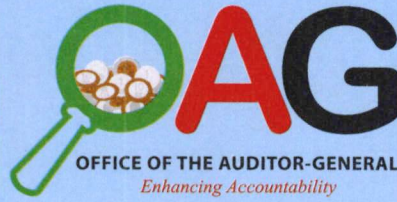


REPUBLIC OF KENYA



REPORT

OF

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**KHWISERO LEVEL 4 HOSPITAL**

**FOR THE YEAR ENDED  
30 JUNE, 2025**

**COUNTY GOVERNMENT OF KAKAMEGA**

202



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# **KHWISERO LEVEL (IV) HOSPITAL (COUNTY GOVERNMENT OF KAKAMEGA)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025**

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



**Khwisero Level (IV) Hospital County Government Of Kakamega**  
**Annual Report And Financial Statements For The Year Ended 30<sup>th</sup> June 2025**

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# **Khwisero Level (IV) Hospital County Government Of Kakamega Annual Report And Financial Statements For The Year Ended 30<sup>th</sup> June 2025**

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## **1. Acronyms & Glossary of Terms**

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

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

**Khwisero Level (IV) Hospital County Government Of Kakamega  
Annual Report And Financial Statements For The Year Ended 30<sup>th</sup> June 2025**

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**2. Key Entity Information and Management**

**(a) Background information**

Khwisero level (IV) hospital established under gazette notice number 12745 and is domiciled in Kakamega County under the Health Department. The hospital is governed by a Board of Management.

**(b) Principal Activities**

(The principal activity/mission/ mandate of the Fund is to provide Quality and timely services to the citizen

**(c) Key Management**

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management
- Others (*specify*)

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Board Chairperson	Mr. Gilbert Sande
2.	Board Secretary	Mrs. Belinda Mulanya
3.	Treasurer	Mrs. Elizabeth Ouma
4.	Member	Mrs. Hellen Watulo Omurunga
5.	Member	Mr. Benjamin Shiroko
6.	Member	Mr. Keffa Kutsua

**(e) Fiduciary Oversight Arrangements**

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

**Khwisero Level (IV) Hospital County Government Of Kakamega  
Annual Report And Financial Statements For The Year Ended 30<sup>th</sup> June 2025**

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**Key Entity Information and Management (continued)**

**(f) Entity Headquarters**

P.O. Box 36-50100  
Hospital Building  
Khwisero  
Kakamega, KENYA

i.

**(g) Entity Contacts**

Telephone: (+254) 716352563  
Website: kakamega.go.ke

**(h) Entity Bankers**

Commercial Banks (*KCB, Equity*)

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

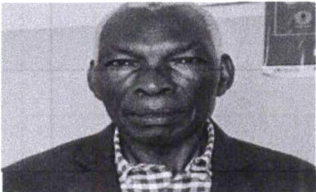


The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**(k) County Attorney**


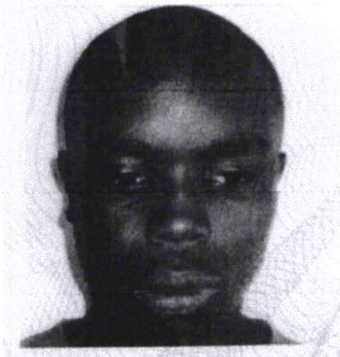
P.O. Box. 36-50100  
Kakamega, Kenya

**Khwisero Level (IV) Hospital County Government Of Kakamega  
Annual Report And Financial Statements For The Year Ended 30<sup>th</sup> June 2025**

**3. The Board of Management**




<p>Board Chairman</p>  <p>Mr Gilbert Sande Inganga</p>	<p><b>Qualification</b> P1 Teacher</p> <p><b>Experience</b> -Retired Headmaster Primary School -Management experience of over twenty years in Board Management</p> <p>Date of birth 26/02/1949</p>
<p>Medical Superintendent Khwisero Level (IV) Hospital</p>  <p>Mrs. Belinda Mulanya</p>	<p><b>Qualification</b> Diploma in Clinical Medicine and surgery BSC Community Health and Development</p> <p><b>Experience</b> Over Ten Years' Experience Medical Services</p> <p>Date of birth 8/04/1983</p>
<p>Member</p>  <p>Mrs Elizabeth Ouma</p>	<p><b>Qualification</b> Trained P1 Teacher</p> <p><b>Experience</b> -Retired Headmaster Primary School -Management experience of over twenty years in approved school -over 10 Years in Secondary school boards of Management</p> <p>Date of Birth 10/03/1956</p>

**Khwisero Level (IV) Hospital County Government Of Kakamega  
Annual Report And Financial Statements For The Year Ended 30<sup>th</sup> June 2025**


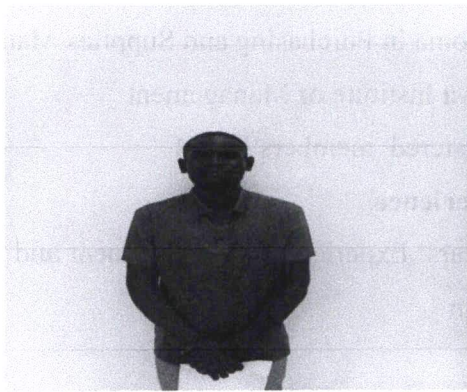
<p>Member</p>  <p>Mrs Hellen Watulo Omurunga</p>	<p><b>Qualification</b></p> <p>Diploma in Human Resources Management Certificate in Transport Management</p> <p><b>Experience</b></p> <p>Administration Chief 3 Years Administration Assistant Chief 5 Years Date of birth 1/6/1970</p>
<p>Member</p>  <p>Mr. Benjamin Shiroko</p>	<p><b>Qualification</b></p> <p>Computer literature, mason building and construction certificate level.</p> <p><b>Experience</b></p> <p>5 years' experience. Date of birth 27/10/1996</p>

**Khwisero Level (IV) Hospital County Government Of Kakamega  
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**4. Key Management Team**

1.	<p>Medical Superintendent Khwisero Level (IV) Hospital</p>  <p>Mrs. Belinda Mulanya</p>	<p><b>Qualifications</b></p> <p>Diploma in Clinical Medicine and surgery BSC Community Health and Development</p> <p><b>Experience</b></p> <p>Over Ten Years' Experience Medical Services</p>
2.	<p>Procurement Officer Khwisero Level (IV) Hospital</p>  <p>Mr Philemon Omutiti</p>	<p><b>Qualification</b></p> <p>Diploma in Purchasing and Supplies Management Kenya Institute of Management Registered members KISM</p> <p><b>Experience</b></p> <p>9 Years' Experience in Procurement and Supplies Chain</p>
3.	<p>Khwisero Level (IV) Hospital Accountant</p>  <p>Mrs Sheila Omwebu Mochoge</p>	<p><b>Qualification</b></p> <p>-Bachelor Degree In Commence from Kabarak University - Public Accountant (Section v) St Judes Technical College</p> <p><b>Experience</b></p> <p>5Years Experience in Accounting</p>
4.		

**Khwisero Level (IV) Hospital County Government Of Kakamega  
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	<p>Khwisero level (IV) Hospital Nurse Incharge</p>  <p>Mr. Charles Akali</p>	<p><b>Qualification</b> Bachelor of science in Nursing ,</p> <p><b>Experience</b> work experience of 14 years. in Nursing</p>
<p>5.</p>	<p>Khwisero Level iv Hospital Hospital Administrator</p>  <p>Mr. Harrison Aura</p>	<p><b>Qualifications</b> Diploma in business management</p> <p><b>Experience</b> Work experience of 3 years</p>

**Khwisero Level (IV) Hospital County Government Of Kakamega  
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**5. Chairman's Statement**

With the advent of devolution in 2013, Khwisero Health Centre underwent further transformation, emerging as Khwisero Level (IV) Hospital. This transition marked a new chapter in its esteemed history, reinforcing its commitment to serving the healthcare needs of the local community. Rooted in a legacy of compassion and excellence, the hospital continues to play a vital role in promoting health and well-being. As it continues to evolve and adapt to the ever-changing landscape of healthcare, Khwisero Level (IV) Hospital remains steadfast in its mission to provide accessible and high-quality medical care to all those in need.

It serves a catchment population of approximately 29,955 people. The facility offers antenatal services, postnatal services, Family planning, and immunization services in MCH, general outpatient care, laboratory services, pharmacy, comprehensive care clinic (CCC), physiotherapy, occupational therapy, Ortho trauma services, radiology, Dental services, minor operations, and inpatient services with a bed capacity of 41 beds. The facility is also a link facility for 4 community health units of 20 community health promoters drawn from the catchment area. The hospital serves as a referral centre for the entire Khwisero sub-county. It serves both patients on SHA cover and bank payers. The Hospital is operating fully as a level (IV) facility though with limited infrastructure, equipment, and personnel as per the norms and standards required of a level (IV) facility. We also hope to seek adequate x ray equipment and medical supplies to ensure quality of care.

