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REPORT

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OF

THE AUDITOR-GENERAL

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KENYENYA LEVEL 4 HOSPITAL

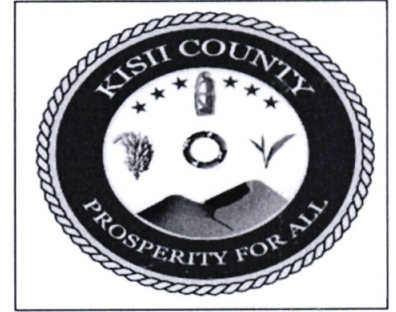
FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF KISII

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KENYENYA LEVEL 4 HOSPITAL (Kisii County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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1. Acronyms & Glossary of Terms

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

2. Key Entity Information and Management

(a) Background information

Kenya Hospital is a level 4 hospital established under gazette notice number 4339 of 2016 and is domiciled in Kisii County under the health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

To be a center of excellence in provision of healthcare services in the region

MISSION

To provide quality promotive, preventive, curative and rehabilitative care services, training and research.

OBJECTIVES

- I. Promote provision of integrated high quality healthcare services
- II. Create an enabling environment for provision of health services.
- III. To provide accessible and affordable health services

(c) Key Management

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

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

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Anne Wainaina
2.	Head of finance	James Omwoyo
3.	Head of supply chain	Villan Mochama
4.	Hospital administrator	Malach Otomu
5.	Nursing officer incharge	Hellen Matoke

(e) Fiduciary Oversight Arrangements

- Clinical Research and Standards Committee.
- Audit committee
- Risk Committee
- County Assembly
- Parliamentary committees
- Other oversight committees

Key Entity Information and Management (continued)

(f) Entity Headquarters

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

(g) Entity Contacts

Telephone: (254)724552722
E-mail: dmohkenyeny@gmail.com
Website: www.kisii.go.ke

(h) Entity Bankers

Kenya Commercial Bank
P.O. Box 4760-40200
Kisii, Kenya

(i) Independent Auditors

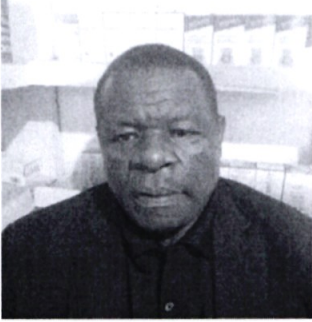
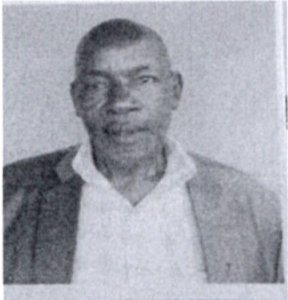

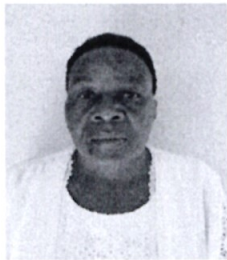
Auditor General
Office of Auditor General
Anniversary Towers, Institute Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya




(j) Principal Legal Adviser

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






(k) County Attorney
Office of the County Attorney
P.O. Box. 4550-40200
Kisii, Kenya

3. The Board of Management

Ref	Directors	Details
1.	<p>Joel Omagwa</p> 	<p>He holds a Bachelors of education degree from Kenyatta university He is the hospital Board chairman He is aged 62 years He is retired principal of St. Francis high school after 34 years of service</p>
2.	<p>James Nyamemba</p> 	<p>He is 72 years old He is a retired teacher and education officer</p>
3.	<p>Enock Ogutu</p> 	<p>He served as a teacher for 33 years He works as a social worker</p>
4.	<p>Julian Moraa</p> 	<p>She is a dedicated and hardworking business person with over 20 years of experience</p>

5.	<p>Luke Kissinger</p> 	<p>Secretary – Decision making youth group, kenyenya district youth.</p>
6.	<p>Henry Mainga</p> 	<p>Church elder</p>
7.	<p>Dr. Ann Wainaina</p> 	<p>Secretary to the board She is the SMOH- Bomachoge borabu sub county and the medical superintendent Kenya level 4 hospital She holds a bachelor’s degree in Medicine and surgery</p>

