Rental Income

## Other Information

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

In connection with my audit on the Hospital's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is

materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

### Conclusion

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

### Basis for Conclusion

#### 1. Failure to Retain Facilities Improvement Funds at the Hospital

Review of revenue records obtained from the Kisegi Sub County Hospital revealed total collection of Kshs.64,425,490 towards the health facilities improvement. Out of this amount, a total of Kshs.27,048,500 was transferred to Special Purpose Account at the health department. However, Special Purpose Account reimbursed a total of Kshs.5,409,700 to the health facilities resulting in a deficit of Kshs.21,638,800 This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing account. In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

In the circumstances, Management of the County Special Purpose Account (SPA) was in breach of the law.

#### 2. Non-Compliance with Minimum Required Criteria for Level 4 Hospital

Review of the Hospital's operations and records during the financial year revealed that Kisegi Level 4 Hospital operated below the set standards as per the Kenya Quality Assurance Model for Health Checklist for level 4 hospitals. The following deficiencies in implementation of Universal Health Care programme were observed:

Description	Level 4 Standard	Number in the Hospital	Variance
Medical Officers	16	0	16
Anaesthesiologists	2	0	2
General Surgeons	2	0	2
Gynaecologists	2	0	2
Paediatrics	2	0	2
Radiologists	2	0	2
Kenya Registered Community Health Nurses	75	2	73
Beds	150	24	126
Resuscitaire (2 in Labour & 1 in Theatre)	2	1	1
New Born Unit Incubators	5	1	4
New Born Unit Cots	5	0	5
Functional ICU Beds	6	0	6
High Dependency Unit (HDU) Beds	6	0	6
Renal Unit with at least 5 Dialysis Machines	5	0	5
Two Functional Operational Theatres – Maternity & General	2	0	2
Mortuary and Autopsy Services	Should be in place	Not in place	
Advanced life support	Should be in place	Not in place	
Caesarean sections and Surgical operations	Should be in place	Not in place	

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

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

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

# REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## **Conclusion**

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

## **Basis for Conclusion**

### **1. Lack of Audit Committee and Internal Audit Unit**

During the year under review, the Hospital had not established an Internal Audit function and an Audit Committee as required by Part III and Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the effectiveness of internal controls, risk management and governance in the Hospital could not be confirmed. Also, Management was in breach of the law.

### **2. Failure to Automate Own Source Revenue Collection**

During the year under review, it was established that although Management had put in place measures to ensure that all payments were done using the Mobile money transaction platform which was transferred directly to the revenue collection bank account, Management had not mapped and automated any of its revenue-generating streams and was dependent on manual collections process which are prone to errors and inconsistencies and are time-consuming.

In the circumstances, the effectiveness of internal controls over the identification, collection and accounting for the Hospital's own generated revenues could not be confirmed.

### **3. Weak Controls in Inventory management.**

An audit review and inspection conducted at the Hospital's stores on 13 November, 2025 revealed that inventory was received and recorded in the store bin cards and issued by a single officer. This practice increased the risk of errors, omissions and manipulation of figures. Additionally, the processes of receiving and issuing drugs were not automated. In the circumstances, the Manual handling of inventory records by a single officer increases the likelihood of errors, omissions and potential misappropriation of drugs and other supplies.

#### **4. Lack of Approved Policies**

During the year under review, it was noted that the Hospital did not have key governance frameworks, including a risk management strategy, fire safety management strategy, finance and accounting policy manual, information communication and technology (ICT) policy. The absence of these frameworks exposed the Hospital to operational, financial and compliance risks.

In the circumstances, the effectiveness of internal controls, risk management and governance in the Hospital could not be confirmed.

