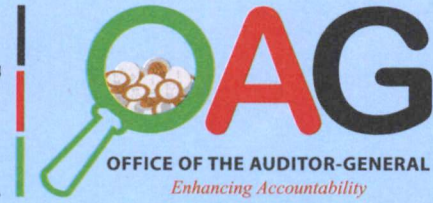


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REPORT

OF

THE AUDITOR-GENERAL

ON

RANGWE LEVEL 4 HOSPITAL

FOR THE YEAR ENDED 30 JUNE, 2025

COUNTY GOVERNMENT OF HOMA BAY

PAPERS LAID	
DATE	19/2/24
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COMMITTEE	
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Revised 30th June 2025



RANGWE Level 4 HOSPITAL (HOMA BAY County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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



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1. Acronyms & Glossary of Terms

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

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

(This list is an indication of the common acronyms and glossary of terms; the entity should include all from the annual report and financial statements prepared)

2. Key Entity Information and Management

(a) Background information

Rangwe Sub County Hospital is a level 4 hospital established under gazette notice number 786 and is domiciled in Homa Bay County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

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

- (i)** Provide affordable and accessible universal health coverage
- (ii)** To modernize infrastructure, machinery and equipment
- (iii)** To attain financial sustainability
- (iv)** To strengthen human resource capability
- (v)** To develop facility health management information system

Vision

To offer high quality and integrated medical care services that are affordable and accessible.

Mission

To be a well-established institution offering high quality efficient integrated medical care services and training of competent health care workers

Objective

To provide conducive environment that enhance active participation in the provision of quality medical care services.

(c) Key Management

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

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

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr Brian Akuom
2.	Head of finance	Mr. Benard Ogutu
3.	Director Nursing Services (NO I/C)	Mrs. Edna Nyaboke
4.	Health Administrative Officer	Mrs. Josephine Ambogo

(e) Fiduciary Oversight Arrangements

Increasingly, hospitals and health systems, along with the individuals serving in their committees and governing boards, are seeing the need for prudent oversight of their organizations. Due to a rising number of lawsuits, trustees need to ensure that their organizations are taking proactive steps to protect their organizations and themselves. Mbita Sub County Hospital, being a government entity has formed various committees to ensure robust fiduciary oversight.

I. Curative Committee

This is a multidisciplinary committee responsible for overseeing policies and procedures related to all aspects of medicines and other HPT use, is formed to improve diagnosis and treatment processes through proper dispensing of medicines. Its importance appears in different aspects such as drug selection process, cost-effectiveness, and control of drug losses. MTCs have shown an important role in promoting, controlling and educating activities of rational drug use.

Members are:

Dr. Rodgers Otana (Medical Superintendent) – Chairperson

Mr. Brenda Awino Oima (Pharmacist) – Secretary

Mr. Stephine Kirario (Clinical officer)

Mr. Edna Nyaboke (Deputy Nursing Officer)

Ms Norine Ouma (Lab Manager)

Mr. Josephine Elime (Hospital Administrator)

II. Infection and Prevention Committee

This committee looks into the prevention of infection in the facility

III. Catering Committee

This committee advises and monitors patient diet

This committee consists of all Hospital departmental heads who run the facility through general management and effective decision-making. The team ensures that all procedures are adhered to and that clients receive quality services through HMT follow up meetings

IV. Hospital finance Committee

Goes through departmental budget proposals and ensure the allocations are done putting into consideration priorities.

V. Hospital Management Committee

Oversight and resource mobilization roles to the facility.

Key Entity Information and Management (continued)

(f) Entity Headquarters

P.O. Box 469-40300

Homa Bay, KENYA

(g) Entity Contacts

Telephone: (+254) 722456738
E-mail rangwesub.health@homabay.go.ke

(h) Entity Bankers

Co-operative Bank
Homabay Branch




(i) Independent Auditors

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




(j) Principal Legal Adviser

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

3. The Board of Management

Ref	Name	Details
1.	<p>Prof. Collins Odote</p> 	<p>-Chairman -PHD in laws, UON</p>
2.	<p>Dr. Brian Akuom</p> 	<ul style="list-style-type: none"> - Secretary - Medical Superintendent - Bachelor in Medicine and Surgery
3.	<p>Mr. John Odoyo Nwami</p> 	<p>Member - Form four</p>

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<p>4.</p>	<p>Mrs Margaret Owiyo Omulo</p> 	<p>Member -Diploma in education retired teacher</p>
<p>5.</p>	<p>Mr Augustine Ayieko</p> 	<p>Member - Dip Building and Construction - Over 10 years experience</p>
<p>6.</p>	 <p>Mrs Pamela Ezra</p>	<p>-Member -Form four -Business lady</p>

7.	Dr. Kennedy Ayoo	Member -Bachelor in Medicine and Surgery
8.	Mr. Henry Omollo	Member -Bachelor of education

4. Key Management Team

Ref	Management	Details
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1.	<p>DR. BRIAN AKUOM</p> 	<ul style="list-style-type: none"> - Medical Superintendent - Bachelor in Medicine and Surgery
2.	<p>MRS. EDNA NYABOKE</p> 	<ul style="list-style-type: none"> -Senior nurse -BScN
3.	<p>MR. BENARD OGUTU</p> 	<ul style="list-style-type: none"> -Accountant I -Bachelor of commerce accounting -Certified Public Accountant (CPA III) -10-year Experience
4.	<p>MRS. JOSEPHINE AMBOGO ELIME.</p>	<ul style="list-style-type: none"> -Senior Administrator -Bachelor of Business. -Master In Supply Chain

			<p>-10 years' Experience as Hospital Administrator</p>
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5. Chairman's Statement

It's my pleasure to present the Annual Report and financial statements of Rangwe County Hospital. Once again, the Hospital has demonstrated its commitment to centre specialized health care services to all Kenyans citizens in the region that spans to county south Nyanza and western Kenya.

Management and operations of the hospital is guided by the existing legal policies and institutional frameworks that govern the health sector to ensure efficient and effective delivery of services in the hospital. The hospital's operations are also influenced by various global, regional and national strategies aimed at promoting, restoring and maintaining health care service delivery.

In terms of corporate governance, the board of management carried out its mandate diligently and with focus to steer Rangwe Hospital to achieve its mission. The Board of management consists of the right balance of skills, experience and backgrounds to support and challenge the management team.

On behalf of the Board of management, I would like to extend my appreciation to all stakeholders and development partners for the continued support that has enabled Rangwe Sub County Hospital realize its mandate. I would also like to thank Rangwe Sub County Hospital management and staff for their commitment and dedication that ensured the high quality service delivery and improved performance this financial year.

Finally, I would like to express my sincere gratitude to my fellow Board Members, for their dedication and hard work during the year. I would also like to take this opportunity to applaud the Medical Superintendent, for creating synergy and leading the management team and all staff to greater achievement.

Signed:  _____

Prof. Collins Odote

Chairman to the Board

6. Report of the Medical Superintendent/Facility in charge

The performance review for financial year 2024/2025 provides us another opportunity to reflect on the gains made and opportunities for improvement towards continuous provision of quality, timely and cost effective and patient-centred specialised healthcare services. Rangwe Sub County Hospital maintained steady growth throughout the year attributed to increased activity levels with a majority of the areas exceeding the targeted performance.