As we continue to strive towards enhancing our medical services and improving patient care at Khwisero Level (IV) Hospital, we are currently in need of several radiology machines, X-ray and other major equipment to bolster our diagnostic and treatment capabilities.

I recognise the significant challenges we face due to lack of infrastructure. However, I hold in high regard with dedication, professionalism of our staff who continued to deliver essential services despite those constraints. With strategic partnerships and prudent resource allocation, I am confident that we will gradually strengthen our health system and ensure better access for our people.

.....  
*G. Inganga*

**Name** GILBERT SANDE INGANGA

**Chairman to the Board**

**Khwisero Level (IV) Hospital County Government Of Kakamega  
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**6. Report of The Medical Superintendent**

Khwisero Level (IV) Hospital is a health facility located in Khwisero sub county in Kakamega County. The Sub County has an estimated population of 167,014. The facility has been allocated a catchment population of 29,955 and serves as the only referral facility for the 19 facilities within the sub county which burdens it.

The facility has a bed capacity of 41 with an occupancy rate of three days, the bed space is divided in the following manner:

- Maternity - 6 beds
- Paediatric Ward – 16 Beds
- Male Ward – 6 Beds
- Female Ward –13 Beds

The facility offers the following services but not limited to:

- Out-patient Services
- In patient Services
- Maternity Services
- Laboratory Services
- Radiology Services
- Mother Child Health services
- Comprehensive Care Clinic services
- Physiotherapy Services
- Occupational Services
- Plaster Technology services
- Health Record Services
- Public Health Services
- Pharmacy Services
- Minor Surgical Services
- Nutrition Services
- Immunization Services

These services are provided by a competent and dedicated team of staff whom despite a persistent staff shortage strive to provide quality services in the facility.

## **Khwisero Level (IV) Hospital County Government Of Kakamega Annual Report And Financial Statements For The Year Ended 30<sup>th</sup> June 2025**

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### **IMPROVEMENT IN THE FACILITY**

Renovation of wards, including male, female, maternity and paediatric

We have dug a reliable borehole for water dependence though in June, the borehole broke down and this caused a serious water shortage at the facility. The facility had to rely on rain water catchment and sought help from a nearby school to assist the facility.

#### **Monthly Data Review Meeting**

Data acts as a measure of quality and is the main steering point in policy formulation and implementation. The Initiation of Monthly Data Review meetings has improved data entry and made retrospective review and future planning possible. The resultant improvement has made an impact visible at County level.

### **CHALLENGES FACING THE FACILITY**

#### **Inadequate Bed Capacity**

Khwisero sub county Hospital has a bed capacity of 41 with a Male ward bed capacity of 6 beds, female ward 13 beds, maternity ward 6 beds, paediatric ward 16 beds, this has forced patients that needed admission to be referred to other facilities for admissions with many declining due to distance and lack of financial capacity. This has led to referrals of cases that could be handled here and in-effect revenue loss.

#### **Staff Shortage**

The facility experiences an acute shortage of staff to man the various departments, this has forced certain departments to be unable to offer comprehensive services on a 24hr basis.

#### **Inadequate Funding**

The facility has experienced inadequate funding from County Government only depending on FIF this caused an increase in pending bills and utility stock-outs. The stock outs lead to poor patient turn-up and a reflective revenue dip.

Current hope is that the newly signed Kakamega Health Facility Improvement Fund Act will partly sort out this issue.

#### **Lack of Xray services**

This has resulted to referrals which in turn is denying the services to nearby and dependant clients, its also a loss in revenue.

**Khwisero Level (IV) Hospital County Government Of Kakamega  
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**Lack of space**

This has denied expansion of the facility to the required standards of Level (IV) hospital and therefore denying services that could be offered to clients.

**Paperless operation**

Due to limited resources, we are currently unable to put the systems in place though we are working hard towards the same.

**Political interference**

Interference from local politicians who pop in abruptly without procedure therefore creating tension to staff who take most time to attend to political issues thus interfering with service delivery to patients, some insist to get free services to their allies.

.....  BEHINDA MUHANTA

**Name**

**Secretary to the Board**

**Khwisero Level (IV) Hospital County Government Of Kakamega  
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**7. Statement of Performance Against Predetermined Objectives**

Khwisero sub county Hospital has derived its strategic goals from the Kakamega county CIDP. The department is mandated to ensure access to affordable and quality medical services to all the citizens'. The strategic pillars and objectives within the current Strategic Plan for the FY 2023- FY 2027 are as follows:

Pillar 1: Ensure access to quality and affordable healthcare services

Pillar 2: To reduce morbidity and mortality due to preventable causes

Pillar 3: To improve sanitation and hygiene

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

Strategic pillars, as indicated in the table below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1: To Improve access to quality and affordable health services	To Reduce preventable mortalities	Reduction of preventable mortalities	Number of specialised clinic done	544
			Number of surgical theatre utilization	102
			Number of overall patients per quarter	2519
			Percentage of clients counselled and tested for HIV	20%
			Percentage of HIV positive Clients linked to	25%

**Khwisero Level (IV) Hospital County Government Of Kakamega  
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		care	
		Percentage of Clients with a viral load of <200cp	22%
		Number of Women of reproductive age screened for Ca Cervix	21
		Number of stake holders meeting by MOH/partner	6
	Improved Maternity Services through operationalization of the Theatre	Number of Emergency Caesarean sections done	40
		Number of open Maternity Days done	3
To provide accessible and appropriate curative and diagnostic services	Increased number of diagnostic tests carried out by the facility	Number of new diagnostic tests done	2
	Introduction of specialized clinic	Number of Clinics done	544

**8. Corporate Governance Statement**

**Khwisero Level (IV) Hospital County Government Of Kakamega  
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**I. Appointment of Board members**

The board is on a three-year appointment and members are eligible to vie for two terms; at the end of their term a new board is elected and a handing over is done for continuity of office.

In the current sitting HMC all members attended the scheduled meetings and when missing a representative or an apology was sent in advance.

**II. Roles and functions of the board**

The facility has an organogram depicting the role of the board in managing the facility but no official charter other than the one inherited from the national government under the **Mwongozo Code of governance** is used, the code's core values are; Transparency, Accountability, Integrity, Professionalism, innovativeness and customer focus.

Other than the Audit Sub Committee the two sub committees cover the following functions:

1. Governance
2. Risk
3. Compliance
4. Finance
5. Technical Matters
6. Strategy
7. Human Resource

**The Board further has the following roles:**

- (a) Determine the facility's mission, vision, purpose and core values.
- (b) Review, evaluate and approve, on a regular basis, long-term plans for the facility.
- (c) Review, evaluate and approve the facility's budget and financial forecasts.
- (d) Review, evaluate and approve major resource allocations and capital investments.
- (e) Ensure that the procurement process is cost-effective and delivers value for money.
- (f) Review and approve the operating and financial results of the organization.
- (g) Ensure effective, accurate, timely and transparent disclosure of pertinent information on the facility's operations and performance.
- (h) Ensure that effective processes and systems of risk management and internal controls are In place.
- (i) Review and evaluate the overall facility structure, the assignment of Senior management responsibilities and plans for senior management development and Succession.

(j) Review

Each individual Board member shall be expected to:

- (a) Exercise the highest degree of care, skill and diligence in discharging their duties
- (b) Act in the best interest of the facility and not for any other purpose
- (c) Act honestly at all times and must not place themselves in a situation where their personal Interests conflict with those of the facility.

**Khwisero Level (IV) Hospital County Government Of Kakamega  
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- (d) Exercise independent judgment
- (e) Devote sufficient time to carry out their responsibilities, regularly update their knowledge and enhance their skills
- (f) Promote and protect the image of the facility.
- (g) Owe their duty to the facility and not to the nominating or appointing authority
- (h) Owe the facility the duty to hold in confidence all information available to them by virtue of their position as a Board member.
  
- (k) Adopt, implement and monitor compliance with the Code of Conduct and Ethics.
- (l) Review on a quarterly basis the attainment of targets and objectives set out in the agreed Performance measurement framework with the County Government of Kakamega.
- (m) Review periodically the facility's strategic objectives and policies relating to Sustainability and social responsibility.
- (n) Protect the rights of patients and optimize value of care;
- (o) Enhance the facility's public image and ensure engagement with the community through effective communication.
- (p) Monitor compliance with the Constitution, all applicable laws, regulations and standards
- (q) Review, monitor and ensure that the facility is effectively and consistently delivering on its mandate.

There is a new board a waiting gazettelement, thus handing over is yet to be done.

The remuneration for board members is as follows

Full Board;

- i. Chairman – 4,000 Ksh
- ii. All other Members – 2500 Ksh
- iii. Meal allowance 500 ksh

### **III. Induction, training, and development**

Following the handing over, the current board has never been formally inducted but on job trainings have been conducted within the facility. The hospital management plans to make provisions in the budget that will cater for inductions and trainings.