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

#### **Responsibilities of 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 which are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

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**

**09 December, 2025**


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


	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
In Kind Contributions from the County Government	6	1,477,005.00	
<b>Revenue from Exchange Transactions</b>			
Rendering of Services-Medical service cash collection	7	348,092.00	352,368
Rendering of Services-Medical service NHIF Claims	8	9,314,358.00	9,157,506
Rendering of Services-Medical service SHIF Claims	9	54,763,040.00	
<b>Total revenue</b>		<b>65,902,495.00</b>	<b>9,509,874</b>
<b>Expenses</b>			
Medical/Clinical Costs	10	28,613,956.00	8,595,604
Employee Costs	11	986,500.00	1,392,000
Depreciation and Amortization	12	270,758.00	725,672
Board of Management Expenses	13	126,000.00	21,000
Repairs & Maintenance	14	5,522,584.00	698,000
General Expenses	15	4,002,622.00	2,339,517
20% Retain in SPA Account	16	5,409,700.00	84,000
<b>Total expenses</b>		<b>44,932,121.00</b>	<b>13,912,001</b>
<b>Surplus/Deficit for the period</b>		<b>20,970,374 .00</b>	<b>(4,402,127)</b>

(The notes set out on pages 1 to 33 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 28/11/2025 and signed on its behalf by:

  
 Florence Magati  
 Chairperson  
 Board of Management

  
 Mr. Sylus Ouma  
 Accountant  
 ICPAK No:

  
 Mr. Herbert Ochieng  
 Medical Superintendent



15. Statement of Financial Position as of 30<sup>th</sup> June 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	17	106,704.00	35,699
Receivables From Exchange Transactions	18	18,893,920.00	2,473,087
Inventories	19	1,929,219.00	528,610
<b>Total Current Assets</b>		<b>20,929,843.00</b>	<b>3,037,396</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	20	8,601,930.00	7,029,561
<b>Total Non-current Assets</b>		<b>8,601,930.00</b>	<b>7,029,561</b>
<b>Total Assets (A)</b>		<b>29,531,773.00</b>	<b>10,066,957</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade Payables	21	2,115,180.00	3,620,738
<b>Total Current Liabilities (B)</b>		<b>2,115,180.00</b>	<b>3,620,738</b>
<b>Net Assets (A-B)</b>		<b><u>27,416,593.00</u></b>	<b><u>6,446,219</u></b>
<b>Represented by:</b>			
Accumulated Surplus/Deficit		27,416,593.00	(2,311,294)
Capital Fund			8,757,512
<b>Net assets</b>		<b><u>27,416,593.00</u></b>	<b><u>6,446,219</u></b>


(The notes set out on pages 1 to 33 form an integral part of the Annual Financial Statements.)


The Hospital's financial statements were approved by the Board on 26/11/2025 and signed on its behalf by:

  
Florence Magati

Chairperson

Board of Management

  
Mr. Sylus Ouma  
Accountant  
ICPAK No:

  
Mr. Herbert Ochieng  
Medical Superintendent

KISEGI LEVEL 4 HOSPITAL

26 NOV 2025

P.O. Box 50-40305  
MBITA

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

	Revaluation Reserve	Accumulated Surplus	Capital Funds	Total
		Kshs	Kshs	Kshs
Balance as at 1 <sup>st</sup> July 23		2,035,026.00	8,757,512.00	10,792,538.00
Surplus/(deficit) for the period		(4,346,320.00)		(4,346,320.00)
Capital Fund				
<b>Balance as at 30 June 2024</b>		<b><u>(2,311,294.00)</u></b>	<b><u>8,757,512.00</u></b>	<b><u>6,446,219</u></b>
<b>Balance as at 1 July 2024</b>		<b><u>(2,311,294.00)</u></b>	<b><u>8,757,512.00</u></b>	<b><u>6,446,219</u></b>
Surplus/(deficit) for the period		20,970,374.00		20,970,374.00
Capital Fund				
<b>Balance as at 30 June 2025</b>		<b><u>18,659,080.00</u></b>	<b><u>8,757,512.00</u></b>	<b><u>27,416,593.00</u></b>

*(The notes set out on pages 1 to 33 form an integral part of the Annual Financial Statements.)*

