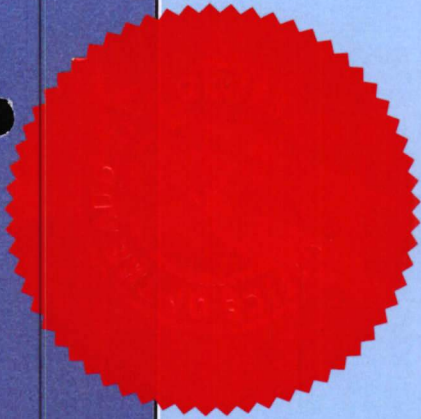
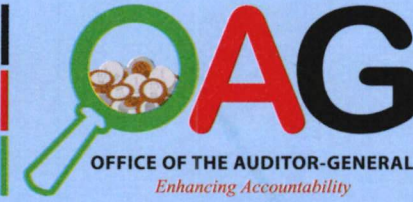


REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

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IYABE LEVEL 4 HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF KISII

APX



01 DEC 2025



IYABE 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

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

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

2. Key Entity Information and Management

(a) Background information

Iyabe Hospital is a level (4) hospital established under gazette notice number 4339 and is domiciled in Kisii County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

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

(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
- Others (*specify*)

(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:

1.	Medical Superintendent	Dr. Joseph Muturi
2.	Head of finance	Kevin Nyamongo
3.	Head of supply chain	Tom Akello Degor
4.	Hospital administrator	Loise Kemunto
5.	Hospital Pharmacist	Dr. Janet Omambia
6.	Nursing manager	Risper Obang'i

(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) 725787588
E-mail: dmohsouthkisii@gmail.com
Website: www.go.ke

- (h) **Entity Bankers**

Cooperative Bank
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**






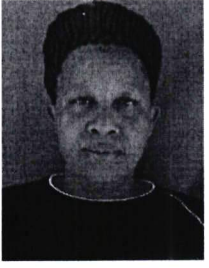
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

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

3. The Board of Management

		Details
1.		Mr. Philip Omari is the chairman Board of management. He has over ten years working experience in the public sector. He holds a bachelor of Education(arts) from University of Nairobi.
2.		Serafine Kwamboka Nyabaro is a board member and community Health volunteer
3.		Mr Peter Omache Momanyi,board member.He is a teacher with 10 years working experience in the public sector.
4.		Mr. David Omboga is a board member. He has over ten years working experience in the public sector
5.		Zebedeo Onyoni is a board member and a farmer.He is representing people living with disabilities .
6.		Ms Lilian Nyasarora Mogeni, She is a board member representing the youths .
7.		Dr. Joseph Muturi is the secretary board of management. He has previously worked at Kisii Teaching and Referral Hospital. He holds a bachelor of Medicine and Surgery.

4. Key Management Team

1.	<p>Medical Superintendent</p> 	<p>Dr. Joseph Muturi is the secretary board of management and the medical superintendent. He has previously worked at Kisii Teaching and Referral Hospital. He holds a bachelor of Medicine and Surgery.</p>
2.	<p>Head of Finance</p> 	<p>Kevin Nyamongo. He holds a bachelor of Commerce in (accounting option)</p>
3.	<p>Head of Supply Chain</p> 	<p>Tom akello Degor He holds a bachelor in supply chain management (procurement)</p>
4.	<p>Hospital Administrator</p> 	<p>Loise Kemunto Holds a diploma in Business administration</p>
5.	<p>Head of Pharmacy</p> 	<p>Dr Janet Omambia She holds a bachelor of Pharmacy.</p>
6.	<p>Nursing Manager</p> 	<p>Risper Obang'i Holds a diploma in nursing</p>

5. Chairman’s Statement

I Philip Omari, the Board chairman of Iyabe Sub County Hospital is humbled and equally proud to commend the professional and general staff of the Iyabe Sub county Hospital community. The professionalism and level of discipline exhibited by the staff, through hard work and attending to work at the required time is of high standard. The hospital management and the entire board would love to support the staff in their welfare and offer them a conducive environment for them to exploit their full potential. The management is working hard to ensure that the Hospital has adequate staffing and the staff is well facilitated through equipment and trainings.

The hospital has made tremendous milestones in terms of increased range of services offered. The hospital has improved in terms of service delivery which has been witnessed in the improved revenue streams through services offered to SHA clients. However, SHA has not paid pending claims.

The facility aspires to perform well in terms of offering wide range of services, improved service delivery and professionalism in handling of patients which will in return lead to reduced mortality rate in the community.

The hospital management will like to extend its gratitude to whoever who has been involved in making sure the hospital performed in the financial year 2024/2025 and looks forward to more cooperation from all the stakeholders in future.

