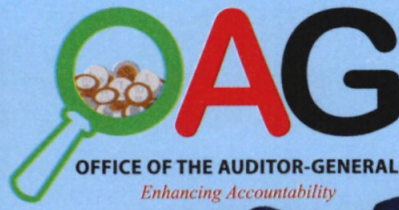


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REPORT

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MALELA LEVEL 4 HOSPITAL

FOR THE YEAR ENDED 30 JUNE, 2025

COUNTY GOVERNMENT OF HOMA BAY

2003



**Malela Level 4 HOSPITAL
(Homabay 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

Accrual Basis	Accounting method where revenues and expenses are recorded when they are earned or incurred, not when cash is exchanged
BOM	Board of Management
Budget Execution	The process of implementing the approved budget through expenditures and revenue collection
CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
HMT	Hospital Management Team
HR	Human Resources
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
MED SUP	Medical Superintendent
MoF	Ministry of Finance
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
OSHA	Occupational Safety and Health Act
PFMA	Public Financial Management Act
PPE	Property, Plant, and Equipment
MED SUP	Medical Superintendent

2. Key Entity Information and Management

(a) Background information

Malela Level 4 Hospital is a public health facility established under Gazette Notice No. 13505 and domiciled in Homa Bay County under the Department of Health Services. As a Level 4 hospital, it provides comprehensive healthcare services to the community, bridging the gap between primary care facilities and referral hospitals. The hospital operates under the oversight of a Board of Management, which is responsible for governance, strategic direction, and ensuring accountability in service delivery.

(b) Principal Activities

The principal mandate of Malela Level 4 Hospital is to provide quality, accessible, and affordable healthcare services to the people of Homa Bay County in line with national and county health priorities. The hospital's activities include outpatient and inpatient services, maternal and child health, emergency and accident response, specialized clinics, preventive and promotive health programs, and community outreach.

Beyond healthcare delivery, the hospital also plays a role in training health professionals and partnering with other institutions in health-related research and capacity-building.

The hospital's mission, vision, and values provide the foundation for all its operations:

- **Vision:** To be a leading provider of accessible, affordable, and quality healthcare services in Homa Bay County and beyond.
- **Mission:** To deliver comprehensive, patient-centered healthcare services through innovation, efficient resource utilization, and community partnerships.
- **Core Values:** Professionalism, Integrity, Compassion, Accountability, Inclusivity, and Excellence.

Aligned with these commitments, the hospital's strategic objectives are to:

1. Enhance patient care and health outcomes.
2. Expand healthcare infrastructure and technology.
3. Promote financial sustainability and accountability.
4. Strengthen partnerships and community engagement.
5. Build a skilled, motivated, and diverse workforce.

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(c) Key Management

- County Department of Health (Homa Bay County): Provides overall policy direction, oversight, and budgetary support in line with county health priorities.
- Board of Management: Oversees governance, strategic policy formulation, and monitoring of hospital performance to ensure accountability and service quality.
- Accounting Officer/Medical Superintendent: Serves as the hospital’s chief executive, responsible for day-to-day operations, financial management, and implementation of Board and County directives.
- Hospital Management Team: Consists of departmental heads across clinical, administrative, and support functions, ensuring smooth coordination and efficient service delivery.
- Other Stakeholders: Development partners, community representatives, and professional associations who work with the hospital to enhance healthcare delivery in the region.

(d) Fiduciary Management

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

No.	Designation	Name
1.	Facility In-charge	Victor Ogutu
2.	Hospital Accountant	Jarvis Ounda
3.	Health Administrative Officer	Grant Kirowo
4.	Deputy Hospital Administrator	Winnie Obedi
5.	Leancey Atieno	Hospital Matron
6.	Betty Kanule	Laboratory in-charge

Hospitals and health systems, as well as the people who sit on their committees and governing boards, are increasingly realizing the value of sound organizational monitoring. Because of the growing number of lawsuits, trustees must guarantee that their organizations take aggressive steps to protect themselves and individuals they serve. Malela Level 4 Hospital, as a government entity, has formed various committees to provide effective fiduciary oversight.

i. Quality Improvement Team

Quality Improvement Team (QIT) is a team taking lead to implement quality improvement activities. QIT is a group of multi-skilled employees charged with the responsibility of improving processes or

services. The team include top and middle management members to coordinate initial planning and implementation.

The members include;

- a) Mr Victor Ogutu (RCO I/C) - Chairperson
- b) Mr. Grant Kirowo (HRIO) – Secretary
- c) Mrs. Leancey Atieno (Nursing Officer in Charge)
- d) Mrs. Betty Kanule (Pharm in Charge)

ii. Emergency Response Team

Hospital Emergency Response Teams (HERT) is comprised of multi disciplines and specialties that activate and respond during emergencies. The team is responsible for Security of the hospital facility and grounds. Registration, patient tracking, triage, treatment, decontamination, detection & monitoring and movement of patients into the facility or on to other definitive medical care. The members are;

- a) Victor Ogutu Chairperson
- b) Winnie Obedi Deputy HAO
- c) Leancey Atieno Nurse Incharge

iii. Medicines and Therapeutic Committee

The Medicines and Therapeutics Committee (MTC) is a multidisciplinary committee tasked with overseeing policies and procedures governing all areas of drug and other HPT use. Drugs and Therapeutics Committees (MTCs) are formed in hospitals to improve the prescribing and administration of drugs. Its significance is evident in a variety of contexts, including the drug selection process, cost-effectiveness, and drug loss control. Overall, MTCs have played a significant role in promoting, managing, and teaching individuals about sensible drug use. This is especially evident in demonstrating how the presence of MTCs in hospitals would improve patient health outcomes while lowering overall drug costs. Members are;

- i. Mr Victor Ogutu (RCO I/C) - Chairperson
- ii. Mr. Grant Kirowo (HRIO) – Secretary
- iii. Mrs. Leancey Atieno (Nursing Officer in Charge)
- iv. Mrs. Betty Kanule (Pharm in Charge)
- v. Mrs. Winnie Obedi Deputy HAO

vi. Billing and Waiver Committee

The billing and waiver committee is responsible for tracking patient bills to ensure that correct bills are paid and those unable to pay are waived in line with the government policy. The members are;

- i. Mrs. Leancey Atieno (Nursing Officer in Charge)- chairperson
- ii. Mrs. Winnie Obedi Deputy HAO
- iii. Mr. Jarvis Ounda (Accountant)

vii. Maternal and Perinatal Death and Surveillance Response (MPDSR)

MPDSR is a committee that ensures that deaths of mothers or babies during pregnancy, childbirth and post-natal period are notified, information is collected, causes reviewed and responses identified to prevent unnecessary deaths in future. The members are;

- a) Mr Victor Ogutu (RCO I/C) – Chairperson
- b) Leancey Atieno- Hospital Matron
- c) Grant Kirowo - Hospital Administrator
- d) Winnie Obedi- Deputy Hospital Administrator
- e) Mrs. Betty Kanule (Laboratory in Charge)

viii. Hospital Management Committee

Oversight roles and resource mobilization to the facility

ix. Hospital Management Team

Runs the facility through ensuring that all procedures are adhered to through monthly HMT meetings

x. Hospital finance Committee

The Hospital Finance Committee reviews departmental budget proposals to ensure allocations are made appropriately, considering the hospital's overall financial health and strategic goals. The committee ensures that resources are distributed efficiently and equitably across departments, aligning with the hospital's mission and objectives. Additionally, the committee monitors financial performance, implements internal controls, and provides oversight to maintain fiscal responsibility and transparency.