4. Key Management Team

No.	Designation	Name
1.		<p>Dr. Anne Wainaina Medical superintendent Bachelors degree in medicine and surgery</p>
2.		<p>James Omwoyo Hospital accountant Holds Bachelor of commerce- Accounting option</p>
3.		<p>Villan Mochama Supply Chain Management officer Holds bachelor of Commerce – Finance option Masters in procurement and logistics</p>
4.		<p>Malach Otomu Hospital administrator Holds a Bachelor’s degree in Business administration</p>
5.		<p>Hellen Matoke Hospital nursing officer in charge Principal registered nurse Holds diploma in community health nursing</p>

5. Chairman's Statement

It is with great honor that I present the financial statements for Kenya Level 4 Hospital for the financial year ending June 30, 2025. The period under review has been marked by considerable progress, resilience, and a concerted effort by all our healthcare workers aimed at offering exceptional patient care services amidst a myriad of challenges. Like many healthcare institutions, we faced challenges, including understaffing, inadequate essential commodities and financial constraints.

In our hospital we need to focus on patient centered care, technology integration, operational efficiency and emergency safety measures for our successful hospital development.

I extend my heartfelt gratitude to our dedicated staff, whose tireless efforts underscore our success. To our patients, partners, and shareholders, thank you for your continued trust and support. Together, we will continue to build a healthier future for our community.

Sincerely,



.....

Name: Joel Omagwa Oanda

Chairman to the Board

6. Report of The Medical Superintendent

I am pleased to present the Medical Superintendent Report for the Kenya Level 4 Hospital for the financial year 2024-2025. Over the past year, the facility has made considerable progress in fulfilling its mandate of improving healthcare delivery across the county.

A key driver of the facility's revenue growth was the continued investment in infrastructure and the procurement of essential medical supplies, which enabled the health facilities to operate more efficiently and attract more patients. Additionally, our partnership with various stakeholders, including healthcare donors and government agencies, has positively impacted the fund's financial health.

Our primary goal remains the improvement of healthcare services for the residents of Bomachoge Borabu. To achieve this, the facility will continue to invest in upgrading facility, ensuring that it is well-equipped to provide quality services. We are also committed to maintaining financial transparency and accountability in the management of the facility's resources.

In conclusion, the Kenya level 4 has demonstrated resilience and growth during the financial year 2024-2025, despite the challenges faced. I would like to thank the County Government, the Department of Health, and all stakeholders for their continued support. I also extend my appreciation to the healthcare workers and facility managers who have worked diligently to improve service delivery



.....
Name: Dr. Anne Njeri Wainaina

Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

Kenyenya level 4 hospital does not have a strategic plan yet, however the facility develops its annual work plans based on the objectives and principles of the Facility. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The objectives of the facility include;

- a) Sustainably operate, maintain, equip, rehabilitate health facilities and procure emergency medical; supplies in funds and health facilities in the county
- b) Enhance participation of relevant stakeholders and host communities in the planning and management of health facilities and funds located in their jurisdiction
- c) Create incentives for funds and health facilities to sustainably generate resources.
- d) Provide funding for the day to day operations of funds and health facilities
- e) Provide for financing of preventive and promotional healthcare services
- f) Provide immediate funds for health related emergencies and disaster

8. Corporate Governance Statement

Commitment to good corporate governance is fundamental in ensuring sustainable stakeholder value and meeting their expectations. Our procedures and processes are anchored on accountability, transparency, responsibility, and fairness which are the tenets of good corporate governance. Through the board of management Kenya is complying with statutory requirements.

Appointment and Induction of Board Members

Appointment of Board members is as prescribed under the County Governments Act, 2012 and section 6(1) (a) and (b) of the Kisii county Health Facilities Improvement Fund Act, 2020. The CECM health appoints the board members.