Kind regards



Philip Omari

Chairman to the Board

6. Report of The Medical Superintendent

It is my pleasure to present the Medical Superintendent's Report for the financial year ended 30th June 2025 of **Iyabe Level 4 Hospital**. The hospital continues to provide high-quality healthcare services despite economic challenges, rising operational costs, and increasing demand for services. The hospital maintained prudent cost management despite inflationary pressures. However, medical supply costs increased due to price adjustments. The hospital recorded a strong financial performance during the year under review. This demonstrates sound financial management and commitment to service excellence. Strategic investments in infrastructure and technology are expected to improve service delivery and sustainability in subsequent years. Throughout the financial year, we witnessed a steady increase in patient volumes across outpatient, inpatient. This growth reflects not only the trust placed in our hospital by the community but also the continued efforts by our staff to maintain high standards of care. The Health management team and the casual staffs are doing excellent work together to keep the hospital running smoothly. We have challenges like understaffing, non-working medical equipment, delay on claim reimbursement from SHA/NHIF, lack of enough rooms for admission and old structure that needs renovation especially kitchen and toilets among other challenges. Also the facility is experiencing hostile working environment from the community despite that I wish to express my sincere appreciation to the hospital management, clinical and non-clinical staff, and the Board for their continued support and commitment. I am confident that with prudent financial stewardship and collective effort, we will continue to improve health outcomes and build a stronger, more responsive health system and serving the people of Bonchari Sub County.



Dr. Joseph Muturi

Secretary to the Board

7. 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 Iyabe level 4 hospital 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 the fund is vested in the board of management. The board through its committees provide strategic direction, oversight, risk management, resource mobilization and stakeholder engagement. The medical superintendent officer is assisted by the Executive Management Committee who are accountable to the Board for implementation.

Conflict of interest

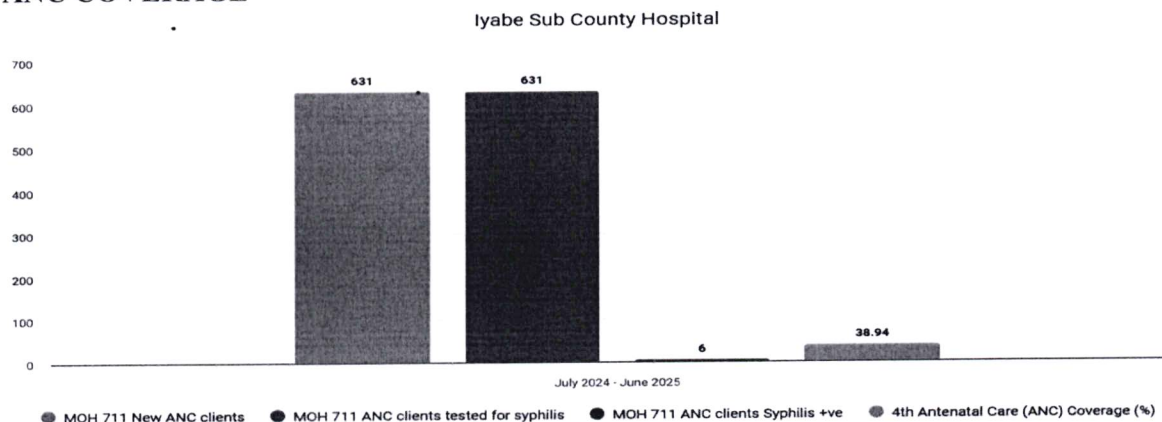
Declaration of conflict of interest is a standing agenda in all meetings of the Board and its committees. A register maintained by the institution to record all potential conflict declared by board members and board members should re excuse themselves from discussion or decisions where they have vested interest

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.

8. Discussion and Analysis

ANC COVERAGE



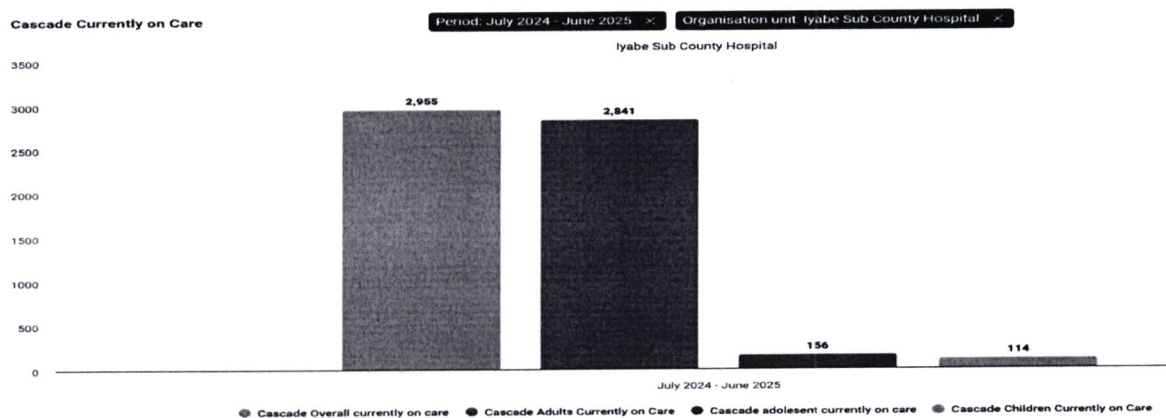
Strengths:

- Excellent syphilis testing coverage (100% of ANC clients tested).
- Active ANC client enrollment.

