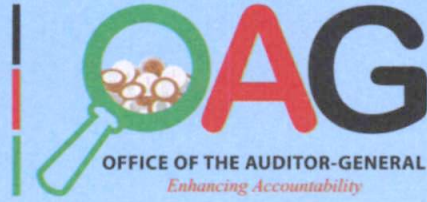


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ON

PALA LEVEL 4 HOSPITAL

FOR THE YEAR ENDED  
30 JUNE, 2025

HOMA BAY COUNTY GOVERNMENT

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**PALA Level 4 HOSPITAL  
(Homa Bay County Government)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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



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

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

**2. Key Entity Information and Management**

**(a) Background information**

Pala Level 4 Hospital is a level 4 hospital established under gazette notice number 13505 and is domiciled in Homa Bay County under the County Department of Public Health and Medical Services. The hospital is governed by a Board of Management.

**(b) Principal Activities**

The Mission of the hospital is to provide sustainable, technologically driven, evidenced-based and client-centered healthcare services.

The principal activities of the hospital are to:

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

**(c) Key Management**

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

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

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Facility In-Charge	Clifford Otieno
2.	Hospital Accountant	Jecinter Odhiambo
3.	Health Administrative Officer	Billy Opiyo

**(e) Fiduciary Oversight Arrangements**

Increasingly, hospitals and health systems, along with the individuals serving on 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. Pala Level 4 Hospital, being a government entity has formed various committees to ensure robust fiduciary oversight.

**i. Quality Improvement Team**

Quality Improvement Team (QIT) is a team taking lead to implement quality improvement activities. Group of multi skilled employee charged with responsibilities of improving processes or services. The team includes top and middle management members to coordinate initial planning and implementation.

The members include;

- a) Clifford Otieno – Chairperson
- b) Billy Opiyo - HAO – Secretary
- c) Denice Samba- Lab In charge
- d) Roseline Obiero -Nurse In charge
- e) Philip Ochieng - Pharm Tech in charge

**ii. Emergency Response Team**

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

- a) Clifford Otieno – Chairperson
- b) Billy Opiyo - HAO – Secretary
- c) Philip Ochieng - Pharmacist
- d) Denice Samba - Lab technologist
- e) Sharon Nyaanga- Deputy HAO

**iii. Medicines and Therapeutic Committee**

The Medicines and Therapeutics Committee (MTC) is a multidisciplinary committee responsible for overseeing policies and procedures related to all aspects of medicines and

other HPT use. Medicines and therapeutics a committee (MTCs) is formed in the hospital to improve prescribing and dispensing processes of medicines. Its importance appears in different aspects such as drug selection process, cost-effectiveness, and control of drug losses. Altogether, MTCs have shown an important role in promoting, controlling and educating activities of rational drug use. This is mostly manifested in demonstrating how the presence of MTCs in hospitals would improve

Patient's health outcomes and decrease overall drug expenditures. The members;

- a) Mr. Clifford Otieno (Facility In charge) – Chairperson
- b) Philip Ochieng (Pharmacist) - Secretary
- c) Rosemary Obiero - Nurse
- d) Sharon Nyaanga -Deputy Hospital Administrator

#### **iv. Billing and Waiver Committee**

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

The members are;

- a) Mr. Clifford Otieno - HAO – Chairperson
- b) Roseline Obiero (Nurse) – Secretary
- c) Sharon Nyaanga (Deputy HAO)

#### **v. Maternal and Perinatal Death and Surveillance Response (MPDSR)**

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

- a) Rosemary Obiero (Nurse) – Chairperson
- b) Mr. Clifford Otieno (Clinical Officer)– Secretary
- c) Denice Samba (Lab Manager)
- d) Philip Ochiagi (Pharmacist)

#### **vi. Hospital Management Committee**

Oversight roles and resource mobilization to the facility

**vii. Hospital Management Team**

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

**viii. Hospital finance Committee**

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

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

**(f) Entity Headquarters**

P.O. Box 286-40302, Ndhiwa  
Pala Level 4 Hospital Building  
Ndhiwa-Pala Koguta Road  
Ndhiwa, KENYA

**(g) Entity Contacts**

Telephone: (+254) 740 025934  
E-mail: [palasubcountyhospital@gmail.com](mailto:palasubcountyhospital@gmail.com)  
Website: [www.homabaygo.ke](http://www.homabaygo.ke)

**(h) Entity Bankers**

Kenya Commercial Bank  
KENCOM House  
Moi Avenue,  
P.O Box 48400-00100  
Nairobi, Kenya

**(i) Independent Auditors**

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




**(j) Principal Legal Adviser**





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



**(k) County Attorney**

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





**3. The Board of Management**





Ref	Directors	Details
1.	 Elisha Kagose	<ul style="list-style-type: none"> <li>• <b>Age:</b> 32</li> <li>• <b>Qualifications:</b> O-level, NYS College Gilgil</li> <li>• <b>Experience:</b> Senior Driver</li> </ul>
2.	 Moses Owuoth	<ul style="list-style-type: none"> <li>• <b>Age:</b> 42</li> <li>• <b>Qualifications:</b> BED Arts</li> <li>• <b>Experience:</b> Ward Administration</li> </ul>
3.	 Dominic Omondi	<ul style="list-style-type: none"> <li>• <b>Age:</b> 48</li> <li>• <b>Qualifications:</b> Degree in BED-Science</li> </ul>



<p>4.</p>	 <p>Maurine Aluoch</p>	<ul style="list-style-type: none"> <li>• <b>Age:</b> 36</li> <li>• <b>Qualifications:</b> Certificate in Community Health</li> </ul>
<p>5.</p>	 <p>Josiah Gori</p>	<ul style="list-style-type: none"> <li>• <b>Age:</b> 61</li> <li>• <b>Qualifications:</b> KCSE</li> </ul>
<p>6.</p>	 <p>Moses Katito</p>	<ul style="list-style-type: none"> <li>• <b>Age:</b> 58</li> <li>• <b>Qualifications:</b> Diploma in Teaching</li> <li>• <b>Experience:</b> Teacher at Maroo Primary School</li> </ul>
<p>7.</p>	 <p>Michael Gongga</p>	<ul style="list-style-type: none"> <li>• <b>Age:</b> 42</li> <li>• <b>Qualifications:</b> Diploma in Media &amp; Journalism with IT</li> </ul>

8.	 Jane Nguka	<ul style="list-style-type: none"><li>• <b>Age:</b> 58</li><li>• <b>Qualifications:</b> Higher National Diploma</li></ul>
9.	 Clifford Otieno	<ul style="list-style-type: none"><li>• <b>Role:</b> Medical Superintendent/Secretary</li><li>• <b>Age:</b> 38</li><li>• <b>Qualifications:</b> Diploma in Clinical Medicine and Minor Surgery</li></ul>

**4. Key Management Team**

Ref	Management	Details
1.	 Clifford Otieno (Diploma in Clinical Medicine and Minor Surgery)	Facility In charge
2.	 CPA Jecinter Odhiambo (B. Com – Accounting)	Hospital Accountant
3.	 Billy Opiyo (Bachelor in Agribusiness Management)	Health Administrative Officer
4.	 Sharon Nyaanga (Degree: International Relations (Diplomacy and Foreign Policy))	Deputy Health Administrative Officer

5.	 Rosemary Obiero (Higher Diploma in Nursing)	Nursing Officer in charge
6.	 Tobias Okongo (Diploma in Environmental Sciences)	Public Health Officer
7.	 Denice Samba (BSc. Medical Laboratory Science)	Laboratory Manager
8.	 Evans Odhiambo (Dip. Health Records Information Management)	Health Records

9.	 <p>Albert Odhiambo Aseto (Dip. Nutrition and dietetics technologies)</p>	Nutritionist
10.	 <p>Philip Ochieng (Dip. Pharmaceutical technology)</p>	Pharmacy in charge

## **5. Chairman's Statement**

On behalf of the Board of Management of Pala Level 4 Hospital, I am honoured to present the Chairman's Statement for the financial year ended 30 June 2025. This year has been marked by significant progress and notable achievements despite the persistent challenges facing the healthcare sector, both at the county and national levels. Our focus has remained steadfast on improving service delivery, enhancing operational efficiency, and strengthening the hospital's financial sustainability, all while ensuring that quality and accessible healthcare remains our core priority.

During the period under review, the hospital recorded an impressive improvement in financial performance. Total income rose to Kshs 161.26 million compared to Kshs 37.83 million in the previous year. This strong growth was driven largely by increased allocations and transfers from the County Government, a significant rise in miscellaneous income, and sustained, though modest, medical service income. The resulting surplus of Kshs 18.69 million, up from Kshs 6.62 million in 2023/2024, reflects prudent financial management and the effective implementation of cost-control measures, enabling the hospital to maintain a healthy balance sheet.

Operationally, our focus on quality care has remained central. The hospital has continued to operate within its capacity while striving to optimise resource utilisation. Medical and clinical costs for the year stood at Kshs 100.86 million, representing the largest proportion of our expenditure, a testament to our commitment to patient care. Infrastructure maintenance was given priority, ensuring that essential facilities remain functional and safe. The Board acknowledges that well-maintained infrastructure is a prerequisite for quality healthcare, and we have continued to allocate resources to repair and maintenance programs.

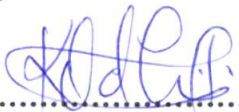
While progress has been notable, the year was not without its challenges. The absence of major sponsorships or partnerships limited our ability to expand certain specialised services. The hospital continues to face constraints in capital investment, which affects our ability to acquire advanced medical equipment and upgrade existing facilities. Furthermore, while patient numbers remain stable, there is significant potential to expand our reach through the introduction of new specialised clinics and improved referral systems.