Role of the Board

The responsibility of driving good corporate governance and stewardship of Kenya level 4 is vested in the board of management. The board through its committees provide strategic direction while the Management Committee is accountable to the Board for implementing the strategy.

Conflict of interest

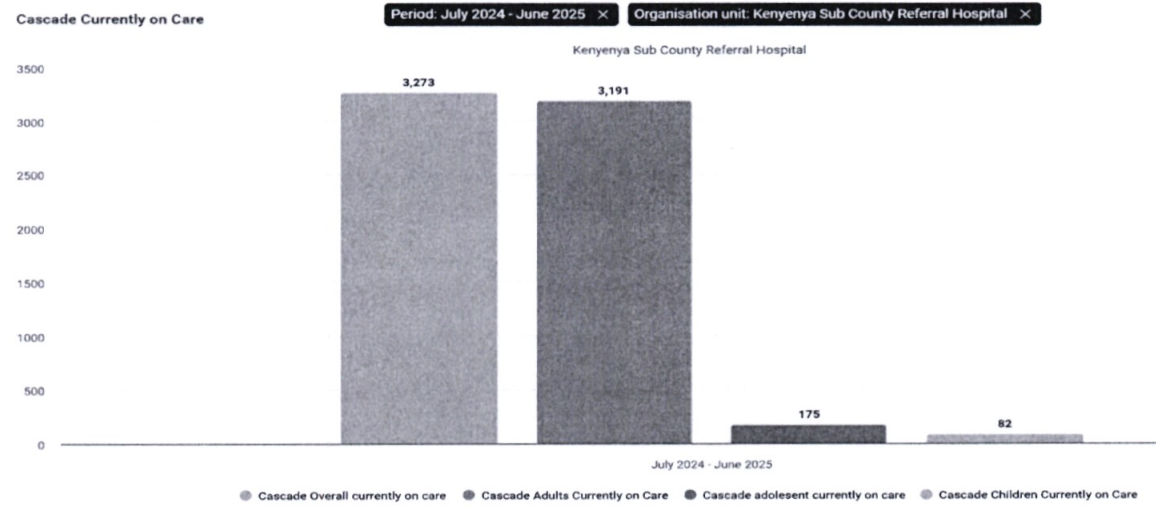
Declaration of conflict of interest is a standing agenda in all meetings of the Board and its committees. A register maintained by the institution to record all declarations made by board members.

Board Remuneration

Remuneration of the board members is based pegged on meetings attended as they are paid sitting allowances for each meeting attended for the period. The rates are as provided by the salaries and remuneration commission circular for sitting allowances and per diem.

