

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

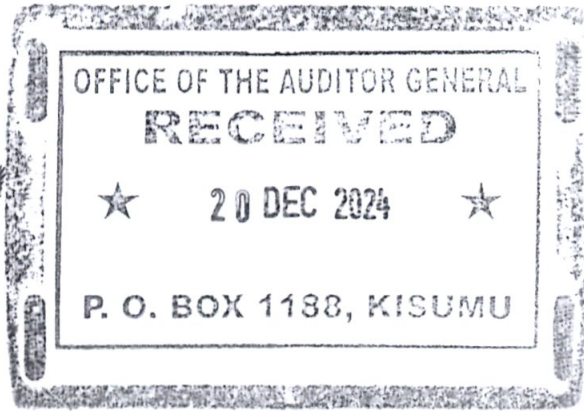
VIHIGA COUNTY REFERRAL HOSPITAL

**FOR THE YEAR ENDED
30 JUNE, 2024**

COUNTY GOVERNMENT OF VIHIGA

PARLIAMENT
OF KENYA
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**VIHIGA COUNTY REFERRAL LEVEL 4 HOSPITAL
Vihiga County Government**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2024

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

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I. Acronyms & Glossary of terms

- **ENT:** Ear, Nose, and Throat
- **ICU:** Intensive Care Unit
- **HDU:** High Dependency Unit
- **PEW:** Paediatric Early Warning
- **A&E:** Accident and Emergency
- **CSR:** Corporate Social Responsibility
- **OSHA:** Occupational Safety and Health Act
- **PFMA:** Public Financial Management Act
- **MED SUP:** Medical Superintendent
- **EHRs:** Electronic Health Records
- **IPSAS:** International Public Sector Accounting Standards

II. Key Entity Information and Management

(a) Background information

Vihiga County Referral Hospital is a level 4 hospital established under gazette notice number GK-012444 14th August 2017 and is domiciled in Vihiga County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity is to provide High quality healthcare services.

Vision

“A facility of choice in health care provision.”

Mission

To provide quality preventive, curative and rehabilitative health care services

Core Values

Integrity, Accountability Teamwork, Innovation

INTEGRITY:

We strive to be honest, fair and ethical in all dealings with our clients, suppliers, partners, co-workers and the communities in which we operate.

ACCOUNTABILITY: We will individually and collectively take full responsibility for our actions and hold ourselves accountable to each other and to all stakeholders.

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Medical Superintendent	Dr Victor Zimbulu
2.	Nursing Officer	Ms Amina Baraka
3.	Hospital Administrator	Bernard Chabuga



(e) Fiduciary Oversight Arrangements

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

Key Entity Information and Management (continued)

(f) Vihiga County Referral Hospital Headquarters

P.O. Box 1069 -50300
Maragoli.
Kisumu -Kakamega Highway
KENYA

(g) Vihiga County Referral Hospital Headquarters

Telephone: (+254-723103564 +254-056-51558
E-mail: vihigahospital@gmail.com
Website: <https://vihigahospital.go.ke>

(h) Vihiga County Referral Hospital Bankers

Kenya Commercial Bank
Mable Branch

(i) Independent Auditors

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

(j) Principal Legal Adviser

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



(k) Principal Legal Adviser







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

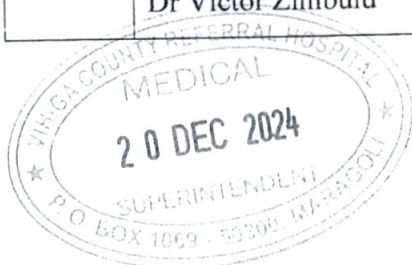
(k) County Attorney

P.O. Box 344-50300
Maragoli,
Kenya.






III. The Board of Management

Ref	Directors	Details
1.	 Dr Rodgers Songole Chairperson.	PhD in Clinical Psychology UCN, MSc. Clinical Psychology-Makerere University, Dip in Psychiatric Social Work (CQSW) Manchester University, BA Psychology, AA degree - USIU and Cert.
2.	 Prof. Benson Estambale Member.	MB ChB, DTM&H, PhD., MBS Professor of Medical Microbiology and Fellow of the Kenya National Academy of Sciences Professor of Medicine at University of Nairobi & DVC Jaramogi Oginga Odinga University
3.	 Dr. Lydia Kaduka Member.	Principal Research Officer at the Centre for Public Health Research (CPHR) within the Kenya Medical Research Institute (KEMRI). She holds a PhD in Medical Biochemistry and has pursued post-doctoral training in Healthcare Management.
4.	 Mr. Michael A. Yate Member.	Bachelors of science in Information Technology and Certificate in paramilitary sciences. Sub-county Administrator at Vihiga County Government.
5	 Ms. Roselidah Marende Member	Board member recognized for her contributions in business administration, teaching, and advocacy for persons living with disabilities (PWDs). She holds a Bachelor's degree in Business Administration and has extensive experience as a teacher.
6	 Dr Victor Zimbulu	MBChB, MSc. HSM, FRACMA Medical Superintendent Vihiga County Referral Hospital (June 2023-Current) Medical Superintendent Kakamega CGH Hospital (June 2017-November 2022) Head of Clinical Services VCRH (2016-2017)) District Medical Officer of Health (2011-2013)







Vihiga County Referral Hospital
County Government of Vihiga
Annual Report and Financial Statements for The Year Ended 30th June 2024

Ref	Directors	Details
	Medical Superintendent / Secretary.	
7	 Mr. Wycliffe Esendi Konzoro Member	A teacher and a psychological counsellor by profession. Specializes in psychological counselling and education within clinical research settings, focusing particularly on HIV/AIDS management and community engagement in clinical trials.
8	 Ms. Pamela Gertrude Iminzah Member	I hold a degree in Bachelor of Science in Environmental Health Science from Kenyatta University. Higher National Diploma in OHS from Kenya Medical Training College Nairobi. A certificate in Senior Management from Kenya School of Government Embu. A certificate in One Health from AFROHUN.
9	 Mr. Wycliffe Omuchei Member	A dedicated educator and seasoned trade unionist, served in various capacities with the Kenya National Union of Teachers (KNUT), progressing from the branch level to ultimately becoming the National Chairman. Additionally, contributed to the health sector by serving as a member of the National Hospital Insurance Fund (NHIF) board, where leveraging expertise to advocate for better healthcare provisions for teachers and other workers



IV. Key Management Team

Ref	Management	Details
1.	 Dr Victor Zimbulu Studied Medicine	Medical Superintendent/ Secretary.
2.	 Ms Amina Baraka	Nursing Officer Incharge.
3.	 Mr Benard Chabuga	Hospital Administrator.
4.	 Ms Hazel Asiko	Hospital Administrator.



V. Chairperson's Statement

Introduction.

It is my honor to present the annual report and financial statements for the year ended June 30, 2024. This report reflects our commitment as a Level 4 hospital to provide the highest standards of curative, preventive, promotive, and rehabilitative healthcare services. Guided by our strategic goals, we maintain an agile approach to navigate the ever-evolving public health landscape. We actively engage with a wide range of stakeholders, including patients, government bodies, regulators, staff, civil society, and research institutions.

Operating Environment

In the past year, achieving financial sustainability has posed significant challenges, impacting our ability to meet essential objectives. Budgetary transfers from the county government, intended to supplement our own revenue, have declined due to both national and local economic conditions. Additionally, we faced two extended strikes by health workers, which disrupted our administrative and operational functions. Since its inauguration in mid-2023, the hospital board has been pivotal in developing key policy documents, including the 2024-2029 strategic plan, an operational plan for upgrading from Level 4 to Level 5, and a legislative proposal aimed at granting our facility greater operational autonomy.

Our Strategy

Our second strategic plan prioritizes four key objectives: optimizing customer experience; enhancing capacity building; fostering research and innovation; and improving resource mobilization and management, alongside strengthening organizational effectiveness and governance. These objectives are designed to tackle current challenges, seize emerging opportunities, and ultimately deliver exceptional healthcare services, ensuring a sustainable and responsive institution that meets the evolving needs of our community.

Future Outlook

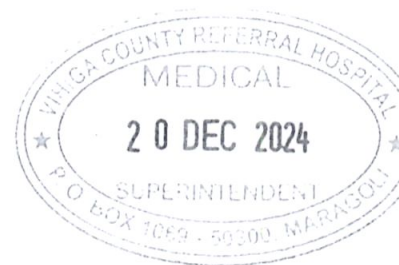
To promote efficiency and consistency in service delivery, the board closely monitors management performance, identifying deviations and implementing timely corrective measures. Additionally, we have introduced risk mitigation strategies that will bolster our revenue-generating initiatives. By investing in innovative ideas, we aim to enhance the hospital's resilience in the face of an ever-changing operating environment.