The Hospital has a robust financial management system that is based on the existing government financial management rules and regulations, Public Finance Management (PFM) act 2012, International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standard (IFRS).

During the period just to mention little achievement, the team at Rangwe Sub-County Hospital managed to during the period of review

Entity Main Objective.

The hospital is entrusted with the responsibility of ensuring the provision of quality healthcare services to its residents.

Sub Objectives

- Eliminating communicable conditions,
- Halting and reversing the rising burden of non-communicable conditions,
- Reducing the burden of violence and injuries.
- Providing essential health services,
- Minimizing exposure to health risk factors.
- Strengthening collaboration with private and other sectors.

These Objectives are well highlighted in Kenya's epidemiological profile

Summary of Achievements:

This report gives most significant achievements in Rangwe Hospital during the fiscal year with milestones such as:

- a) **Availability of Health Commodities for healthcare services:** This has been achieved by ensuring constant Procurement of drugs, Non-pharmaceuticals, Lab Reagents, Sanitary items balanced patient Ration to the patients seeking healthcare services in the hospital.
- b) **Promoted healthy behaviours** The department has launched several initiatives to promote healthy behaviours in the community, including a campaign to discouraging gender based Violence, VCT Services, effects of alcohol addiction, regular exercise and healthy eating, and providing friendly environment for youth friendly and MAPS service uptake areas within the hospital to encourage them to come to the facility for uptake of the services, to achieve this goal, the hospital has constantly engaged CHVs for mobilization and community dialog and encouraging community to enrol on NHIF.
- c) **Improved maternal and child health:** This is achieved by encouraging mothers through CHVs to take advantage of LINDA MAMA, increase attendance of MCH services and increase of immunization rate. And also renovating maternity ward and paediatric ward.

- d) **Strengthened partnerships:** The Hospital has fostered strong partnerships with partners, and local organization to improve health outcomes and reduce health disparities especially in the area of malaria, HIV and TB control and treatment.

Challenges and Mitigation Measures:

- a) Low uptake of health services due to poor health seeking behaviour in community;
- b) Low uptake of NHIF/insurance in the catchment
- c) Investment towards curative and rehabilitative services at the expense of preventive and promotive services.
- d) Lack of infrastructure and personnel like nurses, medical doctors and lab technologists, which affect services deliveries.

Mitigation Measures:

To address these challenges, the following measures are put in place

- a) Community outreaches and sensitization on the availability of telemedicine services for children in the facility, this is to be done by CHVs and the facility to facilitate
- b) Encouraged use of home-based care services.
- c) Strengthening of community-based care services especially in schools, churches, or community centres; adoption of integrated care models for patients who have chronic conditions or require rehabilitation; ensuring ongoing patient education and empowerment.
- d) Employing technical staff on contract/locum basis to address acute shortage of nurses and lab technologies.

I take this opportunity to acknowledge the support of The Homabay County Government, and Development partners. Many thanks to the chairman and Members of the Board for their strategic guidance and support. I wish to also register my appreciation to all stakeholders

.....
Dr Brian Akuom
Medical Superintendent



7. Statement of Performance against Predetermined Objectives

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

Key Objectives

The overall objective is improved clinical outcomes, satisfied clients, learning, growth and development. This will be achieved only if the Hospital is able to: -

- 1) Enhance access to quality services commensurate with the level and expectations of the coverage population by; -
 - (a) Improving drug and laboratory reagent supplies
 - (b) Staff motivation to enhance positive attitude and a conducive work place
 - (c) Improving essential and emergency medical services, medical laboratory and imaging diagnostic services including specialist pathology services,
 - (d) Expanding and ensuring equitable access by all clients by anticipating and planning for the marginalized ('ignored'), indigent and vulnerable
 - Advocating for registration with the NHIF
 - Providing fee exemptions and improving the waiver system
 - Providing outreach services
 - Providing cohort friendly service packages e.g. for the Adolescents, Youth, Elderly, Men, Commercial Sex Workers etc.
 - Delivery package for new born mothers
- 2) Improve human resource capacity (adequacy), effectiveness (knowledge and skills), motivation and satisfaction.
 - a) Human Resource is indispensable in the provision of Healthcare Services
 - b) There's need to investment in identification for recruitment and training to match staff establishment requirements and skills' mix with current and projected coverage population needs
- 3) Improve financial resources collection, mobilization, risk management and accountability
 - a) The hospital must exploit its full potential with regards to insured clients in the coverage population including but not limited to the NHIF comprehensive Scheme, the NHIF EduAfya, the NHIF Universal Coverage
 - b) The hospital must assess and mitigate the risk of revenue loss through willful negligence, laxity, corrupt practices and theft.
 - c) The Hospital must strengthen existing systems that enhance access without inherent revenue reduction e.g. subsidized services and commodities, waiver system.
 - d) The hospital must make every effort to aggressively market its strengths and exploit its opportunities
- 4) Improve consumables (pharmaceuticals, non-pharmaceuticals, supplies and other materials) availability and security

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- a) The critical and indispensable role health commodities play in the outcomes of health processes MUST always be recognized and prioritized for investment and resource allocation.
 - b) While it is accurate to consider healthcare a service industry, it is unreasonable to expect any positive results or outcomes without the input of requisite appropriate, affordable and quality health commodities
 - c) It will be necessary to forecast the required quantities of all essential health commodities relevant to the needs of the Hospital's coverage population
 - d) There's need to provide adequate and appropriate space for the storage and security of the commodities
 - e) There's need to supplement the supplies procured by the County Government by establishing own source revenue.
 - f) The authority of hospital managers should be increased and hospital tender committees created and empowered to enable us to purchase goods more efficiently and responsively.
 - g) Spending bands should be widened, and modern systems and managerial skills developed to increase the hospital procurement capacity.
 - h) If the hospital has the capacity and is in a position to comply with the requisite financial regulations we will in time, be able to decide whether to procure on our own, through government and other agencies
- 5) Improve infrastructural development and equipment and medical devices availability, maintenance and security
- a) This relates to the built environment, in-patient beds, furniture, equipment and machines, transport and technology (ICT) required for effective delivery of health services.
 - b) It is a fundamental pillar in the improvement of client experience and outcomes
 - c) Infrastructure must be designed, chosen, placed and maintained to ensure, Client safety, Efficiency and effectiveness, Sustainability and Equity and Accessibility.
 - d) There's need to ensure all critical and capital-intensive equipment are under service contracts and that preventive and / or routine maintenance of the same is the rule and is carried out as indicated in a plan.
 - e) As much as possible, mutually beneficial comprehensive placement agreements will be encouraged to broaden the range of service availability, to reduce client inconvenience and to facilitate better service delivery and outcomes
- 6) Improve on health and financial information systems automation, integration, transparency and application. Improve care through technology.
- a) A health information system (HIS) is a system that integrates data collection, processing, reporting, and use of the information necessary for improving health service effectiveness and efficiency through better management at all levels of health services.
 - b) It is a way of collecting, storing, managing and transmitting (reporting) data including, Clients' electronic medical records (EMR), Hospital's operational (HR < Finance, Procurement) management
 - c) When functioning well, the HIS facilitates planning, monitoring, and the overall quality assurance and improvement