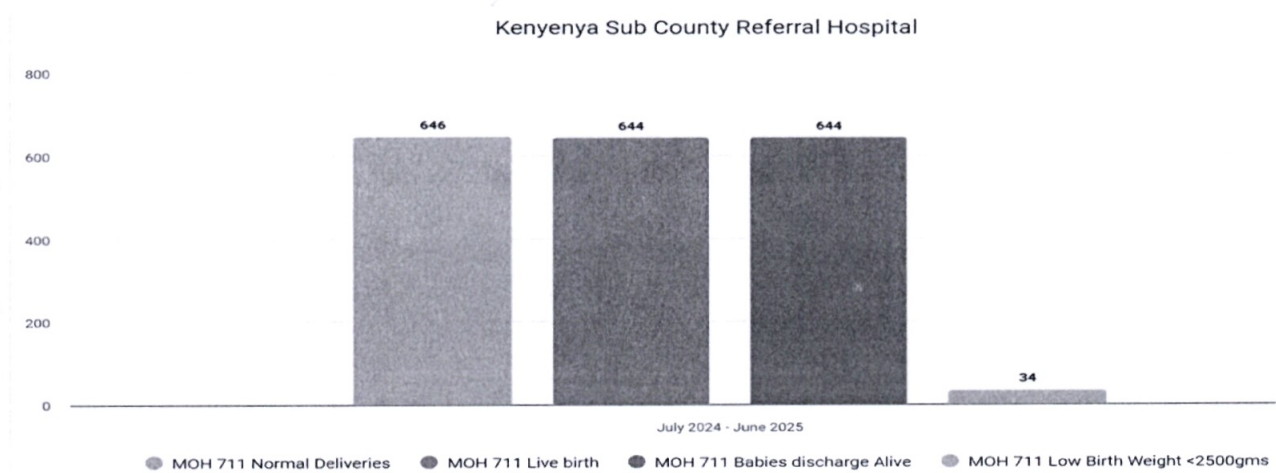
9. Management Discussion and Analysis

HIV CASCADE



- The facility has a **large and predominantly adult HIV treatment population**.
- The number of adolescents and children currently on care is **significantly smaller**, which aligns with expected age-distribution patterns but also highlights the need for sustained pediatric and adolescent HIV programming.
- The difference between overall (3,273) and adults (3,191) suggests that adolescents and children combined make up only a **small portion (approx. 8%)** of the cohort

MATERNITY CASCADE

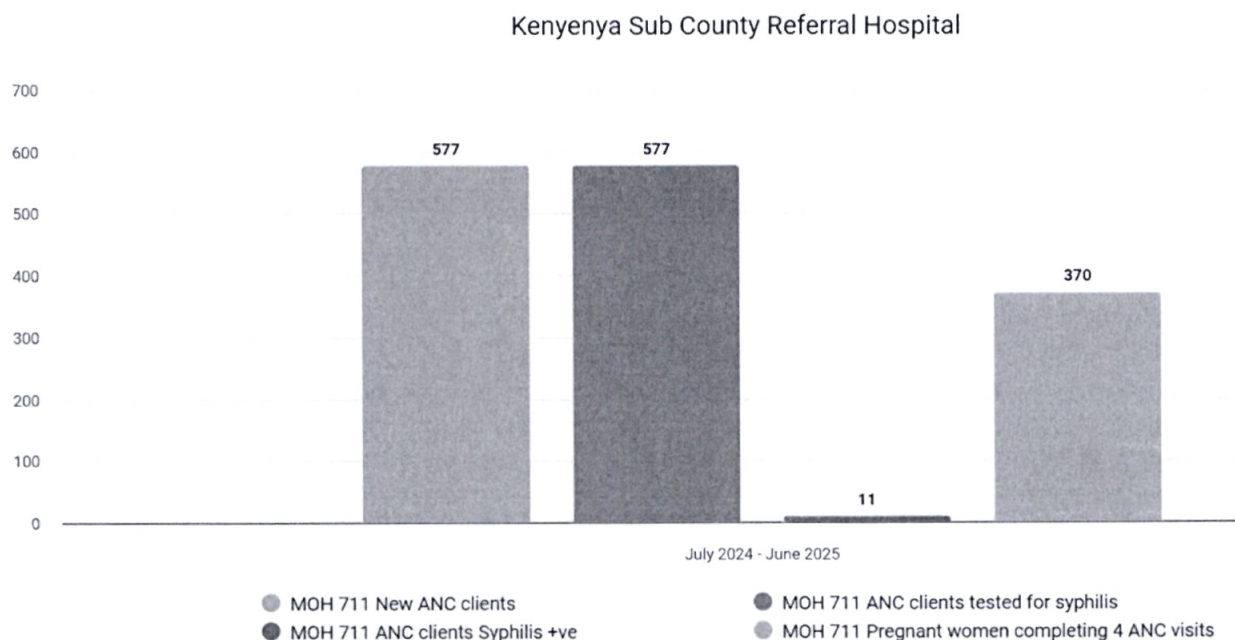


- **High alignment** between the three major indicators (normal deliveries, live births, babies discharged alive) suggests good data quality.

- **Zero gap** between live births and babies discharged alive is positive, showing strong immediate postnatal outcomes.