### **IV. Board and members' performance**

Each individual Board member shall be expected to:

- (a) Exercise the highest degree of care, skill and diligence in discharging their duties
- (b) Act in the best interest of the facility and not for any other purpose
- (c) Act honestly at all times and must not place themselves in a situation where their personal interests' conflict with those of the facility.
- (d) Exercise independent judgment
- (e) Devote sufficient time to carry out their responsibilities, regularly update their knowledge

**Khwisero Level (IV) Hospital County Government Of Kakamega**  
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and enhance their skills

(f) Promote and protect the image of the facility.

(g) Owe their duty to the facility and not to the nominating or appointing authority

(h) Owe the facility the duty to hold in confidence all information available to them by virtue of their position as a Board member.

**V. Number of Board meetings held and the attendance to those meetings by members**

A handing over from the previous board to the current was done and the sitting HMC had one full board meeting each quarter. The three sub committees had one subcommittee meeting per quarter totalling to Three full board meetings and Nine subcommittee meetings.

The full board meetings are attended by all board members whereas sub committees are attended by the below members as listed.

**VI. Succession plan**

To ensure uninterrupted leadership and critical operations by identifying, developing, and retaining capable personnel who can step into key roles when necessary

1. Succession Planning Process

A. Identify Key Positions

Positions critical for continuity of services and compliance with guidelines.

B. Assess Potential Successors

Competency mapping

Track leadership capabilities

C. Develop Capacity

Continuous Professional Development

Job shadowing and mentoring

Short leadership courses

D. Review and Update Annually

Review potential successors and gaps

Include in hospital's annual performance contract

2. Emergency Succession Plan

In cases of:

**Khwisero Level (IV) Hospital County Government Of Kakamega  
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Sudden resignation, transfer, illness, or death

Strike or absenteeism

Protocol:

Immediate acting appointments (within 24 hours)

Engage sub-county or county health leadership

Communication to staff and public to maintain confidence

**3. Record Keeping and Documentation**

Maintain a confidential file of successors and their readiness

**4. Monitoring and Evaluation**

Conduct semi-annual succession reviews

HR department to coordinate evaluations and reports

Include succession readiness in internal audits

**5. Recommendations**

Collaborate with Kakamega County Health Department for support in capacity building

Advocate for funding of training and leadership development

Build a strong mentorship culture within the facility

**VII. Policy to manage conflict of interest.**

Hospital boards effectively manage conflicts of interest and maintain trust and integrity in their decision-making processes in the following ways:

1. Establishing clear policies: Developing and implementing policies that define what constitutes a conflict of interest and outline procedures for disclosure and management.

2. Disclosure: Board members are required to disclose potential conflicts of interest, such as financial ties to the hospital or personal relationships with hospital staff.

3. Transparency: Ensure transparency in decision-making processes and minutes to prevent hidden agendas.

4. Recusal: Board members with conflicts should recuse themselves from relevant discussions and decisions.

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5. Regular review: Periodically review and update policies to address emerging issues.
6. Training: The hospital Provide training for board members on conflict of interest policies and procedures.

**VIII. Board remuneration**

The remuneration for board members is as follows:

Full Board;

- i. Chairman –ksh. 4500
- ii. All other Members – ksh.2500

Sub Committees;

All Members – ksh.2500

**IX. Ethics and Conduct**

Hospital board members carry out ethics and conduct through:

1. Establishing policies: Developing and implementing policies that promote ethical behaviour.
2. Code of conduct: Creating and adhering to a code of conduct that outlines expected behaviour.
3. Conflict of interest policies: Managing conflicts of interest through disclosure and recusal.
4. Whistleblower protection: Implementing policies to protect whistleblowers who report misconduct.
5. Compliance oversight: Ensuring compliance with laws, regulations, and industry standards.
6. Training and education: Participating in training and education on ethics and compliance.
7. Accountability: Holding themselves and hospital leadership accountable for ethical behaviour.
8. Transparency: Fostering a culture of transparency and openness.
9. Regular review: Periodically reviewing and updating ethics and conduct policies.
10. Leadership by example: Demonstrating ethical behaviour and setting a positive tone for the organization

**X. Governance audit**

A governance audit in a hospital board evaluates the effectiveness and efficiency of governance practices, ensuring alignment with regulatory requirements and best practices. It assesses:

1. Board structure and composition
2. Roles and responsibilities
3. Decision-making processes
4. Risk management and oversight
5. Compliance with laws and regulations
6. Transparency and accountability

The audit identifies areas for improvement, enhancing governance practices and ultimately patient care and hospital performance

**XI. Communication policy**

The hospital board's communication policy includes:

**Khwisero Level (IV) Hospital County Government Of Kakamega  
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1. Transparency: Openly sharing information with stakeholders.
2. Clear messaging: Ensuring consistent and accurate communication.
3. Regular updates: Providing timely information to stakeholders.
4. Multiple channels: Utilizing various communication channels through meetings and reports
5. Stakeholder engagement: Encouraging feedback and involvement.
6. Confidentiality: Protecting sensitive information.
7. Crisis communication: Having a plan for emergency situations.

Effective communication policies foster trust, accountability, and informed decision-making within the hospital board and with external stakeholders

**XII. Terms of Reference of Committees**

Terms of reference are contained in the appointment letters of board members

**XIII. Policy on related party transactions**

A hospital board's policy on related party transactions typically includes:

1. Definition: Identifying related parties (e.g., board members, executives, family members).
2. Disclosure: Requiring disclosure of potential conflicts and related party transactions.
3. Approval process: Outlining procedures for reviewing and approving related party transactions.
4. Fairness and transparency: Ensuring transactions are fair, reasonable, and transparent.
5. Conflict of interest: Managing conflicts of interest and recusal procedures.
6. Documentation: Maintaining records of related party transactions.
7. Compliance: Ensuring compliance with laws, regulations, and industry standards.

The policy aims to prevent conflicts of interest, ensure transparency, and maintain public trust in the hospital's governance.

BEHINDA MULANYA 

**DR.**

**Secretary to the Board**

**Khwisero Level (IV) Hospital County Government Of Kakamega  
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**9. Management Discussion and Analysis**

**a. The Entity's Operational and Financial Performance**

Objectives			
Collection of revenue	KSH,21,670,000	Amount of revenue collected	Kshs. 21,421,110

**c. Entity's compliance with statutory requirements**

Khwisero sub county hospital complies with rules, orders, regulations, direction, form, tariff of costs or fees, letters, patent, commission, warrant, proclamation, by-law, resolution, guideline or other statutory instrument issued, made or established in the execution of a power conferred by or under an Act of Parliament under which that statutory instrument or subsidiary legislation is expressly authorized to be issued.

Financial statements are prepared by the Accounting Officer of the City/Municipality in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board under the guidance of Section 166 of the Public Finance Management Act, 2012 at the end of each quarter.

The procurement planning, procurement processing, inventory and asset management, disposal of assets and contract management of Khwisero Level (IV) hospital comply with The Public Procurement and Disposal Act, 2015

**Clinical/operational performance**

- Bed capacity of the hospital.-41 Beds
- Overall patient attendance during the quarter for both inpatient and outpatient.  
Inpatient= 2519
- Accident and Emergency attendance
- Specialised clinic attendance  
544 patients
- Average length of stay for in patient.  
1 day
- Bed occupancy rate= 48.4%
- Motality rate =2%

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**Financial performance that includes: -**

- Revenue sources,  
The facility's main source of revenue is collection from medical services that is through bank collection and SHA.
- Utilisation of funds etc  
The funds are collected into two accounts, one collects revenue received from NHIF/SHA and the other is for cash-based collection, the funds are then swiped to The County Revenue Account. The facility then receives allocated funds from disbursements and spends using Imprest Accounts after acquisition of AIE from Chief Officer Medical Services

BELINDA MULANYA 

**Name: Mrs. Belinda Mulanya**

**Secretary to the Board**

**Khwisero Level (IV) Hospital County Government Of Kakamega  
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**10. Environmental And Sustainability Reporting**

Khwisero Level (IV) Hospital has yet to establish an environmental policy guideline, however the facility uses established National Guidelines on environmental issues as its guiding principles in the matter.

Some of the environmental issues experienced in the facility include; waste generation, waste segregation, waste disposal and management. These still remain a challenge for the facility and more engagements are needed.

**i) Sustainability strategy and profile**

Khwisero Level IV hospital maintains a Mission to promote and participate in provision of an integrated quality curative and rehabilitative services to all Kenyans. This is a continuous objective that needs to be sustained over time, to achieve this Khwisero Level IV Hospital has identified the following sustainability priorities; consultative planning and budgeting process, improving revenue collection and lobbying for staff deployment.

In consultative planning and budgeting the facility has brought together the county health management and various stakeholders in order to achieve the facility's mandate. This has directly affected the budgeting process where apart from the in-house priorities, program-based targets are given a priority in the budgets. This has greatly influenced indicators of the facility positively.