Dr Rodgers Songole

CHAIRPERSON

VIHIGA COUNTY REFERRAL HOSPITAL BOARD



VI. Report of The Medical Superintendent

Introduction

Vihiga County Referral Hospital is committed to achieving accreditation as a Level 5 teaching and referral facility. This goal is a key focus of the hospital’s strategic planning and budgeting processes, with reports finalized and shared with relevant stakeholders. Currently, the facility operates effectively as a primary care hospital, offering well-established outpatient and inpatient services.

Achievements

The hospital has implemented significant reforms in both clinical and administrative areas. Staffing gaps were addressed through locum arrangements, ensuring continuity of care. Clinical protocols for emergency and elective procedures have been adopted and are under continuous review. The management information system has been enhanced to improve inventory and financial controls.

Notable infrastructural improvements include the integration of the emergency department, clinics, and wards. The revival of dysfunctional medical equipment—such as oxygen plants, generators, incinerators, and laundry machines—has been successfully completed, ensuring all are operational. Additional registration and payment points have been introduced to reduce client wait times. A cashless revenue management system has been implemented, along with the adoption of an online banking platform for routine operations. The waiver system has been reformed into a credit control system with stricter oversight.

Challenges

Despite these achievements, several challenges persist. High turnover rates among clinical and administrative staff hinder service continuity and transition. Prolonged staff industrial unrest has negatively impacted service delivery. Rising utility costs, particularly for water and electricity, have made timely payments difficult. The lack of defined budgetary lines and procurement plans continues to impede financial planning and execution. Critical staffing shortages, especially in clinical and nursing roles, lead to an overreliance on locum staff, which is unsustainable and undermines accountability. Additionally, maintenance of equipment has been challenging due to insufficient budget allocations, resulting in extended downtimes that affect service delivery.

Financial Sustainability

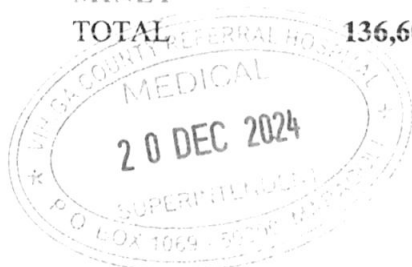
The hospital's operations are primarily funded through user charges and insurance reimbursements. With minimal capitation from the county government, the hospital faces a significant budgetary deficit. Approximately 40% of supplies and materials generate revenue, while the remainder is provided to patients through waivers and exemptions. Reimbursement for these foregone revenues is not included in the budget. The Linda Mama program, which offers free maternal services, consumes over 50% of the allocated resources, but reimbursement for these claims has been inadequate since November 2022, leading to substantial pending bills to suppliers.

To enhance financial sustainability, it is crucial for the county government to conduct a comprehensive cost analysis of service delivery at the referral hospital and to supplement user-generated fees with direct capitation. Timely reimbursement of outstanding claims, particularly from the National Hospital Insurance Fund (NHIF) for the Linda Mama program, is also essential.

A detailed analysis of actual revenue receipts for the year against expected remittances and outstanding amounts is illustrated in the table below.

Annual Receipts Against Expected Remittances for F/Y 2023-2024

Institution	Expected Remittances	Actual Receipts	Outstanding Receipts
F.I.F	43,734,872	41,282,940	2,451,932.10
N.H.I.F.	98,754,518	76,590,605	22,163,913
MINET	7,621,178	4,680,504	2,940,674
TOTAL	136,601,086.10	117,397,862	19,203,224.10



Patient Inflow

The high patient inflow often leads to overcrowding and increased pressure on our resources. We are working on optimizing our patient flow and expanding our outpatient services to alleviate this challenge. By improving our scheduling systems and streamlining patient triage processes, we aim to reduce wait times and enhance the overall patient experience.

Strengthening Financial Sustainability

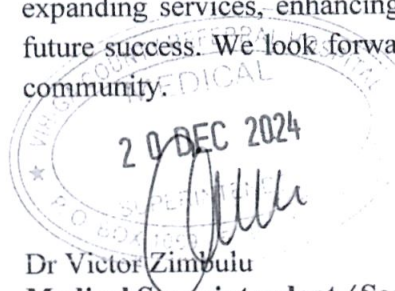
We will explore innovative revenue generation strategies to ensure financial sustainability while minimizing reliance on government funding. Potential strategies include partnerships with private entities, implementing specialized medical services that attract higher fees, and increasing community-based funding initiatives. Additionally, we plan to enhance our billing systems to ensure timely and accurate insurance claims processing.

Technology Integration

Investing in healthcare technology is essential to improving patient care, streamlining operations, and enhancing our reporting capabilities in line with International Public Sector Accounting Standards (IPSAS). We are focusing on the integration of electronic health records (EHRs), telemedicine, and advanced diagnostic tools. These technologies will help us provide better patient care, reduce errors, and ensure more efficient use of our resources.

Conclusion

The Vihiga County Referral Hospital remains dedicated to advancing healthcare quality and accessibility through continuous innovation and sustainable practices. While we face challenges, particularly in financial sustainability and patient inflow management, our strategic initiatives in expanding services, enhancing revenue generation, and integrating technology position us well for future success. We look forward to continuing our efforts in providing exceptional healthcare to our community.



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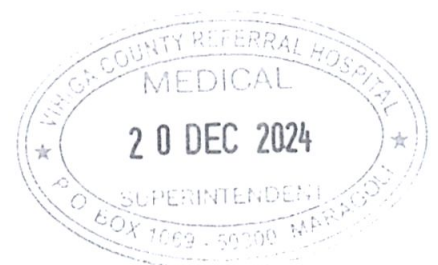
Dr Victor Zimbulu
Medical Superintendent / Secretary of the Board

VII. Statement of Performance Against Predetermined Objectives

STRATEGIC PILLAR	OBJECTIVE	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS.
Health Financing	To become financially sustainable by 2025	Increase resource mobilisation	<ul style="list-style-type: none"> ● Networking all revenue generating departments ● Setting departmental financial targets ● Reviewing departmental service charges ● Establishing facility NHIF committee ● Collection and banking of revenue 	<ul style="list-style-type: none"> ● All the 32 departments networked ● Set targets by the 32 departments ● Reviewed charges for 32 departments ● To establish NHIF committee ● Banked collections on a daily basis
		Streamline the budgeting process	<ul style="list-style-type: none"> ● Establishing a budget committee ● Prepare a facility budget guideline ● Sensitising heads of departments on budgeting 	<ul style="list-style-type: none"> ● A fully constituted budget committee ● Established budget guidelines ● All the 32 heads of departments conversant with matters budgeting
		Lobby for retention of F.I.F.	<ul style="list-style-type: none"> ● Conducting EEC meetings 	<ul style="list-style-type: none"> ● 4 meetings conducted on a yearly basis.
		Strengthen accountability systems	<ul style="list-style-type: none"> ● Setting up suggestion boxes ● Formation of facility accounts committee ● Procurement and installation of IFMIS software ● Conducting internal financial audits 	<ul style="list-style-type: none"> ● 6 suggestion boxes fixed ● A fully constituted accounts committee ● Procured and installed IFMIS software ● 4 audit meetings conducted per year
Leadership and Governance	To have an effective and efficient hospital	To improve health governance system	<ul style="list-style-type: none"> ● To ensure regular scheduled meetings ● To restructure the 	<ul style="list-style-type: none"> ● Monthly HMT meetings held ● Quarterly HMC meetings held