Areas for Improvement:

- **4th ANC visit coverage** is relatively low at 38.94%. This suggests challenges with client follow-up or retention through all scheduled ANC visits.

HIV CASCADE

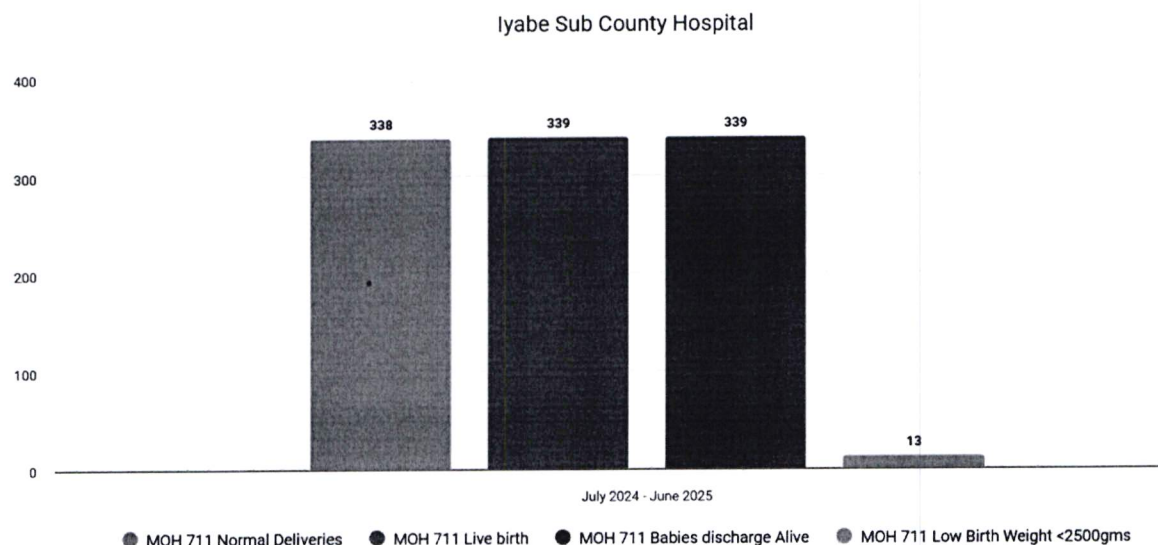


• **Strong adult enrollment:** The facility has maintained care for a large number of adult clients, reflecting good program stability.

• **Adolescent and pediatric engagement:** While smaller, these groups are crucial for long-term program success and should be supported with tailored services.

• **Overall performance:** A total of nearly 3,000 clients on care indicates strong retention and program coverage for the period.

MATERNITY



- **Maternal and newborn care quality appears strong**, with almost all deliveries resulting in live births and all babies discharged alive.
- **Low birth weight prevalence (3.8%)** is low — a positive indicator of effective antenatal interventions and maternal health.
- The data also implies that **stillbirths and early neonatal deaths were nearly zero**, which is a very good outcome for this period.

9. Environmental and Sustainability Reporting

Kisii County Health Facilities Improvement Fund 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.

Sustainability strategy and profile

B. i)Iyabe Hospital's Sustainability Priorities & Policy Framework

Here, the accounting officer should describe what Iyabe Level 4 Hospital currently prioritizes in terms of sustainability. Below is a hypothetical structure:

1. Vision/Mission Alignment

- The hospital aims to deliver high-quality, equitable healthcare sustainably, minimizing environmental footprint while maximizing social impact.
- Commitment to UHC principles and aligning with national health strategy

2. Governance & Leadership

- A sustainability committee within the hospital administration, including clinical, administrative, and facilities staff.
- A policy for "Green Procurement": integrating environmental and social criteria into tender

documents.

3. Operational Priorities

- **Energy management:** auditing energy use, switching to energy-efficient lighting / appliances, exploring alternative energy like use of solar
- **Water management:** leak detection, installing flow restrictors, dual-flush toilets, possibly rainwater harvesting.
- **Waste management:** robust segregation (infectious, non-infectious, recyclables), working to reduce single-use plastics, and ensuring safe disposal.
- **Procurement & Supplier Management:** prioritizing local suppliers, particularly youth-, women-, and PWD-owned enterprises (in line with AGPO).
- **Social Inclusion:** employment and contracting practices that support marginalized groups; community health outreach; patient feedback mechanisms.
- **Staff Engagement & Training:** training staff on sustainability practices, encouraging energy/water conscious behaviour, green champions.