On matters improving revenue the Hospital management team in line with the gazetted County charges for level four have sealed loopholes that led to revenue loss. This together with encouraging the local populous on NHIF uptake has led to tremendous revenue increase.

Staff numbers and appropriate deployment is key to quality service provision which is line with the facility's core mandate, this has put to task the Medical Superintendent and the Board to lobby for deployment of staff to Khwisero Level IV Hospital.

However, in the course of implementation of the above mentioned, there are challenges experienced in the facility. They include; effects of Covid-19 which saw

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the facility scale down most of its operations while maintaining the same recurrent expenditure and Inadequate staffing, inadequate funding and delays in disbursement also had a derail in implementation of the facility annual work plan.

**ii) Environmental performance**

Khwisero Level Iv Hospital yet to establish an environmental policy guideline; however, the facility uses established National Guidelines on environmental issues as its guiding principles. Some of the environmental issues experienced in the facility include; waste generation, waste segregation, waste disposal and management, disposal of unclaimed bodies. These still remain a challenge for the facility and more engagements are needed.

**iii )Employee welfare**

The Majority of employees within the facility are County Government of Kakamega employees, followed by UHC engaged staff. Despite the effort the facility has a massive shortage of staff that, that gap is plugged by Casual staff engaged by the board.

To improve staff performance, Khwisero Level ( IV) Hospital has initiated capacity building programmes to staffs through on-job trainings, continuous medical education, workshops and conference attendance that is supported. Furthermore, the facility management conducts staff appraisal performance which is coordinated from the County department of health and the Human Resource Department.

The facility has complied to Occupational Safety and Health Act of 2007, (OSHA) by providing adequate office space that is regularly cleaned, providing sanitation facilities, regular trainings on drug and substance abuse and providing PPEs to all staff.

**iv) Market place practices-**

The facility outlines its efforts to:

**a Responsible competition practice.**

All staff are inducted into the Code of Conduct, Human Resource Manual and Disciplinary process as well as made aware of their scope of service, this sorts a lot of the issues with regards to corruption. The facility has also embraced a total cashless system for easier accountability and reduce the risk of corruption.

**b Responsible Supply chain and supplier relations**

All procurement processes in the facility adhere to the laid down regulations, with the facility procurement officer taking lead to ensure guidelines and regulations are followed.

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The facility maintains good practices and treats its own suppliers responsibly by honouring contracts, all of which are subject to funds availability.

### **c Responsible marketing and advertisement**

. The facility through Continuous Medical Examination ensures that all its staff are well aligned with the International, National and County guidelines in regards to Ethical practices within the facility.

### **d Product stewardship**

The Patients' rights Charter which all staff are well aligned with and frequently reminded of is one of the documents we use to ensure that Client's rights are respected and upheld.

## **E Corporate Social Responsibility / Community Engagements**

Khwisero Level IV Hospital is fostering interaction with the surrounding community from which majority of clients come from. Regular community dialogues are conducted on dialogue days which are usually planned and executed. The dialogue brings on board the administrative arm of the government, the community health volunteers and other NGOs.

Community Health volunteers linked to the facility are also engaged in marketing the facility services and escort clients especially for delivery and Ante natal clinic services. This has led to a drop in maternal mortalities and morbidities.

Corporate Social Responsibility (CSR) for Khwisero Level 4 Hospital involve initiatives that benefit the community, environment, and stakeholders beyond the hospital's core medical services. The following are potential CSR areas and activities:

### **1. Community Health Initiatives**

- Health Education Programs: The facility Conducts workshops and seminars on preventive healthcare, disease management, and healthy living practices for the local community.
- Free Medical Camps: The hospital in partnership with County Government of Kakamega organize free health check-ups, screenings, and consultations for underserved populations.
- Maternal and Child Health Programs: The hospital provides prenatal care, immunizations, and health education for mothers and children

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2. Social Impact

- Support for Vulnerable Groups: The hospital offers subsidized or free healthcare services to low-income families, the elderly, and people with disabilities.
- Community Outreach: The facility partners with local organizations to address social determinants of health, such as poverty, education, and housing

3. Ethical Practices

- Transparency and Accountability: The hospital ensures transparency in financial reporting, governance, and decision-making processes.
- Patient Rights and Confidentiality: Uphold patient rights, privacy, and confidentiality in all interactions

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**11. Report of The Board of Management**

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

**Principal activities**

The Hospital Vision is to have an Efficient and effective Medical Services System for a healthy Nation.

The Mission is to promote and participate in provision of an integrated quality curative and rehabilitative services to all Kenyans.

**Results**

The results of the entity for the year ended June 30 2025 are set out on pages 1 to 6

**Board of Management**

The members of the Board who served during the year are shown on page xvii. During the year, no director(s) retired/ resigned, and no director (s) was appointed with effect from 2022. However in the year 2025 new members were elected awaiting gazettelement hence the board elected in 2022 still holds the office since no handing over has been done.

**Auditors**

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

By Order of the Board

.....BEHINDA MULANYA..... 

**Name: Mrs. Belinda Mulanya**

**Secretary to the Board**

**Khwisero Level (IV) Hospital County Government Of Kakamega  
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**12. 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 that hospital, which gives a true and fair view of the state of affairs of the hospital at the end of the financial year/period and the operating results of the entity for that year/period. The Board of Management is also required to ensure that the hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the hospital. The council members are also responsible for safeguarding the assets of the hospital


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

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

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Hospital's financial statements were approved by the Board on 25/11/2025 and signed on its behalf by:



.....  
**Name: Mr. Gilbert Sande**  
**Chairperson**  
**Board of Management**



.....  
**Name: Mrs. Belinda Mulanya**  
**Accounting Officer**

# REPUBLIC OF KENYA

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Anniversary Towers  
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P.O. Box 30084-00100  
NAIROBI

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

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Khwisero Level 4 Hospital – County Government of Kakamega set out on pages 1 to 47, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Khwisero Level 4 Hospital – County Government of Kakamega as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the Health Act, 2017 and the Kakamega County Health Service Act, 2022.

## **Basis for Qualified Opinion**

### **1. Unsupported Receivables from Exchange Transactions**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.5,630,171 as disclosed in Note 30 to the financial statements. These amounts were due from the National Hospital Insurance Fund (NHIF) and the Social Health Authority (SHA). However, the amounts had been outstanding for more than ninety (90) days. Further, debtor's management policy and ageing analysis in support of the receivables were not provided for audit review.

In the circumstances, the accuracy, completeness and full recoverability of receivables from exchange transactions balance of Kshs.5,630,171 could not be confirmed.

### **2. Unvalued Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs.556,031 as disclosed in Note 33 to the financial statements. However, review of the Hospital records and physical inspection revealed that the Hospital owned plant, property and equipment in the nature of freehold land, capital work in progress, ICT equipment, furniture and fittings, buildings, motor vehicles that were not valued for inclusion in the financial statements.

Further, motor vehicles, the land on which the Hospital is built, and the developments therein did not have ownership documents. In addition, the Hospital did not have an updated asset register in the format prescribed by the Guidelines from The National Treasury.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.556,031 could not be confirmed.

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

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.26,671,993 and Kshs.26,423,103 respectively, resulting to an under-funding of Kshs.248,890 or 1% of the budget. Similarly, the Hospital expended Kshs.23,712,973 against a final budget of Kshs.26,671,993 resulting to an under-expenditure of Kshs.2,959,020 or 11% of the budget.

In the circumstances, the under-funding 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 effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Information**

Management is responsible for the Other Information set out on page iii to xxviii which comprise of Key Entity Information and Management, the Board of Management, Key Management Team, Chairperson'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.

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

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

**Conclusion**

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

**Basis for Conclusion**

**1. Failure to Meet Level 4 Hospital Requirements**

Review of records maintained by the Hospital and analysis of healthcare staffing, and physical verification of medical equipment provided at the facility revealed the following shortfalls against what was required by the Kenya Quality Model for Health Policy Guidelines of a Level 4 Facility.

**Medical Specialists**

Category	Level 4 Standard	Number in Hospital	Variance	Variance in Percentage (%)
Medical officers	16	0	16	100
General Surgeons	2	0	2	100
Paediatrics	2	0	2	100
Kenya Registered Community Health Nurses	75	13	62	83
Radiologists	2	0	2	100
Anesthesiologists	2	0	2	100
Gynaecologists	2	0	2	100
<b>Total</b>	<b>101</b>	<b>13</b>	<b>88</b>	<b>87</b>

In addition, the Hospital lacked the necessary equipment and machines in the Health Policy Guidelines as shown below:

Item	Level 4 Standard	Actual in Hospital	Variance	Variance in Percentage (%)
Bed Capacity	150	41	109	73
Incubators (New Born)	5	3	2	40

Item	Level 4 Standard	Actual in Hospital	Variance	Variance in Percentage (%)
High Dependency Unit Beds	6	0	6	100
Renal Unit with Dialysis Machines	5	0	5	100
Theatres - one Maternity and one General	2	0	2	100
<b>Total</b>	<b>168</b>	<b>44</b>	<b>124</b>	<b>74</b>

The absence of these essential components implies that the Hospital is operating below the prescribed standards for a Level 4 Hospital.