The Hospital's financial statements were approved by the Board on 28/11/2025 and signed on its behalf by:



Florence Magati

**Chairperson**

**Board of Management**



**Mr. Sylus Ouma**  
**Accountant**

**ICPAK No:**



**Mr. Herbert Ochieng**  
**Medical Superintendent**





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

	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Rendering of services- Medical Service Income Cash		348,092.00	352,368
Rendering of services- Medical Service NHIF and SHIF		45,365,569	9,157,506
<b>Total Receipts</b>		<b>45,713,661.00</b>	<b>9,509,874</b>
<b>Payments</b>			
Medical/Clinical Costs		28,613,956.00	6,983,331
Employee Costs		664,000.00	1,103,000
Board of Management Expenses		126,000.00	21,000
Repairs & Maintenance		5,522,584.00	360,000
General Expenses		4,002,622.00	1,365,052
20% Retain in the SPA Account		5,409,700.00	84,000
Payment pf previous year payables		1,924,439.00	
<b>Total Payments</b>		<b>46,263,301.00</b>	<b>9,916,783</b>
<b>Cash flows from operating activities</b>		<b>(549,640.00)</b>	<b>(406,909)</b>
<b>Net cash flows from operating activities</b>	22	<b>1,914,133.00</b>	
<b>Cash flows from investing activities</b>		<b>1,230,426.55</b>	
Purchase of property, plant, equipment		(1,293,488.00)	
<b>Net cash flows used in investing activities</b>		<b>(1,293,488.00)</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>71,005 .00</b>	<b>(406,909)</b>
Cash and cash equivalents at 1 JULY	17	35,699.00	442,608
<b>Cash and cash equivalents at 30 JUNE</b>	17	<b>106,704.00</b>	<b>35,699</b>

The notes set out on pages 1 to 33 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 26/11/2025 and signed on its behalf by:

  
 Florence Magati  
**Chairparson**  
**Board of Management**

  
 Mr. Sylus Ouma  
**Accountant**  
**ICPAK No:**

  
 Mr. Herbert Ochieng  
**Medical Superintendent**

**KISEGI LEVEL 4 HOSPITAL**  
**26 NOV 2025**  
**P.O. Box 50-40305**  
**MBITA**

**Kisegi Level IV Hospital**  
**(Homa Bay County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025
	a	b	C=(a+b)	d	E=(c-d)	F=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year		35,699.00	35,699.00	35,699.00	0	100%
<b>Receipt</b>						
In kind Contributions from the County Government	1,500,000	-	1,500,000	1,477,005	22,995	98%
Rendering of services- Medical Service Income Cash	350,000		350,000	348,092	1,908	99%
Rendering of services- Medical Service Income NHIF/SHIF	48,384,000		48,384,000	45,673,871	2,846,430	94%
<b>Total income</b>	<b>50,234,000</b>	<b>-</b>	<b>50,269,699</b>	<b>47,398,366</b>	<b>2,871,333</b>	<b>97%</b>
<b>Expenses</b>						
Medical/Clinical Costs	29,862,250	897,750	30,760,000	28,613,956	2,146,044	93%
Employee Costs	1,200,000		1,200,000	986,500	213,500	82%
Repairs & Maintenance	5,820,000		5,820,000	5,522,584	297,416	95%
General Expense	4,328,000		4,328,000	4,002,622	325,378	92%
Board allowance	126,000		126,000	126,000	-	100%
Previous year payables to be paid	2,000,000		2,000,000	1,924,439	75,561	96%
20% Retain in the SPA Account	6,000,000		6,000,000	5,409,700	590,300	90%
<b>Total expenditure</b>	<b>49,336,250</b>	<b>897,750</b>	<b>50,234,000</b>	<b>46,757,801</b>	<b>3,476,199</b>	<b>93%</b>
<b>Deficit/Surplus for the year</b>				<b>640,565</b>		