4. Monitoring & Reporting

- Key Performance Indicators (KPIs) for sustainability
- Annual sustainability report to track progress.
- Stakeholder feedback to adjust strategies.

ii) Environmental performance

Iyabe Hospital is committed to protecting the environment, promoting sustainable healthcare operations, and complying with national environmental regulations. The hospital's environmental policy is guided by the following principles

Policy Commitments

Compliance with Laws & Standards

- Adherence to the Environmental Management and Coordination Act, NEMA guidelines, Public Health Act, sustainability standards, and county environmental regulations.

Sustainable Resource Use

- Efficient use of water, energy, and consumables.
- Adoption of renewable energy where feasible.

Pollution Prevention & Waste Minimization

- Reduce, reuse, and recycle materials to minimize environmental impact.
- Proper segregation, storage, treatment, and disposal of medical and general waste.

Green Procurement

- Preference for suppliers of eco-friendly, energy-efficient, and recyclable products.
- Reduction of plastic-related procurement.

Climate Change Mitigation & Adaptation

- Adoption of climate-smart technologies and infrastructure resilience.
- Promotion of environmental awareness among staff, patients, and community members.

Biodiversity & Ecosystem Protection

- Protecting vegetation within hospital grounds.
- Maintaining green spaces and planting indigenous trees.

Continuous Improvement

- Regular environmental audits, staff training, and performance monitoring.

Evidence of Policy Implementation

Energy Efficiency & Climate-Friendly Operations

- Use of natural lighting in redesigned wards and waiting bays through
- Use of solar power

Water Conservation Measures

- Repair of all major leaks in sanitation blocks and kitchens.
- Installation of low-flow taps.
- Rainwater-harvesting tank.
- Staff and patient awareness on water-saving practices.

Waste Management Implementation

- Provision of color-coded waste bins (red, yellow, black, green) in all wards and offices.
- Partnership with licensed biomedical waste handlers for incineration and safe disposal.

Reduction of Environmental Footprint

- Reduced purchase of plastic water bottles through installation of water dispensers.
- Procurement of biodegradable packaging for certain supplies.
- Phasing out single-use plastic cups and plates in staff areas.
- Encouraging use of refillable containers.

Biodiversity Conservation

- Planting of indigenous trees and flowering plants to support local ecosystems.
- Maintenance of a vegetation buffer to reduce dust and noise pollution.
- Protection of existing vegetation from unplanned construction or dumping.

Iyabe Hospital remains committed to environmental sustainability through consistent implementation of its environmental policy, responsible procurement, energy and water management, biodiversity protection, and climate-change interventions. Despite financial challenges, the hospital has made significant strides toward greener operations and is continuously improving through innovation, capacity- building, and stakeholder engagement.

iii) Employee welfare

Diversity Policies:

- Guided by national laws; include gender balance, youth employment and PWD inclusion.
- Stakeholder engagement through County Boards, unions, and hospital boards.

Policy Review Cycles:

- HR policies reviewed every 3-5 years or when legally required; safety policies reviewed regularly.

Skill Development:

- CPD, training programs, mentorship, and structured career progression.

Performance Appraisal & Rewards:

- Annual appraisals, promotions, recognition awards, training opportunities.

Safety & OSHA Compliance:

- Written safety policy, risk assessments, safety committees, staff training.

Work-Related Injury Data:

- Records of incidents (e.g., needle-stick injuries) and actions taken to mitigate risks.

Evidence of Injury Reduction Measures:

- IPC improvements, PPE use, safety drills, ergonomic tools, staff wellness programs.
- iv) **Market place practices**

The organization should outline its efforts to:

a) Responsible competition practice.

Public hospitals do not compete in the commercial sense, but they must still adhere to integrity, fairness, and accountability standards in procurement, governance, stakeholder engagement.