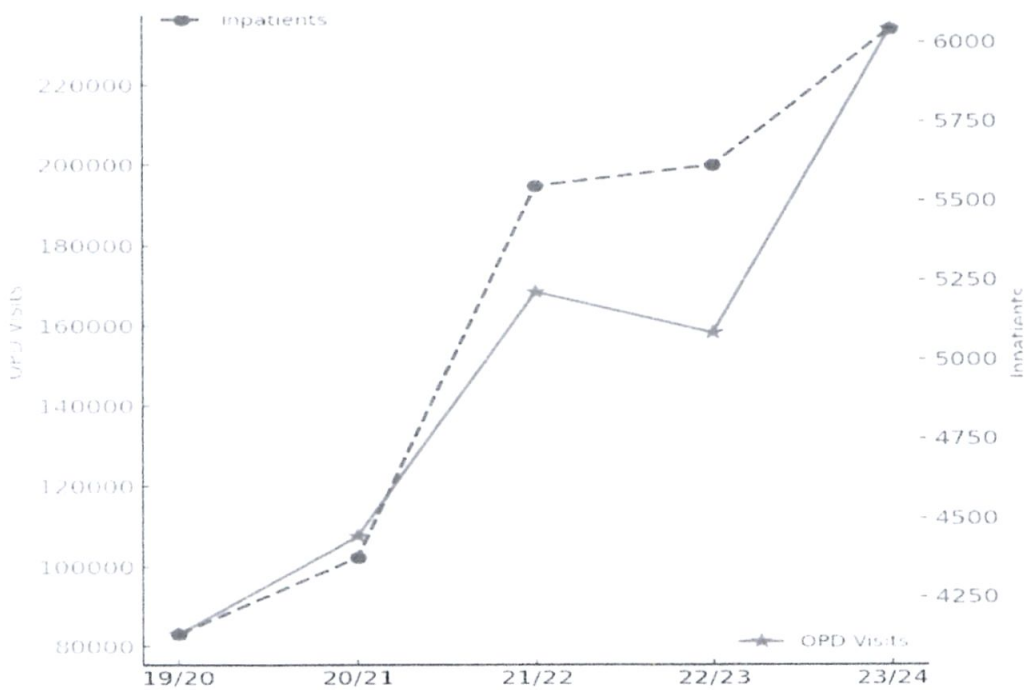
	<p>management leadership and governance system</p>		<p>existing organogram</p> <ul style="list-style-type: none"> ● To ensure structured health management according to existing policies. 	<ul style="list-style-type: none"> ● Trained hospital committees ● Restructured organogram ● Recommendation on restructure of hospital management according to existing policies made.
		<p>To improve stewardship on health management agenda</p>	<ul style="list-style-type: none"> ● To empower hospital leadership on management skills ● To have transparency and accountability in resource utilisation ● To ensure development of annual work plans 	<ul style="list-style-type: none"> ● Regularly facilitated hospital manager's leadership courses ● All department's involvement in budget making process ● Hospital financial report presented to the staff ● Developed Annual work plans ● Implemented Annual work plans ● All the stakeholders conversant with the Annual work plan development process.
<p>Service Delivery</p>	<p>Broaden the scope and enhance clinical services to meet the standards of a level 5 facility.</p>	<p>To scale up the scope of clinical services</p>	<ul style="list-style-type: none"> ● To roll out additional services ● To upgrade existing medical services ● To promote safe clinical services 	<ul style="list-style-type: none"> ● Well set up ENT, Pathology, ICU/HDU, Palliative Care, PEW, Psychiatry, Oncology, Youth and Adolescent clinic, A&E, Cardiac Unit and Blood bank satellite unit.



IX. Management Discussion and Analysis

Metric	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
❖ Bed Capacity	97	103	144	146	146
Patient Attendance					
❖ Outpatient (OPD) Visits	82,959	107,616	168,352	158,239	234,004
❖ Admissions	4,131	4,376	5,545	5,611	6,042
❖ Accident & Emergency Attendance	1,251	2,932	15,467	7,788	18,750
❖ Specialized Clinics Attendance	16,181	14,863	24,623	25,730	93,871
❖ Average Length of Stay (Days)	9.4	7.5	6.1	0.84	0.19
❖ Bed Occupancy Rate	175%	150%	122%	101%	
Surgical Theatre Utilization					
❖ Major Surgeries	546	689	1,817	1,135	847
❖ Minor Surgeries	98	90	403	404	220
❖ Circumcision	1	3	2	10	83
❖ Total Surgeries	645	782	2,222	1,549	1,150
❖ Maternity (Total Deliveries)	2,264	2,499	3,786	3,367	3,992

VCRH Inpatient and Outpatient Attendance Graph



Interpretation:

Outpatient Visits:

- ❖ From 2019/2020 to 2021/2022, outpatient visits experienced a sharp increase, rising from 82,959 to 168,352 visits, reflecting significant growth in demand for outpatient services.
- ❖ However, in 2022/2023, there was a slight decline to 158,239 visits, likely due to external factors affecting attendance.
- ❖ In 2023/2024, outpatient visits saw a dramatic increase, reaching 234,004, indicating a strong recovery or surge in demand for outpatient services.

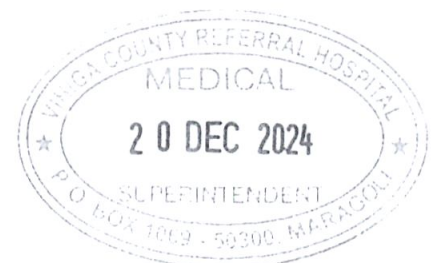
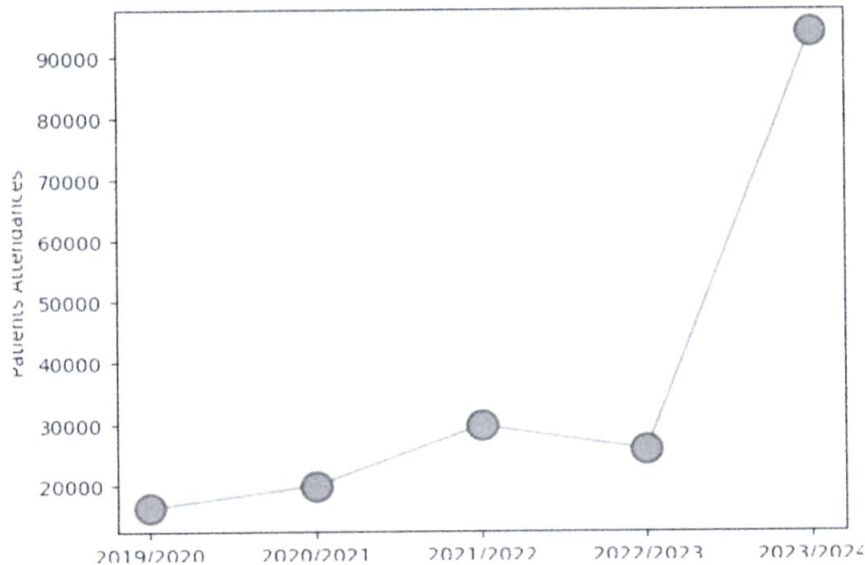
Inpatient Admissions:

- ❖ Inpatient numbers steadily increased year on year, from 4,131 in 2019/2020 to 5,545 in 2021/2022, peaking at 6,042 in 2023/2024.
- ❖ This steady growth indicates a consistent demand for inpatient services over the years.
- ❖ There was no noticeable decline in inpatient admissions, suggesting that while outpatient visits fluctuated, inpatient services remained stable or grew incrementally.

Conclusion:

Both inpatient and outpatient attendance at VCRH showed substantial growth, particularly up to the financial year 2021/2022. Outpatient visits experienced a minor decline in 2022/2023, but this was followed by a significant resurgence in 2023/2024, demonstrating a renewed demand for outpatient services. In contrast, inpatient admissions exhibited consistent growth, suggesting stable demand for inpatient care. Overall, the trends suggest continued confidence in VCRH's healthcare services, with both categories showing resilience and capacity for recovery.

Specialized Clinics Attendance Graph



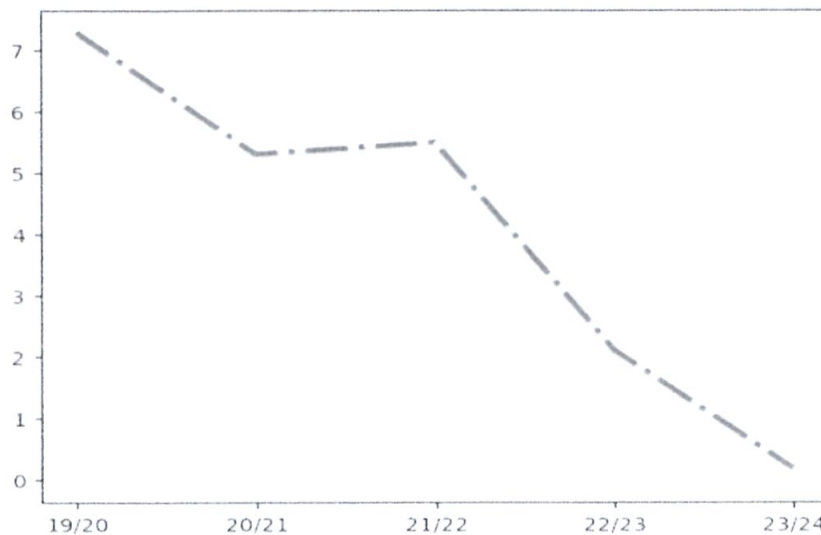
The analysis of patient attendance at special clinics over the financial years from 2019/2020 to 2023/2024 indicates a dynamic utilization pattern:

- ❖ **2019/2020:** The attendance at special clinics began at **16,000 patients**, reflecting initial engagement with these services.
- ❖ **2020/2021:** There was a notable increase in attendance to **20,000 patients**, indicating a growing acceptance and utilization of special clinics among the community.
- ❖ **2021/2022:** Attendance peaked at **30,000 patients**, demonstrating a strong upward trend and a significant demand for special clinic services during this period.
- ❖ **2022/2023:** Attendance saw a decline to **26,000 patients**. Although this figure is lower than the previous peak, it still represents an increase compared to the attendance figures from the earlier years, specifically 2019/2020 and 2020/2021.
- ❖ **2023/2024:** The introduction of additional specialized services and the establishment of new clinics led to an upsurge in clinical attendances, further enhancing patient engagement and service delivery.