**Kisegi Level IV Hospital**  
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**Budget notes**

1. On employee cost the hospital had plan to employ one lab technicians at acost17,790 which lead to the variance

The Hospital's financial statements were approved by the Board on 26/11/2025 and signed on its behalf by



**Florence Magati**  
**Chairperson**  
**Board of Management**



**Mr. Sylus Ouma**  
**Accountant**  
**ICPAK No:**



**Mr. Herbert Ochieng**  
**Medical Superintendent**



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

### **1. General Information**

Kisegi Level IV Hospital entity is established by and derives its authority and accountability from County Government Act. The entity is wholly owned by the County Government of Homabay and is domiciled in Kenya. The entity's principal activity is to provide affordable and accessible universal health coverage.

### **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 and, 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, complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the notes. The 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 International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

*Notes to the Financial Statements (Continued)*

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

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

*June 2025* There were no new and amended standards issued in the financial year.

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

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

Standard	Effective date and impact:
	<p>criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer</p>

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Standard	Effective date and impact:
Expenses	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.
IPSAS 49- Retirement Benefit Plans	<b><i>Applicable 1<sup>st</sup> January 2026</i></b> 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.

***iii) Early adoption of standards***

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

#### **4. Summary Of Significant Accounting Policies**

##### **a) Revenue recognition**

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

##### **Transfers from other Government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services, and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

##### **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.

##### **Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

##### **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**

Board approved the original budget for FY 2024/25. 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'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 actual as per the statement of financial performance has been presented under section of xvii these financial statements.

*Notes to the Financial Statements (Continued)*

**c) Taxes**

**Sales tax/ Value Added Tax**

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

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

**d) Investment property**

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

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

It's important to **note** that Plant, Property and Equipment recognized in this financial report include estimated values of the old buildings and actual cost of two buildings constructed in the recent past, depreciated at 2.5% and a photocopier acquired during the year at 33.3% The values of other equipment including land could not be ascertained, therefore not included in the financial statements. This is because most of the equipment were donated/ transferred by National Government. The management need time and other resources to carry out valuation of the other equipment, land and buildings. ICT and Medical equipment included were acquired prior to end of financial year therefore will be depreciated in the next year. The List of equipment attached; **annex vii**

#### ***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. The intangible asset relates to upgrade of the Software (Hospital Information Management System) which is a work in progress and has been partially paid. No amortization has been provided because it is still work in progress.

*Notes to the Financial Statements (Continued)*

**h) 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.

**i) Financial instruments**

**Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments

or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

*Notes to the Financial Statements (Continued)*

**Held-to-maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

**Impairment of financial assets**

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

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

**Loans and borrowing**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**i) 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.

**j) 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.

**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.

**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.

**k) 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.)*

**l) 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.

**m) 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.

*Notes to the Financial Statements (Continued)*

**n) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**o) 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.

**p) 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.

**q) 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.

*Notes to the Financial Statements (Continued)*

**r) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and 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.

**s) Comparative figures**

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

This is the first time the management is preparing financial statements therefore there are no comparative figures for the previous year

**t) 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). Note that the values of old buildings included in these financial statements are estimated and correct values will be adjusted accordingly upon property valuation is done.

**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

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.

No provision has been made in these financial stat

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*Notes to the Financial Statements (Continued)*

<b>6</b>	<b>In Kind Contributions from the County Government</b>		
	<b>Description</b>	<b>2024-2025</b>	<b>2023-2024</b>
		<b>Kshs</b>	<b>Kshs</b>
	Medical Supplies-Drawing (KEMSA)	1,154,507.00	
	Medical Supplies-Drawing (MEDS)	322,498.00	
	<b>Total</b>	<b>1,477,005.00</b>	