- **Low Birth Weight** cases are present but not unusually high, though this group may require targeted follow-up for nutrition and growth monitoring

ANC CASCADE



- **Excellent screening performance** (100% syphilis testing).
- **Low syphilis positivity rate** but requires sustained follow-up and treatment.
- **Moderate ANC4 completion**, indicating an area for improvement in continuity of care.
- **Overall**, ANC service uptake is strong, but retention strategies may enhance outcomes

10. Environmental And Sustainability Reporting

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

i) Sustainability strategy and profile

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

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

ii) Environmental performance

As part of adopting energy efficient technology, hospitals incinerate their medical waste using bags for clinical waste; staffs are also provided with personal protective equipment

iii) Employee welfare

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

iv) Community Engagements

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

11. Report of The Board of Management

The board members submit their report together with the financial statements for the year that ended June 30, 2025, which show the state of Kenya level 4 hospital affairs.

Principal activities

Auditors

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

By Order of the Board



.....

Name Dr. Anne Njeri Wainaina

Secretary to the Board

12. Statement of Board of Management's Responsibilities

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


The Board of Management is responsible for the preparation and presentation of the Kenya Level 4 hospital's financial statements, which give a true and fair view of the state of affairs of Kenya Level 4 hospital for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of Kenya Level 4 hospital; (v) selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for Kenya Level 4 hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the FIF Act. The Board members are of the opinion that Kenya Level 4 hospital's financial statements give a true and fair view of the state of Kenya Level 4 hospital's transactions during the financial year ended June 30, 2025, and of Kenya Level 4 hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for Kenya Level 4 hospital, which have been relied upon in the preparation of Kenya Level 4 hospital financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the hospital's ability to continue as a going concern and nothing has come to the attention of the Board of management to indicate that Kenya Level 4 hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 29/8/2025 and signed on its behalf by:


.....
Name: Joel Omagwa Oanda
Chairperson


.....
Name: Dr. Anne Njeri Wainaina
Accounting Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYENYA LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF KISII

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenyenia Level 4 Hospital – County Government of Kisii set out on pages 1 to 14, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance,

Report of the Auditor-General on Kenyenia Level 4 Hospital for the year ended 30 June, 2025 – County Government of Kisii

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenyena Level 4 Hospital – County Government of Kisii as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Facility Improvement Financing Act, 2023 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0. Undisclosed Trade and Other Payables

The statement of financial position, and as disclosed in Note 7, reflected a balance of Kshs.629,711 in respect of trade and other payables. However, examination of the supporting schedule provided for audit revealed that the Hospital had accounts payable amounting to Kshs.6,184,823 as at 30 June 2025, resulting in an unexplained variance of Kshs.5,555,112. Further, Management did not maintain a ledger for trade and other payables showing the movement of each individual payable, including opening balances, additions, amounts settled during the year, closing balances, and the corresponding aging analysis of the trade and other payables. Further examination of the Kenya Medical Supplies Authority (KEMSA) debtor's records revealed that the Hospital owed Kshs.295,995 to the Authority as at 30 June 2025, which is not disclosed in the financial statements. This resulted in an unexplained variance of Kshs.295,995 between the Hospital's records and those of KEMSA.

In the circumstances, the accuracy and completeness of the Kshs.629,711 trade and other payables balance could not be confirmed.

2.0. Non-Disclosure of Property, Plant, and Equipment

The statement of financial position reflects that the Hospital did not have any property, plant and equipment. However, physical inspection of the Hospital and review of the fixed assets register revealed the existence of buildings, land, medical equipment, furniture, vehicles, and various ICT equipment of undisclosed values that were not reported in the financial statements.

In the circumstances, the accuracy and completeness of the statement of financial position could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenyena Level 4 Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical

requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis amounts of Kshs.11,200,000 and Kshs.8,965,721 respectively, resulting in underfunding of Kshs.2,234,279, or 20% of the approved budget. Similarly, the Hospital expenditure amounted to Kshs.8,491,045 against the realized revenue of Kshs.8,965,721 resulting in an under-utilization of Kshs.474,676 or 5% of the budget.