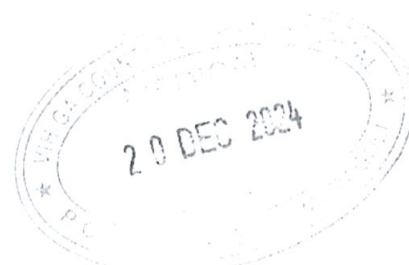
Conclusion

Overall, the number of patients attending special clinics exhibited a steady increase from the financial year 2019/2020, culminating in a peak in 2021/2022. While there was a decline in attendance in the financial year 2022/2023, it is noteworthy that attendance levels remained higher than those recorded in both 2019/2020 and 2020/2021. This trend suggests that, despite fluctuations, the overall trajectory over the four years indicates an increase in attendance at special clinics, highlighting their growing importance and acceptance within the community.

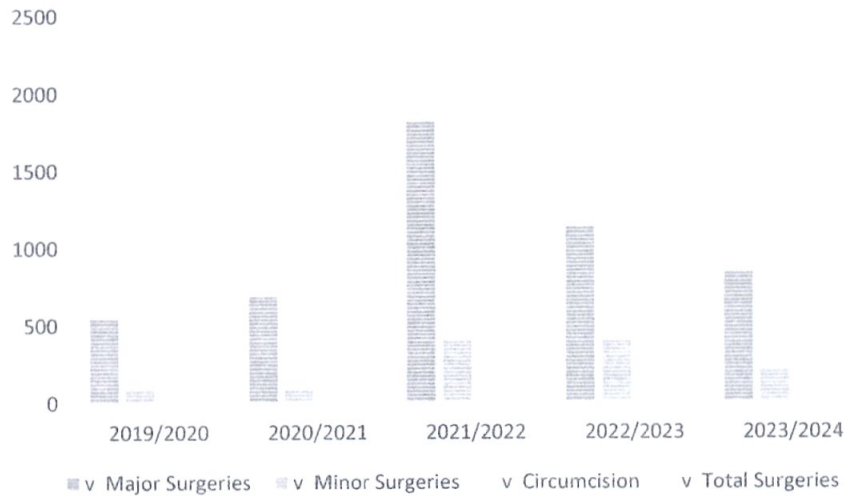
Average Length of Stay Graph



The average length of stay (ALOS) for inpatients at the hospital has shown a consistent downward trend from 2019/2020 to 2022/2023. This trend indicates a marked improvement in service delivery and patient management. The sharp decline in ALOS over these years suggests that patients are receiving more efficient and effective care, resulting in shorter hospital stays.



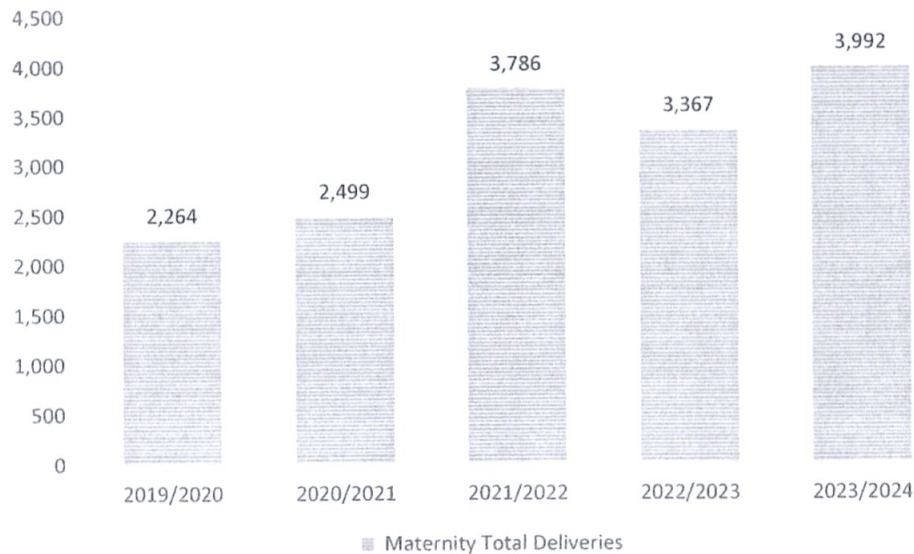
Surgical Theatre Utilization Graph



The facility experienced a substantial increase in surgical procedures during the 2020/2021 financial year, with both major and minor surgeries witnessing significant growth. However, in the 2022/2023 financial year, a sharp decline in major surgeries was observed, while minor surgeries remained stable, showing consistent levels of activity.

In the 2023/2024 financial year, both major and minor surgeries faced a marked decrease. This decline can be attributed to a four-month healthcare industrial action that significantly impacted surgical services, resulting in an overall downward trend in surgical activity during this period.

Maternity Deliveries Graph



The facility has seen a promising increase in the number of mothers opting to give birth on-site. This growth is primarily due to a rising preference for skilled delivery services and improvements in the referral system from surrounding healthcare facilities.

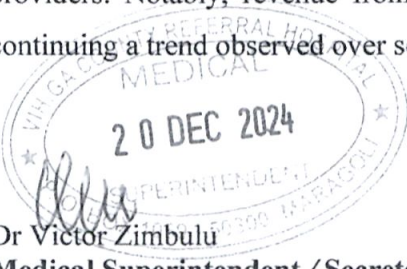
F/Y	REVENUE	EXPENDITURE
2022/2023	113,626,360	93,152,469
2023/2024	172,283,259	158,437,102

Revenue and Expenditure Graph



During the period under review, the hospital generated revenue of Kshs172,283,259 showing an increase from Kshs 113,626,360 in the previous financial year. All revenue was sourced from the Facility Improvement Fund, comprising service charges, reimbursements from the National Hospital Insurance Fund, In-kind contribution from the county government and other medical insurance providers. Notably, revenue from the County Government's annual allocations was not received, continuing a trend observed over several years. The fund utilization amounted to Kshs 158,437,102.

(Signature)
Dr Victor Zimbulu
Medical Superintendent / Secretary of the Board



X. Environmental and Sustainability Reporting

In its mission to transform lives, Vihiga County Referral Hospital prioritizes patient well-being, delivers quality health services, and enhances its operational status. The hospital has implemented the following policies and activities to promote sustainability:

i. Sustainability Strategy and Profile

Due to limited resources, intense competition for a shrinking donor pool, and increasing demand for quality health services, the hospital has adopted innovative strategies to generate resources and ensure optimal use of available assets. These measures aim to achieve self-financing for health interventions, reduce operational costs, and set institutional targets for efficiency and sustainability.

The hospital's top management emphasizes learning from other facilities through benchmarking and adopting best practices. Efforts are made to engage the intended recipients of health services, ensuring that the quality services provided meet the demand.

The transition of health services to the county system under devolution lacks clarity and adequate resources. Policymakers and political players need to bridge this gap by providing necessary laws, policies, and sufficient resource allocation.

The hospital has enhanced its efforts to identify and implement best practices, encourage innovation in health systems, promote cost-effectiveness, build knowledge, improve service quality, and ensure accountability.

ii. Environmental Performance

Vihiga County Referral Hospital is committed to environmental care by continually improving its environmental performance. The hospital aims to minimize its negative environmental impact and comply with health, safety, and environmental legislation. Key initiatives include:

- ❖ Reducing emissions through efficient design and use of discharging plants.
- ❖ Considering the lifecycle and environmental policies of pharmaceutical suppliers during procurement.
- ❖ Monitoring key indicators like water, energy, and waste to inform actions that mitigate environmental impacts.
- ❖ Adhering strictly to environmental legislation.



Challenges include controlling the supply of environmentally friendly products and the slow implementation of zero carbon emissions legislation. The hospital also faces financial constraints in acquiring emission-free machinery.

iii. Employee Welfare

The hiring process follows the Public Service Commission Human Resource Policy Manual, considering gender parity and special interest groups. Recruitment is based on workforce needs, with board-level discussions to justify new hires and replacements.