<b>7</b>	<b>Rendering of Services-Medical Service Income (Cash)</b>	<b>2024-2025</b>	<b>2023-2024</b>
		<b>Kshs</b>	<b>Kshs</b>
	Pharmaceuticals	54,483.00	177,325
	Laboratory	89,588.00	97,590
	Inpatient	102,775.00	37,820
	Outpatient	66,350.00	10,000
	Medical Records	34,896.00	29,633
	<b>TOTAL</b>	<b>348,092.00</b>	<b>352,368</b>

<b>8</b>	<b>Rendering of Services-Medical Service Income</b>	<b>2024-2025</b>	<b>2023-2024</b>
	<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
	Rendering of Services-Medical Service Income NHIF	9,314,358.00	9,157,506
	Rendering of Services-Medical Service Income SHIF	54,763,040.00	
	<b>TOTAL</b>	<b>64,077,398.00</b>	<b>9,157,506</b>

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<b>9</b>	<b>Medical/Clinical Costs</b>	<b>2024-2025</b>	<b>2023-2024</b>
		Kshs	Kshs
	Medical Records	2,413,950.00	190,000
	Laboratory chemicals and reagents	4,560,410.00	720,500
	Food and Ration	3,843,450.00	1,442,822
	Dressing and non-pharmaceuticals	6,328,320.00	1,624,400
	Sanitary and cleansing Materials	4,340,700.00	935,800
	Medical Drugs	5,790,675.70	1,965,709
	Purchase of Medical Equipment	429,000.00	
	Purchase of Beddings and Linen	907,450.00	
	Accrued Expenses		1,716,373
	<b>TOTAL</b>	<b><u>28,613,956.00</u></b>	<b><u>8,595,604</u></b>

<b>10</b>	<b>Employee Costs</b>	<b>2024-2025</b>	<b>2023-2024</b>
		Kshs	Kshs
	Salaries, wages,	986,500.00	1,392,000
	<b>TOTAL</b>	<b><u>986,500.00</u></b>	<b><u>1,392,000</u></b>

<b>11</b>	<b>Depreciation and Armotisation</b>	<b>2024-2025</b>	<b>2023-2024</b>
		Kshs	Kshs
	Property, plant and equipment	270,758.39.00	725,672
	<b>TOTAL</b>	<b><u>270,758.39.00</u></b>	<b><u>725,672</u></b>

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<b>12</b>	<b>Board Allowances</b>	<b>2024-2025</b>	<b>2023-2024</b>
		Kshs	Kshs
	Sitting allowance	76,000.00	
	Transport	36,000.00	
	Lunch	14,000.00	
	<b>TOTAL</b>	<b>126,000.00</b>	<b>21,000</b>

<b>13</b>	<b>Repairs &amp; Maintenance</b>	<b>2024-2025</b>	<b>2023-2024</b>
		Kshs	Kshs
	Maintenance of Property- Buildings and other civil works/Fencing	4,985,665.00	340,000
	Motor vehicle expenses	468,419.00	20,000
	Maintenance of Equipment- Other	68,500 .00	
	Accrued Expense		338,000
	<b>TOTAL</b>	<b><u>5,522,584.00</u></b>	<b><u>880,000</u></b>

<b>15</b>	<b>General Expenses</b>	<b>2024-2025</b>	<b>2023-2024</b>
		Kshs	Kshs
	Accommodation Domestic Travel	115,500.00	30,000
	Electricity expenses	508,284.00	73,900
	General Office Supplies	1,276,750.00	1,105,200
	Daily Subsistence Allowance	323,900 .00	
	Travel Cost		124,100
	Telephone and mobile phone services	87,100.00	45,000
	Bank Charges	29,238.00	30,452
	Purchases of furniture	200,000.00	
	Fumigation	200,500.00	
	Internet cost	44,200.00	
	Refined Fuels		40,000
	Other Fuel	1,217,150.00	20,500
	Accrued Expenses		870,365
	<b>TOTAL</b>	<b><u>4,002,622.00</u></b>	<b><u>2,339,517</u></b>