- 7) Foster a visionary governance and competent committed leadership
 - a) Good governance and effective leadership are considered core components of a resilient health system
 - b) Good governance ensures evidence-based policy making resulting in Efficient and effective service provision and management systems, Transparency with checks and balances and Accountability
 - c) There's need to promote and lobby for leadership with demonstrable willingness to take ownership and stewardship of the hospital and to continually do what is best for the same.
- 8) Foster and expand partnerships, collaboration and social responsibility, The overriding goal is to achieve better outcomes through either one or a combination of, raising awareness about unmet needs, Provision of resources (Finances, HR, Consumables, Equipment, Plant and Machinery, Provision of joint platforms for coordination, monitoring and evaluation, Tapping into each other's unique but complementary expertise, Research and learning
- 9) Foster learning, change and improvement culture in the Hospital through improved stakeholder participation and feedback management, research and innovation.
 - a) Strengthen and expand partnership and collaboration with training institutions including but not limited to the Kenya Medical Training College, Medical training universities and colleges, AMREF International University and the Kenya School of Government.
 - b) Strengthen and expand partnership and collaboration with research institutions including the Kenya Medical Research Institute and other institutions of higher learning
 - c) Institutionalize and strengthen continuous professional development
 - d) Institutionalize and invest in operational research initiatives
 - e) Facilitate continuous client feedback management

Two strategic themes were identified each with a strategic result whose successful execution will enable the Hospital achieve its mission and vision. These are:

	Strategic Theme	Strategic Result
1	Managerial and Operational Excellence	Seamless, effective and timely service delivery and efficient Utilization of resources
2	Professional in clinical services	Improved quality healthcare services

8. Corporate Governance Statement

The Rangwe Sub- County Board of management have responsibilities, Functions, structures and ethical conduct. In addition to this, their major priority is ensuring excellent service delivery to patients.

Role of the Board

The responsibility of driving good corporate governance and stewardship of the Hospital is vested in the board. The board through its committees provide strategic direction while the Medical Superintendent assisted by the Executive Management Committee is accountable to the Board for implementing the strategy.

Rangwe Level 4 Hospital would typically outline the hospital's commitment to effective governance practices, which ensure transparency, accountability, and ethical conduct in its operations. Here's a sample outline of what such a statement might include:

1. **Introduction and Purpose:** Begin with an overview of the importance of corporate governance in healthcare institutions like Rangwe Level 4 Hospital. Explain that the statement aims to articulate the hospital's governance framework and principles.
2. **Governance Structure:** Describe the hospital's governance structure, including its governing body (such as a board of directors or trustees), committees, and management hierarchy. Outline the roles, responsibilities, and composition of these entities.
3. **Code of Conduct and Ethics:** Discuss the hospital's code of conduct and ethics, which guides the behavior of all stakeholders, including board members, executives, employees, and volunteers. Emphasize the hospital's commitment to integrity, professionalism, and respect for patients' rights and confidentiality.
4. **Transparency and Accountability:** Highlight the hospital's commitment to transparency and accountability in its decision-making processes, financial management, and reporting. Describe mechanisms for internal controls, risk management, and compliance with regulatory requirements.
5. **Stakeholder Engagement:** Explain how the hospital engages with its stakeholders, including patients, families, staff, communities, government agencies, and regulatory bodies. Discuss channels for feedback, communication, and collaboration to ensure that stakeholders' interests are considered in decision-making.
6. **Quality and Patient Safety:** Address the hospital's focus on quality of care and patient safety, including processes for monitoring and improving clinical outcomes, infection control, medication safety, and patient satisfaction. Emphasize the importance of continuous improvement and learning from adverse events.
7. **Risk Management:** Outline the hospital's approach to identifying, assessing, and mitigating risks, including strategic, operational, financial, and legal risks. Discuss processes for risk management planning, monitoring, and reporting to the board and stakeholders.

8. **Compliance and Legal Framework:** Describe how the hospital ensures compliance with relevant laws, regulations, accreditation standards, and industry best practices. Discuss mechanisms for monitoring changes in the legal and regulatory environment and adapting policies and procedures accordingly.
9. **Sustainability and Corporate Social Responsibility:** Discuss the hospital's commitment to sustainability, environmental stewardship, and corporate social responsibility. Highlight initiatives related to community health, diversity and inclusion, workforce development, and philanthropy.
10. **Conclusion:** Summarize the key principles and commitments outlined in the Corporate Governance Statement, reaffirming the hospital's dedication to upholding the highest standards of governance, ethics, and accountability in fulfilling its mission of providing quality healthcare services to the community.

This statement serves as a public declaration of Rangwe Level 4 Hospital's commitment to good governance practices, helping to build trust and confidence among stakeholders, including patients, staff, donors, regulators, and the wider community.

9. Management Discussion and Analysis

Welcome to the Management Discussion and Analysis (MD&A) for Rangwe Level 4 Hospital. This report provides an in-depth analysis of the hospital's financial performance, operational highlights, and future outlook. We aim to provide transparency and insight into our operations, addressing key developments and challenges faced during the reporting period.

Key Highlights

- **Service Expansion:** During the period, we successfully expanded our services to meet the growing healthcare needs of the community. This expansion included the addition of specialized clinics, diagnostic services, and outreach programs, resulting in increased patient access to quality care.
- **Financial Resilience:** Despite economic uncertainties and operational challenges, Rangwe Hospital maintained financial resilience, achieving sustainable revenue growth and effective cost management. This resilience enabled us to continue our mission of providing affordable healthcare services to all segments of society.
- **Quality Improvement Initiatives:** We intensified our focus on quality improvement initiatives, implementing evidence-based practices, enhancing patient safety protocols, and investing in staff training and development. These efforts contributed to improved clinical outcomes and patient satisfaction ratings.
- **Community Engagement:** Rangwe Hospital remained actively engaged with the community through health education campaigns, preventive care initiatives, and collaborations with local organizations and government agencies. These partnerships strengthened our ties with the community and facilitated greater health awareness and empowerment.

Financial Performance

- **Revenue Analysis:** Total revenue for the period increased by [10]% compared to the previous year, driven by higher patient volumes, improved reimbursement rates, and expanded service offerings. Government reimbursements accounted for [100]% of total revenue, reflecting our continued partnership with public health programs.
- **Expense Management:** Operating expenses were effectively managed through stringent cost control measures and operational efficiencies. Despite inflationary pressures and rising healthcare costs, we maintained a disciplined approach to expense management, resulting in improved operating margins.

- **Capital Investments:** Significant investments were made in capital assets, including medical equipment upgrades, facility renovations, and technology enhancements. These investments were aligned with our strategic priorities of enhancing patient care quality, operational efficiency, and long-term sustainability.

Operational Review

- **Patient Care Metrics:** Patient volumes across all departments saw a [50]% increase, reflecting the growing demand for healthcare services in the region. Our focus on reducing wait times, improving appointment scheduling, and streamlining clinical workflows contributed to enhanced patient access and satisfaction.
- **Clinical Excellence:** Clinical outcomes continued to surpass industry benchmarks, with notable improvements in key performance indicators such as infection rates, readmission rates, and mortality rates. Our multidisciplinary care teams demonstrated exceptional professionalism, compassion, and expertise in delivering patient-centered care.
- **Staffing and Talent Development:** We remained committed to attracting and retaining top talent in healthcare, investing in staff training, professional development, and wellness programs. Our workforce engagement initiatives fostered a culture of teamwork, innovation, and continuous learning, driving employee satisfaction and performance.