The hospital ensures staff relevance in the dynamic health services environment through periodic training and capacity building. New staff undergo induction to understand their roles and expectations. Employee performance is regularly assessed using scorecards, with achievements rewarded and corrective measures applied for deviations.

Policy measures comply with the Occupational Health and Safety Act 2007, ensuring the well-being and safety of workers and visitors, thereby supporting consistent delivery of quality services.

iv. Marketplace Practices

Vihiga County Referral Hospital relies on effective marketplace practices to ensure quality supplies and services. Vendor selection is rigorous, considering product quality, pricing, reliability, and regulatory compliance. Continuous review and improvement of these practices are crucial to adapt to changing needs and market dynamics. The hospital maintains ethical standards through strategic vendor partnerships and streamlined processes.

a) Responsible Competition Practice

The hospital upholds a corruption-free environment, ensuring fair procedures and operations without favoritism. As public health service provision is a constitutional right, services are provided without discrimination based on political affiliations. The hospital maintains operational independence from political changes.

b) Responsible Supply Chain and Supplier Relations

Equity and fairness guide procurement processes, with competitive awards made to compliant suppliers as per the Public Procurement and Disposals Act.



c) Responsible Marketing and Advertising

Marketing and advertising are conducted responsibly, without prejudice, ensuring fairness to other healthcare providers.

d) Product Stewardship

Commitment to quality service provision is a fundamental right under the Kenyan Constitution 2010, with consistency ensured through the service charter.

v. Corporate Social Responsibility / Community Engagements

The hospital actively engages with the community to improve social well-being. Initiatives include free medical camps, community health education, and provision of health supplies to underserved areas. Charitable acts, such as donations and support to local organizations, enhance community impact.



XI. Report of The Board of Management

The Board members submit their report together with the Financial Statements for the year ended June 30 2024, which show the state of the Vihiga County Referral hospital's affairs.

Principal activities

The primary activities of the Vihiga County Referral Hospital include providing high-quality preventive, curative, and rehabilitative healthcare services.

Results

The results of the entity for the year ended June 30, 2024 are set out in this annual report and financial statements.

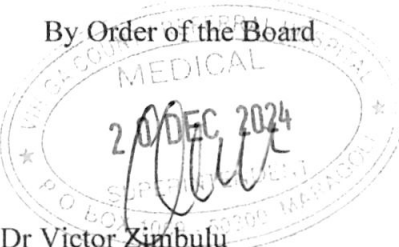
Board of Management

The members of the Board who served during the year are listed on page 5. During the period under review, Mr. Hudson Mwashu was replaced by Mr. Yate Aliongo following the routine transfers of sub-county administrators. Mr. Yate Aliongo officially assumed his role on February, 2024.

Auditors

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

By Order of the Board



Dr Victor Zimbulu

Medical Superintendent / Secretary of the Board

XII. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of Vihiga County Referral Hospital, which give a true and fair view of the state of affairs of Vihiga County Referral Hospital at the end of the financial year/period and the operating results of the Facility for FY 2023/2024. 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 Vihiga County Referral Hospital. The council members are also responsible for safeguarding the assets of the Vihiga County Referral Hospital.

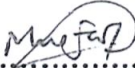
The Board of Management is responsible for the preparation and presentation of the Vihiga County Referral Hospital financial statements, which give a true and fair view of the state of affairs of the Vihiga County Referral Hospital for and as at the end of the financial year ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of Vihiga County Referral Hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.


The Board of Management accepts responsibility for Vihiga County Referral Hospital financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and. The Board members are of the opinion that Vihiga County Referral Hospital financial statements give a true and fair view of the state of the hospital's transactions during the financial year ended June 30, 2024, and of Vihiga County Referral Hospital financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Vihiga County Referral Hospital which have been relied upon in the preparation of the Vihiga County Referral Hospital's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Hospital's ability to continue as a going concern

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 30 June 2024 and signed on its behalf by:


.....
Dr Rodgers Songole
Chairperson
Board of Management


.....
Dr Victor Zimbulu
Medical Superintendent

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON VIHIGA COUNTY REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2024 - COUNTY GOVERNMENT OF VIHIGA

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.
- 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 Vihiga County Referral Hospital set out on pages 1 to 28, which comprise of the statement of financial position as at

Report of the Auditor-General on Vihiga County Referral Hospital for the year ended 30 June, 2024 – County Government of Vihiga

30 June 2024 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Vihiga County Referral Hospital as at 30 June, 2024 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 Health Act, 2017, County Governments Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Variances in the Financial Statements

Review of the financial statements revealed unexplained variances between the amounts reflected in the financial statements and amount reflected in the ledgers and supporting documents as analyzed below:

Component	Ledger Amount (Kshs.)	Financial Statement Amount (Kshs.)	Variance (Kshs.)
In-kind Contribution from the County Government	19,092,261	19,925,781	(833,520)
Medical/Clinical Costs	2,984,934	67,138,001	(64,153,067)
Employee Costs	30,519,646	27,472,646	3,047,000
Repairs and Maintenance	12,417,455	18,257,059	(5,839,604)
General Expenses	31,850,997	43,041,026	(11,190,029)
Receivables From Exchange Transactions	22,144,698	27,556,519	(5,411,821)
Trade and Other Payables	54,464,811	54,458,311	6,500
Inventories	32,697,246	43,774,571	(11,077,325)

In the circumstances, the accuracy and completeness of the amounts and balances reflected in the financial statements could not be confirmed.

2. Inaccuracies in the Financial Statements

Review of the financial statements submitted for audit revealed various inaccuracies as detailed below:

- i. Variances between amounts and balances in the financial statements and those reflected in the explanatory notes as tabulated below:

	Financial Statements	Explanatory Notes	Variance
Repairs and Maintenance	18,257,059	Note 15 Kshs.9,113,036	9,144,023
Receivables from Exchange Transactions	27,556,519	Note 19 Kshs.19,203,224	8,353,295

Further, recasting balances in Note 19 to the financial statements revealed a balance of Kshs.26,856,519 which was at variance with the balance of Kshs.19,203,224, resulting in an unexplained variance of Kshs.7,653,295.

- ii. The statement of cashflows reflects Kshs.10,897,159 and Kshs.2,880,000 in respect of purchase of plant, property and equipment and intangible assets respectively. However, the assets schedules under Note 21 and Note 22 reflects Nil assets additions during the year under review resulting to an unexplained aggregated variance of Kshs.13,777,159.
- iii. The statement of cash flows reflects net decrease in cash and cash equivalents of Kshs.1,835,757. However, recasting of the statement resulted to an increase of Kshs.7,917,519 resulting to an unexplained variance of Kshs.9,753,276. The casting error resulted to an inaccurate bank and cash balance of Kshs.2,888,025.
- iv. The statement of financial performance reflects medical costs, general expenses and grants and subsidies of Kshs.49,754,326, Kshs.13,093,216 and Nil which were at variance with the prior year audited amounts of Kshs.50,983,271, Kshs.12,188,216 and Kshs.2,410,200 respectively.
- v. In addition, statement of financial position reflects intangible assets Nil opening balance which was at variance with prior year audited balance of Kshs.900,000 resulting to an unexplained variance of Kshs.900,000.

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

3. Variance in Employee Costs

The statement of financial performance reflects employees' costs of Kshs.27,472,647 and as disclosed in Note 13 to the financial statements. However, the amount differs with the payroll records amount of Kshs.29,046,866, resulting in unreconciled variance of Kshs.1,574,219.

In the circumstances, the accuracy and completeness of employee costs of Kshs.27,472,647 could not be confirmed.

4. Inaccuracies in Property, Plant and Equipment Balance

The statement of financial position and as disclosed in Note 21 to the financial statements reflects a balance of Kshs.11,679,243 in respect of property, plant and equipment. The schedule at Note 21 includes buildings and civil works, furniture and office equipment, ICT equipment and plant and medical equipment. However, the value of land on which the Hospital buildings sit was not disclosed. In addition, logbooks for two (2) ambulances in the possession by the County Government were yet to be transferred to the Hospital.

Further, included in the balance are additions to assets costing Kshs.10,897,159. However, review of records provided for audit revealed that Management procured various assets during the year under review at a cost of Kshs.3,303,866 which were omitted from the financial statements. In addition, the fixed asset register maintained was not properly updated.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.11,679,243 could not be confirmed.

5. Failure to Charge Depreciation and Lack of a Depreciation Policy

The statement of financial position reflects property, plant, and equipment net book value of Kshs.11,679,243 as disclosed in Note 21 to the financial statements. However, depreciation was not charged on cost of the assets in the year under review and in the previous years. In addition, the depreciation policy and method used were not disclosed in the financial statements.