Responsible Competition Practices

- Strong anti-corruption and integrity systems
- Transparent procurement and open tendering
- Political neutrality
- Respect for suppliers and fair procurement processes
- Zero tolerance for bribery or conflicts of interest

Improved Service Delivery Practices

- Service charters displayed to the public
- Automation and digital systems to enhance service efficiency
- Cashless payment systems to reduce fraud Strong anti-corruption reporting channels
- Public outreach and community health education
- Safe branding guidelines and customer protection Structured customer feedback systems
- Continuous quality improvement initiatives

b) Responsible Supply chain and supplier relations

Iyabe Level 4 Hospital maintains good business practices and treats suppliers responsibly through the following mechanisms:

Good Business Practices

- Adhering to procurement and financial laws
- Transparent and ethical conduct
- Professional staff behaviour and conflict-of-interest control
- Regular audits and proper financial management

Responsible Treatment of Suppliers

- Honouring contract terms
- Fair and timely payment processes
- Respectful communication and transparent engagement
- Supporting inclusivity (women, youth, PWD suppliers under AGPO)

Competitive Procurement

- Open tendering
- Clear evaluation criteria
- Avoiding favouritism and corruption
- Ensuring value-for-money purchases

c) Responsible marketing and advertisement or Responsible engagement with citizens

- Accuracy & Honesty -Messages reviewed by clinical experts; avoid exaggeration
- Respect for Consumers -Protect patient dignity, consent for use of patient stories

- Non-Discrimination -Inclusive campaigns, accessible formats, culturally sensitive
- Transparency -Service charters, updated websites, public health information
- Accountability -Feedback channels, complaint desks, suggestion boxes
- Collaboration -Coordination with MoH, local leaders, NGOs
- Evidence-Based Campaigns based on verified clinical and public health data

d) Product stewardship or Awareness Creation

Health & Safety -OSHA compliance, infection control, equipment inspections, staff training
Adequate Information - Service charters, brochures, digital platforms, multilingual & accessible formats

Dispute Resolution - Complaints desks, Patient Rights Officers, formal redress procedures

Privacy & Data - Protection EMR security, Data Protection Act compliance, consent before sharing info

v) Corporate Social Responsibility/Community Engagements

During the reporting period, the hospital carried out a range of Corporate Social Responsibility (CSR) activities aligned with its core mandate of health service delivery. These initiatives aimed to improve community health, well-being, and participation in decision-making processes.

Key CSR and Community Engagement Activities:

Health Outreach and Free Clinics

- Conducted community health camps, immunization drives, screenings for chronic diseases, and health education.
- Impact: Improved access to healthcare, early detection of illnesses, and increased health

awareness.

Health Education and Sensitization

- Provided public awareness campaigns on hygiene, nutrition, maternal-child health, and disease prevention.
- Impact: Enhanced knowledge, healthier behaviours, and reduced preventable diseases.

Infrastructure and Social Investment

- Supported construction or renovation of local health facilities, installation of boreholes, and provision of sanitation facilities.
- Impact: Improved access to essential services and strengthened community infrastructure.

Educational Support

- Attachment to students pursuing health-related courses.
- Impact: Empowered youth and contributed to the development of the health workforce.

Environmental and Community Projects

- Conducted tree planting initiatives and sanitation campaigns.
- Impact: Promoted environmental health and sustainable community practices.

Public Participation and Civic Engagement

- Engaged communities in health planning, policy awareness, and consultations on service improvement.
- Encouraged participatory decision-making, increased transparency, and tailored services to community needs.

10. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2025, which show the state of the Iyabe Level 4 Hospital facility's affairs.

Principal activities

The principal activities of the Iyabe Level 4 Hospital are

Results

Category	Key Activities/Services
Clinical Services	Outpatient consultations, inpatient care, maternity and reproductive health, specialty clinics (NCDs, HIV/AIDS, diabetes, hypertension), emergency and critical care,
Diagnostic & Support Services	Laboratory testing (haematology, microbiology, biochemistry), radiology and imaging (X-ray, ultrasound), pharmacy services, nutrition and dietetics, infection prevention and control.
Community Health & Outreach	Health promotion campaigns, immunization drives, sanitation and hygiene awareness, community-based health services via CHVs, disease prevention programs.
Administrative & Support Services	Hospital administration, finance and accounting, human resource management, procurement and supply chain management, monitoring, evaluation, and research (M&E).
Capacity Building & Training	Continuous professional development, staff training programs, workshops and seminars, collaboration with regulatory bodies and partners.
Partnerships & Collaboration	Collaboration with County Government, NGOs, donor agencies, community- based organizations; implementation of health projects and programs.

Results

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

Board of Management

The members of the Board who served during the year are shown on page v. During the year, a new board was appointed as from 4th April 2025.

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

Auditors

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

By Order of the Board



.....

Dr. Joseph Muturi
Secretary to the Board

11. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 (*entities should quote the applicable legislation under which they are regulated*) requires the Board of Management to prepare financial statements in respect of that *Iyabe Level 4 Hospital*, which give a true and fair view of the state of affairs of the *Iyabe Level 4 Hospital* at the end of the financial year/period and the operating results of the *Iyabe Level 4 Hospital* for that year/period. The Board of Management is also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The council members are also responsible for safeguarding the assets of the *entity*.