In the circumstances, the public may not efficiently get the required medical services that are expected to be offered by a Level 4 hospital.

## **2. Non-Compliance with the Facilities Improvement Financing Act, 2023**

The statement of cash flows reflects transfers from other Government entities in respect to transfers from Facility Improvement Fund (FIF) amounting to Kshs.18,672,173. Further, the statement includes transfers to FIF amounting to Kshs.21,098,447 which relates to transfer to Facility Improvement Fund. However, a balance of Kshs.2,426,274 was retained at FIF account and not remitted to the Hospital or any other health facility. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which provides that there shall be retention of all monies raised or received by or on behalf of all public health facilities.

Further, review of the bank accounts documents revealed that the hospital had not opened a special purpose Facility Improvement Financing bank account. This was contrary to Section 5(2) of the Facilities Improvement Financing Act, 2023 which provides that there shall be opened a facility improvement financing account for each public health facility into which shall be paid all monies received by or on behalf of the respective public health facility.

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

## **3. Failure to Gazette Hospital Board Members**

Review of records provided for audit revealed that the Hospital Board of Management members had not been formally gazetted and their appointment letters were not provided for audit review. This was contrary to Part 1.11 of Mwongozo Code of Governance, 2015 which provides that each Board member shall be formally appointed to the Board through a Gazette Notice and thereafter an appointment letter.

In the circumstances, the regularity of appointment of Board members could not be confirmed.

#### **4. Failure to Undertake Safety and Health Audits**

Review of the documents provided for audit verification revealed that there were no safety and health audits carried out by the Hospital during the year under review. This was contrary to Section 11 (1) of the Occupational Safety and Health Act, 2007, which states that the occupier of a workplace shall cause a thorough safety and health audit of his workplace to be carried out at least once in every period of twelve months by a safety and health advisor, who shall issue a report of such an audit containing the prescribed particulars to the occupier on payment of a prescribed fee and shall send a copy of the report to the Director.

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

#### **5. Operating without Approved Strategic Plan**

During the year under review, the Hospital did not have a strategic plan. This was contrary to Section 149(2)(g) of the Public Finance Management Act, 2012 which states that an Accounting Officer designated for a County Government entity shall prepare a strategic plan for the entity in conformity with the medium-term fiscal framework and financial objectives of the County Government.

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

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

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

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **1. Failure to Establish Internal Audit Unit and Audit Committee**

It was observed that the Hospital had not established an Internal Audit function and Audit Committee. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires County Government entities to establish audit committees in accordance with prescribed regulations to monitor the

entities' governance process, accountability process and control systems, offer objective advice on issues concerning internal control, regulatory requirements and governance.

In the circumstances, Management was in breach of the law and the effectiveness of internal controls could not be confirmed.

## **2. Lack of Risk Management Policy and Risk Registers**

Review of documents provided for audit revealed that the Hospital did not have a risk management policy and risk registers. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015, which states that, the Accounting Officer shall ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism and that the entity develops a system of risk management and internal control that builds robust business operations.

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

## **3. Weaknesses in Inventory Management**

Physical verification conducted on 03 October, 2025 at the pharmaceutical, non-pharmaceutical, and laboratory stores revealed the storage areas lacked air conditioning systems necessary for preserving the quality of pharmaceuticals and the pharmaceutical stores and laboratory stores had inadequate refrigerators for storage of drugs and blood. Further, all stores lacked shelving, resulting in inventories being stored in disorganized boxes. Although stock cards were in use, they did not capture batch numbers or expiry dates. The disarray in storage made it difficult to confirm whether the First Expiry, First Out (FEFO) principle was being applied.

In addition, expired drugs of undetermined value were stored together with usable stock and there were no established plans for proper disposal of expired drugs. This posed a risk of expired drugs being mistakenly used.

In the circumstances, internal control over the pharmaceutical, non-pharmaceutical, and laboratory stores is weak and may lead to loss of stores either due to fraud, error or poor conditions.

## **4. Inadequate Controls in Revenue Collection System**

Review of the billing system at Khwisero Level 4 Hospital revealed significant weaknesses in the internal control environment. The Hospital operated under a partially automated billing system, which lacked essential safeguards necessary for effective revenue management. Staff roles within the revenue collection process were not properly segregated, increasing the risk of manipulation. The system was unable to capture all relevant event logs, failed to adequately bill for some services rendered, and allowed for unauthorized bill reversals. Further, the system lacked the functionality to generate

comprehensive user activity reports, thereby hindering the ability to monitor and audit user actions within the system.

In the circumstances, there is risk of the revenue collection system being manipulated and may not deliver the intended correct output reports.

## **5. Weaknesses in Information Communication Technology Internal Control Environment**

Review of the ICT internal controls revealed that the Hospital did not have an approved ICT policy, ICT security policy, policy on physical access to ICT environment and ICT continuity and disaster recovery plan to guide ICT operations.

During a site visit on 03 October, 2025, it was observed that a simple storage device served as the main server, with no backup. This exposed the Hospital to the risk of complete data loss in the event of a disaster and the ICT department had only one casual employee managing the entire Hospital's ICT needs across more than 11 departments. This employee had no reliever, no off-days, and was not on permanent or pensionable terms, increasing operational risk.

Further, the Hospital did not have an approved ICT Strategic Committee and Steering Committee, which are important in performing the oversight function and formulation of policies to ensure that ICT department functions properly to assist in achievement of organizational objectives in an economic, efficient and effective way.

In the circumstances, the ICT environment internal controls are ineffective and there is risk of data and information loss in the event of a disaster.

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

## **Responsibilities of the Management and the Board of Management**

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

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or cease its operations.

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

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

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


### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**15 December, 2025**

**Khwisero Level (IV) Hospital County Government Of Kakamega  
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**14. Statement of Financial Performance for The Year Ended 30 June 2025**

Description	No.	FY 2024-2025	
		Ksh.	Ksh.
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	5,001,993	0
In- kind contributions from the County Government	7	0	0
Grants from donors and development partners	8	0	0
Transfers from other Government entities	9	20,549,655	0
Public contributions and donations	10	0	0
		<b>25,551,648</b>	<b>0</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	11	27,051,281	0
Revenue from rent of facilities	12	0	0
Finance /Interest Income	13	0	0
Miscellaneous Income	14	0	0
		<b>27,051,281</b>	<b>0</b>
<b>Total revenue</b>		<b>52,602,929</b>	<b>0</b>
<b>Expenses</b>			
Medical/Clinical costs	15	11,997,690	0
Employee costs	16	2,288,510	0
Board of Management Expenses	17	85,000	0
Depreciation and amortization expense	18	157,694	0
Repairs and maintenance	19	2,524,410	0
Grants and subsidies	20	0	0
Transfers	21	21,098,447	0
General expenses	22	10,072,317	0
Finance costs	23	0	0
<b>Total expenses</b>		<b>48,224,068</b>	<b>0</b>
<b>Other gains/(losses)</b>			
Gain/Loss on disposal of non-Current assets	24	0	0
Unrealized gain on fair value of investments	25	0	0



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	Note	FY 2023-2025		FY 2023-2024	
		Kshs	Kshs	Kshs	Kshs
Medical services contracts Gains/Losses	26	0	0	0	0
Impairment loss	27	0	0	0	0
Gain on foreign exchange transactions					
<b>Total other gains/(losses)</b>					
<b>Net Surplus / (Deficit) for the year</b>			<b>4,378,861</b>		<b>0</b>

The notes set out on pages 6 to 24 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 25/11/2025 and signed on its behalf by:

Anganga .....

**Chairman**

**Board of Management**

[Signature] .....

**Head of Finance**

ICPAK No: 28805

BERINDA MULANJA .....