The Board has identified four key strategic priorities for the coming years. Firstly, we will work towards the expansion of specialised medical services to cater for conditions that currently require referral to other facilities. Secondly, we intend to strengthen partnerships and collaborations with both public and private sector stakeholders to enhance service delivery capacity and resource mobilisation. Thirdly, we will pursue the upgrading of critical infrastructure and acquisition of modern medical equipment to ensure our services remain competitive and effective. Finally, we will enhance staff development programs to attract, retain, and continuously train our healthcare workforce.

Our governance framework remains robust, with the Board ensuring compliance with statutory requirements and oversight of all operational and financial matters. We continue to uphold transparency, accountability, and ethical conduct in the execution of our mandate. Board meetings were held regularly during the year, enabling timely decision-making and effective monitoring of performance against strategic objectives.

The achievements of this year would not have been possible without the unwavering support of our stakeholders. I extend our sincere gratitude to the County Government of Homa Bay for its continued commitment to supporting the hospital's operations and infrastructure needs. I also wish to thank our dedicated management team and staff, whose professionalism and tireless service are the driving force behind our success. Most importantly, we acknowledge the community we serve, whose trust in Pala Level 4 Hospital inspires us to continually raise the standard of healthcare provision.

As we look ahead, we do so with optimism and determination. The coming year presents an opportunity to build on our financial gains, address operational gaps, and implement innovative solutions to enhance patient experience and health outcomes. The Board remains committed to guiding the hospital towards becoming a model healthcare institution—resilient, responsive, and sustainable.

  
.....  
**Name** Kagoze Elisha  
**Chairman to the Board**

## **6. Report of The Medical Superintendent**

It is my privilege to present the Medical Superintendent's report for the financial year ended 30 June 2025. The year under review has been one of both notable progress and enduring challenges, as Pala Level 4 Hospital continued to deliver essential healthcare services to our community while navigating resource constraints and evolving healthcare demands. As a secondary-level referral facility, the hospital remains a critical link in the healthcare continuum within Homa Bay County, bridging primary healthcare units and higher-level referral hospitals.

Over the reporting period, the hospital maintained an authorised bed capacity of 100 beds, which enabled us to manage a combination of acute and sub-acute admissions efficiently. We recorded a total of 3,475 patient encounters encompassing both inpatient and outpatient services. Although Accident and Emergency services and specialised clinics remained non-operational, our core general medical, paediatric, maternity, and outpatient services remained functional and responsive to the needs of our catchment population. The average length of stay for inpatients was four days, a figure consistent with Ministry of Health benchmarks for facilities of our level, reflecting efficient clinical management, early mobilisation, and effective discharge planning. Our bed occupancy rate averaged 60 percent during the year, a performance influenced by seasonal fluctuations in morbidity and by deliberate admission management to ensure quality care within the limits of our available resources.

The hospital's mortality rate stood at three percent, which is within the expected epidemiological range for a facility of our size and scope, given the burden of both communicable and non-communicable diseases in our population. Morbidity patterns continued to be dominated by malaria, respiratory tract infections, diarrhoeal illnesses, and obstetric complications. In the absence of active surgical theatre utilisation, patients requiring operative interventions were referred to designated tertiary hospitals under established referral protocols. While this ensured that patients received appropriate surgical care, it also underscored the need to operationalise our surgical theatre in the near future to improve access and reduce referral delays.

Quality of care and patient safety remained central to our operations. Clinical audits were conducted periodically to assess compliance with standard treatment guidelines, antibiotic stewardship practices, and overall patient outcomes. We continued to apply the Kenya Quality Model for Health

framework to strengthen service delivery standards, improve patient satisfaction, and enhance safety indicators. Infection prevention and control remained a priority, with regular staff sensitisation, routine environmental hygiene inspections, and strict adherence to hand hygiene protocols. Notably, no major nosocomial infection outbreaks were reported during the year, which attests to the robustness of our infection control measures. The pharmaceutical services unit worked to ensure uninterrupted access to essential medicines, although occasional stock-outs of certain specialised drugs occurred due to supply chain limitations. Laboratory services maintained reliable turnaround times for routine investigations, supporting timely and evidence-based clinical decision-making.

The hospital's human resources remain our most important asset. During the year, staffing levels were maintained at adequate capacity for general ward operations, although shortages persisted in key specialist cadres such as anaesthetists, radiographers, and specialist physicians. Continuous Professional Development was pursued through in-house training sessions covering emergency obstetric care, integrated management of childhood illnesses, and updates on clinical protocols for priority health conditions. Limited funding restricted opportunities for more specialised external training, yet staff demonstrated resilience and adaptability in meeting the needs of our patients. Staff retention remains a challenge in the face of competition from private healthcare providers and the NGO sector, making motivation and welfare interventions a critical strategic concern moving forward.

Infrastructure and equipment maintenance were prioritised to ensure uninterrupted service delivery. Preventive maintenance schedules were implemented for biomedical equipment, although certain diagnostic and therapeutic devices require urgent upgrading or replacement. The lack of a functional operating theatre remains a major service gap, limiting our capacity to provide both emergency and elective surgical interventions. Minor infrastructure improvements were undertaken, including civil works to improve patient flow in the outpatient department. The hospital's water and sanitation systems remained fully operational throughout the year, ensuring compliance with health and safety standards.

From a financial perspective, the hospital recorded a surplus of Kshs 18.69 million, a substantial improvement over the previous year's surplus of Kshs 6.62 million. Total revenue increased to Kshs

161.26 million, driven mainly by enhanced allocations from the County Government, increased miscellaneous income, and steady medical service revenues. Expenditure was dominated by medical and clinical costs, which stood at Kshs 100.86 million, reflecting the resource-intensive nature of patient care. Net assets grew from Kshs 11.44 million in June 2024 to Kshs 17.94 million by the close of the current financial year, providing a stronger financial base for future investment in infrastructure and service expansion.

Looking ahead, our strategic focus will be on operationalising specialised clinics, reactivating surgical theatre services, strengthening human resources through targeted recruitment and training, upgrading critical infrastructure and diagnostic capacity, and cultivating partnerships with donor agencies, non-governmental organisations, and private sector actors. We also intend to deepen community health engagement, with a focus on preventive care, health education, and the strengthening of referral systems in collaboration with community health units.

The achievements of the past year are a direct result of the commitment, professionalism, and teamwork of our staff, the strategic guidance of the Board of Management, and the financial and policy support of the County Government of Homa Bay. I wish to extend my sincere gratitude to each member of our healthcare team for their unwavering dedication to patient care, and to the community for their continued trust in Pala Level 4 Hospital. We remain committed to delivering safe, efficient, and compassionate healthcare, and to working towards improved health outcomes for all those we serve.



.....  
**Name** *Clifford Goma Otieno*  
**Secretary to the Board**



**7. Statement of Performance Against Predetermined Objectives**

Pala Level 4 Hospital has five (5) strategic themes and objectives within the current Strategic Plan for the FY 2024/25- FY 2029/30. These strategic themes are as follows:

- Theme 1: Enhance healthcare service delivery
- Theme 2: Ensure financial sustainability
- Theme 3: Improve infrastructure and operational efficiency
- Theme 4: Foster professional development and staff retention
- Theme 5: Enhanced community engagement and accessibility

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

Strategic Theme	Objective	Key Performance Indicators	Activities	Achievements
Theme 1: Enhance Healthcare Service Delivery	Improve access to essential health services while maintaining quality and patient safety	Total patient attendance, average length of stay, bed occupancy rate, mortality rate	Optimised outpatient triage, maintained 24-hour inpatient care, strengthened referral linkages	4,272 inpatient admissions, 5,976 outpatient visits, 10 Accident & Emergency cases, average length of stay 5 days, bed occupancy rate 98%, mortality rate 1%
Theme 2: Ensure Financial Sustainability	Enhance internal revenue generation and optimise budget use	% budget utilisation, income growth, surplus generated	Strengthened revenue collection systems, enforced expenditure controls, streamlined procurement	Achieved budget execution within set targets, maintained consistent medical service income, supported financial stability

***Pala Level 4 Hospital (Homa Bay County Government)***  
***Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025***

Theme 3: Improve Infrastructure and Operational Efficiency	Maintain functional infrastructure and equipment	Asset value preserved, reduced equipment downtime, improved patient flow	Preventive maintenance of biomedical equipment, minor civil works in OPD, environmental hygiene upgrades	Maintained fully functional core infrastructure, ensured uninterrupted service delivery despite non- operational surgical theatre
Theme 4: Foster Professional Development and Staff Retention	Strengthen staffing levels and build staff capacity	Number of staff trained/recruited, staff retention rates, skill enhancement	Conducted in- house CPD on emergency obstetric care, IMCI, and updated clinical guidelines	Retained core nursing staff, enhanced clinical skills, mitigated turnover in critical service areas
Theme 5: Enhanced Community Engagement and Accessibility	Strengthen linkages with community units and referral facilities	Number of community outreach activities, partnerships established	Coordinated outreach with community health volunteers, developed partnership agreements	Maintained strong community trust, implemented 4 active partnerships (LVCT, Malezi Bora, KEMRI, DevLink)

Overall, the hospital’s performance against its predetermined objectives for the year reflects a well-coordinated effort across all strategic themes, with measurable improvements in service delivery, financial management, and operational stability. Each thematic area is closely tied to performance contracts and evaluation metrics, ensuring that progress is both quantifiable and aligned with broader health sector goals. The achievements recorded during the year are a testament to the dedication of our staff, the strategic leadership of the Board, and the continued support of the County Government and the community we serve.