The under-funding and under-utilization affected planned activities and may have impacted negatively on health service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

The Management is responsible for the Other Information set out on pages iii to xvi, which comprises of Key Entity Information and Management, The Board of Management, Key Management Team, Chairman`s Statement, Report of the Medical Superintendent, Statement of Performance Against Predetermined Objectives, Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management and Statement of Board of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

The statement of financial performance reflects a total revenue balance of Kshs.11,402,141 in respect to the rendering of services – medical service income as disclosed in Note 8 to the financial statements. Audit review of revenue records obtained from the Hospital revealed total collection of Kshs.8,965,721 towards the health facilities improvement. Out of this amount, a total of Kshs.8,442,897 was transferred to County Health Facilities Improvement Fund Board account. However, the amount reimbursed by the Board to the Hospital could not be ascertained. This is because the Board made payments on behalf of the Hospital without disclosing the amount for the expenditures incurred. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing account. In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

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

2.0. Failure to Prepare and Submit Quarterly Revenue Reports

The statement of financial performance reflects Kshs.11,402,141 in respect rendering of services-medical service income as disclosed in Note 1 to the financial statements. However, review of records revealed that the Hospital did not prepare and submit quarterly revenue collection reports for the year under review, contrary to Regulation 64(1) of the Public Finance Management (County Governments) Regulations, 2015, which states that the Accounting Officer or receiver of revenue or collector of revenue shall prepare a quarterly report not later than the 15th day after the end of the quarter.

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

3.0. Non-Compliance with Level 4 Hospital Requirements

Review of the Hospital records and operation revealed that the Hospital did not meet the requirements of the Kenya Quality Model for Health Policy Guidelines due to staff

deficits by 76 staff requirements or 75% of the authorized staff establishment as detailed below:

Staff Requirement	Level 4 Standard	Number in Hospital	Variance	Percentage (%)
Medical Officers	16	1	15	94%
Anesthesiologists	2	1	1	50%
General Surgeons	2	0	2	100%
Gynecologists	2	0	2	100%
Pediatrics	2	0	2	100%
Radiologists	2	1	1	50%
Kenya Registered Community Health Nurses	75	22	53	71%
Total	101	25	76	75%

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

Service	Level 4 Standard	Actual in Hospital	Variance	Deficiency Percentage (%)
Bed	150	40	110	73%
Resuscitative (2 Labour & 1 in Theater)	2	1	1	50%
New Born Unit Incubators	5	2	3	60%
New Born Unit Cots	5	1	4	80%
Functional ICU Beds	6	0	6	100%
High Dependence Unit (HDU) Beds	6	0	6	100%
Renal Unit with at least 5 Dialysis Machines	5	0	5	100%
Two functional Operational Theatres - Maternity & General	2	0	2	100%

In addition, the Hospital did not have an ambulance, power backup in critical areas like maternity, general wards, and the laboratory and there was also no incinerator in the facility for disposal of medical waste and harmful substances.

These deficiencies contravened 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.

4.0. Lack of Approved Budget

Review of the records provided for audit revealed that the Hospital did not have an approved budget for the financial year under review. In the absence of these key planning and control document, it was not possible to ascertain the basis upon which

income was collected and expenditure incurred during the year under review which was in contravention of Regulation 29(1) of the Public Finance Management (County Governments) Regulations, 2015, which states that the accounting officer shall ensure that the draft estimates relating to her or his department are prepared in conformity with the Constitution, the Act and these Regulations.

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

1.0. Lack of Operational and Financial Autonomy

An audit review of the internal controls established that although Kenyena Sub-County Hospital is recognized as an autonomous service delivery unit, as evidenced by its preparation and submission of financial statements for audit review, its key operational and financial functions remain centralized under the Kisii County Executive, Department of Medical Services, Public Health, and Sanitation. Procurement of goods and services continues to be undertaken at the County Executive, with the Hospital submitting requisitions for goods and services already supplied for payment processing. Consequently, the Hospital experiences delays in service delivery due to a lack of direct financial control. Further, the County Executive retains authority over human resource functions, including recruitment, promotion, and payment of salaries and allowances, leaving the Hospital without decision-making power over staffing matters. In addition, the Hospital operates only a revenue collection account, from which all funds are transferred to the Health Facility Improvement Fund (FIF) account managed centrally by the County Executive. As a result, Kenyena Sub-County Hospital has been unable to settle its obligations to suppliers despite generating its own revenue, leading to the accumulation of significant outstanding trade payables and strained relationships with service providers.

