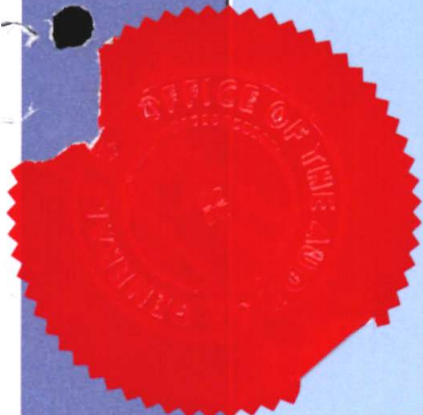


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REPORT

OF

THE AUDITOR-GENERAL

ON

IGUHU LEVEL 4 HOSPITAL

PAPERS LAID

DATE	14/2/26
TABLED BY	Leleogura
COMMITTEE	J
FOR THE YEAR ENDED	Polycap.

FOR THE YEAR ENDED

30 JUNE, 2025

COUNTY GOVERNMENT OF KAKAMEGA

MSK



IGUHU LEVEL 4 HOSPITAL (Kakamega County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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1. Acronyms & Glossary of Terms

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

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

2. Key Entity Information and Management

(a) Background information

Iguhu Hospital is a level 4 hospital established under gazette notice number 17 and is domiciled in Kakamega County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

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

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

(c) Key Management

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

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

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Sandifin Ayienda
2.	Head of finance	Janet Lumula
3.	Head of supply chain	Mercy Sayo
4.	Hospital Administrator	Robert Orito
5.	Nursing Officer Incharge	Rebecca Simiyu

(e) Fiduciary Oversight Arrangements

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

Key Entity Information and Management (continued)

(f) Hospital Headquarters

Kakamega Department Of Health
P.O. Box 36-50100
Kakamega
KENYA

(g) Hospital Contacts

Iguhu Subcounty Hospital
P.O Box 604 -50104
Khayega (Kakamega) –KENYA

Hospital Bankers

KCB BANK KENYA LIMITED KAKAMEGA BRANCH

1. Iguhu Sub County Hospital Imprest account No **1252757735**
2. Iguhu Level 4 Hospital NHIF Account No **1511916641**
3. Iguhu Hospital Revenue Account No **115191242**
4. Iguhu Level 4 Hospital Development Account No **1151916803**

(d) Independent Auditors

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




(e) Principal Legal Adviser

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


(f) County Attorney

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




3. The Board of Management

Ref	Directors	Details
1.	 <p>Board Chairperson Mr Peter Liyayi</p>	<p>Qualification</p> <p>KCE Certificate</p> <p>Experience</p> <p>30 Year experience in Board Management</p>
2.	 <p>Medical superintendent /Secretary of the Board Mr.Sandifin Ayienda</p>	<p>Qualification</p> <p>Master of Science in Public Health</p> <p>Experience</p> <p>20 Years in Public Health and Medical Health</p>
3.	 <p>MCA Representative Mr Evans Shikali</p>	<p>Qualification</p> <p>KCE Certificate</p> <p>Experience</p> <p>Over Five Years in Board Management</p>
4.		<p>Qualification</p>

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	 <p>Sub County Administrator Mr .Geoffrey Lumabsi</p>	<p>Master Degree in Public Administration Track(Sung</p> <p>Expeirence 20 Years experience in Management</p>
<p>5.</p>	 <p>Member of The Board Mr Julius Ligami</p>	<p>Qualification KCE Cerificate</p> <p>Experience 5 Years experience in Management</p>
<p>6.</p>	 <p>Youth Representative Mr Ramius Lisebushila</p>	<p>Qualification KCSE Cerificate</p> <p>Experience Over 3 years experience</p>

4. Key Management Team

Ref	Management	Details
1.	 <p>Medical superintendent /Secretary of the Board Mr.Sandifin Ayienda</p>	<p>Qualification Master of Science Public Health</p> <p>Experience Over 20 Years' experience in Health science service delivery ,Management ,Health systems strengthening</p>
2.	 <p>Iguhu Hospital Admnistrator Robert Orito</p>	<p>Qualification Diploma in Business Management Diploma in Huma Resources Management University of Nairobi</p> <p>Experience Over 34 years in Hospital Management</p>
3.	 <p>Head of Finance Janet Lumula</p>	<p>Qualification Diploma in Accounting Ongoing CPA Qualification</p> <p>Experience 15 Year of working experience in public sector accounting</p>

5. Chairman’s Statement

It gives me great pleasure to present a brief overview of the key developments and milestones achieved by the hospital over the past year.