## **8. Corporate Governance Statement**

Pala Level 4 Hospital is committed to maintaining the highest standards of corporate governance to ensure that its leadership is accountable, transparent, and effective in delivering on the institution's mandate. The hospital's governance framework is anchored in the Public Finance Management Act, 2012, the County Governments Act, 2012, and other relevant public health and corporate governance guidelines. This framework ensures that the Board, management, and staff work cohesively towards the delivery of safe, efficient, and equitable healthcare services to the community.

### **i. Appointment of Board Members, Process of Appointment and Removal, Board Size, Diversity, and Charter**

Board members are appointed by the County Government of Homa Bay through a competitive and merit-based selection process that includes public advertisement of vacancies, shortlisting of qualified candidates, and final vetting and approval by the County Assembly. Each appointment is for a renewable term of three years, subject to performance evaluation and compliance with governance standards. Removal of a Board member follows due process, including written notice, investigation of any misconduct, and formal resolution by the appointing authority, ensuring procedural fairness.

The Board consists of seven members: the Chairperson, Vice Chairperson, three independent members representing various professional sectors, and two ex-officio members—the County Director of Health and the Medical Superintendent. This composition reflects a healthy balance of technical expertise, gender diversity (four male members and three female members), and a broad range of ages and professional backgrounds, ensuring that decision-making benefits from diverse perspectives.

The hospital operates under a formally adopted Board Charter, which clearly sets out the roles, responsibilities, powers, and limitations of the Board. The Charter also outlines ethical obligations, accountability measures, and performance expectations, ensuring governance consistency.

### **ii. Roles and Functions of the Board**

The Board serves as the policy-making and oversight body for the hospital. Its key functions include formulating strategic direction, approving the annual work plan and budget, monitoring operational and financial performance, and ensuring adherence to statutory obligations and public health standards. It also plays a critical role in risk management, safeguarding hospital assets, and ensuring alignment with both the National Health Policy and the County Integrated Development Plan (CIDP).

### **iii. Induction, Training, and Development**

Following appointment, each Board member undergoes a comprehensive induction programme that introduces them to the hospital's vision, mission, operational structure, governance framework, and service delivery systems. The induction also covers statutory obligations, ethics, and financial oversight responsibilities.

During FY 2024/2025, the Board participated in three targeted training sessions:

#### **i. Public Finance Management and Budget Oversight-**

Strengthening members' understanding of the budget process and financial accountability.

ii. **Health Sector Policy Updates** – Providing insights into new national health guidelines and their implications for hospital operations.

iii. **Corporate Governance Best Practices** – Enhancing knowledge of governance principles, Board-Management relations, and strategic oversight.

This ongoing training ensures that members remain well-informed and capable of making decisions that respond to both current and emerging healthcare challenges.

### **iv. Board and Members' Performance**

Performance evaluation is conducted annually and includes a self-assessment, peer review, and evaluation by the Chairperson. The criteria include attendance, preparation for meetings, contribution to discussions, adherence to ethical standards, and commitment to the hospital's

strategic objectives. Feedback from these assessments informs training priorities and succession planning.

**v. Number of Board Meetings and Attendance**

In FY 2024/2025, the Board convened **four full Board meetings** and **eight committee meetings**. Attendance across all sessions was consistently high, with the majority of members attending every scheduled meeting. Those unable to attend specific sessions provided prior notice and ensured they were briefed on deliberations and decisions, thus maintaining continuity in participation. This strong attendance record underscores the Board's dedication to its governance role.

**vi. Succession Plan**

The hospital has a documented succession plan to ensure uninterrupted leadership in the event of planned or unplanned transitions. This plan identifies potential successors for both Board leadership and senior management positions and includes capacity-building measures to prepare them for future roles. Deputy positions have been established to provide operational continuity and preserve institutional memory.

**vii. Policy to Manage Conflict of Interest**

Pala Level 4 Hospital enforces a strict Conflict of Interest Policy requiring members to declare any actual, potential, or perceived conflicts at the start of each meeting. Declarations are recorded in the minutes, and members with conflicts recuse themselves from related deliberations and voting. In FY 2024/2025, two instances of potential conflict were disclosed and managed appropriately.

**viii. Board Remuneration**

Board members receive remuneration strictly in accordance with County Public Service Board guidelines. This includes sitting allowances, travel reimbursements, and subsistence allowances. There are no performance-based bonuses, equity awards, or other incentives to ensure independence in decision-making.

**ix. Ethics and Conduct**

The Board adheres to the principles of the Public Officer Ethics Act, committing to integrity, fairness, impartiality, and respect for confidentiality. Members are prohibited from engaging in any activities that could compromise the hospital’s reputation, operations, or service delivery. All members sign an annual declaration of compliance with the hospital’s Code of Ethics.

**x. Governance Audit**

A governance audit conducted in March 2024 assessed compliance with legal, regulatory, and internal governance requirements. The hospital achieved an overall score of **87%**, reflecting strong adherence to governance principles. The audit recommended improvements in document management systems, digital archiving, and strengthening Board induction materials. These recommendations have been incorporated into the governance improvement plan for FY 2024/2025.

**xi. Communication Policy**

The hospital has a comprehensive Communication Policy designed to promote transparency, accountability, and stakeholder engagement. Communication channels include internal memos, community health forums, press releases, County Government bulletins, and structured feedback sessions with patients and community leaders. All public communications are vetted to ensure accuracy, clarity, and alignment with institutional priorities.

**xii. Terms of Reference of Committees**

The Board operates through two standing committees:

- **Finance, Audit & Risk Committee** – Oversees financial performance, internal and external audits, and risk mitigation strategies.
- **Human Resource & Service Delivery Committee** – Monitors staffing, training programmes, and patient care quality standards.

Each committee has a detailed Terms of Reference document specifying its mandate, authority, composition, and reporting obligations to the full Board.

**xiii. Policy on Related Party Transactions**

The hospital has a clearly defined Related Party Transactions Policy that mandates disclosure, review, and Board approval of any such dealings. This policy ensures all transactions are transparent, fair, and the best interest of the institution. No related party transactions were recorded during FY 2024/2025.

Pala Level 4 Hospital remains steadfast in its commitment to robust corporate governance as a foundation for delivering high-quality, accessible, and sustainable healthcare services. The Board continues to review and strengthen governance structures, recognising that good governance is integral to achieving operational excellence, financial sustainability, and public trust.

## **9. Management Discussion and Analysis**

The Management Discussion and Analysis (MDA) for the financial year ended 30 June 2025 provides an in-depth examination of Pala Level 4 Hospital's operational and financial performance, viewed within the broader context of its strategic objectives, healthcare policy environment, and evolving service demands. This section also addresses key investments undertaken, compliance with statutory obligations, emerging risks, and the hospital's forward-looking priorities.

### **1. Clinical and Operational Performance**

The hospital's functional bed capacity during the reporting period stood at 60 beds, a figure that has remained constant over the last three years. While modest in size, this capacity has been utilised with remarkable efficiency, as evidenced by a sustained bed occupancy rate of 98%. Such high utilisation levels reflect the community's confidence in the facility, strengthened referral pathways, and an operational culture that prioritises rapid but clinically appropriate patient turnover.

Total patient attendance for the year reached 10,248, comprising 4,272 inpatient admissions and 5,976 outpatient consultations. This patient volume demonstrates the hospital's dual role as both a primary access point for routine and preventive care and a secondary referral facility for more complex medical needs. The inpatient caseload, in particular, reflects the hospital's central role in managing acute conditions that require hospitalization.

The average length of stay (ALOS) was recorded at five days, aligning closely with national benchmarks for facilities of comparable size and mandate. This figure underscores efficient clinical management and discharge planning while balancing the need to avoid premature discharges that could compromise patient recovery.

Although the Accident and Emergency Department handled a relatively small caseload of 10 patients, its strategic importance should not be underestimated. The facility's low emergency numbers are more reflective of referral patterns and limited pre-hospital care systems than of the absence of emergencies in the catchment area. Strengthening emergency medical systems remains a priority in the medium term.

No specialized clinics were operational during the reporting period. However, the hospital made preparatory progress toward introducing targeted specialty services, including maternal and child health clinics, and non-communicable disease (NCD) screening services. These initiatives are in response to emerging epidemiological trends that indicate a rising burden of NCDs alongside persistent maternal and child health challenges.

The mortality rate for the year was maintained at 1%, a commendable performance indicator for a Level 4 facility. This outcome reflects robust adherence to clinical guidelines, the application of evidence-based treatment protocols, and effective case triaging.

Surgical theatre utilization remained nil during the period under review, owing to the theatre's non-operational status pending the acquisition of additional equipment and recruitment of specialized surgical personnel. While this represents a current limitation in service breadth, the groundwork for theatre reactivation is ongoing, with funding proposals submitted to the County Government.

Strategic partnerships continued to provide a critical platform for service delivery enhancement. Collaborations with LVCT Health, Malezi Bora, KEMRI, and DevLink facilitated expanded community outreach, strengthened maternal and child health programmes, and enabled research activities with direct implications for public health policy. These partnerships have also been instrumental in capacity building, technology transfer, and community health literacy campaigns.

## **2. Financial Performance**

The hospital's financial performance during FY 2024/2025 was shaped by a combination of internally generated revenue and external funding. Internally, the primary revenue sources were National Health Insurance Fund (NHIF) reimbursements and direct user fees, accounting for approximately 45% and 35% of collections, respectively. County Government allocations provided the fiscal backbone for operational sustainability, while donor funding from partner organizations supported programme-specific interventions.