Outlook and Future Plans

Looking ahead, Rangwe Hospital is well-positioned to capitalize on emerging opportunities and address evolving healthcare challenges. Our strategic priorities include:

- **Continued Growth:** We will focus on expanding our service offerings, geographic reach, and market presence to serve a larger patient population and diversify revenue streams.
- **Technology Integration:** Harnessing the power of technology, we will invest in telemedicine platforms, electronic health records systems, and data analytics tools to improve care coordination, patient engagement, and clinical decision-making.
- **Partnership Development:** We will explore strategic partnerships with healthcare providers, insurers, and technology vendors to drive innovation, improve care coordination, and enhance the overall healthcare experience for our patients.

- **Community Empowerment:** Our commitment to community engagement and empowerment will remain a cornerstone of our mission, as we continue to advocate for health equity, social justice, and preventive care initiatives.

Conclusion

In conclusion, Rangwe Level 4 Hospital remains steadfast in its commitment to delivering high-quality, compassionate healthcare services to the community. We are confident in our ability to navigate challenges, seize opportunities, and achieve sustainable growth, guided by our unwavering dedication to excellence, integrity, and service excellence.

We thank our patients, staff, partners, and stakeholders for their continued support and trust in Rangwe Hospital's mission and vision

Signed: _____



Dr Brian Akuom

Medical Superintendent



10. Environmental And Sustainability Reporting

The Hospital exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

As a Sub County hospital, we recognize that we must conduct our operations in a manner that considers the environmental and social impact to ensure that success and longevity of the business. We are committed to being transparent, candid, and open about our operations.

At Rangwe Sub County Hospital we have a pragmatic approach to sustainability; we focus on identifying and putting into practice initiatives and programs that deliver real world and lasting benefits to all our stakeholders.

Engaging with our stakeholders informs our decision making, strengthened our relationship and helps us deliver our commitments and success as an entity. In order to achieve these goals, we recognize that we must work in partnership with other interested stakeholders in who share our commitment and have a stake in our entity.

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

ii) Environmental performance

In our offices and clinical areas, we continue encouraging employees to help reduce energy consumption by switching of their computers and lights at the end of the day.

As part of adopting energy efficient technology, we have a microwave incinerator that helps with waste management.

In packaging of medicine, we use environmentally friendly bags. In medical waste we are using bags which are clearly marked for clinical waste, bottles, leftover food, staffs are also provided with personal protective equipment

iii) Employee welfare

The Hospital staff are employed and remunerated by the Homabay County Government. With recruitment policy of at least a third is not of more than one gender.

Policy guiding hiring process

Every department prepares Human Resource Plans to support achievement of goals and objectives in their strategic plans. The plans are based on comprehensive job analysis and are reviewed every year to address emerging issues and staffing needs.

On the basis of these Human resource plans, departments develop annual recruitment plans which are forwarded to the County Public Service Board at the beginning of each financial year to enable it plan to fill vacancies.

Departments through the County Public Service Board will advertise all vacant posts in a manner that reaches the widest pool of potential applicants.

Recruitment is undertaken on the basis of fair competition and merit, representation of Kenyans diverse communities, adequate and equal opportunities to all gender, youth, members of all ethnic groups, persons with disabilities and minorities.

Efforts made in improving skills and managing careers

Training and capacity building in the County's Public Service is key towards improving skills and managing career progression.

Training Needs Assessment is a performance audit that generates and provides information to assess the inadequacy of knowledge and skills which inhibits an organisation from attaining its objectives.

Training in the County's Public Service is based on Training Needs Assessment which are conducted in each department.

Departments are required to prepare training projections based on Training Needs Assessment to guide in the nomination of officers for training.

Selection of trainees for all training programmes are based on identified needs and normally emphasises on training for performance improvement.

Training programmes comprise both short- and long-term courses in specific professions that are intended to impart required knowledge, skills and attitudes to enhance staff performance.

The County continually develops its employee's professional knowledge and skills and encourage them to join relevant professional bodies. The County establishes mechanisms for supporting employees where the career guidelines require them to be members of a professional body.

For new staff who have joined the County, Induction Training is expected to help them familiarise with the work environment and requirements. Departments are expected to

conduct induction training within three (3) months for newly recruited officers and those joining the departments on transfers, promotions and re-designation.

Appraisal and reward system

Staff Performance Appraisal System is predicated upon the principles of work planning, setting of agreed performance targets, feedback and reporting. Appraisal systems are also linked to other human resource systems and processes including staff development, career progression, placement, rewards and sanctions.

Prior to the beginning of the performance appraisal period, departments prepare work plans based on their strategic plans. The departments work plans includes the departmental priorities objectives from which individual performance targets will be derived.

Employee's individual work plans will be derived from the departmental work plans and officers job description.

The appraisals period covers one (1) year starting 1st July to 30th June of the following year. The performance appraisal reflects the summation of the year's performance including quarterly and mid-year reviews.

Reward System

Exemplary performance is rewarded through incentives, promotions, recognition of major improvements, training.

Policy on safety and compliance with occupational safety and health Act of 2007, (OSHA)

Employees are protected from accidents and occupational hazards arising at the work place. Measures to prevent and mitigate against accidents at work place, explosions, fire, floods, earthquakes, both threats. Through provision of First aid kits, fire protection, fire fighting and demonstration, providing fire assembly areas, emergency preparedness in such events.

- Fire protection and protection in buildings
- No hazardous or highly inflammable materials should be stored in buildings
- Firefighting equipment should be placed in strategic places
- Provision of protective equipment and clothing
- Medical examination
- Compensation of officers in case of injury at work

iv) Market place practices-

Responsible Supply chain and supplier relations

Suba County has suppliers that supply goods and services. We manage contracts and engage multiple service providers for our operations. Our own reputation as service providers is always a top priority. For that reason, we are focused on ensuring our suppliers comply with best practices and adhere to our contract agreement for all services and goods offered.

v) Corporate Social Responsibility Statement

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

11. Report of The Board of Management

The Board of Management submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Hospital's affairs.

a) Principal activities

The principal activities of the Hospital are:

- i. Provide financial resources for medical supplies, rehabilitation and medical equipment for health facilities in the Hospital.
- ii. Support capacity building in the management of the Hospital
- iii. To give decision making autonomy to the Hospital management committees, to plan and manage the resources within their control
- iv. To improve the quality of health care services in the Hospital

b) Results

The results of the Hospital for the year ended June 30, 2025, are set out on page 1-34

c) Auditors

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

By Order of the Board



.....
Dr Brian Akuom
Medical Superintendent



12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 and Section 19 of the Homabay County Finance Bill 2021 require the Board of Rangwe Sub-County Hospital to prepare financial statements in respect of the Hospital, which give a true and fair view of the state of affairs of the Hospital as at 30 June 2025 and the operating results of the Hospital for the year then ended. The Directors are also required to ensure that the Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the Hospital. The Board are also responsible for safeguarding the assets of the Hospital.

The Board are 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 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 Hospital; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Hospital; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Board accept 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 and the Homabay County Finance Bill, 2012. The Directors 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 ended 30 June, 2025, and of the Hospital's financial position as at that date.

The Board further confirms 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.