Key Activities and Achievements

During the year, the hospital continued to focus on delivering high-quality healthcare services, expanding access to care, and strengthening operational efficiency. Notable achievements include the successful implementation of a new electronic health records (EHR) system, the expansion of our outpatient services ie commencement of dental department together with installation of an x-ray machine, and the launch of several community outreach programs aimed at preventive healthcare and early diagnosis. Our clinical teams worked tirelessly to improve patient outcomes and service delivery, resulting in a notable increase in patient satisfaction scores.

Consolidated Successes

The hospital’s accreditation status was maintained, underscoring our commitment to excellence and continuous improvement. Staff development remained a priority, with several training workshops and professional development programs rolled out during the year. We also saw improved financial stability through prudent cost management and strategic resource allocation.

Challenges Faced

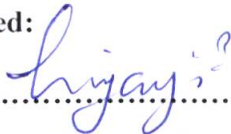
Despite these successes, the hospital encountered a number of challenges. These included staffing shortages in some departments, rising operational costs, and occasional disruptions in the supply of essential medical supplies. The high demand for services also placed pressure on existing facilities and resources, emphasizing the need for continued investment in infrastructure and personnel.

The Way Forward

Looking ahead, our focus will be on expanding capacity to meet the growing healthcare demands, investing in staff recruitment and retention, and enhancing digital health initiatives to streamline service delivery. We will also prioritize strengthening governance structures and fostering a culture of innovation and accountability.

In conclusion, I wish to express my sincere gratitude to the entire hospital management team, staff, partners, and stakeholders for their unwavering support and dedication throughout the year. With continued collaboration and a shared commitment to excellence, we are confident in our ability to meet future challenges and deliver on our mission to provide quality healthcare to all.

Signed:



.....
Name: Mr Peter Liyayi

Chairman to the Board

6. MEDICAL SUPERINTENDENT'S REPORT

This year has been marked by a continued commitment to delivering high-quality healthcare services under challenging circumstances. I wish to take this opportunity to provide a more detailed account of our operational, clinical, and financial performance, building upon the points raised by the Chairman.

1. Clinical Services and Operational Performance

We have continued to deliver essential medical services to our community, despite the ongoing pressures on our staff and infrastructure. Patient volumes remained high across most departments, particularly in Accident & Emergency, Maternity, and Outpatient Clinics. The surgical department showed improvement in theatre efficiency, reducing the backlog of elective procedures. However, the availability of essential drugs and medical supplies remains inconsistent, frequently disrupting service delivery and compromising care.

Staffing remains a major challenge. We continue to face critical shortages in key areas such as clinical, radiology, and nursing. The existing staff have displayed admirable dedication, often working extended hours to ensure continuity of care. We are actively engaging with relevant authorities to expedite recruitment and improve staff retention.

2. Infrastructure and Equipment

The hospital infrastructure is in urgent need of refurbishment. Several wards require repairs, and critical equipment such as CT scanners, X-ray machines, and ventilators. Our request for capital investment to address these shortcomings is ongoing, and we remain hopeful that support will be availed in the upcoming fiscal year.

3. Quality Improvement and Patient Safety

We have initiated several internal quality assurance programs, including infection prevention audits and patient satisfaction surveys. While these initiatives are yielding insights into areas needing improvement, limited resources hinder the implementation of corrective measures. Our Infection Prevention and Control (IPC) Committee continues to work closely with clinical units to maintain standards amid resource constraints.

4. Financial Performance

Financially, the institution continues to operate under significant constraints. While we have made strides in revenue collection through enhanced billing systems and streamlined processes, our expenditures continue to exceed income, primarily due to high operational costs and underfunding from both internal and external sources.

7. Outlook and Way Forward

Despite the ongoing challenges, our commitment to providing quality healthcare remains unwavering. We will continue to advocate for increased funding, improved staffing, and better infrastructure. Our focus for the coming year will be to strengthen partnerships, improve data collection for informed decision-making, and enhance staff capacity through targeted training and mentorship programs.

We are grateful to all our healthcare workers, partners, and stakeholders for their resilience, support, and dedication to service.



.....
Name Mr.Sandifin Ayienda

Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

Strategic Development Objectives as adopted by Kakamega County

Kakamega County CIDP 2022-2027 has its goal stated as;

To achieve Social-economic transformation of the people through sustainable in all sectors by 2027.

To achieve this the county government of Kakamega has identified Five(5) strategic pillars within the current strategic Plan for FY 2024/2025. These strategic pillars are as follows:

1. To improve food security from 68 per cent to 80 per cent by 2027.
2. To improve transport infrastructure.
3. To improve access to quality and affordable health services
4. To improve quality of education.
5. To improve access to clean and safe water.