Revenue growth over the last three years has been incremental, underpinned by improvements in NHIF claims management, the introduction of streamlined billing processes, and the gradual increase in NHIF enrolment among the catchment population. Nonetheless, the hospital remains significantly dependent on government subventions, which account for nearly half of total funding.

This reliance underscores the necessity of diversifying revenue streams, potentially through value-added diagnostic services, modestly expanded private-wing offerings, and optimised procurement practices to reduce expenditure leakage.

In terms of expenditure, the allocation of funds reflected the hospital's operational priorities. The largest share was devoted to personnel costs, followed by procurement of essential medicines and non-pharmaceutical supplies. Notably, stock-out incidents were reduced from 17% in the prior year to less than 5%, demonstrating improved supply chain governance. Infrastructure maintenance and minor renovations also absorbed a portion of the budget, contributing to enhanced patient experience and compliance with infection prevention standards. Administrative and support service costs were tightly managed to remain within budget limits, reflecting disciplined financial stewardship.

### **3. Compliance with Statutory and Regulatory Requirements**

The hospital maintained full compliance with all relevant statutory frameworks, including the Public Finance Management Act, 2012, the Public Procurement and Asset Disposal Act, 2015, and the Occupational Safety and Health Act, 2007. Statutory deductions for staff, including PAYE, NHIF, and NSSF, were remitted promptly and in full. Procurement processes adhered to transparency, competitiveness, and value-for-money principles, while financial reporting met the requirements of the International Public Sector Accounting Standards (IPSAS) accrual basis.

### **4. Key Projects and Strategic Investments**

FY 2024/2025 saw the implementation of several targeted initiatives aimed at strengthening service delivery and operational resilience:

1. Facility Refurbishment – Minor ward renovations enhanced patient comfort, improved ventilation, and aligned with updated infection prevention protocols.
2. Digital Health Integration – A pilot electronic medical records system was rolled out in the outpatient department, improving data accuracy and clinical decision-making.
3. Community Outreach Expansion – Partner-supported mobile health units increased rural coverage for immunisation and health education campaigns.

Looking ahead, the hospital's strategic investment priorities include the reactivation of the surgical theatre, procurement of advanced diagnostic equipment, and expansion of maternal and neonatal care services.

## **5. Risk Profile and Mitigation Strategies**

The hospital faces several strategic and operational risks:

- **Capacity Strain:** With a 98% occupancy rate, the hospital operates close to full capacity year-round. This creates risks of service delays and staff burnout. Mitigation measures include exploring modular ward expansion and enhancing inter-facility referral protocols.
- **Service Scope Limitations:** The non-operational surgical theatre constrains service breadth. Reactivation is a medium-term goal, supported by advocacy for dedicated County funding.
- **Funding Volatility:** Dependence on government allocations and donor funding exposes the hospital to budgetary fluctuations. Diversification of revenue sources is being pursued.
- **Human Resource Stability:** Recruiting and retaining skilled health personnel remains challenging. The hospital is addressing this through continuous professional development, mentorship programmes, and advocacy for competitive remuneration.

## **6. Forward Outlook**

In FY 2025/2026, Pala Level 4 Hospital will focus on expanding its clinical scope, particularly in emergency medicine and surgical services, while embedding digital health solutions into core operations. Efforts to optimise NHIF reimbursements, strengthen public-private partnerships, and improve cost efficiency will be intensified to enhance financial sustainability.

The hospital remains committed to its dual mandate of providing high-quality curative care while advancing preventive and promotive health strategies. By reinforcing governance, operational efficiency, and community engagement, the institution aims to consolidate its role as a model of Level 4 service delivery within Homa Bay County.

## **10. Environmental And Sustainability Reporting**

### *i) Sustainability strategy and profile*

Pala Level 4 Hospital is dedicated to providing high-quality healthcare services while ensuring sustainability and environmental stewardship. Our main mandate is to deliver accessible and efficient healthcare to the citizens of Kenya, and our sustainability strategy focuses on maintaining these services over the long term. The top management, particularly the accounting officer, is committed to sustainable efforts, considering broad political and macroeconomic trends, international best practices, and key achievements and challenges. Our sustainability strategy is centered on three main pillars: environmental stewardship, social responsibility, and economic viability. We aim to integrate sustainable practices into all aspects of our operations to ensure that we can continue to serve our community effectively.

- **Environmental Stewardship:** We are committed to minimizing our environmental footprint through responsible resource management and waste reduction.
- **Social Responsibility:** We prioritize the well-being of our employees and the community, ensuring fair labor practices and active community engagement.
- **Economic Viability:** We strive for financial sustainability to maintain and improve our services over the long term.

### *ii) Environmental performance*

Pala Level 4 Hospital adheres to the environmental policy statements issued by the Homa Bay County Department of Environment. These policies guide our efforts to minimize our environmental impact through sustainable practices and responsible resource management.

#### Successes

- i. **Energy Conservation:** We have successfully reduced our energy consumption through the installation of energy-efficient lighting and equipment.
- ii. **Waste Management:** Our waste management program has achieved a reduction in medical waste through recycling and proper disposal practices.

- iii. **Biodiversity Management:** We have planted over 500 trees in the hospital compound to enhance biodiversity and create a healthier environment.

The shortcomings to our stellar environmental performance include:

- a. **Non-Recyclable Waste:** Despite our efforts, managing non-recyclable waste remains a challenge. This makes us to resort to incineration which may have a counter effect on the environment.
- b. **Carbon Footprint:** Further reduction of our carbon footprint is an ongoing goal that requires additional resources and strategies on using clean energy.

### **Efforts to Manage Biodiversity**

We are committed to preserving and enhancing biodiversity within our hospital grounds. Our tree-planting initiatives and green space maintenance are key components of this effort.

### **Waste Management Policy**

Our waste management policy, guided by the Homa Bay County Department of Environment, includes segregation of waste at the source, recycling, and safe disposal of hazardous materials. Regular training sessions are conducted for staff to ensure compliance with these practices.

### **Efforts to Reduce Environmental Impact**

We continuously seek ways to reduce the environmental impact of our operations. This includes adopting eco-friendly products, reducing energy consumption, and implementing sustainable practices across all departments.

### **iii) Employee welfare**

#### *Hiring Process and Gender Ratio*

Pala Level 4 Hospital follows a transparent and inclusive hiring process guided by policies issued by the Homa Bay County Department of Health. Our hiring policies ensure diversity and gender balance, aiming for an equitable representation of men and women across all levels of the

organization. We actively engage stakeholders, including community representatives and healthcare professionals, in the hiring process to ensure that our practices are fair and inclusive. These policies are reviewed and improved annually to adapt to changing needs and to promote a diverse workforce.

#### *Stakeholder Engagement*

Stakeholder engagement is a critical component of our hiring process. We conduct quarterly meetings with stakeholders to gather feedback and make necessary adjustments to our hiring policies. This engagement ensures that our hiring practices are aligned with the expectations and needs of the community we serve.

#### *Skills Improvement and Career Management*

Pala Level 4 Hospital is committed to the continuous professional development of its staff. We offer various training programs and workshops to enhance the skills and careers of our employees. These programs include:

- **Continuous Professional Development (CPD):** We encourage our staff to undertake regular training sessions and workshops to keep updated with the latest medical practices and technologies.

#### *Safety and Compliance with OSHA*

The safety and well-being of our employees are paramount. Pala Level 4 Hospital adheres to the Occupational Safety and Health Act of 2007 (OSHA) to ensure a safe working environment. Our safety policies include:

- **Regular Safety Audits:** Conducting regular safety audits to identify and mitigate potential hazards.
- **Safety Training:** Providing ongoing safety training for all employees to ensure they are aware of and can adhere to safety protocols.

- **Compliance Monitoring:** Regularly monitoring compliance with OSHA standards and making necessary adjustments to our safety policies.

*iv) Market place practices-*

*a) Responsible competition practice.*

Pala Level 4 Hospital is committed to ensuring responsible competition practices through the following measures:

**Anti-Corruption:** We subscribe to the Ethics and Anti-Corruption Commission’s strict anti-corruption policy, which includes regular training for staff on ethical practices and the establishment of a whistleblower system to report any unethical behaviour whenever they occur.

**Responsible Political Involvement:** The hospital maintains a neutral stance in political matters and ensures that any involvement in political activities is conducted responsibly and transparently.

**Fair Competition:** We adhere to fair competition laws and regulations, ensuring that our practices do not undermine our the spirit of competition. We compete based on the quality of our services and our commitment to patient care.

**Respect for Competitors:** We respect our competitors and engage in fair and ethical business practices. We avoid any actions that could harm the reputation or operations of other healthcare providers.

*b) Responsible Supply chain and supplier relations*

Pala Level 4 Hospital maintains good business practices and treats its suppliers responsibly through the following efforts:

**Honoring Contracts:** We ensure that all contracts with suppliers are honored, and we adhere to the agreed terms and conditions.

**Respecting Payment Practices:** We respect payment practices by ensuring timely payments to our suppliers, fostering trust and long-term relationships.

**Ethical Sourcing:** We prioritize sourcing from suppliers who adhere to ethical practices and sustainability standards. This includes evaluating suppliers based on their environmental and social impact.

**c) Responsible Marketing and Advertisement**

Our marketing and advertisement efforts are guided by ethical principles to ensure transparency and honesty:

**Truthful Advertising:** We ensure that all marketing materials accurately represent our services and do not mislead patients or the public.