Nothing has come to the attention of the Board to indicate that the Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The *Rangwe Sub-County Hospital* financial statements were approved by the Board on 2/12/2025 and signed on its behalf by:



Chairperson

Prof. Collins Odote

Board of Management



Secretary BOM

Dr Brian Akuom

Medical Superintendent



REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON RANGWE LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF HOMA BAY

PREAMBLE

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

- A. Report on the 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 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 the 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 Rangwe Level 4 Hospital – Homa Bay County Government set out on pages 1 to 35, 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 Rangwe Level 4 Hospital – Homa Bay County Government 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.

Basis for Qualified Opinion

1. Non-Compliance With the Prescribed Reporting Framework

The financial statements are signed by Head of Finance as the accountant but his name and ICPAK number are not indicated.

In the circumstances, the financial statements do not comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board. Also, Management is in breach of the law.

2. Inaccuracies in the Financial Statements

The financial statements presented for audit contain the following anomalies:

- i. The following unreconciled variances between the statement of comparison of budget and actual amounts and statement of cash flows were noted:

Components	Amount in Statement of Comparison of Budget and Actual Amounts (Kshs.)	Amount in Statement of Cash Flows (Kshs.)	Variance (Kshs.)
Rendering of services	940,389	65,006,994	(64,066,605)
NHIF receipts	64,066,605	-	64,066,605

- ii. The statement of comparison of budget and actual amounts reflects budget surplus of Kshs.34,129,544 which differs with the recomputed amount of Kshs.26,129,354, resulting in a variance of Kshs.8,000,000 representing capital expenditure budget that was excluded without explanation.
- iii. Note 20 on cash generated from operations, which apparently reconciles net surplus for the year of Kshs.79,708,939 reported in the statement of financial performance and net cash flows from operating activities amount of Kshs.3,956,451 reflected in the statement of cash flows, indicates increase in receivables amount of Kshs.72,646,341 which differs with the re-computed

increase of Kshs.71,816,223, resulting in an unexplained variance of Kshs.830,118. As a result of this variance, the recomputed net cash flow from operating activities is Kshs.4,795,569 which differs with the Kshs.3,956,451 reported in the statement of cash flows.

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

3. Unsupported Special Purpose Account Transfers

The statement of financial performance, and as disclosed in Note 14 to the financial statements, reflects 20% Retained in Special Purpose Account amount of Kshs.7,308,125. However, bank reconciliation statements, bank balance confirmation certificate and bank statements for the special purpose account were not provided for audit.

Further, while a Hospital Finance Committee and Board of Management existed, there was no evidence that periodic reports on Special Purpose Account fund's utilization were prepared, reviewed, or approved by the Board, contrary to the governance structure outlined in the report

The statement of comparison of budget and actual amounts does not explicitly show Special Purpose Account utilization as a distinct budget line, making it difficult to track compliance with the 20% retention requirement.

In the circumstances, the accuracy, completeness and propriety of the Special Purpose Account Transfers of Kshs.7,308,125 could not be confirmed.

4. Long Outstanding Receivables from Exchange Transactions

The statement of financial position, and as disclosed in Notes 16 to the financial statements, reflects receivables from exchange transactions balance of Kshs.75,071,223 which includes Kshs.8,436,200 that had been outstanding for more than one (1) year. Further, evidence of efforts made to recover the long outstanding balance was not provided for audit. Further, there was no evidence that the Hospital had a debt collection and provision for doubtful and bad debt write off policy.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.75,071,223, and recoverability of the balance of Kshs.8,436,200 that had been outstanding for more than one (1) year could not be confirmed.

5. Unconfirmed Inventories Balance

The statement of financial position reflects inventories balance of Kshs.9,060,000. However, inventory records (drugs, lab reagents, and consumables) lacked periodic reconciliation with the physical stock register. There were noted variances between the bin cards and the physical balances. Further, cleaning, and sanitary items were classified under medical expenses instead of general expenses, contrary to PSASB classification guidance.

In addition, audit verification done on 3 November, 2025 on inventory revealed that Management did not employ inventory management and control software to assist it meet the objectives of sound supply chain management and easy tracking of inventory levels. Records were manually maintained and some pin cards in the store were not updated. Further it was observed that the store lacks security surveillance and fire extinguishers.

In the circumstances, the accuracy and completeness of the inventories balance of Kshs.9,060,000 could not be confirmed. Also, the effectiveness of internal controls on inventories management could not be confirmed.

6. Long Outstanding Trade and Other Payables

The statement of financial position, and as disclosed in Note 19 to the financial statements, reflects trade and other payables balance of Kshs.10,025,323 which includes a balance of Kshs.2,278,500 that had remained unpaid for over one (1) year, contrary to the provisions of Regulation 42(2) of the Public Finance Management (County Governments) Regulations, 2015.

Further, Management did not provide the detailed creditors movement schedules indicating the opening balance, additions and payments made during the period under review.

In addition, failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent years as they form a first charge.

In the circumstances, the accuracy and completeness of the reported trade and other payables balance of Kshs.10,025,323 could not be confirmed. Also, Management was in breach of the law for not prioritizing settlement of long outstanding debts.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Rangwe Level 4 Hospital - Homa Bay County Government 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 revenue budget and actual on comparable basis amounts of Kshs.107,056,871 and Kshs.65,006,994 respectively, resulting in underfunding of Kshs.42,049,977 or 39% of the budget.

Further, the statement reflects final income budget and final expenditure budget amounts of Kshs.107,056,871 and Kshs.80,927,517 respectively, resulting in a budget surplus of Kshs.26,129,354, contrary to Regulation 31(c) and (e) of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that budget revenue and expenditure appropriations shall be balanced and total budget revenue shall cover total budget expenditure.

The under expenditure affected planned activities and may have adversely impacted service delivery to the students of the Hospital.

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 Matter

Unresolved Prior Year Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Hospital in 2024/2025 revealed that the matters listed in **Appendix 1** remained unresolved.

Other Information

The Management is responsible for the Other Information set out on pages iii to xxviii which comprises Key Entity Information and Management, The Board of Management, Key Management Team, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environment 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 Rangwe Level 4 Hospital – Homa Bay County Government 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 and based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report,

I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

Review of revenue records obtained from the Rangwe Sub-County Hospital revealed total collection of Kshs.139,137,828 towards the health facilities improvement. Out of this amount, a total of Kshs.36,540,625 was transferred to Special Purpose Account at the health department. However, Special Purpose Account reimbursed a total of Kshs.29,232,500 to the health facilities resulting in a deficit of Kshs.7,308,125. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing account. In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

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

2. Non-Compliance With Requirements on Universal Health Care (UHC)

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

Staff Requirements	Level 4 Std	Actual	Variance
Medical officers	16	1	15
Anesthesiologists	2	0	2
General Surgeons	2	1	1
Pediatricians	2	0	2
Radiologists	2	0	2
Registered nurses	75	20	50

Further, the hospital lacked or had shortage of the necessary equipment and machines outlined in the Health Policy Guidelines as detailed below:

Service	Level 4 Standard	Number in Hospital	Variance
Resusitaire	3	2	1
New born unit incubators	5	2	3
New born unit cots	5	3	2
ICU beds	6	0	6
HDU beds	6	0	6
Renal unit with 5 dialysis machines	5	0	5
Functional operation theatres	2	1	1
Beds	150	75	75

These deficiencies contravene the First Schedule of Health Act, 2017 and imply that accessing the highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

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

3. Failure to Maintain Separate Revenue Bank Account

The statement of financial position reflects cash and cash equivalents balance of Kshs.810,693 as disclosed in Note 15 to the financial statements. However, during the audit, it was established that the Hospital did not maintain a separate FIF bank account into which all monies received are maintained, this resulted in mixing of funds with the operations account, contrary to the provisions of Section 17(1) of the Homa Bay County Health Facility Improvement Financing Act, 2023.