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16	Transfers Retained by county Government in SPA account	2024-2025	2023-2024
		Kshs	Kshs
	20% of Ksh 27,048,500.00	5,409,700.00	84,400
		<b><u>5,409,700.00</u></b>	<b><u>84,400</u></b>

17	Cash and Cash Equivalent	2024-2025	2023-2024
		Kshs	Kshs
	Current account at KCB Mbita Branch	<b><u>106,704.00</u></b>	<b><u>35,699</u></b>

18	Receivables From Exchange Transactions	2024-2025	2023-2024
		Kshs	Kshs
	Claims from NHIF as at 30 <sup>th</sup> Sep 2024	5,744,000.00	2,473,087
	Claims from SHIF From 1 <sup>st</sup> October to 30 <sup>th</sup> June 2025	13,047,040.00	
	<b>TOTAL</b>	<b><u>18,893,920.00</u></b>	<b><u>2,473,087</u></b>

**Analysis of Receivables From Exchange Transactions**

18 Description	2024-2025		2023-2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	18,893,920.00	100%		%
Between 1- 2 years	0	0%	2,473,087	100%
Between 2-3 years	0	0%	0	%
Over 3 years	0	0%	0	%
<b>Total (a+b)</b>	<b>18,893,920.00</b>	<b>100%</b>	<b>2,473,087</b>	<b>100%</b>

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19	Inventory	2024-2025	2023-2024
	Medical Drugs	860,099.00	360,530
	Food Ration	230,000.00	20,300
	Lab Reagents	368,200.00	56,200
	Cleaning Material	159,000.00	4800
	Non-Pharmaceutical	242,800.00	86,780
	General Office	172,000.00	
	<b>TOTAL</b>	<b><u>1,929,219.00</u></b>	<b><u>528,610</u></b>

**Detailed disclosure on inventories**

	2024-2025 Kshs	2023-2024 Kshs
Opening balance	528,610.00	
Additional Inventory in the year	28,554,255.70	
Inventory expensed in the year	26,625,036.70	
Write-downs in the year	0	
Others specify	0	
Closing balance	1,929,219.00	528,610

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**20. Property, Plant and Equipment**

Description	Land	Buildings and Civil Work	Motor Vehicles	ICT Equipment	Plant & Medical Equipment	Furniture , Fittings & Office Equipment	Total
	Kshs	Kshs		Kshs	Kshs	Kshs	Kshs
Cost		25%	25%	20%	12.50%	12.50%	
At 30th June 2023	4,583,433	2,250,000	337,500	76,800	306,250	201,250	7,755,233
At 1st July 2023	4,583,433	2,250,000	337,500	76,800	306,250	201,250	7,755,233
Additions							
Disposal							
Transfers/adjustments							
At 30 <sup>th</sup> June 2024	4,583,433	2,250,000	337,500	76,800	306,250	201,250	7,755,233
Depreciation		562,500	84,375	15,360	38,281.25	25,156.25	725,672.50
Net book Value	-						
At 30th June 2024	<u>4,583,433</u>	<u>1,687,500</u>	<u>253,125</u>	<u>61,440</u>	<u>272,754</u>	<u>179,239</u>	<u>7,029,561</u>

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Description	Land	Buildings and Civil Work	Motor Vehicles	ICT Equipment	Plant & Medical Equipment	Furniture , Fittings & Office Equipment	Total
	Kshs	Kshs		Kshs	Kshs	Kshs	Kshs
<b>Cost</b>		2.5%	25%	20%	12.50%	12.50%	
<b>At 30th June 2024</b>	4,583,433.00	2,351,986.00	253,125.00	61,440.00	153,125.00	176,093.75	7,579,202.75
<b>At 1st July 2024</b>	4,583,433.00	2,351,986.00	253,125.00	61,440.00	153,125.00	176,093.75	7,579,202.75
<b>Additions</b>		664,486.00			429,000.00	200,000.00	1,293,486.00
<b>Disposal</b>							
<b>Transfers/adjustments</b>							
<b>At 30<sup>th</sup> June 2025</b>	4,583,433	3,016,472	253,125	61,440	582,125	376,094	8,872,689
<b>Depreciation</b>		75,411.80.00	63,281.25	12,288.00	72,765.63	47,011.72	270,758.39.00
<b>Net book Value</b>	-						
<b>At 30<sup>th</sup> June 2024</b>	4,583,433	1,687,500	253,125	61,440	272,754	179,239	7,029,561.00
<b>At 30th June 2025</b>	4,583,433	2,941,060.00	189,844	49,152	509,359	329,082	8,601,930.00