**Ethical Communication:** Our communications are designed to provide clear and accurate information, helping patients make informed decisions about their healthcare.

**Compliance with Regulations:** We adhere to all relevant advertising regulations and guidelines to maintain the integrity of our marketing practices.

**d) Product Stewardship**

Pala Level 4 Hospital is committed to safeguarding consumer rights and interests through the following initiatives:

**Patient Safety:** We prioritize patient safety by ensuring that all medical products and services meet the highest standards of quality and safety.

**Informed Consent:** We ensure that patients are fully informed about their treatment options and any associated risks, allowing them to make informed decisions.

**Feedback Mechanisms:** We have established feedback mechanisms to gather patient input and address any concerns promptly. This helps us continuously improve our services and maintain high standards of care.

**v) Corporate Social Responsibility / Community Engagements**

Pala Level 4 Hospital is committed to giving back to the community through various CSR activities:

1. **Health Camps:** Organized in underserved areas, providing free medical check-ups and treatments, significantly improving access to healthcare.
2. **Blood Donation Drives:** Conducted to support the county blood bank, ensuring a steady supply of blood for emergencies.
3. **Health Awareness Campaigns:** Focused on maternal and child health, HIV/AIDS awareness, and non-communicable diseases, educating the community on important health topics.
4. **Support for Local Clinics:** Donated medical supplies and equipment, enhancing the capacity of local clinics and health centers.
5. **Tree Planting Initiatives:** Planted over 500 trees in the hospital compound and surrounding areas to enhance biodiversity and promote a healthier environment.

**Community Engagement**

1. **Charitable Giving:** Provided financial assistance through waivers and exemptions and material donations to families in need, particularly those affected by health crises.
2. **Educational Programs:** Partnered with local schools to provide health education thus joining hands to combat teen pregnancies and spread of STI/STDs.
3. **Volunteer Programs:** Staff participated in various community projects, strengthening our relationship with the community.

### **Impact on Society**

Our CSR activities have significantly improved access to healthcare, supported education, contributed to local development, and promoted environmental sustainability, fostering trust and collaboration between the hospital and the community.

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

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

**Principal activities**

The key objectives of the facility continue to be:

1. To Enhance Healthcare Service Delivery
2. To Ensure Financial Sustainability
3. To Improve Infrastructure and Operational Efficiency
4. To Foster Professional Development and Staff Retention
5. To Strengthen Community Engagement and Corporate Social Responsibility (CSR)

**Results**

The results of the entity for the year ended June 30 2025 are set out on pages 1 to 8.

**Board of Management**

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

**Auditors**

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

By Order of the Board



.....  
**Name** Clifford Ombira Otieno  
**Secretary to the Board**



## **12. Statement of Board of Management's Responsibilities**

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

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


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

Nothing has come to the attention of the Board of management to indicate that Pala Level 4 Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Hospital's financial statements were approved by the Board on 20/08/2025 and signed on its behalf by:

  
.....  
**Name:** Kagere Elisha  
**Chairperson**  
**Board of Management**

  
.....  
**Name:** Clifford Ombira Otiemo  
**Accounting Officer**



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

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements for Pala Level 4 Hospital – Homa Bay County Government set out on pages 1 to 39, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance,

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*Report of the Auditor-General on Pala Level 4 Hospital for the year ended 30 June, 2025 – Homa Bay County Government*

statement of cash flows, statement of changes in net assets 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 respect, the financial position of Pala Level 4 Hospital as at 30 June, 2025, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the County Government Act 2012, The Health Act, 2017.

## **Basis for Qualified Opinion**

### **1. Inaccuracy in the Financial Statement**

Review of the financial statement presented for the audit revealed the following inaccuracies:

- i. The statement of financial performance does not show the financial year instead it shows 30 June, 20xx;
- ii. The report of the medical superintendent on page xvi states that " we recorded a total of 3,475 patients" while Management discussion and analysis on page xxvi paragraph 3 states that " total patient attended for in the year reached 10,248 leading to a variance of 6,773;
- iii. The statement of performance against predetermined objectives states that "the facility achieved its performance targets set for the FY 2023/2024" instead of FY 2024/2025;
- iv. Policy to manage conflict of interest on page xxiii talks of financial year 2023/2024 instead of the year under review 2024/2025; and
- v. Policy on related party transactions on page xxv is for 2023/2024 instead of the year 2024/2025.

In the circumstances, the financial statements are not fairly presented.

### **2. Misstatement of Revenue**

The statement of financial performance as disclosed in Note 7 reflects revenue from rendering of services (medical service income) amounting to Kshs.391,625. However, verification revealed that the reported miscellaneous income of Kshs.91,158,652 also comprised revenue from rendering of medical services invoiced to the Social Health

Authority (SHA). Consequently, the total invoiced revenue from rendering of services amounted to Kshs.91,550,277. Further, analysis of the cashbook, bank statements, and supporting records indicated that out of the total invoiced amount of Kshs.91,550,277, the Hospital collected Kshs.68,354,850 (approximately 75%), comprising Kshs.348,198 received in cash through M-Pesa and Kshs.68,006,652.35 received from NHIF/SHA.

In the circumstances, the revenue from rendering of services (medical service income) amount of Kshs.391,625 could not be confirmed.

### **3. Variances in The Receipts Reported in Statement of Cashflow and The Statement of Comparison of Budget and Actual Amount**

The statement of cashflow and the statement of comparison of budget and actual amount reflects total actual receipts of Kshs.131,856,121. However, review of the cashbook and revenue support ledgers indicated actual receipts made up of Kshs.391,265 FIF (Mpesa) NHIF/SHA receipts of Kshs.68,006,655 and a transfer from County of kshs.54,399,622 all totaling to Kshs.122,797,899 resulting in unreconciled variance of Kshs.9,058,222.

In the circumstances, the accuracy of the cashflow statement and the statement of comparison of budget and actual amount could not be confirmed.

### **4. Transfer from County Government – Special Purpose Account**

The statement of financial performance as disclosed in Note 6 reflects transfers from the County Government amounting to Kshs.63,457,844. However, verification of the reported income revealed that the amount represents receipts from exchange transactions — specifically, medical service income collected and deposited in a special purpose account (SPA) and subsequently transferred back to the hospital's main account. The same amount was also disclosed as miscellaneous income under Note 8 of the financial statements, leading to double recognition of the same revenue and consequently an overstatement of non-exchange income. Further, verification revealed kshs.54,399,622 which was reported as part of miscellaneous income as the actual transfers from the County Government as tabulated in the appendices attached.

In circumstances, the accuracy of revenue from non-exchange transactions cannot be confirmed.

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

The statement of financial position as disclosed in Note 18 discloses receivables from exchange transactions amounting to Kshs.29,839,029. Audit analysis revealed that, the opening balance of long-term receivables was Kshs.9,459,300. However, the Management did not provide supporting documentation such as detailed receivable ledgers, movement schedules showing recoveries realized, aging analysis of outstanding balances, disclosures for provisions for doubtful debts, or any adjustments made to the reported figure. Further, analysis of the invoiced amount from rendering of services totaling Kshs.91,550,277 revealed that the hospital collected Kshs.68,354,850, resulting in a computed receivable balance of Kshs.23,195,427. This differs from the reported

receivables of Kshs.29,839,029, leading to an unexplained variance of Kshs.6,643,602. In addition, the audit revealed undisclosed pending payment from NHIF of Kshs.9,457,300 that has been pending since 13 January, 2024. while the SHA portal has pending payments under review of Kshs.8,700,660 and an explained rejected payment of Kshs.22,457,920. Further review revealed that the statement of financial performance reports total invoiced revenue of Kshs.161,264,094, while the statement of cash flows discloses total actual receipts of Kshs.131,856,121, implying a receivable balance of Kshs.29,407,973. However, the statement of financial position as disclosed in Note 18 reports current receivables of Kshs.29,839,029, leading to a variance of Kshs.431,056. In addition, the audit of SHA claims revealed that the monthly support ledger indicated that the facility received Kshs.57,638,152 from SHA. However, review of the Social Health Authority (SHA) website dashboard showed that between October 2024 and the date of review, the hospital had submitted claims totaling Kshs.75,200,100, of which: Kshs.43,967,600 (58%) had been paid, Kshs.8,700,660 were still under review, Kshs.73,920 had been returned, and Kshs.22,457,920 (30%) had been rejected despite the services having been rendered.

In the circumstances, the accuracy, completeness and reliability of the receivables from exchange transactions of Kshs.29,839,029 could not be confirmed.

## **6. Variances in the Financial Statement Balances**

Review of the financial statements against supporting schedules revealed that the figures presented differed considerably casting doubt on their authenticity. The statement of financial performance reflects medical/ clinical cost of Kshs.100,864,988 while the supporting schedule amounted to Kshs.94,609,015 resulting to unreconciled variance of Kshs.6,255,973. Further the statement of financial position reflects inventories cost of kshs.4,403,607 while the supporting schedule balance is kshs.4.403,307 hence a variance of kshs.300.

In the circumstances, the financial statement balances could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Pala 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 amount reflects final receipts budget and actual on comparable basis amount of Kshs.147,950,000 and Kshs.131,856,121 resulting in an under funding of Kshs.16,093,879 or 11% of the budget. Similarly, the Hospital expenditure amounted to Ksh.131,855,152 against the realized receipts of

Ksh.131,856,121 resulting in under-utilization of kshs.969 as full utilization of actual receipts.

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

My opinion is not modified in respect of these matter.