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Automated System of Revenue Collection

Analytical review of the budget performance for the year under review revealed that the Hospital had budgeted for revenue collection of Kshs.1,800,000 but managed to collect Kshs.940,389 or 52% only, this was attributed to the Hospital's use of manual revenue collection system, missing out on opportunities that comes with automated services such as improved accounting, recording and reporting of financial aspects through timely and accurate provisions of financial data.

In the circumstances, the effectiveness of internal controls and risk management in the Hospital could not be confirmed.

2. Lack of Fraud and Risk Management Strategies

During the year under review, the Hospital did not have a fraud management policy in place to assist in detecting and preventing fraud. Further, Management did not have a risk management policy or strategy, and therefore lacked approved processes and guidelines for mitigating operational, legal, and financial risks.

In addition, Management did not maintain a risk register to document identified risks, nor were formal risk assessments conducted during the financial year under review.

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

3. Inefficient Audit Committee

During the audit, it was noted that the Hospital did not have audit committee. There was no evidence that the Audit Committee held a meeting during the financial year under review. This was contrary to Regulation 172(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires that the audit committee shall meet at least once in every three months.

In the circumstances, the effectiveness of the oversight, assurance, and guidance on risk management and internal controls could not be confirmed.

4. Weak Internal Audit Function

Review of documents revealed that the Hospital relies on the Internal Audit function of the County Executive of Homa Bay. However, no internal audit reports for the Hospital were provided on the state of risk management, control, and governance for the financial year ended 30 June, 2025. Further, the Hospital did not have an approved Internal Audit Work Plan and Internal Audit Charter.

In the circumstances, the effectiveness of internal controls, risk management and governance in the Hospital could not be confirmed.

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

Responsibilities of Management and Board of Management

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

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

08 December, 2025

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

APPENDICES

Appendix 1: Unresolved Prior Year Matters

S/No.	Financial Year	Audit Issue
1	2023/2024	Non-Compliance with the Prescribed Financial Statements Reporting Template
2	2023/2024	Errors and Inaccuracies in the Financial Statements
3	2023/2024	Variance between Financial Statement Figure of Employee Costs and Supporting Schedules
4	2023/2024	Unsupported Expenditure of Motor Vehicle Repairs and Maintenance
5	2023/2024	Unsupported Payments of General Expenses
6	2023/2024	Lack of Ownership Documents
7	2023/2024	Unsupported Trade and Other Payables
8	2023/2024	Budget Control and Performance
9	2023/2024	Unresolved Prior Year Audit Matters
10	2023/2024	Late Submission of Financial Statements to the Auditor-General
11	2023/2024	Failure to Retain Revenue Raised by the Hospital
12	2023/2024	Failure to Maintain a Separate Revenue Bank Account
13	2023/2024	Irregular Procurement of Food and Ration
14	2023/2024	Resourcing Requirement for Level 4 Hospital in Universal Health Care (UHC)
15	2023/2024	Lack of an Automated System for Revenue Collection
16	2023/2024	Failure to Update Cashbook Daily
17	2023/2024	Failure to Maintain Imprest Register
18	2023/2024	Lack of Proper Inventory Records
19	2023/2024	Use of Asbestos Roofing on Hospital Buildings
20	2023/2024	Lack of an Internal Audit Function

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

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

Description	Tf	2024-2025	2023-2024
		Kshs	Kshs
Revenue from exchange transactions			
Rendering of services- Medical Service Income	6	940,389	899,269
Other Income NHF/SHA	7	138,197,439	28,495,038
Total revenue		<u>139,137,828</u>	<u>29,394,307</u>
Expenses			
Medical/Clinical costs	8	36,397,275	18,798,983
Employee costs	9	3,540,327	2,367,195
Board of Management Expenses	10	70,000	82,500
Depreciation and amortization expense	11	1,766,593	401,409
Repairs and maintenance	12	1,444,770	3,034,390
General expenses	13	8,901,799	9,693,266
20% Retained in the SPA Account	14	7,308,125	2,560,600
Total expenses		<u>59,428,889</u>	<u>37,938,343</u>
Net Surplus / (Deficit) for the year		<u>79,708,939</u>	<u>(8,544,036)</u>

(The notes set out on pages 1 to 35 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 2/12/2025 and signed on its behalf by:



.....
Chairman
Board of Management



.....
Head of Finance
ICPAK No:



.....
Medical Superintendent



15. Statement of Financial Position as at 30th June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	15	810,693	101,992
Receivables from exchange transactions	16	75,071,223	3,255,000
Inventories	17	9,060,000	786,539
Total Current Assets		<u>84,941,916</u>	<u>4,143,531</u>
Non-current assets			
Property, plant, and equipment	18	12,260,141	9,939,866
Total Non-current Assets		<u>12,260,141</u>	<u>9,939,866</u>
Total assets (A)		<u>97,202,057</u>	<u>14,083,397</u>
Liabilities			
Trade and other payables	19	10,025,323	6,615,602
Total Liabilities (B)		<u>10,025,323</u>	<u>6,615,602</u>
Net assets (A-B)		<u>87,176,734</u>	<u>7,467,795</u>
Represented by:			
Accumulated Surplus/(Deficit)		67,604,409	(12,104,350)
Capital Fund		19,572,325	19,572,325
Net Assets		<u>87,176,734</u>	<u>7,467,795</u>

(The notes on pages 1 to 34 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 2/12/2025 and signed on its behalf by:

.....
Chairman
Board of Management


.....
Head of Finance
ICPAK No:


.....
Medical Superintendent



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

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

Description	Revaluation reserve	Accumulated Surplus/Deficit	Capital Fund	Total
As at July 1, 2023	-	(3,560,494)	9,503,473	5,942,979
Surplus/(deficit) for the year	-	(8,544,036)	-	(8,544,036)
Capital/Development grants	-	-	10,068,852	10,068,852
As at June 30, 2024	-	<u>(12,104,530)</u>	<u>19,572,325</u>	<u>7,467,795</u>
	-			
At July 1, 2024	-	(12,104,530)	19,572,325	7,467,795
Surplus/(deficit) for the year	-	79,708,939	-	79,708,939
	-			
At June 30, 2025	-	<u>67,604,409</u>	<u>19,572,325</u>	<u>87,176,734</u>