In the circumstances, the accuracy, completeness and valuation of the property, plant and equipment of Kshs.11,679,243 could not be confirmed.

6. Cash and Cash Equivalents

The statement of financial performance reflects cash and cash equivalents balance of Kshs.2,888,025. However, review of the bank reconciliation statement for the month of June, 2024 revealed receipts in bank statement not yet in cash book amounting to Kshs.46,500. No explanation was provided for non-inclusion in the cash book. Further, the reconciliation reflects bank charges of Kshs.4,841 which were not recorded in the cashbook.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.2,888,025 could not be confirmed.

7. Unsupported Trade Payables

The statement of financial position and as disclosed in Note 23 to the financial statements reflects trade and other payables balance of Kshs.54,548,311. However, the balance was not supported with detailed schedule and ageing analysis per category showing the opening balance, additions and payments in the year to arrive at the closing balance.

Further, supporting documents including invoices, vouchers, certificates and creditors statements were not provided for audit review.

In the circumstances the accuracy and completeness of the trade payables of Kshs.54,548,311 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget of Kshs.172,283,259 against actual revenue of Kshs.144,726,740 resulting to an under collection of Kshs.27,556,519 or 16% of the budget. Further, the Hospital spent Kshs.123,032,062 against actual revenue of Kshs.144,726,740 resulting to an under expenditure of Kshs.21,694,678 or 15% of the budget. The budget under-collection and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

1. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the report on financial statements. However, the Management had not resolved the issues as at 30 June, 2024 or given any explanation for the failure to resolve them. In addition, the prior year issues were not disclosed progress on Follow up of Auditor Recommendations section as required by the Annual Financial Reporting Template.

Other Information

The Management is responsible for the other information set out on page iv to xxvi which comprise of Key Entity Information and Management, the Board of Management, Key Management Team, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management and Statement of Board of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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 effects 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. Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits of 7% of the authorized establishment.

Staff Requirements	Level Standard	4	Number in Hospital	Variance	Percentage %
Medical Officers		16	14	2	12.5
Anesthesiologists/ Anesthetist		2	0	2	100
General Surgeons		2	2	0	0
Gynecologists		2	2	0	0
Pediatricians		2	0	2	100
Radiologist		2	1	1	50
Total		101	94	7	7

In addition, the Hospital lacked four (4) functional intensive care unit-beds and six (6) high dependency unit beds as prescribed in the Health Policy Guidelines as detailed below

Service	Level 4 Hospital Standards	Actuals in the Hospital	Variance	Percentage %
Functional Intensive Care Unit-Beds	6	2	4	33
High Dependency Unit Beds	6	0	6	100
Total	181	174	7	4

Further, it was noted that although the Hospital had five (5) renal units with dialysis machines, two (2) were not functional. These deficiencies contravene the First Schedule of Health Act, 2017 and imply that accessing the highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

In the circumstances, the Hospital may not be able to deliver on its mandate.

2. Lack of Approved Staff Establishment

Review of the Hospital's staff establishment and interviews with the Hospital Administrator indicated that eight hundred and six (806) members of staff are required to effectively carry out its duties and obligations. However, review of the documents presented revealed that the facility had two hundred and twenty-three (223) officers resulting to under staffing of five hundred and eighty-three (503) staff members. In addition, there was no evidence to confirm that the Hospital Board approved the staff establishment.

In the circumstances, it was not possible to confirm the effectiveness of services provided due to understaffing. In addition, the effectiveness of internal controls on human resources management could not be confirmed due to lack of approved staff establishment.

3. Underpayment of Casuals

The statement of financial performance reflects employee costs amount of Kshs.27,472,647 which includes casual wages expenditure of Kshs.4,952,966 for cleaners and clerks as disclosed in Note 16 to the financial statements. Review of the payroll records provided for audit including appointment letters revealed that the casuals in the category of cleaners and cooks were underpaid. The cleaners were paid between and Kshs.6,300 and Kshs.10,000 contrary to Legal Notice No. 125 on Regulation of Wages (General) (Amendment) Order, 2022 which stipulated that general, laborers including cleaners, sweeper, gardener, children ayah, house servant, day watchman and messenger in all former municipalities to be paid a monthly minimum wage of Ksh.14,025.

In the circumstances, Management was in breach of the law and employees are exposed to the risk of pecuniary embarrassment.

The audit was conducted in accordance with ISSAIs 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 matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Inventories (Drugs) Management

The Management did not provide reports on regular inspection of stores and annual stock take inventory. Further, the Hospital did not include the pharmaceutical and non-pharmaceutical in its proposed annual procurement plan to adequately meet the required needs for pharmaceutical and non-pharmaceutical needs. This was contrary to Section 67(1) of the Health Act, 2017 which states that the procurement for the public health services of health products and technologies shall be undertaken in line with the Public Procurement and Disposal Act as well as the inter-governmental arrangements for medicine and medical products agreed upon.

In the circumstances, the effectiveness of internal controls on procurement and management of drugs inventories not be confirmed.

2. Expired and Quarantined Pharmaceutical Items

Physical inspection conducted in the pharmaceutical stores revealed that some items were already expired. However, although the items were quarantined pending disposal, it was not clear why the disposal had taken more than ten (10) months after expiry contrary to Section 5.9 of Pharmacy and Poisons Board Guidelines for Good Distribution Practices for Pharmaceuticals which states that where inevitably, stocks held expire or are very close to their expiry, such goods must be withdrawn from sale and quarantined pending disposal in accordance with agreement between the supplier and the wholesaler.

In the circumstances, the effectiveness of the internal controls on management of pharmaceutical and non-pharmaceutical items could not be confirmed.

The audit was conducted in accordance with ISSAIs 2315 and 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 to sustain its services, 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 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 for 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 IFPP 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

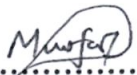
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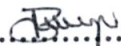
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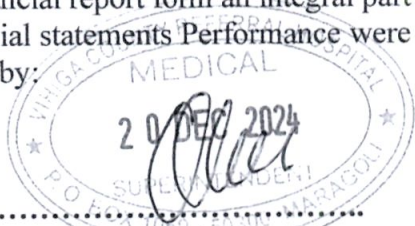
XIV. Statement of Financial Performance for The Year Ended 30 June 2024

Description	Notes	2023/2024 KES	2022/2024 KES
Revenue from non-exchange transactions			
In-kind contributions from the County Government	6	19,925,781	14,892,682
Grants from donors and development partners	7	484,260	322,260
Transfer from other Government entities	8	98,754,518	49,151,664
Public contributions and donations	9	1,762,650	1,760,600
Sub total		120,927,209	16,975,542
Revenue from exchange transactions			
Rendering of services- Medical Service Income	10	43,734,827	28,343,381
Other income (Medical Insurance Income)	11	7,621,178	1,582,456
Revenue from exchange transactions		51,356,050	79,077,501
Total revenue		172,283,259	96,053,043
Expenses			
Medical/Clinical costs	12	67,138,001	49,754,326
Employee costs	13	27,472,646	14,733,556
Board of Management Expenses	14	2,528,370	175,000
Repairs and maintenance	15	18,257,059	1,004,401
General expenses	17	43,041,026	13,093,216
Total expenses		158,437,102	78,760,499
Net Surplus for the year		13,846,157	17,292,544

The accounting policies and explanatory notes to the end year financial report form an integral part of this Statement of Financial Performance. The Hospital's financial statements Performance were approved by the Board on June 30th 2024 and signed on its behalf by:


.....
Chairman
Board of Management


.....
Head of Finance
ICPAK No: 11290



.....
Medical Superintendent

Vihiga County Referral Hospital
County Government of Vihiga
Annual Report and Financial Statements for The Year Ended 30th June 2024


XV. Statement of Financial Position as at 30th June 2024

Description	Notes	2023/2024	22/2023
		KES	KES
Assets			
Current assets			
Cash and cash equivalents	18	2,888,025	4,723,780
Receivables from exchange transactions	19	27,556,519	29,202,539
Receivables from non-exchange transactions	19b	-	-
Inventories	20	43,774,571	1,870,829
Total Current Assets		74,219,115	35,797,148
Non-current assets			
Property, plant, and equipment	21	11,679,243	782,084
Intangible assets	22	2,880,000	
Total Non-current Assets		14,559,243	782,084
Total assets		88,778,358	36,579,232
Liabilities			
Current liabilities			
Trade and other payables	23	54,458,311	17,005,342
Total Current Liabilities		54,458,311	17,005,342
Non-current liabilities			
Provisions		-	-
Total non-current liabilities		-	-
Total Liabilities		54,458,311	17,005,342
Net assets		34,320,047	19,573,890
Presented by:			
Revaluation reserve		-	-
Accumulated surplus/Deficit		34,320,047	17,292,544
Capital Fund		-	-
Total Net Assets and Liabilities		34,320,047	36,866,434