**Medical Superintendent**

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**15. Statement of Financial Position As At 30<sup>th</sup> June 2025**

<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	28	283,856	0
Prepayments	29	0	0
Receivables from exchange transactions	30	5,630,171	0
Receivables from non-exchange transactions	31	1,877,482	0
Inventories	32	856,560	0
<b>Total Current Assets</b>		<b>8,648,069</b>	<b>0</b>
<b>Non-current assets</b>			
Property, plant, and equipment	33	556,031	0
Intangible assets	34	0	0
Investment property	35	0	0
Biological Assets	36	0	0
<b>Total Non-current Assets</b>		<b>556,031</b>	<b>0</b>
<b>Total assets (A)</b>		<b>9,204,100</b>	<b>0</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	37	3,968,679	0
Refundable deposits from Patients/Prepayments	38	0	0
Provisions	39	0	0
Finance lease obligation	40	0	0
Current portion of deferred income	41	0	0
Current portion of borrowings	42	0	0
<b>Total Current Liabilities</b>		<b>3,968,679</b>	<b>0</b>
<b>Non-current liabilities</b>			
Provisions	39	0	0
Non-Current Finance lease obligation	40	0	0
Non-Current portion of deferred income	41	0	0
Non - Current portion of borrowings	42	0	0
Service concession Arrangements	43	0	0
<b>Total non-current liabilities</b>		<b>0</b>	<b>0</b>
<b>Total Liabilities (B)</b>		<b>3,968,679</b>	<b>0</b>



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

<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government	6	5,001,993	0
Grants from donors and development partners		0	0
Transfers from other Government entities	9(a)	18,672,173	0
Public contributions and donations		0	0
Rendering of services- Medical Service Income	11(a)	21,421,110	0
Revenue from rent of facilities		0	0
Finance / interest income		0	0
Miscellaneous receipts( <i>specify</i> )			
<b>Total Receipts</b>		<b>45,095,276</b>	<b>0</b>
<b>Payments</b>			
Medical/Clinical costs	15(a)	11,544,246	0
Employee costs	16(a)	2,039,510	0
Board of Management Expenses	17	85,000	0
Repairs and maintenance	19(a)	1,178,070	0
Grants and subsidies		0	0
Transfers	21	21,098,447	0
General expenses	22(a)	8,355,422	0
Finance costs		0	0
Refunds paid out		0	0
<b>Total Payments</b>		<b>44,300,695</b>	<b>0</b>
<b>Net cash flows from operating activities</b>	<b>44</b>	<b>794,581</b>	<b>0</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment		(510,725)	0
Purchase of intangible assets		0	0
Proceeds from the sale of PPE		0	0
Acquisition of investments		0	0
<b>Net cash flows used in investing activities</b>		<b>(510,725)</b>	<b>0</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		0	0
Repayment of borrowings		0	0

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Capital grants received		0	0
<b>Net cash flows used in financing activities</b>		<b>0</b>	<b>0</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>283,856</b>	<b>0</b>
Cash and cash equivalents as at 1 July		0	0
<b>Cash and cash equivalents as at 30 June</b>		<b>283,856</b>	<b>0</b>

PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting.

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

	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Receipts</b>						
Transfers from the County Government	5,001,993	0	5,001,993	5,001,993	0	100%
Rendering of services- Medical Service Income	21,670,000		21,670,000	21,421,110	248,890	99%
<b>Total receipts</b>	<b>26,671,993</b>	<b>0</b>	<b>26,671,993</b>	<b>26,423,103</b>	<b>248,890</b>	<b>99%</b>
<b>Payments</b>						
Medical/Clinical costs	13,376,515	0	13,376,515	11,544,246	1,832,269	86%
Employee costs	2,200,000	0	2,200,000	2,039,510	160,490	93%
Remuneration of directors	90,000	0	90,000	85,000	5,000	94%
Repairs and maintenance	1,200,000	0	1,200,000	1,178,070	21,930	98%
General expenses	9,255,478	0	9,255,478	8,355,422	900,056	90%
Acquisition of Assets	550,000		550,000	510,725	39,275	93%
<b>Total Operational Expenditure paid</b>	<b>26,671,993</b>	<b>0</b>	<b>26,671,993</b>	<b>23,712,973</b>	<b>2,959,020</b>	<b>89%</b>
<b>Capital Expenditure paid</b>						
<b>Surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,710,130</b>	<b>0</b>	

**NOTES**

The total income is different from the one reported in the statement of financial Performance because;

1. The statement of comparison of budget report on cash basis and the statement of financial performance reports on accrual basis
2. The transfers from FIF is not the actual receipts this is the amount collected from hospitals and swiped to FIF and thereafter swiped back to the hospitals

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**Budget Reconciliation**

Description of Particulars		Amount in Kshs
	<b>Actual Surplus Amounts as per the statement of Budget</b>	<b>2,710,130</b>
1	Transfer to FIF	(21,098,447)
2	Transfer from FIF	18,672,173
	<b>Closing Cash and Cash Equivalent as per the statement of Cash flows</b>	<b>283,856</b>

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**19. Notes to the Financial Statements**

**1. General Information**

Khwisero Level (iv) Hospital is established by and derives its authority and accountability from provision of article 183(1)(c) and 36 (1) (a) of the county government Act. The entity is wholly owned by the Kakamega County Government and is domiciled in ministry of health Kakamega County in Kenya. The entity's principal activity is to have efficient and effective medical services systems for a healthy nation. The mission is to promote and participate in provision of an integrated quality curative and rehabilitative services to all Kenyans.

**2. Statement of Compliance and Basis of Preparation**

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

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

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

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

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

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IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
IPSAS 46 Measurement	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p>

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	<p>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</p> <p>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</p> <p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47- Revenue	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48- Transfer Expenses	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49- Retirement Benefit Plans	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration	<p><b><i>Applicable 1<sup>st</sup> January 2027</i></b></p> <p>The objective of this Standard is to specify the financial reporting for the</p>

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For & Evaluation of Mineral Resources	<p>exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ul>
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***iii) Early adoption of standards***

The Entity did not early – adopt any new or amended standards in the financial year or the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)

**4. Summary of Significant Accounting Policies**

**a. Revenue recognition**

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

**Transfers from other Government entities**

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

**ii) Revenue from exchange transactions**

**Rendering of services**

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

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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 2024-2025 was approved by Board on 28TH **June 2024**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the hospital recorded additional appropriations of **0** on the FY 2024-2025 budget following the Board's approval. The Hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also

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made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

**c. Taxes**

**Sales tax/ Value Added Tax**

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

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

**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 2 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**

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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.

**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,

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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.

**h. Biological Assets**

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

**i. Research and development costs**

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

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

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

**j. Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the*

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*new hedge accounting rules have no impact on the hospital's financial statements. (amend as appropriate).*

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

### **Financial assets**

#### **Classification of financial assets**

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

#### **Subsequent measurement**

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

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**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

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and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

**Financial liabilities**

**Classification**

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

**k. Inventories**

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

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

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

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

**l. Provisions**

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

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

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

**m. Social Benefits**

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

**n. Contingent liabilities**

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

**o. Contingent assets**

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

**p. Nature and purpose of reserves**

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

**q. Changes in accounting policies and estimates**

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

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

**r. Employee benefits**

**Retirement benefit plans**

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

**s. Foreign currency transactions**

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

**t. Borrowing costs**

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

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**u. Related parties**

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

**v. Service concession arrangements**

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

**w. Cash and cash equivalents**

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

**x. Comparative figures**

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

**y. Subsequent events**

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

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**Estimates and assumptions.**

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

**Useful lives and residual values**

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

- 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. 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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**Notes to Financial Statements Continued**

**6. Transfers from the County Government**

Description	FY 2024-2025 KShs	FY 2023-2024 KShs
<b>Unconditional grants</b>		
Level 4 grants	5,001,993	0
	<b>5,001,993</b>	<b>0</b>
<b>Conditional grants</b>		
User fee forgone	0	0
<b>Total government grants and subsidies</b>	<b>5,001,993</b>	<b>0</b>

**6 b Transfers from The County Government**

Description	FY 2024-2025 KShs	FY 2023-2024 KShs	FY 2022-2023 KShs	FY 2021-2022 KShs	FY 2020-2021 KShs	Comparative FY 2019-2020 KShs
Kakamega County Government	5,001,993	0	0	5,001,993	0	
<b>Total</b>	<b>5,001,993</b>	<b>0</b>	<b>0</b>	<b>5,001,993</b>	<b>0</b>	

**7. In Kind Contributions from The County Government**

Description	FY 2024-2025 KShs	FY 2023-2024 KShs
Salaries and wages	0	0
Medical supplies-Drawings Rights (KEMSA)	0	0
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	0	0
Utility bills	0	0
<b>Total grants in kind</b>	<b>0</b>	<b>0</b>

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**8.Grants From Donors and Development Partners**

Description		
Other grants ( <i>specify</i> )	0	0
<b>Total grants from development partners</b>	<b>0</b>	<b>0</b>

**8.(a) Grants from donors and development partners (Classification)**

Description					
World Bank	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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**Notes to Financial Statements Continued**

**9. Transfers From Other Government Entities**

Description		
Transfer from Facility Improvement Fund.	20,549,655	0
<b>Total Transfers</b>	<b>20,549,655</b>	<b>0</b>

**9.(a) Transfers From Other Government Entities Schedules Supporting Cashflow Statements**

Description		
Transfer from Facility Improvement Fund.	18,672,173	0
<b>Total Transfers</b>	<b>18,672,173</b>	<b>0</b>

**10. Public Contributions and Donations**

Description		
Public donations	0	0
Donations from local leadership	0	0
Donations from religious institutions	0	0
Donations from other international organisations and individuals	0	0
Other donations( <i>specify</i> )	0	0
Donations in kind-amortised	0	0
<b>Total donations and sponsorships</b>	<b>0</b>	<b>0</b>