### **Key Audit Matters**

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

### **Other Information**

The Management is responsible for the Other Information set out on pages iii to xxix which comprises, which comprises the Key Entity Information and Management, The Board of Management, Key management team, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance Against Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management and Statement of Board of Management's Responsibilities The Other Information does not include the financial statements and my audit report thereon.

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

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

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

#### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I

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

## **Basis for Conclusion**

### **1. Failure to Retain Facilities Improvement Funds at the Hospital**

Review of revenue records obtained from the Pala Level IV Hospital revealed total collection of Kshs.91,550,277 towards the health facilities improvement. Out of this amount, a total of Kshs.43,000,000 was transferred to Special Purpose Account at the health department. However, Special Purpose Account reimbursed a total of Kshs.34,400,000 to the health facilities resulting in a deficit of Kshs.8,600,000 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. Failure to Remit Statutory Deduction- National Social Security Fund and Social Health Authority**

The statement of financial performance reflects employee cost totaling Kshs.6,242,586 as disclosed under note 10 to the financial statements. However, the hospital failed to deducted and remit the statutory deduction of NSSF and NHIF/SHA from their locum employees. This was in breach of National Hospital Insurance Fund (NHIF) Act 2012 and National Social Security Fund Act. Further, the basis and criteria used in remuneration of staff was not provided.

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

### **3. Failure to Open Facility and Improvement Bank Account**

Review of the bank account documents revealed that management has only one operations account and has not opened a facility improvement bank account as required by the law.

In circumstances, Management was in breach of the Law.

### **3. Non-Compliance with Universal Health Coverage Requirement for Level 4 Hospitals**

Review of the facility operations and records revealed that the Hospital operated below the set standards as per the Kenya Quality Assurance Model for Health Checklist for level

4 hospitals. The following deficiencies in implementation of Universal Health Care program were observed:

### 3.1 Inadequate Staffing Requirements

The Hospital did not meet the necessary requirements for staffing as outlined below;

Category	Recommended as per Kenya Quality Model for Health Checklist	In place (No)	Variance
Medical Officers	20	5	15
Anesthesiologists	3	0	3
General Surgeons	3	0	3
Gynecologists	3	0	3
Pediatricians	3	0	3
Radiologists	2	0	2
Kenya Registered Community Health Nurses	151	9	142
<b>Total</b>	<b>185</b>	<b>14</b>	<b>171</b>

### 3.2 Inadequate Level 4 Hospital Equipment

The Hospital lacked or shortage of the necessary equipment and machines outlined in the health policy guidelines as detailed below;

Equipment	Standard	Observed	Variance
Wards Bed capacity	300	24	276
Functioning ICU	6	0	6
Functioning HDU	6	0	6
Operational theatres	4	0	4
New Born Unit- Incubators	6	0	6
<b>Total</b>	<b>322</b>	<b>24</b>	<b>298</b>

Further, the hospital had only one ambulance whose log book was not provided for audit. The deficiencies contravene the First Schedule of Health Act, 2017 and implies that accessing highest attainable standards of health, which includes the right to health care services including reproductive health care as required by Article 43(1) of the Constitution of Kenya 2010 may not be achieved. Further, this contravenes the Kenya Quality Model for Health Policy Guidelines may have hindered the achievement of the Government program on Universal Health Coverage (UHC).

In circumstances, the effectiveness of the medical services offered and the Universal Health Coverage program could not be confirmed.

#### **4. Irregular Engagement of Casual Workers**

The board of management of the Hospital engaged 23 casuals for more than three months consecutively against the labour law instead of contracting them as they are serving in core areas, the Hospital did not maintain personal files for each staff which shows the qualification, time served and contract renewal frequency. In addition, there was no evidence for approval from the County public service Board. However, this was contrary to section B.16(1) of the County Public Service Human Resource Manual, May, 2013, which states that (1) Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and they shall not be engaged for more than three months, as stipulated in the Employment Act, 2007. In the absence of contractual documents on casual engagements, the Hospital may incur legal costs and damages as a result of legal actions by the casuals.

In 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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

##### **Conclusion**

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

##### **Basis for Conclusion**

###### **1. Lack of Internal Audit Function and Audit Committee**

Review of the financial reports and other correspondences revealed that the hospital has not established an Internal Audit Function and an Audit Committee. This is contrary to Section 155 of the Public Finance Management Act, 2012 which provides for the establishment of the Internal Audit Function and an Audit Committee of the hospital. As such the hospital did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

In the circumstances, the effectiveness of the internal audit and the audit committee in discharging their mandate and assurance on going concern could not be confirmed.

## **2. Lack of Key Management Policies and Procedures**

The audit revealed that Management did not institute policies and procedures to guide key financial and managerial processes and controls for management such as risk management policy and risk management framework, disaster recovery plan or business continuity plan and fire and emergency preparedness policy to guide the operations in the areas of revenue, expenditure, personnel, inventory and liabilities for the effective and efficient running of the hospital, and to cushion and/or guarantee business continuity.

In circumstances, the existence of effective internal control, risk management and governance systems could not be confirmed.

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

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

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

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

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

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

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

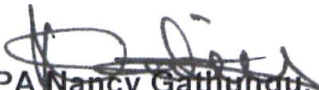
### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

**Nairobi**

**08 December, 2025**

*Pala Level 4 Hospital (Homa Bay County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	63,457,844	
In-kind contributions from the County Government	6	6,255,973	13,205,030
		<b>69,713,817</b>	<b>13,205,030</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	7	91,550,277	24,623,727
<b>Revenue from exchange transactions</b>		<b>91,550,277</b>	<b>24,623,727</b>
<b>Total revenue</b>		<b>161,264,094</b>	<b>37,828,757</b>
<b>Expenses</b>			
Medical/Clinical costs	8	100,864,988	20,195,474
Employee costs	9	3,113,218	891,210
Board of Management Expenses	10	95,000	275,000
Depreciation and amortization expense	11	4,199,191	3,695,341
Repairs and maintenance	12	14,285,942	2,979,200
General expenses	13	20,008,799	3,172,238
<b>Total expenses</b>		<b>142,567,138</b>	<b>31,208,463</b>
<b>Net Surplus for the year</b>		<b>18,696,956</b>	<b>6,620,294</b>

*(The notes set out on pages 8 to 38 form an integral part of the Annual Financial Statements.)*

The Hospital's financial statements were approved by the Board on 20/08/2025 and signed on its behalf by:



**Chairman**  
Board of Management



**Head of Finance**  
ICPAK No:



**Medical Superintendent**

25 NOV 2025

*Pala Level 4 Hospital (Homa Bay County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	4,119	3,350
Receivables from exchange transactions	15	29,839,029	9,459,300
Inventories	16	4,403,607	5,678,586
<b>Total Current Assets</b>		<b>34,246,755</b>	<b>15,141,236</b>
<b>Non-current assets</b>			
Property, plant, and equipment	17	78,856,805	80,606,496
<b>Total Non-current Assets</b>		<b>78,856,805</b>	<b>80,606,496</b>
<b>Total assets (A)</b>		<b>113,103,559</b>	<b>95,747,731</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	2,706,122	671,600
<b>Total Current Liabilities</b>		<b>2,706,122</b>	<b>671,600</b>
<b>Total Liabilities (B)</b>		<b>2,706,122</b>	<b>671,600</b>
<b>Net assets (A-B)</b>		<b>110,397,437</b>	<b>95,076,131</b>
<b>Represented by:</b>			
Accumulated surplus/Deficit		28,532,900	9,835,944
Capital Fund		81,864,538	85,240,188
<b>Net Assets</b>		<b>110,397,438</b>	<b>95,076,132</b>

***Pala Level 4 Hospital (Homa Bay County Government)***  
***Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025***

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The Hospital's financial statements were approved by the Board on 20/08/2025 and signed on its behalf by:



**Chairman**

**Board of Management**



**Head of Finance**

**ICPAK No:**



**Medical Superintendent**



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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
<b>As at July 1, 2023</b>	-	<b>3,215,650</b>	<b>1,284,688</b>	<b>4,500,338</b>
Surplus/(deficit) for the year	-	6,620,294		<b>6,620,294</b>
Capital/Development grants	-	-	83,955,500	<b>83,955,500</b>
<b>As at June 30, 2024</b>	-	<b>9,835,944</b>	<b>5,240,188</b>	<b>95,076,132</b>
<b>At July 1, 2024</b>	-	<b>9,835,944</b>	<b>85,240,188</b>	<b>95,076,132</b>
Surplus/(deficit) for the year	-	18,696,956	-	<b>18,696,956</b>
Capital/Development grants	-	-		-
Adjustments for PPE Purchased			(3,375,650)	<b>(3,375,650)</b>
<b>At June 30, 2025</b>	-	<b>25,157,250</b>	<b>85,240,188</b>	<b>110,397,438</b>

(Note:

1. Capital/Development Grants in FY 2024/2025 represent funds allocated by the County Government for infrastructure development, particularly the acquisition and improvement of hospital facilities.
2. The Adjustment for PPE Purchased in FY 2024/2025 reflects the capitalisation of property, plant, and equipment acquired during the year, transferred from accumulated surplus to capital assets.
3. The hospital does not hold any revaluation reserve, as assets have not been revalued during the reporting period.
4. The consistent growth in accumulated surplus reflects prudent financial management, with surpluses reinvested into service delivery and infrastructure improvement.)