Key Entity Information and Management (continued)

(e) Entity Headquarters

P.O. Box 36-40300,
Malela Hospital Building
Off Homa Bay-Mbita Road
H, KENYA

(f) Entity Contacts

Telephone: (+254) 740025848
E-mail: malela.health@gmail.com
Website: <https://www.homabay.go.ke/>

(g) Entity Bankers

Kenya Commercial Bank
Kencom House, 8th Floor, Moi Avenue
P.O. Box 48400-00100, Nairobi, Kenya

(h) Independent Auditors

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


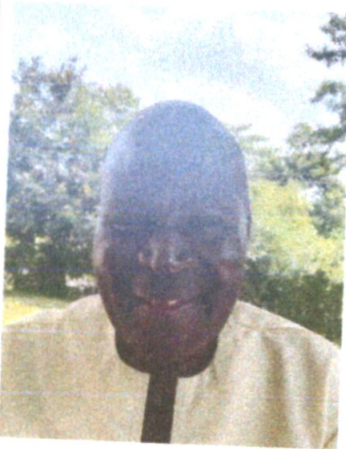

(i) Principal Legal Adviser

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




(j) County Attorney


Homa Bay County Attorney,
P.O. Box 469-40300,
Homa Bay, Kenya

3. The Board of Management




Ref	Directors	Details
1.	 <p>Professor Gordon Nguka</p>	<p>Board Chairman. 58 years old. PhD in Medical Dietetics and Pediatric Physiology and a postdoctorate in Randomized Control Clinical trials of nutrients and Food products from Emory University. He is a lecturer at Masinde Muliro University of Science and Technology.</p>
2.	 <p>Tom Rayola</p>	<p>Board Member 62 years old. He holds a Diploma in printing and publishing at Kenya Polytechnic. He retired at Kenya Times, while previously worked at Kenya Litho.</p>
3.	 <p>Maurice Ongoiyo</p>	<p>Board member 43 years old. He holds a Certificate in House Keeping He currently works at Kisumu Polytechnic in the Stores Department.</p>

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<p>4.</p>	 <p>Caroline Wachara</p>	<p>Board member 36 years. She holds a Certificate in ECD and currently works at the Ndhiwa CDF Office.</p>
<p>5.</p>	 <p>Loice Anyango</p>	<p>Board member 35 years old. She holds a KCSE Certificate and currently a business lady in Homa Bay town.</p>
<p>6.</p>	 <p>Agnes Wasonga</p>	<p>Board member 40 years old. She holds a KCPE Certificate and thrives in running her private businesses in Homa Bay County.</p>


7.	 <p>Victor Ogutu</p>	<p>Facility in-charge and Secretary to the Board. 30 years old. He holds a diploma in clinical medicine and surgery. Has 5 years' experience at Homa Bay County and KEMRI.</p>
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4. Key Management Team

Ref	Management	Details
1.	 <p>Victor Ogutu</p>	<p>Facility in-charge and Secretary to the Board. 30 years old. He holds a diploma in clinical medicine and surgery. Has 5 years' experience at Homa Bay County and KEMRI.</p>
2.	 <p>Grant Obunga Kirowo - Bachelor's Degree in Special needs Education</p>	<p>Hospital Administrator</p>
3.	 <p>Leancey Atieno – Diploma in Nursing</p>	<p>Nurse in-charge</p>
4.		

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	 Jarvis Ounda – Bachelor of Commerce (Accounting)	Accountant
5.	 Winnie Obedi – Bachelor of Education (Special needs)	Deputy HAO
6.	 Betty Kanule – Diploma in Medical Laboratory	Laboratory Technologist
7.	 Margaret Omollo – Diploma in Health Records	HRIO

8.	 Joan Odera – Bachelor of Science in Community Health	Community Health Assistant
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5. Chairman's Statement

On behalf of the Board of Management, I am honoured to present the Chairman's Statement for the financial year ended 30th June 2025. The year under review marked steady growth and transformation for Malela Level Four Hospital. Despite operational and financial challenges, our dedicated staff and partners remained committed to delivering quality healthcare to the people of Homa Bay County.

Key Activities and Service Delivery

The hospital served 17,347 patients through both outpatient and inpatient care, reaffirming its central role in the community. The Accident and Emergency unit handled 1,821 cases, while specialised clinics recorded 36 consultations and the theatre department conducted 146 operations. The average inpatient stay was four days with a 61% bed occupancy rate, reflecting improved efficiency and patient management. Notably, the hospital recorded zero mortality, underscoring the professionalism and dedication of our medical and support teams.

Financial Performance

The hospital achieved total revenues of Kshs 14.7 million, a tenfold increase from Kshs 1.3 million in the previous year, driven by enhanced service income, better insurance recoveries, and continued support from the County Government. Total expenses stood at Kshs 15.9 million, resulting in a deficit of Kshs 1.2 million, an improvement from Kshs 2.8 million the previous year. The capital fund increased to Kshs 61.2 million, strengthening the hospital's asset base through continued investment in infrastructure and equipment.

Achievements and Successes

During the year, the hospital established six partnerships and sponsorships that boosted service delivery, capacity building, and provision of vital supplies. Significant infrastructural improvements and equipment acquisitions were made to enhance service quality. Governance structures were also strengthened, with the Board of Management ensuring compliance, transparency, and accountability across all operations.

Challenges

Despite progress, the hospital continued to face rising medical and clinical costs, high staff and recurrent expenses, and limited specialised equipment. Maintenance of infrastructure remains costly, and staffing levels are still below optimal. The increasing demand for healthcare services has outpaced available

resources, occasionally straining facilities and service delivery. Overcoming these challenges requires innovative approaches, effective cost control, and sustained government and stakeholder support.


Future Outlook

Moving forward, the hospital aims to consolidate gains while addressing areas of weakness. Key priorities include expanding specialized services to reduce referrals, investing in staff training and welfare to boost retention, and adopting modern medical technology to enhance diagnosis and treatment. The hospital also plans to strengthen community outreach, preventive care, and health education to reduce the incidence of preventable diseases. Financially, efforts will focus on enhancing revenue systems, broadening partnerships, and ensuring prudent expenditure management.

Appreciation

In conclusion, I extend heartfelt appreciation to the County Government of Homa Bay for its continued support, our development partners for their collaboration, our dedicated staff for their tireless commitment, and the community for their trust in Malela Level Four Hospital. Together, we remain committed to building a resilient, sustainable, and patient-centered institution that continues to serve with excellence.

.....
Name **TOM RAFOZA**
Chairman to the Board



6. Report of The Medical Superintendent

It is my honour to present the Medical Superintendent's Report for the financial year ended 30th June 2025. This report highlights the hospital's performance, achievements, and challenges during a year marked by resilience, innovation, and dedication. Despite limited resources, Malela Level Four Hospital continued to advance healthcare outcomes and expand access to quality medical services for the people of Homa Bay County.

Clinical and Operational Performance

During the year, the hospital attended to 17,347 patients across outpatient and inpatient departments, reinforcing its growing role as a key referral and primary care centre. The Accident and Emergency Unit handled 1,821 cases, ranging from trauma to acute medical conditions, demonstrating its importance in urgent care.

Inpatient services recorded an average stay of four days and a 61% bed occupancy rate, indicating efficient patient management despite limited capacity. Significantly, the hospital achieved zero inpatient mortality, reflecting high-quality care and adherence to clinical standards. The surgical department performed 146 operations, while 36 specialized clinic consultations were conducted — a figure that points to the need for expansion of specialist-led services.

In addition to curative services, the hospital continued offering promotive and preventive health programmes, with plans to scale up community outreach and health education in the next year.

Human Resources and Capacity Development

The hospital's dedicated workforce remains the cornerstone of its success. Although staffing levels fall short of those recommended for a Level Four facility, staff members demonstrated professionalism, adaptability, and commitment.

To strengthen capacity, several training sessions, mentorship initiatives, and peer learning forums were held, improving clinical competence and service delivery. The hospital also benefited from six partnerships and sponsorships, which provided supplies, technical support, and motivation through knowledge-sharing and exposure to best practices. Nonetheless, staff shortages and high workloads remain pressing challenges requiring urgent redress.

Infrastructure, Equipment, and Capital Investment

Infrastructure development and equipment upgrades were key focus areas. The capital fund rose to Kshs 61.2 million, enabling facility improvements, acquisition of essential equipment, and better maintenance of assets. These investments are critical for sustaining service quality amid increasing patient volumes.