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Rendering of services- Medical Service Income		65,006,994	29,394,307
Total Receipts		<u>65,006,994</u>	<u>29,394,307</u>
Payments			
Medical/Clinical costs		33,660,397	33,660,397
Employee costs		3,540,327	3,540,327
Board of Management Expenses		70,000	82,500
Repairs and maintenance		1,444,770	2,784,390
General Expenses		8,908,299	7,834,791
20% Transfer Retained by County Government		7,308,125	2,560,600
Cash outflow to SPA Account		6,118,625	-
Total Payments		<u>61,050,543</u>	<u>28,564,652</u>
Net cash flows from operating activities	20	<u>3,956,451</u>	<u>829,655</u>
Cash flows from investing activities			
Purchase of property, plant, equipment		(3,247,750)	(1,072,900)
Net cash flows used in investing activities		<u>(3,247,750)</u>	<u>(1,072,900)</u>
Net increase/(decrease) in cash and cash equivalents		708,701	(243,245)
Cash and cash equivalents as at 1 July		101,992	345,237
Cash and cash equivalents as at 30 June	15	<u>810,693</u>	<u>101,992</u>

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

Description	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance Difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						-
Transfers from the County Government	35,656,871	-	35,656,871	-	35,656,871	0%
Rendering of Services	1,800,000		1,800,000	940,389	859,611	52%
NHIF Receipt	69,600,000		69,600,000	64,066,605	5,533,395	92%
Total receipts	<u>107,056,871</u>	=	<u>107,056,871</u>	<u>65,006,994</u>	<u>42,049,877</u>	<u>61%</u>
Payments						
Medical/Clinical costs	58,169,517	-	58,169,517	33,660,397	24,509,120	58%
Employee costs	8,676,000	-	8,676,000	3,540,327	5,135,673	41%
Repairs and maintenance	5,676,000	-	5,676,000	1,444,770	4,231,230	25%
Remuneration of Directors	406,000		406,000	70,000	336,000	17%
General expenses	14,186,050	-	14,186,050	8,908,299	5,277,751	63%
Cash Outflow to SPA Account	-		-	6,118,625	(6,118,625)	
20% Retained at SPA Account	-		-	7,308,125	(7,308,125)	
Total Operational Expenditure paid	72,927,517		72,927,517	61,050,543	26,063,024	84%
Capital Expenditure paid	8,000,000		8,000,000	3,247,750	4,752,250	41%
Surplus	34,129,354	-	34,129,354	708,701		

Overall, the budget was underutilized due to:

Non-release of budgeted grants from the County Government.

Lower-than-anticipated revenue from service delivery due to inadequate medical personnel and reduced client volumes

Cost-Saving measures due to insufficient funds leading to reduced expenditure.



Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	708,701
	Closing Cash and Cash Equivalent as per the statement of Cash flows	<u>708,701</u>

19. Notes to the Financial Statements

1. General Information

Rangwe Level 4 Hospital entity is established by and derives its authority and accountability from County Government Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide affordable and accessible universal health coverage.

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 and, 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, complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the notes. 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 International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

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

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

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

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Standard	Scope, Title and Objective
	<p>satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard</p>

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

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2024/2025 was approved by Board on **05.07.24**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The *entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Biological Assets

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

i. Research and development costs

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

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

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

j. Financial instruments

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

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value

through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

k. Inventories

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

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

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

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

l. Provisions

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

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

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

Notes to the Financial Statements (Continued)

m. Social Benefits

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

n. Contingent liabilities

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

o. Contingent assets

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

p. Nature and purpose of reserves

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

q. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

r. Employee benefits

Retirement benefit plans

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

s. Foreign currency transactions

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

t. Borrowing costs

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

u. Related parties

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

v. Service concession arrangements

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

w. Cash and cash equivalents

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

x. Comparative figures

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

y. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

No provision has been made in this financial statement at the time of its preparation.

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Notes to Financial Statements (Continued)

6. Rendering of Services-Medical Service Income

Description	2024-2025	2023-2024
	KShs	KShs
Pharmaceuticals	190,640	248,178
Rangwe AIC	180,919	254,632
Laboratory	273,532	190,264
Inpatient	158,968	98,371
Outpatient	3,680	49,169
Medical Records	132,650	58,655
Total revenue from the rendering of services	<u>940,389</u>	<u>899,269</u>

7. Other Incomes

Description	2024-2025	2023-2024
	KShs	KShs
National Hospital Insurance Fund	22,960,019	28,495,038
Social Health Authority	110,342,520	-
Special Purpose Account	4,894,900	-
Total	<u>138,197,439</u>	<u>28,495,038</u>

8. Medical/ Clinical Costs

Description	2024-2025	2023-2024
	KShs	KShs
Laboratory chemicals and reagents	6,568,557	1,149,565
Food and Ration	4,713,559	2,245,500
Uniform, clothing, and linen	2,912,200	411,500
Dressing and non-pharmaceuticals	10,533,470	4,370,450
Pharmaceutical supplies	7,682,314	2,252,061
Purchase of Medical Records	1,038,000	1,621,000
Sanitary and cleansing Materials	2,949,175	971,000
Total medical/ clinical costs	<u>36,397,275</u>	<u>18,798,983</u>

Notes to the Financial Statements (Continued)

9. Employee Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Salaries, wages, and allowances	3,540,327	2,367,195
Employee costs	<u>3,540,327</u>	<u>2,367,195</u>

10. Board of Management Expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Sitting allowance	70,000	82,500
Total	<u>70,000</u>	<u>82,500</u>

11. Depreciation and Amortization Expense

Description	2024-2025	2023-2024
	Kshs	Kshs
Property, plant and equipment	1,766,593	1,401,409
Total depreciation and amortization	<u>1,766,593</u>	<u>1,401,409</u>

12. Repairs And Maintenance

Description	2024-2025	2023-2024
	Kshs	Kshs
Property- Buildings	414,770	2,288,490
Motor vehicle expenses	1,030,000	745,900
Total repairs and maintenance	<u>1,444,770</u>	<u>3,034,390</u>

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Notes to the Financial Statements (Continued)

13. General Expenses

Description	2024-2025	2023-2024
General Office Supplies	1,437,500	1,596,165
Catering expenses	100,000	-
Insecticides and rodenticides	684,500	-
Other Fuels	1,361,000	919,310
Bank charges	89,219	-
Contracted services	540,000	696,000.00
Electricity expenses	244,000	110,000
Fuel and Lubricants	1,812,000	2,030,000
Travel and accommodation allowance	421,300	-
Printing and stationery	1,736,780	-
Water and sewerage costs	350,000	115,000
Telephone and mobile phone services	125,500	299,000
Total General Expenses	<u>8,901,799</u>	<u>9,693,266</u>

14. 20% Retained in Special Purpose Account

Description	2024-2025	2023-2024
20% Retained in SPA Account	7,308,125	2,560,600
Total finance costs	<u>7,308,125</u>	<u>2,560,600</u>

15. Cash And Cash Equivalentents

Description	2024-2025	2023-2024
Current accounts	810,693	101,992.00
Total cash and cash equivalentents	<u>810,693</u>	<u>101,992.00</u>

14 (a). Detailed Analysis of Cash and Cash Equivalentents

Description	Account Number	2024-2025	2023-2024
a) Current account			
Co-Operative Bank of Kenya	01141589393800	810,693	101,992
Total		<u>810,693</u>	<u>101,992</u>

Notes to the Financial Statements (Continued)

16. Receivables From Exchange Transactions

Description	2024-2025	2023-2024
	KShs	KShs
Medical services receivables-NHIF	8,436,200	3,255,000
Medical services receivables-SHA	61,740,123	-
Receivables from Special Purpose Account - SPA	4,894,900	-
Total receivables	<u>75,071,223</u>	<u>3,255,000</u>