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

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		63,457,844	-
Rendering of services- Medical Service Income		68,398,277	24,623,727
<b>Total Receipts</b>		<b>131,856,121</b>	<b>14,725,427</b>
<b>Payments</b>			
Medical/Clinical costs		92,254,493	6,990,444
Employee costs		3,113,218	891,210
Board of Management Expenses		95,000	275,000
Repairs and maintenance		14,117,342	2,979,200
General expenses		19,825,799	3,072,238
<b>Total Payments</b>		<b>129,405,852</b>	<b>14,208,092</b>
<b>Net cash flows from operating activities</b>	19	<b>2,450,269</b>	<b>517,335</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment		(2,449,500)	(744,150)
<b>Net cash flows used in investing activities</b>		<b>(2,449,500)</b>	<b>(744,150)</b>
<b>Cash flows from financing activities</b>			
<b>Net cash flows used in financing activities</b>		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>769</b>	<b>(226,815)</b>
Cash and cash equivalents as at 1 July	14	3,350	230,164
<b>Cash and cash equivalents as at 30 June</b>	14	<b>4,119</b>	<b>3,350</b>

*Pala Level 4 Hospital (Homa Bay County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

**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	
Budget carryovers from the previous year		0	3,350		3,350	0%
<b>Receipts</b>						
Transfers from the County Government				63,457,844	(63,457,844)	
Rendering of services- Medical Service Income	147,000,000	-	147,000,000	68,398,277	79,551,723	46%
<b>Total receipts</b>	<b>147,950,000</b>	<b>0</b>	<b>147,950,000</b>	<b>131,856,121</b>	<b>16,093,879</b>	<b>89%</b>
<b>Payments</b>						
Medical/Clinical costs	93,000,000	0	93,000,000	92,254,493	745,507	99%
Employee costs	4,000,000	0	4,000,000	3,113,218	886,782	78%
Remuneration of directors	240,000	0	240,000	95,000	145,000	40%
Repairs and maintenance	15,000,000	0	15,000,000	14,117,342	882,658	94%
General expenses	24,210,000	0	24,210,000	19,825,799	4,384,201	82%
<b>Total Operational Expenditure paid</b>	<b>136,450,000</b>	<b>0</b>	<b>136,450,000</b>	<b>129,405,852</b>	<b>7,044,148</b>	
<b>Capital Expenditure paid</b>	<b>11,500,000</b>	<b>0</b>	<b>11,500,000</b>	<b>2,449,300</b>	<b>9,050,500</b>	<b>21%</b>
<b>Surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,119</b>		

*Budget Notes (IPSAS 24.14 Explanations)*

- Medical Service Income – Actual revenue was 43% of budget, primarily due to lower-than-anticipated patient volumes in certain service categories and delayed reimbursements from NHIF. Additionally, the budget did not anticipate the shift in patient utilisation patterns, with some services being outsourced to referral facilities.*
- Miscellaneous Receipts (SHA Recoveries) – This line was not included in the budget but realised significant receipts amounting to KSh 68,006,652. These funds were largely from one-off settlement of arrears from the Social Health Authority, hence the performance variance.*

***Pala Level 4 Hospital (Homa Bay County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025***

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3. *General Expenses – Utilisation stood at 82% as certain planned administrative and outreach activities were postponed to the next financial year.*
4. *Capital Expenditure – Only 21% of the budget was utilised due to procurement delays in major equipment acquisition and re-prioritisation of funds to urgent recurrent needs. The balance is expected to be carried forward to the next fiscal year.*

## **19. Notes to the Financial Statements**

### **1. General Information**

Pala Level 4 Hospital is established by and derives its authority and accountability from Homa Bay County FIF Act 2023. The entity is wholly owned by the Homa Bay County Government and is domiciled in Homa Bay County in Kenya. The entity's principal activity is to offer high quality and integrated medical care services that are affordable and accessible and to provide conducive environment that enhance active participation in the provision of high-quality medical care services.

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated. 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.***

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The Entity expects minimal impact as it currently has no material lease arrangements; however, any future leases will be accounted for in compliance with IPSAS 43.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>No significant impact anticipated, as the Entity does not currently hold assets for sale or operate discontinued segments.</p>

Standard	Effective date and impact:
<p>IPSAS 45- Property Plant and Equipment</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>The Entity expects improved classification and disclosure for infrastructure assets; no material changes to carrying amounts is anticipated.</p>
<p>IPSAS 46 Measurement</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>May influence valuation methodologies for certain non-financial assets, particularly operational facilities.</p>
<p>IPSAS 47- Revenue</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting</p>

Standard	Effective date and impact:
	<p>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>May require changes to revenue recognition policies for government transfers and service income.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>No material impact expected, as the Entity is primarily a recipient rather than a provider of transfer payments.</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>No direct impact expected, as the Entity does not administer retirement benefit plans.</p>
<p>IPSAS 50: Exploration For &amp; Evaluation of Mineral Resources</p>	<p><b><i>Applicable 1<sup>st</sup> January 2027</i></b></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation</li> </ul>

Standard	Effective date and impact:
	<p>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.</p> <p>No impact expected, as the Entity is not engaged in mineral resource exploration or evaluation activities.</p>

***iii) Early adoption of standards***

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

**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 2024/25 was approved by Board on 21<sup>st</sup> May, 2024. The Pala Level 4 Hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

**c. Taxes**

**Sales tax/ Value Added Tax**

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

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

*Notes to the Financial Statements (Continued)*

**d. Investment property**

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 50 years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

**e. Property, plant and equipment**

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

*Notes to the Financial Statements (Continued)*

**f. Leases**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the 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.

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 losses (ECL) associated with its financial assets carried at amortized cost and at fair value through net assets/equity. In line with applicable financial reporting standards, a loss allowance is recognized for such expected losses at each reporting date.

During the year under review, no impairment losses or expected credit losses were recognized, as the assessment indicated that the credit risk associated with the Entity's financial assets was minimal. There were no instances requiring adjustments to the carrying amounts of the financial assets.

## **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**

Pala Level 4 Hospital does not maintain any specific reserves. All financial resources are allocated and utilized based on the immediate operational and strategic needs of the hospital, ensuring that funds are directed towards providing high-quality healthcare services to the community.

**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 hospital regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the hospital, 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, Pala Level 4 Hospital recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**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 Kenya Commercial Bank and 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 are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

**Notes to Financial Statements Continued**

**6. Transfers from the County Government**

Description	FY 2024-2025	FY2023-2024
	KShs	KShs
<b>Income from Non Exchange Transactions</b>		
Transfer from County Government - SPA	63,457,844	
In Kind Laboratory Supplies	-	1,345,000
In Kind Pharmaceuticals	6,255,973	11,860,030
	<b>6,255,973</b>	<b>13,205,030</b>
<b>Total Income from Non Exchange Transactions</b>	<b>69,713,817</b>	<b>13,205,030</b>

**6 b Transfers from The County Government**

Name of the Entity sending the grant	Amount recognized to Statement of financial performance*	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Homa Bay County Government	63,457,844	0	0	63,457,844	0
<b>Total</b>	<b>63,457,844</b>	<b>0</b>	<b>0</b>	<b>63,457,844</b>	<b>0</b>

Notes to Financial Statements Continued

7. Rendering of Services-Medical Service Income

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Pharmaceuticals	138,822	80,669
Laboratory	156,085	96,354
Outpatient Services	-	24,640
Inpatient Services	34,270	10,760
Health Records	62,448	
Insurance Recoveries	68,006,652	14,952,004
Insurance Receivables	23,152,000	9,459,300
<b>Total revenue from the rendering of services</b>	<b>91,550,277</b>	<b>24,623,727</b>

Notes to the Financial Statements (Continued)

8. Medical/ Clinical Costs

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Laboratory chemicals and reagents	18,101,097	2,147,100
Purchase of medical gases	1,000,000	
Food and Ration	21,718,300	1,719,350
Beddings and linens	-	
Dressing and non-pharmaceuticals	15,204,370	953,949
Pharmaceutical supplies	16,796,368	12,878,075
Health information stationery	19,019,303	2,316,500
Sanitary and cleansing Materials	8,819,550	165,500
Purchase of Optical supplies		15,000
Purchase of patients uniforms	206,000	
<b>Total medical/ clinical costs</b>	<b>100,864,988</b>	<b>20,195,474</b>

9. Employee Costs

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Salaries, wages, and allowances	3,113,218	891,210
Other employee costs		
<b>Employee costs</b>	<b>3,113,218</b>	<b>891,210</b>
Amount to financial statement	<b>3,113,218</b>	<b>891,210</b>
<b>Less accrued</b>		-
<b>Amount to cash flow statement</b>	<b>3,113,218</b>	<b>891,210</b>

Notes to the Financial Statements (Continued)

**10. Board of Management Expenses**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Chairman's Honoraria		
Sitting allowance	95,000	275,000
Mileage		
Induction and training		
Travel and accommodation allowance		
Airtime allowances		
<b>Total</b>	<b>95,000</b>	<b>275,000</b>

**11. Depreciation and Amortization Expense**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Property, plant and equipment	4,199,191	3,695,341
<b>Total depreciation and amortization</b>	<b>4,199,191</b>	<b>3,695,341</b>

**12. Repairs And Maintenance**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Property- Buildings	9,831,850	1,299,000
Medical equipment	1,010,000	
Office equipment	-	
Furniture and fittings	1,420,000	
Computers and accessories	1,614,492	
Motor vehicle expenses	409,600	926,200
Maintenance of civil works	-	754,000
<b>Total repairs and maintenance</b>	<b>14,285,942</b>	<b>2,979,200</b>