However, frequent equipment breakdowns, limited diagnostic capacity, and inadequate maintenance budgets hinder efficiency. The hospital must continue prioritizing modern diagnostic tools, facility expansion, and preventive maintenance to enhance operational sustainability.

Financial Performance

The hospital reported revenues of Kshs 14.7 million, a substantial increase from Kshs 1.3 million the previous year, driven by higher service income, improved insurance recoveries, and County Government support. Total expenses reached Kshs 15.9 million, leading to a deficit of Kshs 1.2 million, an improvement from the Kshs 2.8 million deficit in the prior year.

This performance reflects improved financial discipline and better cost control but also underscores the need to expand revenue streams and contain rising costs. High expenditure on consumables and maintenance limits room for investment in growth and innovation, calling for diversified financing mechanisms and improved efficiency.

Challenges Encountered

Key challenges during the year included:

- Resource constraints that limited the hospital's ability to meet growing demand.
- Rising medical and clinical costs and inadequate recurrent funding.
- Staff shortages causing fatigue and work overload.
- Infrastructure and equipment gaps, particularly in diagnostics and bed capacity.
- Increasing cases of non-communicable diseases and maternal emergencies, which further stretched limited resources.

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These issues underscore the need for strategic investment, stakeholder collaboration, and improved operational efficiency.

Future Outlook

In the coming financial year, the hospital will prioritize consolidating clinical progress and investing in high-impact areas. Strategic priorities include:

- Expanding specialized services such as maternal, surgical, and chronic disease management.
- Strengthening preventive and community health programmes to reduce hospital admissions.
- Enhancing staff training, motivation, and welfare to improve retention.
- Investing in modern diagnostic and therapeutic equipment.
- Deepening partnerships with government and development partners for technical and financial support.

Through these efforts, the hospital aims to strengthen resilience, improve efficiency, and enhance its reputation as a reliable healthcare provider in Homa Bay County.

Acknowledgement

I extend sincere appreciation to the County Government of Homa Bay for continued support, our partners for their invaluable collaboration, the Board of Management for effective oversight, and the staff for their exceptional dedication and professionalism. Together, we shall continue building a patient-centered, sustainable, and efficient healthcare institution committed to excellence in service delivery.

.....
Name *Victor Oduro*
Secretary to the Board



7. Statement of Performance Against Predetermined Objectives

In compliance with Section 164(2)(f) of the Public Finance Management Act, 2012, Malela Level 4 Hospital presents its performance against predetermined objectives for the financial year 2024/2025. The hospital’s strategic direction during the period was anchored on five strategic pillars, drawn from the current Strategic Plan, which guided resource allocation, work plan development, and service delivery. Performance monitoring was conducted on a quarterly basis, allowing the Board of Management and hospital leadership to track progress, address challenges, and ensure alignment with the County’s health priorities.

Malela Level 4 Hospital has 5 strategic pillars and objectives within the current Strategic Plan for the FY 2024- FY 25. These strategic pillars are as follows:

Pillar 1: Enhance patient care and health outcomes.

Pillar 2: Expand healthcare infrastructure and technology.

Pillar 3: Promote financial sustainability and accountability.

Pillar 4: Strengthen partnerships and community engagement.

Pillar 5: Build a skilled, motivated, and diverse workforce.

Malela Level 4 Hospital develops its annual work plans based on the above 5 pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2024/2025 period for its 5 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Enhance patient care and health outcomes	Improve quality of care and	- Patient satisfaction rate- Bed occupancy	- Strengthen patient feedback systems- Expand	- 17,347 patients attended (inpatient & outpatient)- Accident &

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	patient satisfaction	rate- Mortality rate- Increase in patients treated- Average length of stay	Accident & Emergency services- Regular staff training and supervision	Emergency handled 1,821 cases- Bed occupancy rate of 61% achieved- Average inpatient stay of 4 days maintained- Zero mortality recorded, reflecting high-quality care
Pillar 2: Expand healthcare infrastructure and technology	Upgrade facilities and adopt modern technology	- Facilities renovated- Diagnostic capacity improved- Asset growth	- Infrastructure repair & maintenance- Procure new equipment- Expand ICT systems	- Hospital infrastructure maintained and improved- Property, plant, and equipment increased to Kshs 58.9M- Capital fund rose to Kshs 61.2M supporting expansion of physical and diagnostic capacity
Pillar 3: Promote financial sustainability and accountability	Strengthen financial management & revenue base	- Revenue growth- Reduction in operational costs- Timely reporting	- Improve billing and revenue collection- Enforce cost-control measures- Conduct regular financial audits	- Total revenue rose to Kshs 14.7M (from Kshs 1.3M in 2023/24)- Medical service income and insurance recoveries increased significantly- Operational efficiency improved though total expenses reached Kshs 15.9M- Deficit reduced to Kshs 1.2M, down

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				from Kshs 2.8M in prior year- Timely financial reporting achieved
Pillar 4: Strengthen partnerships and community engagement	Deepen collaboration & outreach	- Number of partnerships- Outreach programs- Community education	- Engage stakeholders- Organize health camps- Strengthen community feedback systems	- 6 active partnerships and sponsorships established- Supported provision of supplies, training, and outreach- Community health education programs expanded with positive feedback
Pillar 5: Build a skilled, motivated, and diverse workforce	Enhance staff capacity and inclusivity	- Number of trainings- Staff appraisal outcomes- Workforce stability	- Continuous professional development- Staff appraisal and recognition- Inclusive recruitment	- Staff training sessions and mentorship conducted- Appraisal systems maintained to ensure accountability- Workforce remained committed despite shortages, supported by partnerships and sponsorships

8. Corporate Governance Statement

Malela Level 4 Hospital upholds the principles of accountability, transparency, and integrity in all governance processes. The hospital's governance framework is anchored in the Board of Management, which provides strategic leadership and oversight in line with the Public Finance Management Act, County Governments Act, County Health Services Act, and other regulatory instruments. Strong governance is viewed not merely as compliance but as a driver of effective service delivery, prudent resource use, and stakeholder trust.

1. Board Charter and Composition

The hospital operates under a Board Charter that defines the Board's mandate, structure, and responsibilities, clearly distinguishing governance from management. Members are appointed by the County Government of Homa Bay through a transparent, merit-based process emphasizing competence, integrity, and diversity of skills. The Board comprises professionals in finance, medicine, law, administration, and community service, ensuring broad expertise and gender balance. Members may be removed for misconduct, negligence, conflict of interest, or absenteeism in line with statutory provisions—safeguarding accountability and ethical leadership.

2. Board Meetings and Attendance

During the year, the Board held four meetings focused on financial oversight, risk management, service delivery, and infrastructure development. Attendance was consistently high, reflecting strong commitment. Minutes, registers, and resolutions were properly documented to provide an auditable trail of decisions. The meetings fostered constructive engagement between the Board and management, aligning strategic priorities with operations.

3. Roles and Functions of the Board

The Board provides direction to ensure high-quality healthcare delivery and institutional sustainability. Key roles include:

- Approving strategic plans, budgets, and policies.
- Providing oversight on implementation of County and Annual Development Plans.
- Ensuring financial sustainability through sound management practices.

- Monitoring clinical quality and patient outcomes.
- Reviewing risk management and internal controls.
- Promoting stakeholder engagement and community participation.
- Enforcing regulatory compliance, including financial reporting and procurement laws.

4. Induction, Training, and Development

New Board members undergo structured induction covering governance, finance, healthcare laws, and ethics. Ongoing training workshops and conferences focus on governance best practices, healthcare financing, climate-health issues, and technological innovations. These initiatives ensure Board members remain responsive to emerging healthcare challenges.

5. Board and Member Performance

The Board conducts annual performance evaluations through self-assessments, peer reviews, and external evaluations. Assessments focus on attendance, participation, adherence to governance standards, and strategic input. Results inform continuous improvement and strengthen accountability.