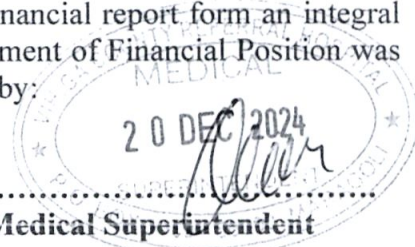
The accounting policies and explanatory notes to the end year financial report form an integral part of this Statement of Financial Position. The Hospital's Statement of Financial Position was approved by the Board on *June 30, 2024* and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No: 11290

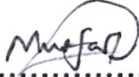


Medical Superintendent

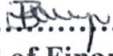
XVI. Statement of Changes in Net Asset for The Year Ended 30 June 2024

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
At July 1, 2022	KES	KES	KES	KES
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	20,473,890	-	20,473,890
Capital/Development grants	-	-	-	
AS At June 30, 2023	-	20,473,890	-	20,473,890
At July 1, 2023				
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	13,846,157	-	13,846,157
Capital/Development grants	-	-	-	-
AS At June 30, 2024	-	34,320,047	-	34,320,047


The accounting policies and explanatory notes to the end year financial report form an integral part of this Statement of Changes in Net Asset. The Hospital's Statement of Changes in Net Asset was approved by the Board on *June 30 2024* and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No: 11290




Medical Superintendent

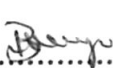
Vihiga County Referral Hospital
County Government of Vihiga
Annual Report and Financial Statements for The Year Ended 30th June 2024

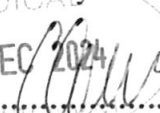
XVII. Statement of Cash Flows for The Year Ended 30 June 2024

Description	Note	2023/2024 KES	2022/2023 KES
Cash flows from operating activities			
Receipts			
In-kind contributions from the County Government	6	19,925,781	
Grants from donors and development partners	7	484,260	322,260
Transfers from other Government entities	8	76,590,605	49,151,664
Public contributions and donations	9	1,762,650	1,360,600
Rendering of services- Medical Service Income	10	41,282,940	28,343,381
Other income Medical Insurance (MINET)	11	4,680,504	1,582,456
Total Receipts		144,726,740	80,760,361
Payments			
Medical/Clinical costs	12	42,999,524	49,754,326
Employee costs	13	27,472,646	14,733,556
Board of Management Expenses	14	2,528,370	175,000
Repairs and maintenance	15	12,434,954	1,004,401
Grants and subsidies			
General expenses	17	37,596,568	13,093,216
Total Payments		123,032,062	78,760,499
Net cash flows from operating activities	24	21,694,678	1,999,862
Cash flows from investing activities			
Purchase of property, plant, equipment, & intangible assets	21	(10,897,159)	782,084
Purchase of intangible assets	22	(2,880,000)	-
Net cash flows used in investing activities		7,917,519	1,217,778
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Capital grants received		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(1,835,757)	1,217,778
Cash and cash equivalents at 1 July 2023	27	4,723,782	3,505,292
Cash and cash equivalents at 30 June 2024	27	2,888,025	4,723,070

The accounting policies and explanatory notes to the end year financial report form an integral part of this Statement of Cash flow. The Hospital's Statement of Cash flow was approved by the Board on June 30 2024 and signed on its behalf by:

.....

Chairman
Board of Management

.....

Head of Finance
ICPAK No: 11290

.....

Medical Superintendent

(Stamp: Vihiga County Referral Hospital, 20 DEC 2024)

XVIII. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	D	e=(c-d)	f=d/c
	KES	KES	KES	KES	KES	%
Revenue						
Transfers from the County Government	-	-	-		-	
Grants from donors and development partners	484,260	-	484,260	484,260	-	100
Transfers from other Government entities	98,754,518	-	98,754,518	76,590,605	22,163,913	78
Public contributions and donations	1,762,650	-	1,762,650	1,762,650	-	100
Rendering of services- Medical Service Income	43,734,872	-	43,734,872	41,282,940	2,451,932	94
In kind contributions from the county Government	19,925,781	-	19,925,781	19,925,781	-	100
Other Receipts (MINET)	7,621,178	-	7,621,178	4,680,504	2,940,674	61
Total income	172,283,259	-	172,283,259	144,726,740	27,556,519	84
Expenses	KES	KES	KES	KES	KES	%
Medical/Clinical costs	67,138,001	-	67,138,001	42,999,524	24,138,477	64
Employee costs	27,472,646	-	27,472,646	27,472,646	-	100
Remuneration of directors	2,528,370	-	2,528,370	2,528,370	-	100
Repairs and maintenance	18,257,059	-	18,257,059	12,434,954	5,822,105	68
General expenses	43,041,026	-	43,041,026	37,596,568	5,444,458	87
Sub-total	158,437,102	-	158,437,102	123,032,062	35,405,040	78
Surplus for the period	13,846,157	-	13,846,157	21,694,678	-	-



XIX. Notes to the Financial Statements

1. General Information

Vihiga County Referral Hospital is established by and derives its authority and accountability from Vihiga County Health Care Service Act 2019. The entity is wholly owned by the Vihiga County Government and is domiciled in Vihiga County in Kenya. The entity's principal activity is to provide high quality healthcare services.

2. Statement of Compliance and Basis of Preparation

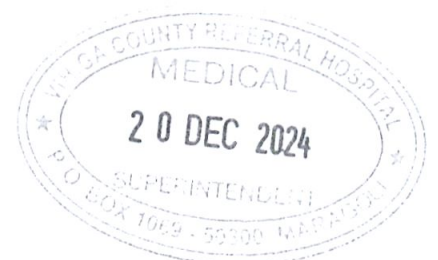
The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the facility accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Vihiga County Referral Hospital. The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.



3. Adoption of New and Revised Standards

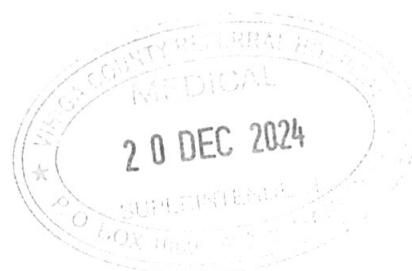
i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p>



Vihiga County Referral Hospital
Vihiga County Government
Annual Report and Financial Statements for The Year Ended 30th June 2024

Standard	Effective date and impact
	<p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> <p>Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>



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

Standard	Effective date and impact
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires: -</p> <ul style="list-style-type: none"> i. Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: ii. Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii) Early adoption of standards

Vihiga County Referral Hospital did not early – adopt any new or amended standards in the financial year under review.



4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

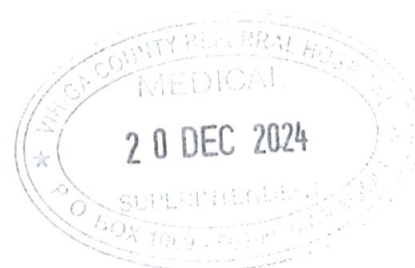
Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated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



b. Budget information

The original budget for FY 2023/2024 was approved by Board on *1ST July 2023*. 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 *Vihiga County Referral Hospital* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 8 under these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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



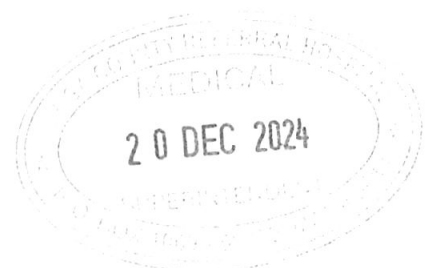
d. Investment property

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

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

e. Property, plant and equipment

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



Notes to the Financial Statements (Continued)

f. Leases

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

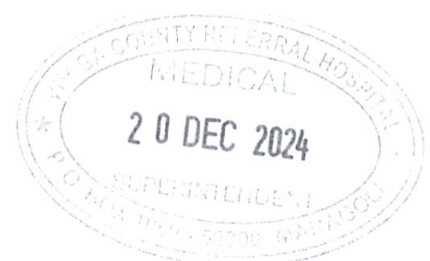
Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

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

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

g. Intangible assets

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



Notes to the Financial Statements (Continued)

h. Research and development costs

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

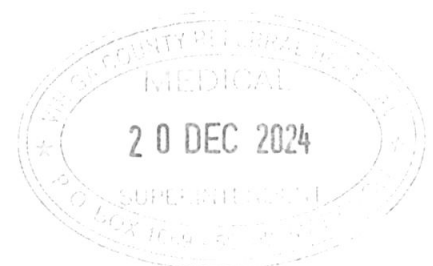
- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- The asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
-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

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

i. Financial instruments

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 Vihiga County Referral does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Hospital'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

Vihiga County Referral Hospital classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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



Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note 26*.