Analysis of Receivables From Exchange Transactions

Description	2024-2025		2023-2024	
	KShs	% of the total	KShs	% of the total
	2024-2025	% of the total	2023-2024	% of the total
Less than 1 year	66,635,023	89%	-	-
Between 1- 2 years	8,436,200	11%	3,255,000	100%
Total	<u>75,071,223</u>	<u>100%</u>	<u>3,255,000</u>	<u>100%</u>

17. Inventories

Description	2024-2025	2023-2024
	KShs	KShs
Pharmaceutical supplies	1,624,654	205,261.00
Lab reagents	1,426,700	149,212.00
Food supplies	897,900	180,600.00
Non-Pharmaceuticals	3,116,890	237,800.00
Cleaning materials supplies	751,351	13,666.00
General supplies	962,505	-
Medical records	280,000	-
Total	<u>9,060,000</u>	<u>786,539.00</u>

Notes to the Financial Statements (Continued)

Detailed disclosure on inventories

	2024-2025	2023-2024
Opening balance	786,539	648,984.00
Additional Inventory in the year	41,617,055	1,959,9563
Inventory expensed in the year	(33,343,594)	(1,946,2008)
Closing balance	<u>9,060,000</u>	<u>786,539.00</u>

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Notes to the Financial Statements (Continued)

18. Property, Plant and Equipment

	Land	Buildings and Civil Works	Motor Vehicles	ICT Equipment	Plant and medical equipment	Furniture, fittings & Office Equipment	Other Assets (specify)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
Cost									
At 1 July 2023	4,000,000	2,625,000	1,125,000	200,000	1,897,875	420,000	-	-	10,268,375
Additions	-	-	-	-	987,000	85,900	-	-	1,072,900
Disposals	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
At 30th Jun 2024	<u>4,000,000</u>	<u>2,625,000</u>	<u>1,125,000</u>	<u>200,000</u>	<u>2,884,875</u>	<u>506,400</u>	<u>=</u>	<u>=</u>	<u>11,341,275</u>
At 1 July 2024 (current year)	4,000,000	1,968,750	843,750	160,000	2,524,875	442,600	-	-	9,939,975
Additions		1,197,509	-	-	855,500	203,3750	-	-	4,086,759
Disposals	-	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
At 30th Jun 2025	<u>4,000,000</u>	<u>3,166,259</u>	<u>843,750</u>	<u>160,000</u>	<u>3,380,375</u>	<u>2,476,350</u>	<u>=</u>	<u>=</u>	<u>14,026,734</u>
Depreciation and impairment		25%	25%	20%	12.50%	12.50%	-	-	-
At 1 July 2023		-	375,000	50,000	271,125	133,125	-	-	1,704,250

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Description	Land	Buildings and Civil works	Motor vehicles	ICT Equipment	Plant and medical equipment	Furniture, fittings & Office equipment	Other assets (specify)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
Depreciation for the year		656,250	281,250	40,000	360,000	63,300	-	-	1,401,409
Disposals		(-)	(-)	(-)	(-)	(-)	(-)	-	(-)
Impairment		(-)	(-)	(-)	(-)	(-)	(-)	-	(-)
At 30 June 2024		<u>656,250</u>	<u>656,250</u>	<u>90,000</u>	<u>631,125</u>	<u>19,6425</u>	<u>(-)</u>	<u>=</u>	<u>3,105,659</u>
At July 2024 (current year)		656,250	656,250	90,000	631,125	19,6425	-	-	3,105,659
Depreciation		791,565	210,938	32,000	422,547	309,544	-	-	1,766,593
Disposals		(-)	(-)	(-)	(-)	(-)	(-)	-	(-)
Impairment		(-)	(-)	(-)	(-)	(-)	(-)	-	(-)
Transfer/adjustment		-	-	-	-	-	-	-	-
At 30th June 2025		<u>1,447,815</u>	<u>867,188</u>	<u>122,000</u>	<u>1,053,672</u>	<u>505,969</u>	<u>=</u>	<u>=</u>	<u>4,872,252</u>
Net book values									
At 30 th Jun 2024 (previous)	4,000,000	1,968,750	843,750	160,000	2,524,875	442,600	-	-	9,939,975
At 30 th Jun 2025 (current)	4000,000	2,374,694	632,813	128,000	2,957,828	2,166,806	-	-	12,260,141

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Notes to the Financial Statements (Continued)

19. Trade and other Payables

Description	2024-2025		2023-2024	
	KShs		KShs	
Trade payables	10,025,323		6,615,602	
Total trade and other payables	<u>10,025,323</u>		<u>6,615,602</u>	
Ageing analysis:	2024-2025	% of the Total	2023-2024	% of the total
Under one year	7,746,823	77%	4,871,520	74%
1-2 years	2,278,500	23%	1,204,082	18%
2-3 years	-	0%	540,000	8%
Total	<u>10,025,323</u>	<u>100%</u>	<u>6,615,602</u>	<u>100%</u>

20. Cash Generated from Operations

Description	2024-2025		2023-2024	
	KShs		KShs	
Surplus/(deficit) for the year before tax	79,708,939		(8,544,036)	
Adjusted for:				
Depreciation	1,766,593		1,401,409	
Working Capital adjustments				
Increase/decrease in inventory	(8,273,461)		6,510,806	
Increase/decrease in receivables	(72,646,341)		2,636,800	
Increase/decrease in payables	3,409,721		(1,175,324)	
Net cash flow from operating activities	<u>3,965,451</u>		<u>829,655</u>	

Notes to the Financial Statements (Continued)

21. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	At risk	Impaired
	KShs	KShs	KShs	KShs
At 30 June 2024				
Receivables from exchange transactions	3,255,000	3,255,000	-	-
Bank balances	3,255,000	3,255,000	-	-
Total	<u>3,255,000</u>	<u>3,255,000</u>	-	-
At 30 June 2025				
Receivables from exchange transactions	75,071,223	75,071,223	-	-
Bank balances	75,071,223	75,071,223	-	-
Total	<u>75,071,223</u>	<u>75,071,223</u>	-	-

Notes to the Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 3 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Trade payables	-	-	6,615,602	6,615,602
Total	-	-	6,615,602	<u>6,615,602</u>
At 30 June 2025				
Trade payables	1,074,000	436,000	8,515,323	10,025,323
Total	<u>1,074,000</u>	<u>436,000</u>	<u>8,515,323</u>	<u>10,025,323</u>

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) foreign currency risk

The entity has no transactional currency exposures because it does not use foreign currency in purchasing goods and services.

b) Interest rate risk

The entity has no interest rate risk exposure because it does not borrow from any commercial institution.

Notes to the Financial Statements (Continued)

22. 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.

Homa Bay County Government is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. The County Government of Homa Bay 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) Board of Directors;
- iii) Key Management

23. Events after the Reporting Period

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

24. Ultimate and Holding Entity

The entity is a Semi- Autonomous Government Agency under the Department of health its ultimate parent is the Government of Kenya.

25. Currency

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

5. 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. in the External Audit Report	Key Observations from Auditor	Management Comments	Status (Resolved/Not Resolved)	Timelines (If a date when you expect the issue to be resolved)
	Staffing and Specialised services	County Government is looking into it, as staffing function rest with county Government	Not Resolved	Not specific