6. Conflict of Interest

A conflict-of-interest policy requires members to declare potential or actual conflicts before discussions. Declarations are recorded, and affected members abstain from related decisions. This ensures fairness, transparency, and integrity in governance.

7. Board Remuneration

Members receive sitting allowances approved by the Salaries and Remuneration Commission (SRC), consistent with public service guidelines. No extra or unsanctioned benefits are permitted, reflecting commitment to accountability and cost discipline.

8. Ethics and Conduct

The hospital promotes a strong ethical culture guided by a Code of Conduct emphasizing professionalism, integrity, and transparency. Compliance is reinforced through regular sensitization and disciplinary measures for any breach.

9. Governance Audit

Periodic **governance audits** assess the Board's effectiveness, financial oversight, and risk management practices. Findings are shared with the Board, and corrective measures implemented promptly to enhance governance efficiency.

10. Succession Planning

A structured succession plan ensures leadership continuity at governance and management levels. It identifies critical roles, potential successors, and professional development pathways to guarantee operational stability.

11. Communication Policy

An active communication policy promotes transparency and inclusivity through community forums, stakeholder engagements, public notices, and feedback mechanisms. Stakeholder input is integrated into governance decisions, strengthening accountability.

12. Committees and Terms of Reference

The Board operates through specialized committees:

- Finance and Audit Committee – oversees budgets, audits, and resource use.
- Procurement Committee – ensures compliance with procurement laws and fair competition.
- Service Delivery Committee – monitors patient safety, clinical quality, and service standards.

Each committee functions under clear Terms of Reference and reports regularly to the Board.

13. Related-Party Transactions Policy

The hospital enforces a strict related-party transactions policy to prevent favoritism or undue influence. All contracts follow competitive procurement procedures to ensure fairness and value for money.

Malela Level 4 Hospital remains committed to sound corporate governance as the foundation of effective healthcare delivery. Through adherence to ethical standards, transparent decision-making, and continuous improvement, the hospital strives to uphold public confidence and strengthen institutional performance.

9. Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) for Malela Level Four Hospital provides a comprehensive overview of the hospital’s operational and financial performance for the year ended 30th June 2025. It highlights progress made in clinical services, financial management, and infrastructure development while outlining challenges, risks, and opportunities. The analysis is based on hospital records, audited financial statements, and strategic performance monitoring conducted quarterly.

Clinical and Operational Performance

Malela Level Four Hospital has a bed capacity of 58 beds, which serves the catchment population of Homa Bay County and beyond. Patient attendance continued to grow in FY 2024/2025, reflecting increasing community trust in the hospital’s services.

Table 1: Patient and Clinical Performance Indicators (FY 2022/23 – 2024/25)

Indicator	2022/2023	2023/2024	2024/2025	Trend
Overall patient attendance (in & out-patient)	12,347	14,892	17,347	▲ Increasing
Accident & Emergency cases	1,325	1,512	1,821	▲ Increasing
Specialised clinic attendance	22	28	36	▲ Growing but low
Average length of stay (days)	4	4	4	→ Stable
Bed occupancy rate (%)	57%	59%	61%	▲ Improving
Mortality rate (%)	0.2%	0.1%	0%	▼ Decreasing
Surgical theatre operations	102	124	146	▲ Increasing
Sponsorships & partnerships	3	5	6	▲ Increasing

Key Insights:

- Patient volumes increased by 16% compared to FY 2023/24, highlighting rising service demand.

- Revenue grew by over 1,000% compared to FY 2023/24, largely due to improved insurance recoveries and government support.

Key Insights:

- Medical service income: Kshs 511,354
- Insurance recoveries and miscellaneous income: Kshs 11,265,410
- In-kind contributions from County Government: Kshs 2,940,000
- Other grants & subsidies: Kshs 112,000

Revenue Sources (FY 2024/25):

Item	2022/2023	2023/2024	2024/2025	Trend
Total Revenue	1,120,000	1,330,193	14,716,764	▲ Sharp growth
Total Expenses	3,456,780	4,171,249	15,954,676	▲ Rising
Surplus/(Deficit)	(2,336,780)	(2,841,056)	(1,237,912)	▲ Deficit narrowing
Capital Fund	52,321,000	55,045,700	61,232,700	▲ Increasing

Table 2: Financial Performance (FY 2022/23 – 2024/25) [Kshs]

The hospital's financial performance improved significantly, with revenues increasing by more than tenfold in the last two years.

Financial Performance

- The zero-mortality rate is a strong reflection of quality care.
- Theatre utilization rose by 18%, showing growth in surgical interventions.
- Partnerships and sponsorships continue to supplement government support, enabling improved service delivery.

- Expenses also grew due to higher medical supply costs, staff remuneration, and maintenance.
- The deficit reduced to Kshs 1.2 million, reflecting improved cost control, though sustainability remains a challenge.
- The hospital's asset base strengthened, with property and equipment valued at Kshs 58.9 million.

Compliance with Statutory Requirements

The hospital adhered to key statutory and regulatory requirements, including:

- Timely submission of quarterly and annual financial reports to the County Treasury.
- Compliance with the Public Finance Management Act, 2012, particularly Section 164 on reporting obligations.
- Timely payment of staff dues and remittances to statutory bodies (NHIF, NSSF, PAYE), with no material arrears recorded during the year.
- Internal and external audits were conducted in accordance with IPSAS standards.

Major Risks and Challenges

Despite positive performance trends, the hospital faces significant risks:

1. Financial Risk – Rising clinical costs and unpredictable revenue flows create cash flow pressures.
2. Human Resource Risk – Staffing shortages persist, leading to work overload and potential burnout.
3. Infrastructure Risk – Ageing infrastructure and limited diagnostic capacity increase referral rates.
4. Operational Risk – High patient volumes relative to bed capacity may strain service quality.
5. Sustainability Risk – Heavy reliance on government transfers and insurance recoveries exposes the hospital to funding volatility.

Risk mitigation strategies implemented include stronger partnerships, targeted staff training, and strict cost control measures.

Future Outlook

The hospital intends to build on its progress by:

- Expanding specialised services, particularly maternal health, surgery, and non-communicable disease management.
- Strengthening preventive and community outreach programmes to reduce preventable admissions.
- Scaling up ICT use, including expansion of the KenyaEMR system for patient records.
- Mobilising additional resources through public-private partnerships and donor collaboration.
- Prioritising staff recruitment, training, and welfare to ensure motivated service delivery.

Conclusion

The financial year 2024/2025 was a turning point for Malela Level Four Hospital, with remarkable growth in both patient volumes and financial performance. While challenges remain, the hospital has demonstrated resilience and commitment to delivering quality, accessible, and affordable healthcare. With continued support from stakeholders and prudent management, the hospital is well-positioned to sustain its growth trajectory.

10. Environmental And Sustainability Reporting

i) Sustainability Strategy and Profile

Malela Level 4 Hospital, as a public health institution under Homa Bay County, is mandated to deliver quality and affordable healthcare to the community. In fulfilling this mandate, the hospital recognizes that sustainability is fundamental to ensuring uninterrupted delivery of essential services, optimizing the use of available resources, and safeguarding the environment for future generations.

Sustainability in the healthcare sector is influenced by broader political, economic, and social dynamics. Nationally, the implementation of devolution has placed increased responsibility on county governments to ensure effective allocation of health resources. Globally, the impacts of climate change, economic volatility, and rising demand for health services continue to shape sustainability priorities. In alignment with international best practices such as the United Nations Sustainable Development Goals (SDGs), the hospital has adopted strategies that enhance service delivery efficiency, strengthen financial sustainability, and promote environmental stewardship.

Key achievements during the year included the integration of electronic medical records (KenyaEMR) to improve efficiency and reduce paperwork, stronger partnerships for funding health programs, and initiatives in waste management. However, challenges such as limited funding and reliance on donor support remain, requiring continuous innovation and resource mobilization.

ii) Environmental Performance

The hospital has an environmental policy that guides its operations in line with national environmental management laws and county regulations. The policy emphasizes the principles of reduce, reuse, and recycle (3Rs), alongside proper waste disposal and pollution reduction.