In the circumstances, the effectiveness and efficiency of medical service delivery to the residents of the Sub-County could not be confirmed.

2.0. Weak Controls on Inventories – Pharmaceuticals

The statement of financial position reflects nil inventories balance. Review of records and physical verification revealed that the Hospital had non-pharmaceuticals, food, staff and pharmaceuticals stores and a pharmacy for dispensing drugs. However, the following weaknesses were noted:

2.1. Non-Compliance with Pharmacy and Poisons Board Requirements

No evidence was provided indicating whether the Hospital's pharmacy was registered with the Pharmacy and Poisons Board (PPB) as required by Section 6(1) of the Pharmacy and Poisons Act, Cap 244 of the Laws of Kenya.

2.2. Weaknesses in the Stock Control System

During the year under review, the Hospital did not employ an automated inventory management system to monitor and control stock movements. Records were maintained manually and were not easily accessible due to the high volume of bin cards. In addition, the main store was observed to lack adequate security surveillance, hindering effective control and management of inventory.

2.3. Failure to Perform Annual Stock Taking

Review of the bin card provided for audit revealed that there were no annual stock takes taken to confirm the balances and the usability of the Medicines in stock and other items in stock, contrary to Regulation 33(3) (bb) of Public Procurement and Asset Disposal Regulations, 2020, which requires procurement function of the entity to carry out periodic and annual stock taking.

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

3.0. Lack of Key Management Policies and Procedures

During the year under review, Management did not institute policies and procedures to guide key financial and managerial processes such as revenue collection, expenditure control, inventory management, and liability management. The Hospital lacked an approved Risk Management Policy and Risk Management Framework and had not developed a Risk Register. In addition, there was no Disaster Recovery Plan or Business Continuity Plan in place to guarantee continuity of operations in case of disruptions.

In the circumstances, the existence of effective internal controls, risk management and governance system could not be confirmed.

4.0. Non-Operational Board of Management

Review of the governance structure of the Hospital revealed that it had seven (7) Board members in the year under review. However, no evidence, such as Board meeting

minutes, attendance registers, or resolutions, was provided to confirm that the Board met during the year under review.

In the circumstances, the effectiveness of 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 the Management and Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or

error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 December, 2025

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

Description	Note	2024/2025
		Kshs
Revenue from exchange transactions		
Rendering of services- Medical Service Income	1	11,402,141
Revenue from exchange transactions		11,402,141
Total revenue		11,402,141
Expenses		
Transfer to other Government Entities	2	8,442,897
Bank charges	3	48,148
Total expenses		8,491,045
Net Surplus / (Deficit) for the year		2,911,096

The Hospital's financial statements were approved by the Board on 29/8/2025 and signed on its behalf by:



Joel Omagwa
Chairman Board of
Management



Kevin Oribu
Head of Finance
ICPAK No:22784



Dr. Anne Njeri Wainaina
Medical Superintendent

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

Description	Note	2024/2025
Assets		
Current assets		
Cash and cash equivalents	4	629,711.00
Receivables from exchange transactions	5	2,436,420.00
Total Current Assets		3,066,131
Non-current assets		
Total Non-current Assets		
Total assets		3,066,131
Liabilities		
Current liabilities		-
Trade and other payables		-
Total Current Liabilities		-
Net assets		3,066,131
Represented By:		
Accumulated surplus/Deficit		3,066,131
Total Net Assets and Liabilities		3,066,131

The Hospital's financial statements were approved by the Board on 29/8/2025 and signed on its behalf by:



.....
Joel Omagwa
 Chairman;
 Board of Management



.....
Kevin Oribu
 Head of Finance
 ICPAK No:22784



.....
Dr. Anne Njeri Wainaina
 Medical Superintendent

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

Description	Accumulated surplus/Deficit	Capital	Total
		Fund	
At July 1, 2024	155,035	0	155,035
Surplus/(deficit) for the year	2,911,096	0	2,911,096
Capital/Development grants	-		
At June 30, 2025	3,066,131	0	3,066,131

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

Description	Note	2024/2025
		Kshs
Cash flows from operating activities		
Receipts		
Rendering of services- Medical Service Income	1	8,965,721.05
Total Receipts		8,965,721.05
Payments		
Transfer to other Government Entities	2	8,442,897
Bank Charges	3	48,148
Total Payments		8,491,045
Net cash flows from operating activities		474,676
Net increase/(decrease) in cash and cash equivalents		474,676
Cash and cash equivalents as at 1 July, 2024		155,034
Cash and cash equivalents as at 30 June. 2025	4	629,711

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

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Rendering of services- Medical Service Income	11,200,000	-	11,200,000	8,965,721.05	2,234,278.95	80.05%
Total receipts	11,200,000	0	11,200,000	8,965,721.05	2,234,278.95	80.05%
Payments						
Transfers to other Government Entities	11,000,000	0	11,000,000	8,442,897.25	2,557,102.75	76.75%
General expenses	200,000	0	200,000	48,148	151,852	24.07%
Capital Expenditure paid	11,200,000		11,200,000	8,491,045.25	2,708,954.75	
Surplus				474,675.80	(474,675.80)	

1. Notes to the Financial Statements General Information

Kenya level 4 Hospital is established by and derives its authority and accountability from the Kisii County Health Facilities Improvement Fund Act. The entity is wholly owned by the Kisii County Government and is domiciled in Kenya. The entity's principal activity is to provide for the additional funding for the management of health systems and public facilities improvement in the county, to enable sustainable operations of health facilities and for connected purposes.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the fund's accounting policies.

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

3. Adoption of New and Revised Standards

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

Notes to the Financial Statements (Continued)

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

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

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

Standard	Effective date and impact:
	for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> 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.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

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

Standard	Effective date and impact
IPSAS 43	<i>Applicable 1st January 2025</i> 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

Standard	Effective date and impact
	<p>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>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires: -</p> <ul style="list-style-type: none"> i. Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: ii. Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii. Early adoption of standards

The fund did not early – adopt any new or amended standards in the year 2024/2025

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

a) Revenue from exchange transactions

i) Rendering of services

The fund recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total

estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

b. Budget information

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

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

c. Related parties

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

d. Cash and cash equivalents

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

e. Comparative figures

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

f. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Fund's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

Notes to Financial Statements Continued

1. Rendering of Services-Medical Service Income

Description	2024-2025
User Fee	3,309,889
SHA/NHIF	5,655,832
SHA Receivables	2,436,420
Total	11,402,141

2. Transfers to other Government entities

Description	2024 - 2025
	KShs
Transfer to FIF A/C	8,442,897
Total	8,442,897

3. General Expenses

Description	2024-2025
	KShs
Bank Charges	48,148
Total	48,148

4. (a) Cash And Cash Equivalents

Description	2024-2025
	KShs
Current accounts	629,711
Total cash and cash equivalents	629,711

4 (b) Detailed Analysis of Cash and Cash Equivalents

Description		2024-2025
Financial institution	Account number	KShs
a) Current account		
Kenya Commerical Bank	1102026093	629,711
Sub- total		629,711
Grand total		629,711

5. Receivables From Exchange Transactions

Description	2024- 2025
	KShs
Medical services receivables-NHIF	2,436,420
Total receivables	2,436,420

7. Related Party Balances

Nature of related party relationships

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

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

- i) The County Government;
- ii) Board of Directors;
- iii) Key Management
- iv) Department of health
- v) **Events after the Reporting Period**

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

vi) Ultimate and Holding Entity

The entity is a Semi- Autonomous Government Agency under the Department of Health. Its ultimate parent is the County Government of Kisii.

vii) Currency

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


8. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

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

The health facility is being audited for the first time


.....
Accounting Officer