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

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

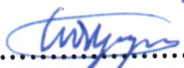
In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*) OR

Nothing has come to the attention of the Board of management to indicate that the *Iyabe 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 28/08/2025 and signed on its behalf by:


.....
Philip Omari
Chairperson
Board of Management


.....
Dr. Joseph Muturi
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 IYABE LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - KISII COUNTY GOVERNMENT

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 Iyabe Level 4 Hospital - Kisii County Government set out on pages 1 to 24, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, 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 effects 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 Iyabe Level 4 Hospital as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Facility Improvement Financing Act, 2023 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Presentation of the Financial Statements

A comparison of the financial statements and the Public Sector Accounting Standards Board PSASB prescribed reporting template issued in June 2025, revealed the following:

- i. The table of contents incorrectly indicated that the "Iyabe Level 4 Hospital Annual Report and Financial Statements for the year ended 30 June, 2025" were on page vii, which was misleading;
- ii. In the Key Entity Information and Management, under the principal activities, the vision, mission, and core objectives were not indicated;
- iii. The key management team did not include each key manager's passport-size photo and name, and key profession/academic qualifications;
- iv. The report of the medical superintendent did not mention the financial performance of the Hospital;
- v. The Statement of Performance Against Predetermined Objectives was not included in the financial statements;
- vi. The corporate Governance Statement did not include the Number of Board meetings held and the attendance at those meetings by members, the Succession plan, the Policy to manage conflicts of interest, the Communication policy, the Process of appointment and removal of directors, the size, diversity, and demographics of the Board and the Existence of the Board charter;
- vii. The Management Discussion and Analysis did not mention the Clinical/operational performance and the financial performance. Further, the statement had not been signed by the Medical Superintendent;
- viii. The report of the Board of Management under the Board of Management indicated that the Board who served during the year are indicated on page vi instead of v.

Further, the report indicated the financial statements were for year June 30 2024 instead 30 June 2025;

- ix. The provision for the report of the Auditor General had not been included in the financial statements;
- x. In the statement of financial performance reflected Note 2 on transfer to other Government entities as Kshs.7,989,063. However, the corresponding disclosure in Note 2 shows Kshs.9,920,057, resulting in a variance of Kshs.1,930,994;
- xi. The statement of financial position had not balanced as it indicated net asset of Kshs.4,188,190 against total net assets and liabilities of Kshs.1,930,994. Further, the reference Note number for receivables from exchange transactions was not indicated;
- xii. The statement of changes in net assets reflected an accumulated surplus of Kshs.3,285,297, which was not supported, as this was the initial audit;
- xiii. The statement of changes in net assets and statement of cash flows had been combined on one page, which was contrary to the template;
- xiv. The statement of cash flows had no reference Note number for Net cash flows from operating activities;
- xv. Under the statement of comparison of Budget and actual amounts, the budget reconciliation between Actual deficit Amounts as per the statement of Budget and the Closing Cash and Cash Equivalent as per the statement of Cash flows was not prepared;
- xvi. In notes to the financial under general information, the Act under which the Hospital derived its authority was not indicated.

In the circumstances, presentation of the financial statements for the year ended 30 June 2025 does not comply with the reporting template issued by PSASB in June 2025.

2. Incomplete Disclosure of Property, Plant, and Equipment

The statement of financial position reflects that the Hospital did not have any property, plant, and equipment. However, a physical inspection of the Hospital and a 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 completeness and accuracy of the statement of financial position could not be confirmed.

3. Long Outstanding Trade Payables

The statement of financial position reflects a nil balance in respect of trade and other payables. However, supporting schedules and the aging analysis provided for audit review indicated that the Hospital had Kshs.5,019,743 trade and other payables balance that had remained outstanding for a period exceeding five (5) years as at 30 June 2025. This is contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015, which requires that debt service payments be a first charge on the County Revenue Fund and that the Accounting Officer ensures that the county government does not default on its debt obligations. Further, an examination of the Kenya Medical Supplies Authority (KEMSA) debtor's records revealed that the Hospital owed Kshs.587,726 to the Authority as at 30 June 2025. This resulted in an unexplained variance of Kshs.587,726 between the Hospital's records and those of KEMSA.

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

4. Understatement of Revenue

The statement of financial performance reflects a total revenue balance of Kshs.6,638,175 in respect of rendering of services – medical services income, as disclosed in Note 1 to the financial statements. However, audit verification established that this amount did not include claims due from the Social Health Authority (SHA) amounting to Kshs.852,246 incurred during the rendering of medical services.

In the circumstances, the accuracy of the Kshs.6,638,175 reported as revenue from rendering of services - medical services income could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lyabe 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 the final revenue budget and actual on a comparable basis amount of Kshs.11,200,000 and Kshs.6,638,175, respectively, resulting in under-funding of Kshs.4,561,825 or 41% of the budget. Similarly, the Hospital expenditure amounted to Kshs.7,992,478 against the realized receipts of Kshs.6,638,175 resulting in an over expenditure of Kshs.1,354,303 or 20% of the budget.