Achievements in Environmental Management:

- **Waste management:** Segregated waste bins have been provided throughout the hospital to separate medical, recyclable, and general waste, ensuring compliance with the Public Health Act.
- **Energy efficiency:** The hospital installed solar water-heating systems to reduce reliance on grid electricity, lowering its carbon footprint.

- Reduction in paper use: Adoption of KenyaEMR has minimized paper dependency, enhancing eco-friendly operations.
- Vehicle maintenance: The hospital's fleet is regularly serviced to reduce carbon emissions.

Challenges and Mitigation:

- Limited funding for modern green technologies remains a challenge. To mitigate this, the hospital continues to seek donor support for projects such as green building designs, solar lighting, and eco-friendly incinerators.
- Hazardous waste management remains a high-priority area, with the hospital pursuing partnerships for modern disposal methods.

iii) Employee Welfare

The hospital prioritizes employee welfare as a core component of sustainability. Recruitment and hiring policies ensure gender inclusivity, youth representation, and the inclusion of persons with disabilities (PWDs) in line with the Employment Act and county regulations.

Capacity Development and Career Growth:

- Continuous staff training was conducted in clinical care, finance management, and ICT.
- Structured performance appraisal and reward systems were applied to enhance motivation and productivity.
- Career progression opportunities were provided through workshops, mentorship programs, and sponsorships for further studies.

Safety and Health:

The hospital complies with the Occupational Safety and Health Act (OSHA, 2007) by ensuring staff work in a safe environment, providing protective equipment, and conducting periodic safety audits. During the year, no major work-related injuries were recorded, reflecting strong adherence to safety protocols.

iv) Market Place Practices

a) Responsible Competition Practices

The hospital maintains a strict anti-corruption policy and upholds integrity in all operations. All procurement processes are conducted in accordance with the Public Procurement and Asset Disposal Act, ensuring fair competition and transparency.

b) Responsible Supply Chain and Supplier Relations

Suppliers are engaged through competitive bidding and contracts are honoured in a timely manner. The hospital strives to pay suppliers promptly, thereby building trust and ensuring sustainability of supply.

c) Responsible Marketing and Advertisement

Health promotion and outreach campaigns are conducted ethically, focusing on public awareness without exaggeration or false promises. Information shared emphasizes transparency, patient safety, and respect for community diversity.

d) Product Stewardship

Patient and community rights are safeguarded through accessible health information, feedback mechanisms, and the protection of personal data under Kenya's Data Protection Act, 2019. Patients are given adequate information to make informed choices, and grievance redress systems are available through the hospital's service charter.

v) Corporate Social Responsibility (CSR) / Community Engagements

Malela Level 4 Hospital recognizes that healthcare extends beyond the hospital walls. During the year under review, the hospital undertook various CSR initiatives:

- Health camps and mobile clinics were organized in remote villages, providing free screening and treatment services.
- Community health education sessions were conducted to increase awareness on preventive health practices such as hygiene, nutrition, and maternal health.
- Tree planting initiatives were carried out in partnership with local schools and community groups as part of climate change mitigation efforts.
- Partnerships with five organizations supported community health programs and provided both cash and material contributions such as medicines and equipment.

These initiatives enhanced community trust, strengthened the hospital's reputation, and improved health-seeking behaviour among residents.

Report of The Board of Management

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

Principal activities

The principal activities of Malela Level 4 Hospital continue to be the provision of comprehensive healthcare services to the community. These include outpatient and inpatient care, maternal and child health services, specialized clinics, accident and emergency services, preventive health programs, and other public health initiatives in line with the hospital's mandate under the County Department of Health, Homa Bay County.

Results

The results of the entity for the year ended June 30 2025 are set out on pages 1 to 7.

Board of Management

The members of the Board who served during the year are shown on page ix. During the year, no director(s) retired/ resigned, and no director (s) was appointed.

Auditors

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

By Order of the Board

.....
Name *Yvonne Derwin*
Secretary to the Board



11. Statement of Board of Management's Responsibilities

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

The Board of Management is responsible for the preparation and presentation of the hospital's financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year ended 30 June 2024. This responsibility includes:

- i. maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period,
- ii. maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the hospital,
- iii. designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud,
- iv. safeguarding the assets of the hospital,
- v. selecting and applying appropriate accounting policies, and
- vi. making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act, 2012 and other relevant laws of Kenya. The Board members are of the opinion that the hospital's financial statements give a true and fair view of the state of the hospital's transactions during the financial year ended 30 June 2024, and of the hospital's financial


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position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital, which have been relied upon in the preparation of the hospital's financial statements, as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 29/08/2025 and signed on its behalf by:


.....
Name: **TOM RAYOSA**
for **Chairperson**
Board of Management


.....
Name: **VICTOR**
Accounting Officer


REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MALELA LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE 2025 - COUNTY GOVERNMENT OF HOMABAY

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 Malela Level 4 Hospital - County Government of Homabay set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance,

statement of changes in equity, 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 possible effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Malela Level 4 Hospital - County Government of Homabay 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 Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1. Accuracy of the Financial Statements

1.1 Unsupported Revenue from Exchange Transactions - Rendering of Services

The statement of financial performance reflects Kshs.11,766,764 in respect to revenue from exchange transactions as disclosed in Note 7 and 8 to the financial statements. This amount is sum of Kshs.511,354 and Kshs.11,265,410 in respect to medical services income and insurance income respectively. However, audit review of the balances revealed that the management did not provide the detailed supporting schedules for all the revenue collected during the year. Further, the revenue summary report provided for audit review disclosed an amount of Kshs.10,844,180 whereas the financial statement disclosed Kshs.11,776,764. The resultant variance of Kshs. 872,583 was not explained. There was no approved price list used by the facility to charge for the services rendered. In addition, review of the Social Health Authority (SHA) system during the audit on 30 October, 2025 revealed that there were rejected claims of Kshs.223,000. Management did not give an explanation on why the same was rejected and whether it arose from fraudulent claims being submitted to SHA, and the remedial measures management had instituted. The audit also revealed that the Hospital uses manual system in all the operations which poses a weakness in accountability.

In the circumstances, the accuracy and completeness of the Kshs.11,776,764 in respect to revenue from exchange transactions could not be confirmed.

1.2 Accuracy of the Statement of Cashflows

The statement of cashflows reflects Kshs.288,000 in respect to purchase of property, plant and equipment. However, Note 21 to the financial statements on property, plant and equipment did not disclose any asset additions during the year under review. Further, the statement also reflects Kshs.347,940 in respect of transfers from the county Government which has not been disclosed in the statement of financial performance.

In the circumstances, the accuracy of the statement of cashflows could not be confirmed.

2. Undisclosed Property Plant and Equipment

The statement of financial position reflects Kshs.58,981,350 in respect to property plant and equipment. Further, review revealed that included in the Kshs.61,232,700 is land valued at Kshs.4,000,000 in the financial statements. No further details including the acreage, location and title deed were provided for audit review. In addition, the net book value of Kshs.61,232,700 includes Kshs.49,130,000 and Kshs.7,461,700 in respect to building and civil works and plant and medical equipment respectively. However, no further details or breakdown were provided in respect to these balances. The property plant and equipment schedule include Kshs.2,003,663 in respect to depreciation for the year ended 30 June, 2025. However, management did not confirm how the Kshs.2,003,663 in respect to depreciation charge for the year was arrived at. Further, the audit revealed that the Hospital owns an ambulance. Review of the correspondences provided for audit review revealed that the motor vehicle was donated by the Japanese Government. However, this asset has not been disclosed in the financial statements. Management had also not maintained an asset register contrary to National Treasury Circular No 5 of 2020.