**10 (a) Reconciliations of amortised grants**

Description		
<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>
Current year receipts	0	0
Amortised and transferred to revenue	0	0
<b>Conditions to be met – remain liabilities</b>	<b>0</b>	<b>0</b>

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

Pharmaceuticals	15,010,701	0
Non-Pharmaceuticals	3,306,105	0
Laboratory	5,761,215	0
Radiology	150,034	0
Accident and Emergency Service	150,000	0
Nutrition service	2,146,226	0
Reproductive health	527,000	0
<b>Total revenue from the rendering of services</b>	<b>27,051,281</b>	<b>0</b>

**11(a) Rendering of Services-Medical Service Income-Note to support cashflow**

Pharmaceuticals	13,109,785	0
Non-Pharmaceuticals	2,362,672	0
Laboratory	4,360,742	0
Radiology	110,759	0
Accident and Emergency Service	78,522	0
Nutrition service	1,104,304	0
Reproductive health	294,326	0
<b>Total revenue from the rendering of services</b>	<b>21,421,110</b>	<b>0</b>

The cashflow statement reported Ksh 21,421,110 the difference of Ksh 5,630,171 was the revenue SHA had not remitted as at 30<sup>th</sup> June 2025. Since cashflow is reported on cash basis this amount was not recognized in the statement of cashflow

**12. Revenue From Rent of Facilities**

Residential property	0	0
Commercial property	0	0
<b>Total Revenue from rent of facilities</b>	<b>0</b>	<b>0</b>

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**13. Finance /Interest Income**

Description		
Interest income from Cash investments and fixed deposits	0	0
Interest income from short- term/ current deposits	0	0
Interest income from Treasury Bills	0	0
Interest income from Treasury Bonds	0	0
Interest from outstanding debtors	0	0
<b>Total finance income</b>	<b>0</b>	<b>0</b>

*(Provide brief explanation for this revenue)*

**14. Miscellaneous Income**

Insurance recoveries	0	0
Income from sale of tender	0	0
Services concession income	0	0
Sale of goods (water, publications, containers etc)	0	0
Write backs (Deposits, payments in advance etc)	0	0
Bad debts recovered	0	0
<i>Others (Specify)</i>	0	0
<b>Total Miscellaneous income</b>	<b>0</b>	<b>0</b>

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

**15. Medical/ Clinical Costs**

Laboratory chemicals and reagents	878,191	0
Food and Ration	211,000	0
Uniform, clothing, and linen	32,000	0
Dressing and Non-Pharmaceuticals	901,841	0
Pharmaceutical supplies	9,337,122	0
Health information stationery	617,536	0
Purchase of Medical gases	20,000	0
<b>Total medical/ clinical costs</b>	<b>11,997,690</b>	<b>0</b>

**15(a) Medical/ Clinical Costs- Note to support cashflow**

Laboratory chemicals and reagents	728,191	0
Food and Ration	108,000	0
Uniform, clothing, and linen	32,000	0
Dressing and Non-Pharmaceuticals	881,841	0
Pharmaceutical supplies	9,206,678	0
Health information stationery	567,536	0
Purchase of Medical gases	20,000	0
<b>Total medical/ clinical costs</b>	<b>11,544,246</b>	<b>0</b>

The cashflow statement reported Ksh 11,544,246 the difference of ksh 453,444 was the amount accrued as at 30<sup>th</sup> June 2025. Since cashflow is reported on cash basis

**16. Employee Costs**

Salaries, wages, and allowances	2,071,469	0
Staff medical expenses and Insurance cover	45,021	0
Social contribution	172,020	0
<b>Employee costs</b>	<b>2,288,510</b>	<b>0</b>

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**16(a) Employee Costs- Note to support cashflow**

Salaries, wages, and allowances	1,851,668	0
Staff medical expenses and Insurance cover	39,001	0
Social contribution	148,841	0
<b>Employee costs</b>	<b>2,039,510</b>	<b>0</b>

The cashflow statement reported Ksh 2,039,510 the difference of ksh 249,000 was the amount accrued as at 30<sup>th</sup> June 2025. Since cashflow is reported on cash basis

**17. Board of Management Expenses**

Chairman's Honoraria		0
Sitting allowance	85,000	0
<b>Total</b>	<b>85,000</b>	<b>0</b>

**18. Depreciation and Amortization Expense**

Property, plant and equipment	157,694	0
<b>Total depreciation and amortization</b>	<b>157,694</b>	<b>0</b>

**19. Repairs And Maintenance**

Property- Buildings	1,801,078	0
Medical equipment	257,179	0
Computers and accessories	8,000	0
Motor vehicle expenses	458,153	0
<b>Total repairs and maintenance</b>	<b>2,524,410</b>	<b>0</b>

**19.(a) Repairs And Maintenance- Note to support cashflow**

Property- Buildings	709,078	0
Medical equipment	109,179	0
Computers and accessories	8,000	0
Motor vehicle expenses	351,813	0
<b>Total repairs and maintenance</b>	<b>1,178,070</b>	<b>0</b>

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**20.Grants And Subsidies**

Community development and social work	0	0
Education initiatives and programs	0	0
Free/ subsidised medical camp	0	0
Disability programs	0	0
Free cancer screening	0	0
Social benefit expenses	0	0
Other grants and subsidies( <i>specify</i> )	0	0
<b>Total grants and subsidies</b>	<b>0</b>	<b>0</b>

**21.Transfers**

Transfer to FIF	21,098,447	0
<b>Total grants and subsidies</b>	<b>21,098,447</b>	<b>0</b>

**22.General Expenses**

Catering expenses	2,030,380	0
Bank charges	86,519	0
Contracted services	3,231,678	0
Electricity expenses	470,075	0
Fuel and Lubricants	950,988	0
Travel and accommodation allowance	1,132,141	0
Sanitary & Cleaning Materials	254,414	0
Courier and postal services	18,900	0
Printing and stationery	1,038,849	0
Water and sewerage costs	111,613	0
Skills development levies	0	0
Telephone and mobile phone services	415,000	0
Internet expenses	52,690	0
Computer accesories	201,310	0
Subscriptions to professional bodies	77,760	0
<b>Total General Expenses</b>	<b>10,072,317</b>	<b>0</b>

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**22(a) General Expenses-Note supporting Cashflow statement**

Description		
Catering expenses	2,030,380	0
Bank charges	76,019	0
Contracted services	1,894,218	0
Electricity expenses	432,997	0
Fuel and Lubricants	782,863	0
Travel and accommodation allowance	1,055,641	0
Sanitary & Cleaning Materials	254,414	0
Courier and postal services	18,900	0
Printing and stationery	1,018,617	0
Water and sewerage costs	101,613	0
Telephone and mobile phone services	364,000	0
Internet expenses	48,690	0
Computer accessories	199,310	0
Subscriptions to professional bodies	77,760	0
<b>Total General Expenses</b>	<b>8,355,422</b>	<b>0</b>

**23.Finance Costs**

Description		
Borrowings (amortized cost) *	0	0
Finance leases (amortized cost)	0	0
Interest on Bank overdrafts/Guarantees	0	0
Interest on loans from commercial banks	0	0
<b>Total finance costs</b>	<b>0</b>	<b>0</b>

**24.Gain/Loss on Disposal of Non-Current Assets**

Description		
Property, plant, and equipment	0	0
<b>Total gain on sale of assets</b>	<b>0</b>	<b>0</b>

**25.Unrealized Gain On Fair Value Investments**

Description		
Investments at fair value	0	0
<b>Total gain</b>	<b>0</b>	<b>0</b>

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**26. Medical Services Contracts Gains /Losses**

Comprehensive care contracts with NHIF/SHA	0	0
Non- Comprehensive contracts care with NHIF/SHA	0	0
Linda Mama Program	0	0
Waivers and Exemptions	0	0
<b>Total Gain/Loss</b>	<b>0</b>	<b>0</b>

**27. Impairment Loss**

Property, plant, and equipment	0	0
Intangible assets	0	0
Investments	0	0
<b>Total impairment loss</b>	<b>0</b>	<b>0</b>

**28. Cash And Cash Equivalents**

Current accounts	283,856	0
<b>Total cash and cash equivalents</b>	<b>283,856</b>	<b>0</b>

**28 (a). Detailed Analysis of Cash and Cash Equivalents**

<b>a) Current account</b>			
Khwisero Hospital Equity Collection Account	0500284354404	100	0
Khwisero Hospital KCB Collection Account	129979617	76,338	0
Khwisero Hospital KCB Imprest Account	1153159244	207,544	0
Khwisero Hospital NHIF Account	1297961080	(126)	0
<b>Sub- total</b>		<b>283,856</b>	<b>0</b>

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**29. Prepayments**

Description		
Insurance	0	0
Rent	0	0
Water	0	0
Internet	0	0
Others specify	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**30. Receivables From Exchange Transactions**