In the circumstances, underfunding may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for 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 xiv, 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, Corporate 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. Failure to Retain Facilities Improvement Funds (FIF) at the Hospital

Review of revenue records obtained from the Iyabe sub county Hospital revealed total collection of Kshs.6,638,174 towards the health facilities improvement. Out of this amount, a total of Kshs.7,989,063 was transferred to County Health Facilities

Improvement Fund Board account. However, the amount reimbursed by the Board to Iyabe sub county Hospital could not be ascertained. This is because the Board made payments on behalf of Iyabe sub county Hospital without disclosing the amount for the expenditures incurred. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing account. In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

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

2. Non-Operational Board of Management

The statement of financial performance reflected nil expenditure in respect to board expense. A 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. This is contrary to Section 18(a) and (b) of the Facilities Improvement Financing Act, 2023, which requires the Facility Management Committee to meet at least once every quarter to consider and submit for approval to the Chief Officer the annual facility work plan and budget and ensure that quarterly implementation plans and budgets are based on available resources.

In the circumstances, the effectiveness and efficiency of the board of management in executing its oversight and governance functions could not be confirmed.

3. Weak Controls on Inventories – Pharmaceuticals

The statement of financial position reflects a nil inventory balance. A review of records and physical verification revealed that the Hospital had a pharmacy. However, the following discrepancies were noted;

3.1 Non-Compliance with Pharmacy and Poisons Board Requirements

No evidence was provided indicating whether the facility'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.

3.2 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. Further, the main store was observed to lack adequate security surveillance, sufficient space, and proper ventilation, hindering effective control and management of inventory.

3.3 Lack of an Annual Stock Taking

A review of the availed bin card 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, which was contrary to Regulation 33(3) (b) of Public Procurement and Asset Disposal Regulations, 2020 which mandates procurement function of the entity to carry out periodic and annual stock taking.

In the circumstances, the Hospital's ability to provide consistent and adequate healthcare services to the public could not be confirmed.

4 Compliance with Level 4 Hospital Requirements

Review of the hospital records and interviews on verification of services offered, equipment used and medical specialists revealed that the Hospital did not meet the requirements of the Kenya Quality Model for Health Policy Guidelines due to staff deficits by 79 staff requirements or 78% of the authorized staff establishment.

Staff Requirement	Level 4 Standard	Number in Hospital	Variance	Percentage (%)
Medical Officers	16	1	15	94%
Anesthesiologists	2	0	2	100%
General Surgeons	2	0	2	100%
Gynecologists	2	0	2	100%
Pediatrics	2	0	2	100%
Radiologists	2	0	2	100%
Kenya Registered Community Health Nurses	75	21	54	72%
Total	101	22	79	78.2%

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	24	126	84%
Resuscitative (2 Labour & 1 in Theater)	2	0	2	100%
Newborn Unit Incubators	5	0	5	100%
Newborn Unit Cots	5	0	5	100%
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%

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, the Hospital Management was in breach of the law.

5 Lack of Approved Budget

An audit review of the records provided 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 confirm the basis upon which income was collected and expenditure incurred during the year under review which was in contravention of Regulation 26(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires each spending unit to prepare an annual budget to guide its operations.

In the circumstances, the Hospital Management is in breach of the law.

6 Failure to Prepare and Submit Quarterly Revenue Reports

The statement of financial performance reflects Kshs.6,638,175 in respect to revenue from exchange transactions – rendering of services (medical service income) as disclosed in Note 1 to the financial statements. Review of records revealed that the Hospital did not prepare and submit quarterly revenue collection reports contrary to Regulations 65(1) the Public Finance Management (County Governments) Regulations, 2015. Consequently, no evidence was provided to show that such reports were transmitted to the Accounting Officer and County Treasury within the stipulated timelines.

In the circumstances, the accuracy and completeness of revenue from exchange transactions could not be confirmed.

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 Operational and Financial Autonomy

An audit review of the internal controls established that although the 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, the 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 public could not be confirmed.

2. Lack of Key Management Policies and Procedures

During the year under review, the 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 effectiveness of service delivery cannot 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 the 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

02 December, 2025

13. 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	7,686,525
Revenue from exchange transactions		7,686,525
Total revenue		7,686,525
General Expenses		
Transfer to other Government Entities	2	7,989,063
Bank charges	3	3,415
Total expenses		7,992,478
Net (Deficit) for the year		-1,354,303

The Hospital's financial statements were approved by the Board on 28/08/2025 and signed on its behalf by:



.....
Philip Omari
Chairman
Board of Management



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



.....
Dr. Joseph Muturi
Medical Superintendent

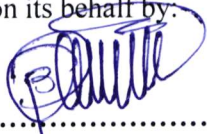
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14. Statement of Financial Position As At 30th June 2025


Description	Note	2024/2025
Assets		
Current assets		
Cash and cash equivalents	4	1,930,994
Receivables from exchange transactions		1,048,350
Total Current Assets		2,979,344
Non-current assets		
Total Non-current Assets		0
Total assets		2,979,344
Liabilities		
Current liabilities		
Trade and other payables		-
Total Current Liabilities		-
Net assets		2,979,344
Represented By:		
Accumulated surplus/Deficit		2,979,344
Total Net Assets and Liabilities		2,979,344

(The notes on pages 1 to 5 form an integral part of the Annual Financial Statements.)