In the circumstances, the accuracy, completeness and security of property plant and equipment valued at Kshs.61,232,700 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.26,770,156 and Kshs.13,957,764 respectively resulting in an underfunding of Kshs.12,812,392 or 48% of the budget. Similarly, the Hospital expenditure amounted to Kshs.13,720,014 against the realized of Kshs.13,957,764 resulting in under-utilization of Kshs.237,750 or 2% of the budget.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

The Management is responsible for the Other Information set out on page iii to xxxvii which comprise Key Entity Information and Management, The Board of Management, Key Management Team, Chairman's Statement, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting and the Statement of the 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 Malela Level IV Hospital revealed total collection of Kshs.14,716,764 towards the health facilities improvement. Out of this amount, a total of Kshs.9,020,860 was transferred to Special Purpose Account at the health department. However, Special Purpose Account reimbursed a total of Kshs.7,216,688 to the health facilities resulting in a deficit of Kshs.1,804,172 This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires

that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing account. In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

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

2. Non-Compliance with Requirements on Universal Health Care

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

Item	Level 4 Standard	No. in Hospital
Medical officers	16	1
Anesthesiologists	2	0
General surgeons	2	0
Gynecologists	2	0
Pediatrics	2	0
Radiologists	2	0
Kenya Registered Community Health nurses	75	5
Surgical Services	Should be in place	In place
Pediatric services	Should be in place	In place
Gynecological services	Should be in place	Not in place
In-patients' services	Should be in place	In place
Radiology services	Should be in place	In place
Renal dialysis services	Should be in place	Not in place
Tuberculosis management	Should be in place	In place
Mortuary and autopsy services.	Should be in place	Not in place
Advanced life support	Should be in place	In place
Caesarian sections and surgical operations	Should be in place	Not in place
Laboratory services of Lab class D		In place
Inpatient Beds	150	45
Resuscitaire (2 in Labour ward & 1 in theatre)	3	1 Labour ward
New Born Unit – Incubators	5	4
New Born Unit cots	5	3
Functional intensive care unit - Beds	6	0
High dependency Unit - Beds	6	0
Renal unit with at least 5 dialysis machines	5	0
Two functional operating theaters for maternity and general.	2	0

The deficiencies contravene the First Schedule of Health Act, 2017 and implies that accessing highest attainable standards of health, which includes the right to health care services including reproductive health care as required by Article 43(1) of the Constitution

of Kenya 2010 may not be achieved. Further, this contravenes the Kenya Quality Model for Health Policy Guidelines may have hindered the achievement of the Government program on Universal Health Coverage (UHC).

In the circumstances, the effectiveness of medical services offered and the Universal Health Coverage programme could be confirmed.

3. Shortfall in Administrative Staff of the Hospital

Review of the Hospital's operations and records revealed that the Hospital operated below the set standards as per the Kenya Medical Practitioners and Dentists Council (KMPDC) Checklist for level 4 hospitals. The hospital accountant was not a qualified accountant and not a member of ICPAK and could therefore not sign the financial statements. Further, the Hospital lacked human resource officer, account assistant, and an ICT officer.

In the circumstances, Management had not complied with the KMPDC resourcing checklist for level 4 hospitals.

4. Irregular Procurement of Medical and Clinical Costs

The statement of financial performance and as disclosed Note 9 to the financial statements reflects Kshs.8,533,500 in respect to medical /clinical costs. However, this amount includes Kshs.1,880,305 reported expenditures in respect to pharmaceutical supplies that the Hospital procured from a company without subjecting it to competition contrary to Section 103 (2) (a) of the Public Procurement and Asset Disposal Act.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter 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.

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

Basis for Conclusion

Lack of Risk Management Policy

During the year under review, the Hospital operated without a documented risk management policy framework. Further, there was no evidence of risk identification, risk assessment and evaluation of likelihood of risk occurrence and its impact on the hospital's operations to have been undertaken at the facility contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 requires that the Accounting Officer shall ensure that (a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal controls that builds robust business operations.

In the circumstances, the effectiveness of risk management system at the Hospital could not be confirmed.

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

Responsibilities of the Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Hospital's, financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes

Malela Level Four Hospital (Homabay County Government)
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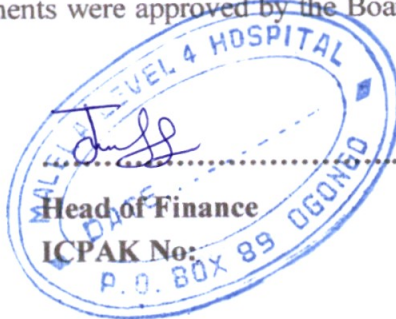
13. Statement of Financial Performance for The Year Ended 30 June 2025

Description	Note	FY 2024-2025
		Kshs
Revenue from non-exchange transactions		
In-kind contributions from the County Government	7	2,940,000
		2,940,000
Revenue from exchange transactions		
Rendering of services- Medical Service Income	8	511,354
Miscellaneous Income-Insurance Income	9	11,265,410
Revenue from exchange transactions		11,776,764
Total revenue		14,716,764
Expenses		
Medical/Clinical costs	10	8,533,500
Employee costs	11	1,579,198
Board of Management Expenses	28	198,300
Depreciation and amortization expense	28	2,003,663
Repairs and maintenance	29	1,291,466
Grants and subsidies	30	112,000
General expenses	30	2,236,550
Total expenses		15,954,676
Net Surplus / (Deficit) for the year		(1,237,912)

The Hospital's financial statements were approved by the Board on 29/08/2025 and signed on its behalf by:



 FOR Chairman TOM RAPOLU
 Board of Management





 Medical Superintendent

Malela Level Four Hospital (Homabay County Government)
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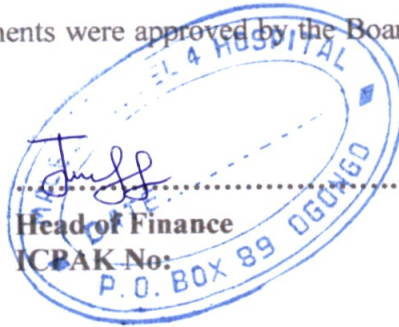
14. Statement of Financial Position As At 30th June 2025

Description	Note	FY 2024-2025
		Kshs
Assets		
Current assets		
Cash and cash equivalents	17	323,847
Receivables from exchange transactions	18	759,000
Receivables from non-exchange transactions	19	-
Inventories	20	318,530
Total Current Assets		1,401,377
Non-current assets		
Property, plant, and equipment	21	58,981,350
Intangible assets	22	-
Total Non-current Assets		58,981,350
Total assets (A)		60,382,727
Liabilities		
Current liabilities		
Trade and other payables	23	3,176,674
Total Current Liabilities		3,176,674
Non-current liabilities		
Total non-current liabilities		3,176,674
Total Liabilities (B)		3,176,674
Net assets (A-B)		57,206,053
Represented by:		
Accumulated surplus/Deficit		(4,026,647)
Capital Fund		61,232,700
Net Assets		57,206,053

Malela Level Four Hospital (Homabay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

The Hospital's financial statements were approved by the Board on 29/08/2025 and signed on its behalf by:

Tom Rayorn
.....
FOR Chairman TOM RAYORN
Board of Management



Jeff
.....
Head of Finance
ICBAK No:

Medical Superintendent
.....
Medical Superintendent

Malela Level Four Hospital (Homabay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Accumulated surplus/Deficit	Capital Fund	Total
At July 1, 2024	(2,788,735)	55,045,700	52,256,965
Surplus/(deficit) for the year	(1,237,912)	-	(1,237,912)
Capital/Development grants	-	6,187,000	6,187,000
At June 30, 2025	(4,026,647)	61,232,700	57,206,053

(Note:

1. **Capital/Development grants** represent funds received mainly from the County Government for infrastructure and equipment.
2. The **Accumulated Deficit** reflects operating shortfalls due to costs exceeding internally generated income.
3. No **prior year adjustments** were made in FY 2024/2025.)