Description		
Undisbursed SHA/NHIF funds	5,630,171	0
<b>Total</b>	<b>5,630,171</b>	<b>0</b>

**30(a) Analysis of Receivables From Non-Exchange Transactions**

Description	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	5,630,171	100%	0	%
Between 1- 2 years	0	%	0	%
Between 2-3 years	0	%	0	%
Over 3 years	0	%	0	%
<b>Total (a+b)</b>	<b>5,630,171</b>	<b>100%</b>	<b>0</b>	<b>%</b>

**31. Receivables From Non-Exchange Transactions**

Description		
Undisbursed FIF	1,877,482	0
<b>Total</b>	<b>1,877,482</b>	<b>0</b>

**32. Inventories**

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Pharmaceutical supplies	856,560	0
<b>Total</b>	<b>856,560</b>	<b>0</b>

**Detailed disclosure on inventories**

Opening balance	0	0
Others specify	0	0
Closing balance	0	0

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*Notes to the Financial Statements (Continued)*

**33. Property, Plant and Equipment**

		Buildings	Motor Vehicles	Infrastructure Assets	Furniture and fittings	Computers & ICT Equipment	Plant and Equipment	Work in progress	Service & maintenance assets	Total
<b>Depreciation Rate</b>		<b>2%</b>	<b>25%</b>	<b>10%</b>	<b>12.50%</b>	<b>33.30%</b>	<b>15%</b>			
<b>Cost</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Opening Bal as 1<sup>st</sup> July 2024</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>0</b>
Additions	0	0	-	0	132,500	294,794	286,431	-	-	713,725
<b>As At 30<sup>th</sup> June 2025</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>132,500</b>	<b>294,794</b>	<b>286,431</b>	<b>0</b>	<b>0</b>	<b>713,725</b>
<b>Depreciation And Impairment</b>										<b>0</b>
Depreciation for the period	-	-	-	-	16,563	98,166	42,965	-	-	157,694
<b>As At 30<sup>th</sup> June 2025</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,563</b>	<b>98,166</b>	<b>42,965</b>	<b>-</b>	<b>-</b>	<b>157,694</b>
<b>Net Book Values</b>										<b>-</b>
<b>Opening Bal as at 1<sup>st</sup> July 2024</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-</b>
<b>As At 30<sup>th</sup> June, 2025</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>115,938</b>	<b>196,628</b>	<b>243,466</b>	<b>0</b>	<b>0</b>	<b>556,031</b>

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

**34.Intangible Assets-Software**

34.Intangible Assets-Software		
<b>Cost</b>		
<b>At beginning of the year</b>	0	0
Additions	0	0
Additions–Internal development	0	0
Disposal	0	0
<b>At end of the year</b>	0	0
	0	0
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	0	0
Amortization for the period	0	0
Impairment loss	0	0
<b>At end of the year</b>	0	0
<b>NBV</b>	0	0

**35.Investment Property**

35.Investment Property		
<b>At beginning of the year</b>	0	0
Additions	0	0
Disposals during the year	0	0
Fair value gain	0	0
Depreciation ( <i>where investment property is at cost</i> )	0	0
Impairment	0	0
<b>At end of the year</b>	0	0

**36.Biological Assets**

36.Biological Assets		
Trees in a plantation forest	0	0
Animals: Dairy Cattle, Pigs, Sheep	0	0
Others specify	0	0
<b>Total</b>	0	0

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**37. Trade and other Payables**

Description				
Trade payables		3,968,679		0
Employee dues		0		0
<b>Total trade and other payables</b>		<b>3,968,679</b>		<b>0</b>
<b>Ageing analysis:</b>		<b>Current FY</b>	<b>% of the Total</b>	<b>Compa rative FY</b>
Under one year		3,968,679	%	0
1-2 years		0	%	0
2-3 years		0	%	0
Over 3 years		0	%	0
<b>Total</b>		<b>3,968,679</b>	<b>%</b>	<b>0</b>

**38. Refundable Deposits from Customers/Patients**

Description		
Medical fees paid in advance	0	0
Credit facility deposit	0	0
Rent deposits	0	0
Others ( <i>specify</i> )	0	0
<b>Total deposits</b>	<b>0</b>	<b>0</b>

**39. Provisions**

Description				
<b>Balance at the beginning of the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Additional Provisions	0	0	0	0
Provision utilised	0	0	0	0
Change due to discount & time value for money	0	0	0	0
<b>Total provisions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Current Provisions	0	0	0	0
Non-Current Provisions	0	0	0	0
<b>Total Provisions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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**40. Finance Lease Obligation**

	Kshs	Kshs
Current Lease obligation	0	0
Long term lease obligation	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**41. Deferred Income**

Current Portion	0	0
Non-Current Portion	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**41 (a) The deferred income movement is as follows:**

<b>Balance b/f</b>	0	0	0	0
Additions during the year	0	0	0	0
Transfers to Capital fund	0	0	0	0
Transfers to statement of financial performance	0	0	0	0
Other transfers ( <i>Specify</i> )	0	0	0	0
<b>Balance C/F</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**42. Borrowings**

<b>Balance at beginning of the period</b>	0	0
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the year	0	0
Repayments of domestic borrowings during the year	0	0
<b>Balance at end of the period</b>	<b>0</b>	<b>0</b>

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**42. (a) Breakdown of Long- and Short-Term Borrowings**

Description		
Current Obligation	0	0
Non-Current Obligation	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**43. Service Concession Arrangements**

Description		
Fair value of service concession assets recognized under PPE	0	0
Accumulated depreciation to date	0	0
Net carrying amount	0	0
Service concession liability at beginning of the year	0	0
Service concession revenue recognized	0	0
Service concession liability at end of the year	0	0

**44. Cash Generated from Operations**

Description		
Surplus for the year before tax	4,477,028	0
<b>Adjusted for:</b>		
Depreciation	59,527	0
<b>Working Capital adjustments</b>		
Increase in inventory	0	0
Increase in receivables	(7,507,653)	0
Increase in deferred income		0
Increase in payables	3,765,679	0
Increase in payments received in advance		0
<b>Net cash flow from operating activities</b>	<b>794,581</b>	<b>0</b>

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

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**1. Financial Risk Management**

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

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

**(i) Credit risk**

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due. The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows

At 30 June 2024				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				

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<b>Total</b>				
<b>At 30 June 2025</b>				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
<b>Total</b>				

**(ii) Liquidity risk management**

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

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

	12 months	12 months	12 months	12 months
<b>At 30 June 2024</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
<b>Total</b>				
<b>At 30 June 2025</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
<b>Total</b>				

**(iii) Market risk**

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

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

**a) Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting expected sales proceeds and matching the same with expected payments.

At 30 June 20xx			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the hospital's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

**b) Interest rate risk**

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

**Management of interest rate risk**

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

**Sensitivity analysis**

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

**iv) Capital Risk Management**

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

Revaluation reserve		
Retained earnings		
Capital reserve		
<b>Total funds</b>		
Total borrowings		
Less: cash and bank balances		
Net debt/ (excess cash and cash equivalents)		
<b>Gearing</b>		

**1. Related Party Balances**

**Nature of related party relationships**

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

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

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

**2. Segment Information**

(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segments)

**3. Contingent Liabilities**

Contingent liabilities		
Court case against the hospital	0	0
Bank guarantees in favour of subsidiary	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**4. Capital Commitments**

Capital Commitments		
	Kshs	Kshs
Authorised For	0	0
Authorised And Contracted For	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**5. Events after the Reporting Period**

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

**6. Ultimate and Holding Entity**

The entity is a County Corporation/ or a Semi- Autonomous Government Agency under the Department of Health. Its ultimate parent is the County Government of Kakamega.

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**7. Currency**

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

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**20. Appendices**

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

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

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

The entity has never been audited this is the first financial statement to be audited

*BEHINDA MUKANYA* 

**Accounting Officer**

**Khwisero Level (IV) Hospital County Government Of Kakamega  
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**Appendix II: Projects Implemented by The Entity**

**Projects**

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

**Status of Projects completion**

(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

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**Appendix III: Inter-Entity Confirmation Letter**

Name of Transferring entity.....

Name of Beneficiary entity.....


Name of Beneficiary Entity					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
From County Treasury	Various	5,001,993		5,001,993	
From FIF	Various	20,549,655		20,549,655	
<b>Total</b>		<b>25,551,648</b>		<b>25,551,648</b>	

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

**Head of Accounts Department - Disbursing Entity:**

Name ..... Sign ..... Date .....

**Head of Accounts Department - Beneficiary Entity:**

Name SHEILA OUNEBU Sign  Date 25/11/2025

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**Appendix IV Reporting of Climate Relevant Expenditures**

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

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**Appendix V: Disaster Expenditure Reporting Template**

Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response, recovery, mitigation/preparedness)	Expenditure item	Amount (KSh)	Comments