The Hospital's financial statements were approved by the Board on 28/06/2025 and signed on its behalf by:



Philip Omari
 Chairman
 Board of Management



Kevin Oribu
 Head of Finance
 ICPAK No:22784



Dr. Joseph Muturi
 Medical Superintendent

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

Description	Accumulated surplus/Deficit	Capital	Total
		Fund	
At July 1, 2024	3,285,297	0	3,285,297
Surplus/(deficit) for the year	-1,354,303	0	- 1,354,303
Capital/Development grants	-		
At June 30, 2025	1,930,994	0	1,930,994

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16. 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	6,638,174.70
Total Receipts		6,638,175
Payments		
Transfer to other Government Entities	2	7,989,063
General expenses		3,415
Total Payments	3	7,992,478
Net cash flows from operating activities		-1,354,303
Net increase/(decrease) in cash and cash equivalents		-1,354,303
Cash and cash equivalents as at 1 July, 2024		3,285,297
Cash and cash equivalents as at 30 June. 2025	4	1,930,994

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Rendering of services- Medical Service Income	-	-	11,200,000.00	6,638,174.70	4,561,825.30	59.27%
Total income	-	-	11,200,000.00	6,638,174.70	4,561,825.30	59.27%
Expenses						
Transfers From Other Government Entities	-	-	11,000,000.00	7,989,063.00	3,010,937.00	72.63%
General expenses	-	-	200,000.00	3,415.00	196,585.00	1.71%
Total Expenses	-	-	11,200,000.00	7,992,478.00	3,207,522.00	
Surplus for the period	-	-	-	(1,354,303.30)	1,354,303.30	
Capital expenditure	-	-	-	-	-	-

18. Notes to the Financial Statements

1. General Information

Iyabe Level 4 Hospital is established by and derives its authority and accountability from FIF Act. The entity is wholly owned by the Kisii County Government and is domiciled in Kisii County in Kenya. The entity's principal activity is Healthcare.

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

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

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

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

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

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Financial Instruments	
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p>

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Standard	Effective date and impact
	<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 Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral</p>	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p>

Resources	<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.
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4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2024/2025 was approved by Board on 2025. 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 *Iyabe Level 4 Hospital*

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recorded additional appropriations of xxx on the FY 2024/2025 budget following the Board's approval. The Iyabe level 4 Hospital budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Biological Assets

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

i. Research and development costs

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

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

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected

future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

j. Financial instruments

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

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

Financial assets

Classification of financial assets

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

interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

k. Inventories

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

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

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

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

l. Provisions

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

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

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

Notes to the Financial Statements (Continued)

m. Social Benefits

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

n. Contingent liabilities

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

o. Contingent assets

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

p. Nature and purpose of reserves

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

q. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

r. Employee benefits

Retirement benefit plans

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

s. Foreign currency transactions

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

t. Borrowing costs

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

u. Related parties

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

v. Service concession arrangements

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

w. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial

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year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

x. Comparative figures

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

y. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

Notes to Financial Statements Continued

**1. Rendering of Services-Medical
Service Income**

Description	2024-2025
User Fee	3,126,145
SHA/NHIF	3,512,030
SHA Receivables	1,048,350
Total	7,686,525

**2. Transfers to other Government
entities**

Description	2024 - 2025
	KShs
Transfer to FIF A/C	7,989,063
Total	7,989,063

3. Bank Charges

Description	2024-2025
	KShs
Bank Charges	3,415
	3,415

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4. (a) Cash And Cash Equivalents

Description	2024-2025
	KShs
Current accounts	1,930,994
Total cash and cash equivalents	1,930,994

4 (b). Detailed Analysis of Cash and Cash Equivalents

Description		2024-2025
Financial institution	Account number	KShs
a) Current account		
COOPERATIVE BANK	01141017379300	1,930,994
Sub- total		1,930,994
Grand total		1,930,994

5. Receivables From Exchange Transactions

Description	2024-2025
	KShs
Medical services receivables-NHIF	1,048,350
Total receivables	1,048,350

6. Related Party Balances

Nature of related party relationships

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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 Iyabe 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 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.\


7. 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