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

Description	Note	FY 2024-2025
		Kshs
Cash flows from operating activities		
Receipts		
Transfers from the County Government	7	347,940
Rendering of services- Medical Service Income	8	511,354
Miscellaneous receipts-Insurance Recoveries	9	10,506,410
Total Receipts		11,365,704
Payments		
Medical/Clinical costs	10	5,569,500
Employee costs	11	1,579,198
Board of Management Expenses	28	198,300
Repairs and maintenance	29	1,291,466
Grants and subsidies	30	112,000
General expenses	30	2,029,550
Total Payments		10,780,014
Net cash flows from operating activities	24	585,691
Cash flows from investing activities		
Purchase of property, plant, equipment		(288,000)
Net cash flows used in investing activities		(288,000)
Cash flows from financing activities		
Net cash flows used in financing activities		0
Net increase/(decrease) in cash and cash equivalent		297,691

Malela Level Four Hospital (Homabay County Government)
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Cash and cash equivalents as at 1 July	27	26,157
Cash and cash equivalents as at 30 June	27	323,847

Malela Level Four Hospital (Homabay County Government)
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17. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2025

Description	Original budget a	Adjustments b	Final budget c=(a+b)	Actual on comparable basis d	Performance difference e=(c-d)	% of utilisation f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	-	26,156	26,156	-	26,156	0%
Receipts						
Inkind Supplies	5,744,000	-	5,744,000	2,940,000	2,804,000	51%
Rendering of services- Medical Service Income	1,000,000	-	1,000,000	511,354	488,646	51%
Miscellaneous receipts (<i>specify</i>)	20,000,000	-	20,000,000	10,506,410	9,493,590	53%
Total receipts	26,744,000	26,156	26,770,156	13,957,764	12,812,392	
Payments						
Medical/Clinical costs	12,600,000	-	12,600,000	8,509,500	4,090,500	68%
Employee costs	2,560,000	-	2,560,000	1,579,198	980,802	62%
Remuneration of directors	200,000	-	200,000	198,300	1,700	99%
Repairs and maintenance	3,650,000	-	3,650,000	1,291,466	2,358,534	35%
Grants and subsidies	-	-	-	112,000	(112,000)	#DIV/0!
General expenses	6,434,000	-	6,434,000	2,029,550	4,404,451	32%
Total Operational Expenditure paid	25,444,000	-	25,444,000	13,720,014	11,723,987	

**Malela Level Four Hospital (Homabay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025**

Capital Expenditure paid	1,300,000	-	1,300,000	288,000	1,012,000	22%
Surplus	-	26,156	26,156	(50,249)	76,405	%

Budget notes

1. Revenue underperformed due to lower-than-expected in-kind supplies and insurance recoveries.
2. Expenditure was below budget because of cost controls and delayed activities.
3. Capital spending was low as some projects were phased or pending.
4. Adjustments reflect prior year carryovers only.

Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	26,156
Closing Cash and Cash Equivalent as per the statement of Cash flows	26,156

18. Notes to the Financial Statements

1. General Information

Malela Level 4 Hospital is established by and derives its authority and accountability from the Health Act, 2017 and other enabling provisions under the County Governments Act, 2012. The hospital is wholly owned by the Homa Bay County Government and is domiciled in Homa Bay County, Kenya.

The hospital's principal activity is the provision of quality, accessible, and affordable healthcare services to the residents of Homa Bay County and beyond. Its mandate also includes health promotion, disease prevention, curative and rehabilitative care, as well as supporting the implementation of national and county health policies and strategies.

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 Malela Level 4 Hospital's accounting policies. There were no areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, hence no further disclosure is made. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Malela Level 4 Hospital. The financial statements have been prepared in accordance with the Public Finance Management (PFM) Act, 2012, the County Governments Act, 2012, and other relevant laws and regulations of Kenya. In addition, they comply with the requirements of the International Public Sector Accounting Standards (IPSAS), as issued by the International Public Sector Accounting Standards Board (IPSASB). The accounting policies adopted have been consistently applied to all the years presented.

3. **Adoption of New and Revised Standards**
4. *New and amended standards and interpretations in issue effective in the year ended 30 June 2024*

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 2024.

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> <p>No significant leases currently exist; minimal immediate impact. Future lease agreements (e.g., for equipment) will increase assets and 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> <p>No current assets meet the “held for sale” criteria; no discontinued operations. Minimal expected impact.</p>
IPSAS 45- Property	<p><i>Applicable 1st January 2025</i></p>

Standard	Effective date and impact:
Plant and Equipment	<p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>Relevant for hospital buildings and equipment. May require enhanced disclosures; no major valuation change expected.</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> <p>May lead to valuation changes for specialised hospital assets; impact expected to be minimal initially.</p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish</p>

Standard	Effective date and impact:
	<p>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>Will require policy review for medical service income and government grants; may affect timing of recognition.</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>Hospital is mainly a recipient, not a provider, of transfers; minimal direct impact unless transfer programs are introduced.</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>No internal retirement plan in place; no expected impact.</p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</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> <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

Standard	Effective date and impact:
	understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. Not applicable; hospital does not engage in mineral resource activities.

iii) Early adoption of standards

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

5. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

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 hospital and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for 2024/25 was approved by Board on 15/05/2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 50 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 hospital. 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 hospital. 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 Company's financial statements.

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. However, based on the current assessment and historical data, no expected credit losses (ECL) were recorded in the financial year under review. Therefore, no loss allowance has been recognized as at the reporting date.

Financial liabilities

Classification

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

k. Inventories

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

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

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

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

l. Provisions

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

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

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

Notes to the Financial Statements (Continued)

m. Social Benefits

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

n. Contingent liabilities

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

o. Contingent assets

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

p. Nature and purpose of reserves

The hospital creates and maintains reserves in terms of specific requirements. However, during the year under review, Ndiru Level 4 Hospital did not maintain any reserves. No reserve accounts were established or carried forward in the financial statements.

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.

s. Foreign currency transactions

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

t. Borrowing costs

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

u. Related parties

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

v. Service concession arrangements

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

w. Cash and cash equivalents

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

x. Comparative figures

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

y. Subsequent events

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

6. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions are recognized when the entity has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, with a reliable estimate of the amount.

For the year ended 30 June 2025, Malela Level 4 Hospital did not make any provisions, including those for doubtful debts, obsolete stock, or other contingent obligations. Management assessed all relevant items and determined that no provisions were necessary based on the available information as at the reporting date.

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Salaries and wages		
Medical supplies-Drawings Rights (KEMSA)		
Pharmaceuticals	2,940,000	259,396
Utility bills		
Total grants in kind	2,940,000	259,396

8. Rendering of Services-Medical Service Income

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Pharmaceuticals	366,763	110,393
Non-Pharmaceuticals		
Laboratory	99,760	88,390
Outpatient Services	26,320	-
Inpatient Services	-	-
Theatre		-
Maternity		
Health Records	18,511	540
Ambulance services		
Total revenue from the rendering of services	511,354	199,323

Notes to the Financial Statements (Continued)

9. Miscellaneous Income-Insurance Income

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Insurance recoveries	10,506,410	871,474
Accrued Insurance Recoveries	759,000	
Total Miscellaneous income	11,265,410	871,474

10. Medical/ Clinical Costs

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Laboratory chemicals and reagents	570,000	65,000
Public health activities		-
Food and Ration	1,332,500	151,000
Beddings and linen	-	-
Dressing and non-pharmaceuticals	761,000	125,600
Pharmaceutical supplies	4,876,000	1,643,000
Health information stationery	644,000	291,000
Sanitary and cleansing Materials	350,000	63,000
Total medical/ clinical costs	8,533,500	2,338,600

Notes to the Financial Statements (Continued)

11. Employee Costs

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Salaries, wages, and allowances	1,579,198	969,000
Contributions to pension schemes		
Staff medical expenses and Insurance cover		
Other employee costs (<i>specify</i>)		
Total Employee Costs	1,579,198	969,000

12. Board of Management Expenses

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Chairman's Honoraria		
Sitting allowance	198,300	27,000
Induction and training		
Travel and accommodation allowance		
Airtime allowances		
Total	198,300	27,000

13. Depreciation and Amortization Expense

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Property, plant and equipment	2,003,663	247,688
Total depreciation and amortization	2,003,663	247,688