Financial liabilities

Classification

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



Notes to the Financial Statements (Continued)

j. 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.

k. 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.



l. 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.

m. 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.

n. Contingent assets

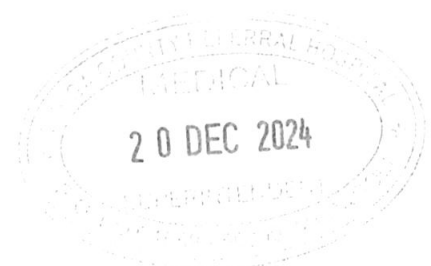
The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are 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.

o. Nature and purpose of reserves

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

p. 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)

q. 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.

r. Foreign currency transactions

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

s. 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.

t. Related parties

The Vihiga County Referral Hospital 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.



u. Service concession arrangements

The Vihiga County Referral Hospital 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 Hospital 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 Hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

v. 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.

w. Comparative figures

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

x. 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, 2024.



5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.



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16. Grants and Subsidies

Description	2023/2024	2022/2023
	KES	KES
Community development and social work	-	-
Other grants and subsidies(specify)		
Total grants and subsidies		

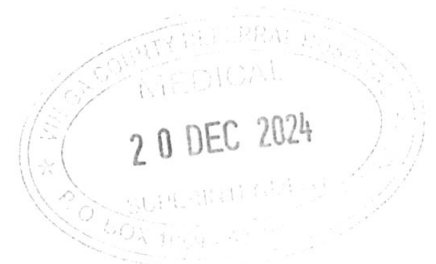
17. General Expenses

Description	2023/2024	2022/2023
	KES	KES
Supplies and Accessories for Computer	-	108,259
Purchase Of Printers and Accessories	145,960	-
Contracted Professional Services (CIPU & Access Security)	3,047,000	900,000
Catering expenses	1,678,159	1,013,652
Fuel for transport	4,232,300	1,282,010
Cooking gas	400,970	267,911
Bank charges	47,624	34,347
Boards, Committees, Conferences And Seminars Conferences and delegations	-	1,044,505
Electricity expenses	13,135,188	2,400,000
Research and development expenses	-	-
Travel and accommodation allowance	-	224,000
Daily Subsistence Allowance	4,386,990	-
Daily Subsistence Allowance (Facilitation for referrals)	89,040	176,000
Committee Meeting Expenses	1,973,705	1,233,175
Agricultural Materials, Supplies and Small Equipment	-	9,400
Legal Dues/Fees, Arbitration and Compensation Payments(board license renewal and un-claim body disposal)	780,617	-
Licenses and permits	-	439,265
Courier and postal services	38,420	4,100
General Office Supplies (Papers, Pencils, Forms, Small Office Equipment Etc)	3,200,314	592,550
Advertising, Awareness and Publicity Campaigns: Signage, Service charter.	1,292,600	-
Trainings, Mentorship And Exams (Including HODs, board and committees)	1,089,059	-
Beautification And Tree Planting	334,895	-
Water and sewerage costs	5,165,431	2,237,590
Telephone and mobile phone services	1,001,500	463,312
Internet expenses	1,001,254	658,140
Training ,mentorship and exams	-	-
Total General Expenses	43,041,026	13,093,216

The kes 900,000.00 was the service charge amount for using the software since it was not owned by the facility

18. Cash and Cash Equivalents

Description	2023/2024	2022/2023
	KES	KES
Current accounts	2,888,025	4,681,050
Cash in hand	-	42,730
Total cash and cash equivalents	2,888,025	4,723,780



Vihiga County Referral Hospital
Vihiga County Government
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18 (b). Detailed Analysis of Cash and Cash Equivalents

Description		2023/2024	2022/2023
a. Financial institution	Account number	KES	KES
a) Current account			
Kenya Commercial bank	1145335578	2,888,025.36	4,681,050.00
Sub- total		2,888,025.36	4,681,050.00
b) Others(specify)			
cash in hand		-	42,730
Sub- total		-	42,730.00
Grand total		2,888,025	4,723,780

19. Receivables from Exchange Transactions

Analysis of Receivables from Exchange Transactions

Description	2023/2024	2022/2023
	KES	KES
Rendering Medical services receivables	2,451,932	4,482,013
Outstanding remittances from NHIF	22,163,913	22,163,913
Medical Administration Kenya (MINET)	2,940,674	2,556,613
Total receivables	19,203,224	29,202,539

19(b) Receivables from Non-Exchange Transactions

Description	2023/2024	2022/2023
	KES	KES
Transfers from the County Government	-	-
Other debtors (Outstanding remittances from NHIF)	-	-
Undisbursed donor funds	-	-
Other debtors (Medical Administration Kenya (MINET))	-	-
Less: impairment allowance	-	-
Total	-	-

20. Inventories

Description	2023/2024	2022/2023
	KES	KES
Pharmaceutical supplies	34,570,292	856,528
Non - Pharmaceutical supplies	9,204,279	1,014,302
Total	43,774,571	1,870,829



Vihiga County Referral Hospital
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Notes to the Financial Statements (Continued)



21. Property, Plant and Equipment

Description	Buildings and Civil works	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical Equipment	Total
	Kes	Kes	Kes	Kes	Kes
Cost					
At 1 July 2022	666,084	87,000	29,000	-	782,084
Additions	986,208	2,100,000	2,952,190	4,858,761	10,897,159
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
At 30th June 2023	1,652,292	2,187,000	2,981,190	4,858,761	11,679,243
Depreciation and impairment					
At 1 July 2022	-	-	-	-	-
Depreciation for the year	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
At 30 June 2023	-	-	-	-	-
Net book values					
At 30th June 2023	-	-	-	-	-
At 30th June 2024	1,652,292	2,187,000	2,981,190	4,858,761	11,679,243

*Vihiga County Referral Hospital
Vihiga County Government
Annual Report and Financial Statements for The Year Ended 30th June 2024*

Notes to the Financial Statements (Continued)

22. Intangible Assets-Software

Description	2023/2024	2022/2023
	KES	KES
Cost		
At beginning of the year	-	
Additions	2,880,000	
Additions-Internal development	-	
Disposal	-	
At end of the year	2,880,000	
Amortization and impairment		
At beginning of the year	-	
Amortization for the period	-	
Impairment loss	-	
At end of the year	-	
NBV	2,880,000	

23. Trade and other Payables

Description	2023/2024	2022/2023
	KES	KES
Trade payables	54,458,311	17,005,342
Total trade and other payables	54,458,311	17,005,342

24. Cash Generated from Operations

	2023/2024	2022/2023
	KES	KES
Surplus for the year before tax		
Adjusted for:	13,846,157	17,292,944
Depreciation	-	-
Non-cash grants received	-	-15,293,082
Impairment	-	-
Gains and losses on disposal of assets	-	(-)
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working Capital adjustments		
Increase in inventory	(41,903,742)	-1,870,829
Increase in receivables	1,646,020	-29,202,539
Increase in deferred income	-	-
Increase in payables	37,452,969	17,005,342
Increase in payments received in advance	-	14,068,025
Net cash flow from operating activities	21,694,678	1,999,861



**Vihiga County Referral Hospital
Vihiga County Government
Annual Report and Financial Statements for The Year Ended 30th June 2024**

Prior year adjustments

These will include the omissions and adjustments made to the year under review.

I. 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)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from the final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for the implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

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Accounting Officer





XX Hospital (XX County Government)
Annual Report and Financial Statements for The Year Ended 30th June 20xx

Appendix II: Inter-Entity Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary entity]
 [Insert Address]

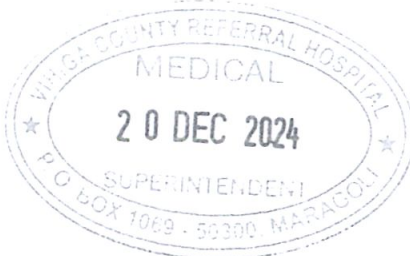
The [insert SC/SAGA/Fund name here] wishes to confirm the amounts disbursed to you as at 30th June 20XX as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30 th June 20XX							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30th June 20XX				Amount Received by [beneficiary entity] (Kshs) as at 30 th June 20XX (E)	Differences (Kshs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department of the beneficiary entity:

Name Benny Chelimo Sign [Signature] Date 20/12/2024



10/10/10