The costs used are estimated cost with straight-line depreciation methods applied.  
The values are at Estimated Cost, awaiting Valuation

*Notes to the Financial Statements (Continued)*

**21. Trade and other Payables**

Description	2024-2025		2023-2024	
	KShs		KShs	
Medical Cost	889,180.00		1,716,373	
General Expense	255,500.00		870,365	
Employee Cost	348,000.00		696,000	
Repair and Maintenance	300,000.00		338,000	
<b>Total trade and other payables</b>	<b>2,115,180.00</b>		<b>3,620,738</b>	
<b>Ageing analysis:</b>	<b>2024-2025</b>	<b>% of the Total</b>	<b>2023-2024</b>	<b>% of the total</b>
Under one year	322,500.00	15.24%		
1-2 years	1,792,680.00		0	0
2-3 years	0		0	
Over 3 years	0		0	
<b>Total</b>	<b>2,115,180</b>		<b>3,620,738</b>	

**22. Cash Generated from Operations**

Description	2024-2025		2023-2024	
	KShs		KShs	
Surplus for the year before tax	20,970,374.00			
<b>Adjusted for:</b>				
Depreciation	270,758.00			
<b>Working Capital adjustments</b>				
Increase in inventory	(1,400,609.00)			
Increase in receivables	(16,420,833.00)			
Decrease in payables	(1,505,558.00)			
<b>Net cash flow from operating activities</b>	<b>1,914,133.00</b>			

*(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)*

*Notes to the Financial Statements (Continued)*

**40. 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 company'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 company 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 company'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:

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*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.

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

<b>Description</b>	<b>Total amount</b>	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
At 30 June 2025				
Receivables from Nhif & Shif Claims	18,791,040.00	13,047,040.00	5,744,000.00	0
			0	0
<b>Total Received by the close of 30<sup>TH</sup> June 2025</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>				

**(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 company 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. .

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2024</b>				
Trade payables	0		1,792,680.00	<b>1,792,680.00</b>
Employee benefit obligation	0	0	322,500.00	<b>322,500.00</b>
<b>Total</b>	<b>0</b>		<b>2,115,180.00</b>	<b><u>2,115,180.00</u></b>

**(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 company'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 no foreign transactional currency exposures, because it does not use foreign currency in purchases of goods and services.

**Interest rate risk**

Interest rate risk is not there since the institution is not borrowing from commercial institution.

**41. 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.

**County Government of Homabay**

The County Government of Homabay is the principal shareholder of the all, holding 100% of the *entity's* equity interest. The County Government of Homabay has provided full guarantees

**42. Events After the Reporting Period**

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

**43. Ultimate And Holding Entity**

The entity is a Semi- Autonomous Government Agency under the Department of health its ultimate parent is the Government of Kenya.

**44. Currency**

The financial statements are presented in Kenya Shillings (Kshs).

**20. Appendices**

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

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1.18	Hospital's Compliance with Minimum Required Criteria for Level 4 Hospital	Escalated to the county Executive	Not Resolved	
1.14	Lack of Autonomy in Operations of the Hospital	Escalated to the county Executive	Not Resolved	
1.12.	Lack of an Operational Risk Management Policy and Internal audit Function	Work in progress	Not resolved	
1.11.	Property Plant and Equipment	Resolved	Resolved	



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**Accounting Officer**