14. Repairs And Maintenance

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Property- Buildings	1,215,466	145,000
Medical equipment	-	
Office equipment	-	
Furniture and fittings	-	
Computers and accessories	41,000	
Motor vehicle expenses	35,000	
Maintenance of civil works	-	
Total repairs and maintenance	1,291,466	145,000

Notes to the Financial Statements (Continued)

15. Grants And Subsidies

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Other grants and subsidies(<i>specify</i>)	112,000	112,000
Total grants and subsidies	112,000	112,000

16. General Expenses

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Advertising and publicity expenses	-	
Catering expenses	21,000	
Waste management expenses		
Insecticides and rodenticides		
Bank charges	83,540	22,962
Electricity expenses	288,000	95,000
Fuel and Lubricants	190,000	55,000
Travel and accommodation allowance	40,000	-
Licenses and permits		
Courier and postal services	-	
Printing and stationery	1,119,010	241,000
Water and sewerage costs	75,000	
Telephone and mobile phone services	-	-
Internet expenses	-	-
Fungicides and Sprays	240,000	-
Staff training and development	40,000	
Other Fuels	90,000	30,000
Hospital Committee Expenses	50,000	
Staff Uniforms	-	-
Purchase of Households	-	
Total General Expenses	2,236,550	443,962

Notes to the Financial Statements (Continued)

17. Impairment Loss

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Property, plant, and equipment		
Intangible assets		
Investments		
Total impairment loss	0	0

18. Cash And Cash Equivalents

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Current accounts	323,847	26,156
Cash in hand		
Others(<i>specify</i>)- Mobile money		
Total cash and cash equivalents	323,847	26,156

Notes to the Financial Statements (Continued)

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

Description		FY 2024-2025	FY 2023-2024
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial Bank	1143762061	323,847	26,156
Sub- total		323,847	26,156
cash in hand			
Sub- total		-	-
Grand total		323,847	26,156

19. Receivables From Exchange Transactions

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Medical services receivables	759,000	347,940
Less: impairment allowance		
Total receivables	759,000	347,940

Analysis of Receivables From Exchange Transactions

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
	FY 2024-2025	% of the total	FY 2023-2024	% of the total
Less than 1 year	759,000	100%	347,940	100%
Between 1- 2 years		0%		0%
Between 2-3 years		0%		0%
Over 3 years		0%		0%
Total (a+b)	759,000	100%	347,940	100%

20. Receivables From Non-Exchange Transactions

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Transfers from the County Government	0	0
Total	0	0

Analysis of Receivables From Non-Exchange Transactions

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
	FY 2024-2025	% of the total	FY 2023-2024	% of the total
Less than 1 year		%		%
Between 1- 2 years		%		%
Between 2-3 years		%		%
Over 3 years		%		%
Total (a+b)	0	%	0	%

21. Inventories

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Pharmaceutical supplies	155,150	60,102
Laboratory Supplies	23,700	51,000
Food supplies	58,700	39,650
Non Pharmaceuticals	40,980	6,440
Cleaning materials supplies	40,000	
General supplies		
Other fuels		35,600
Total	318,530	192,792

Detailed disclosure on inventories

	FY 2024-2025	FY 2023-2024
Opening balance	192,792	358,211
Additional Inventory in the year	8,533,500	2,338,600
Inventory expensed in the year	8,407,762	2,504,019
Write-downs in the year		
Others specify		
Closing balance	318,530	192,792

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Notes to the Financial Statements (Continued)

22. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost						
At 1 July 2023	4,000,000	49,130,000	594,000	47,000	1,274,700	55,045,700
Additions						-
Disposals						-
Adjustments for unrecognised assets						-
Revaluation Adjustments						-
At 30th Jun 2024	4,000,000	49,130,000	594,000	47,000	1,274,700	55,045,700
At 1 July 2024	4,000,000	49,130,000	594,000	47,000	1,274,700	55,045,700
Additions-Donations					6,187,000	6,187,000
Disposals						-
Transfer/adjustments to Capital Fund						-
Revaluation Adjustments						-

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Description	Land	Buildings and Civil works	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
At 30th Jun 2025	4,000,000	49,130,000	594,000	47,000	7,461,700	61,232,700
Depreciation and impairment						
At 1 July 2023						-
Depreciation for the year			74,250	14,100	159,338	247,688
Disposals			-			-
Impairment						-
At 30 June 2024	4,000,000	49,130,000	74,250	14,100	159,338	247,688
At July 2024	4,000,000	49,130,000	74,250	14,100	159,338	247,688
Depreciation		982,600	74,250	14,100	932,713	2,003,663
Disposals						-
Impairment						-
Transfer/adjustment			-			-
At 30th June 2025	4,000,000	982,600	148,500	28,200	1,092,050	2,251,350

Malela Level Four Hospital (Homabay County Government)
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Description	Land	Buildings and Civil works	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Net book values						
At 30 th Jun 2024	4,000,000	49,130,000	519,750	32,900	1,115,363	54,798,013
At 30 th Jun 2025	4,000,000	48,147,400	445,500	18,800	6,369,650	58,981,350

Notes to the Financial Statements (Continued)

23. Intangible Assets-Software

24. Trade and other Payables

Description	FY 2024-2025		FY 2023-2024	
	KShs		KShs	
Trade payables	3,176,674		2,826,600	
Employee dues			281,336	
Total trade and other payables	3,176,674		3,107,936	
Ageing analysis:	FY 2024-2025	% of the Total	FY 2023-2024	% of the total
Under one year	3,176,674	100%	3,107,936	100%
1-2 years		0%		0%
2-3 years		0%		0%
Over 3 years		0%		0%
Total	3,176,674	100%	3,107,936	100%

25. Cash Generated from Operations

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Surplus for the year before tax	(1,237,912)	(2,841,056)
Adjusted for:		
Depreciation	2,003,663	247,688
Working Capital adjustments		
Increase in inventory	(125,738)	277,311
Increase in receivables	(411,060)	(1,418,707)
Increase in payables	68,739	1,998,863
Net cash flow from operating activities	585,691	(1,735,902)

Notes to the Financial Statements (Continued)

26. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The hospital's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The hospital does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The entity's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the hospital's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Receivables from exchange transactions	347,940	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	26,156	-	-	-
Total	26,156	-	-	-
At 30 June 2025				
Receivables from exchange transactions	759,000	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	323,847	-	-	-

Malela Level Four Hospital (Homabay County Government)
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Total	1,082,847	-	-	-
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Notes to the Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has no significant concentration of credit risk. The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Trade payables		3,107,936		3,107,936
Employee benefit obligation				-
Total	-	3,107,936		3,107,936
At 30 June 2025				
Trade payables		3,176,674		3,176,674
Employee benefit obligation				-
Total	-	3,176,674	-	3,176,674

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Interest rate risk

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

Management of interest rate risk

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

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Notes to the Financial Statements (Continued)

Sensitivity analysis

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

For the year ended 30 June 2025, the entity had no exposure to floating interest rate risk. Accordingly, a 1% or 5% change in rates would have had no impact on the statement of financial performance.

iv) Capital Risk Management

The objective of the entity’s capital risk management is to safeguard the Hospital’s ability to continue as a going concern. The entity capital structure comprises of the following funds:

Description	Current Period	Comparative Period
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	(4,026,647)	(2,788,735)
Capital reserve	61,232,700	55,045,700
Total funds	57,206,053	52,256,965
Total borrowings	-	-
Less: cash and bank balances	323,847	26,156
Net debt/ (excess cash and cash equivalents)	(323,847)	(26,156)
Gearing	(0)	(0)

Notes to the Financial Statements (Continued)

27. Related Party Balances

Nature of related party relationships

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

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

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

28. Events after the Reporting Period

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

29. Ultimate and Holding Entity

The hospital is a County Corporation/ or a Semi- Autonomous Government Agency under the Department of Public Health and Medical Services. Its ultimate parent is the County Government of Homa Bay.

30. Currency

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

19. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

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



 Accounting Officer