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

**13. General Expenses**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Advertising and publicity expenses		32,000
Catering expenses	1,334,000	
Waste management expenses		170,000
Insecticides and rodenticides	1,280,000	
Bank charges	35,439	61,738
Electricity expenses	435,000	100,000
Fuel and Lubricants	1,825,000	657,500
Travel and accommodation allowance	390,000	7,000
Computer and printer accessories		525,000
Contracted services		190,000
Courier and postal services		
Printing and stationery	4,856,360	
Water and sewerage costs	2,010,000	40,000
Telephone and mobile phone services	20,000	100,000
Internet expenses	100,000	
General office supplies		355,000
Other Fuels	7,044,000	810,000
Stationeries		124,000
Purchase of Households	679,000	
<b>Total General Expenses</b>	<b>20,008,799</b>	<b>3,172,238</b>

**14. Cash And Cash Equivalents**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Current accounts	4,119	3,350
Cash in hand		
<b>Total cash and cash equivalents</b>	<b>4,119</b>	<b>3,350</b>

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

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

Description		FY 2024-2025	FY 2023-2024
Financial institution	Account number	Kshs	Kshs
<b>a) Current account</b>			
Kenya Commercial bank	1121528406	4,119	3,350
<b>Sub- total</b>		4,119	3,350
<b>Grand total</b>		4,119	3,350

**15. Receivables From Exchange Transactions**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Medical services receivables	29,839,029	9,459,300
Rent receivables		
Other exchange debtors		
Less: impairment allowance		
<b>Total receivables</b>	<b>29,839,029</b>	<b>9,459,300</b>

**Analysis of Receivables From Exchange Transactions**

Description	FY 2024-2025		FY 2023-2024	
	Kshs	% of the total	Kshs	% of the total
	<b>FY 2024-2025</b>	<b>% of the total</b>	<b>FY 2023-2024</b>	<b>% of the total</b>
Less than 1 year	23,152,000	100%	9,459,300	100
Between 1- 2 years	6,687,029	%		%
Between 2-3 years		%		%
Over 3 years		%		%
<b>Total (a+b)</b>	<b>29,839,029</b>	<b>%</b>	<b>9,459,300</b>	<b>%</b>

**16. Inventories**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Pharmaceutical supplies	422,826	2,182,665
Laboratory supplies	229,692	676,150
Food supplies	619,000	53,920
Non pharmaceuticals	3,132,089	2,249,628
Cleaning materials supplies	-	472,523
Health information stationery	-	-
Office Stationery	-	43,700
Less: provision for impairment of stocks	-	-
<b>Total</b>	<b>4,403,607</b>	<b>5,678,586</b>

**Detailed disclosure on inventories**

	<b>FY 2024-2025</b>	<b>FY 2023-2024</b>
Opening balance	5,678,586	-
Additional Inventory in the year	65,506,552	22,772,238
Inventory expensed in the year	64,850,603	17,093,652
Write-downs in the year		
Others specify		
Closing balance	<b>4,403,607</b>	<b>5,678,586</b>

*Pala Level 4 Hospital (Homa Bay County Government)  
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*Notes to the Financial Statements (Continued)*

**17. Property, Plant and Equipment**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
<b>Cost</b>		<b>2%</b>	<b>25.0%</b>	<b>12.5%</b>	<b>30.0%</b>	<b>12.5%</b>	
At 1 July 2023		-	<b>1,500,000</b>	<b>82,500</b>		<b>100,000</b>	<b>1,682,500</b>
Additions		220,000		399,150		125,000	<b>744,150</b>
Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
Revaluation Adjustments	-	72,690,000	3,000,000	823,500	1,148,200	4,611,300	<b>82,273,000</b>
<b>At 30<sup>th</sup> Jun 2024</b>	-	<b>72,910,000</b>	<b>4,500,000</b>	<b>1,305,150</b>	<b>1,148,200</b>	<b>4,836,300</b>	<b>84,699,650</b>
At 1 July 2024	-	<b>72,910,000</b>	<b>4,500,000</b>	<b>1,305,150</b>	<b>1,148,200</b>	<b>4,836,300</b>	<b>84,699,650</b>
Additions				540,000	1,129,500	780,000	<b>2,449,500</b>
Disposals	-	-	-	-	-	-	-
Transfer/adjustments							-
Revaluation Adjustments							-
<b>At 30<sup>th</sup> Jun 2025</b>	-	<b>72,910,000</b>	<b>4,500,000</b>	<b>1,845,150</b>	<b>2,277,700</b>	<b>5,616,300</b>	<b>87,149,150</b>
<b>Depreciation and impairment</b>							
At 1 July 2023			<b>375,000</b>	<b>10,313</b>		<b>12,500</b>	<b>397,813</b>
Depreciation for the year		1,458,200	1,125,000	163,144	344,460	604,538	<b>3,695,341</b>
Disposals		-	-	-	-	-	-

*Pala Level 4 Hospital (Homa Bay County Government)*  
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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Impairment							-
<b>At 30 June 2024</b>		<b>1,458,200</b>	<b>1,500,000</b>	<b>173,457</b>	<b>344,460</b>	<b>617,038</b>	<b>4,093,154</b>
At July 2024		1,458,200	1,500,000	173,457	344,460	617,038	4,093,154
Depreciation		1,458,200	1,125,000	230,644	683,310	702,038	4,199,191
Disposals							-
Impairment							-
Transfer/adjustment		-	-	0	-	-	-
<b>At 30<sup>th</sup> June 2025</b>		<b>2,916,400</b>	<b>2,625,000</b>	<b>404,101</b>	<b>1,027,770</b>	<b>1,319,075</b>	<b>8,292,346</b>
<b>Net book values</b>							
At 30 <sup>th</sup> Jun 2024	-	71,451,800	3,000,000	1,131,693	803,740	4,219,263	80,606,496
At 30 <sup>th</sup> Jun 2025	-	69,993,600	1,875,000	1,441,050	1,249,930	4,297,225	78,856,805

*Pala Level 4 Hospital (Homa Bay County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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

**18. Trade and other Payables**

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
Trade payables	2,706,122		671,600	
Employee dues	-		-	
<b>Total trade and other payables</b>	<b>2,706,122</b>		<b>671,600</b>	
<b>Ageing analysis:</b>	<b>Current FY 2024- 2025</b>	<b>% of the Total</b>	<b>Compa ra tive FY 2023- 2024</b>	<b>% of the total</b>
Under one year	2,706,122	100%		%
1-2 years		0%	671,600	100%
2-3 years		0%		0%
Over 3 years		0%		0%
<b>Total</b>	<b>2,706,122</b>	<b>100%</b>	<b>671,600</b>	<b>100%</b>

**19. Cash Generated from Operations**

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
Surplus for the year before tax	18,696,956		6,620,294	
<b>Adjusted for:</b>				
Depreciation	4,199,191		3,695,341	
<b>Working Capital adjustments</b>				
Increase in inventory	1,274,980		(5,005,628)	
Increase in receivables	(23,755,380)		(4,620,368)	
Increase in payables	2,034,522		(1,206,972)	
<b>Net cash flow from operating activities</b>	<b>2,450,270</b>		<b>517,335</b>	

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

**20. Financial Risk Management**

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

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

**(i) Credit risk**

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2024</b>				
Receivables from exchange transactions	9,459,300			
Receivables from –non-exchange transactions				
Bank balances	3,350			
<b>Total</b>	<b>9,462,650</b>			
<b>At 30 June 2025</b>				
Receivables from exchange transactions	29,839,029			
Receivables from –non-exchange transactions				
Bank balances	4,119			
<b>Total</b>	<b>29,843,148</b>			

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has no significant concentration of credit risk on amounts due from accounts receivable. 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 1-2 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2024</b>				
Trade payables		671,600		671,600
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
<b>Total</b>		<b>671,600</b>		<b>671,600</b>
<b>At 30 June 2025</b>				
Trade payables	2,706,122			2,706,122
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
<b>Total</b>	<b>2,706,122</b>			<b>2,706,122</b>

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

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

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

**Foreign currency sensitivity analysis**

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

**b) Interest rate risk**

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

**Management of interest rate risk**

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

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

**Sensitivity analysis**

Pala Level 4 Hospital did not have any borrowings or financial instruments subject to variable interest rates during the year ended 30 June 2025. Consequently, the entity was not exposed to interest rate risk, and no sensitivity analysis has been presented.

**iv) Capital Risk Management**

The primary objective of Pala Level 4 Hospital’s capital risk management is to safeguard the Hospital’s ability to continue operating as a going concern while delivering quality healthcare services to the community. The Hospital’s capital structure comprises accumulated surpluses and the capital fund, which represent resources invested in infrastructure, equipment, and other long-term assets. Management regularly reviews the capital position to ensure adequate funding for operational needs, strategic projects, and compliance with statutory requirements, while maintaining financial sustainability.

The entity capital structure comprises of the following funds:

Description	FY 2024/25	FY 2022/23
	Kshs	Kshs
Retained earnings	25,157,250	4,703,715
Capital reserve	85,240,188	85,240,188
<b>Total funds</b>	<b>110,397,438</b>	<b>95,076,132</b>
Total borrowings	0	0
Less: cash and bank balances	4,119	3,350
Net debt/ ( <i>excess cash and cash equivalents</i> )	(4,119)	(3,350)
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

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

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

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

**22. Events after the Reporting Period**

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

**23. Ultimate and Holding Entity**

Pala Level 4 Hospital is a Semi-Autonomous Government Agency under the Department of Health. Its ultimate parent is the County Government of Homa Bay.

**24. Currency**

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

**20. Appendices**

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

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

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

  
 .....  
**Accounting Officer**