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

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1: To Improve access to quality and affordable health services	To Reduce preventable mortalities	Reduction of preventable mortalities	Number of Emergency Surgeries done	120
			Number of rehabilitative Services started	3
			Number of departments started	2
			Percentage of clients counselled and tested for HIV	100%

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			Number of rehabilitative Services started	3
			Percentage of HIV positive Clients linked to care	94%
			Percentage of Clients with a viral load of <200cp	95%
			Number of Women of reproductive age screened for Ca Cervix	86
		Improved Maternity Services through operationalization of the Theatre	Number of Emergency Caesarean sections done	110
			Number of open Maternity Days done	3
	To provide accessible and appropriate curative and diagnostic services	Increased number of diagnostic tests carried out by the facility	Number of new diagnostic tests done	2
		Introduction of specialized clinic	Number of Clinics done	48

8. Corporate Governance Statement

Iguhu Sub-County Hospital Management Committee was elected on 2020 they were gazetted on 18th February, 2022 The Kenya Gazette Vol.CXXIV – No. 31. The members are as listed below:

Due to the late gazetting of the members the board was unable to have a sitting in the first quarter, the previous board members The continued with the scheduled meetings for the first quarter while awaiting gazetting.

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

Ad Hoc Members were adopted by the Medical Superintendent for easier coordination in bringing the board up to speed, they included; The Nursing Officer In-Charge and Health Administrative Officer.

The Sub Committees were divided into the following:

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

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

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

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

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

In furtherance of its responsibilities, the Board has the following roles:

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

- (j) Review, evaluate and approve the remuneration structure of the facility.
- (k) Adopt, implement and monitor compliance with the Code of Conduct and Ethics.
- (l) Review on a quarterly basis the attainment of targets and objectives set out in the agreed performance measurement framework with the County Government of Kakamega.
- (m) Review periodically the facility's strategic objectives and policies relating to sustainability and social responsibility.
- (n) Protect the rights of patients and optimize value of care;
- (o) Enhance the facility's public image and ensure engagement with the community through effective communication.
- (p) Monitor compliance with the Constitution, all applicable laws, regulations and standards
- (q) Review, monitor and ensure that the facility is effectively and consistently delivering on its mandate.

Each individual Board member shall be expected to:

- (a) Exercise the highest degree of care, skill and diligence in discharging their duties
- (b) Act in the best interest of the facility and not for any other purpose
- (c) Act honestly at all times and must not place themselves in a situation where their personal interests' conflict with those of the facility.
- (d) Exercise independent judgment
- (e) Devote sufficient time to carry out their responsibilities, regularly update their knowledge and enhance their skills
- (f) Promote and protect the image of the facility.
- (g) Owe their duty to the facility and not to the nominating or appointing authority
- (h) Owe the facility the duty to hold in confidence all information available to them by virtue of their position as a Board member.

Following the handing over, the current board has never been formally inducted but on job trainings have been conducted within the facility.

The remuneration for board members is as follows:

Full Board;

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

Sub Committees;

All Members – 2500 Kshs

More needs to be done to have an efficient and performing board, a formal induction is yet to be done neither is an official appointment letters from the County.

9. Management Discussion and Analysis

Section A

The Hospital's operational and financial performance

During the reporting period, the hospital continued to implement its mandate in alignment with national government strategic objectives and sectoral policy frameworks. These objectives include the enhancement of healthcare access, improved service delivery, and the sustainable management of financial and human resources

Operational Performance Overview

The Hospital recorded notable progress in delivering its core services, with key performance indicators reflecting improved efficiency and service reach. Patient intake rose by 30% compared to the previous period, driven by increased community outreach programs and expanded clinical capacity. Service delivery turnaround times improved by 2 days reflecting operational enhancements and the integration of digital health systems.

Financial Performance Overview

The Hospitals' financial results for the period demonstrated resilience amid a challenging economic environment. Total revenue amounted to **Ksh. 67,424,339**.

Growth & Strategy

The hospital continues to pursue a growth strategy anchored on service excellence, infrastructure expansion, and digital transformation. Strategic priorities include:

- Diversification of revenue streams to reduce dependency on government funding
- Strengthening public-private partnerships
- Enhancing workforce capacity through targeted recruitment and training

Industry trends, such as increasing demand for specialized care and the adoption of digital health solutions, present both opportunities and challenges. The hospital is positioning itself to adapt through innovation and strategic alliances.

Challenges and Opportunities

Key challenges during the period included:

- Delays in disbursement of government funds
- Rising operational costs due to inflation and supply chain disruptions
- Staff shortages in specialized units

The hospital remains committed to delivering on its mandate through agile strategy execution and stakeholder collaboration

Section B

Entity's compliance with statutory requirements

The entity has undertaken comprehensive reviews to ensure compliance with all applicable statutory and regulatory requirements. As of the reporting date:

- **Tax Compliance:** The entity is current with all statutory tax filings and remittances, including Income Tax, VAT and other relevant statutory deductions. No outstanding tax liabilities have been identified by the internal audit team or external auditors
- **Licensing and Permits:** All necessary operational licenses and permits are valid and have been renewed accordingly.
- **Employment and Labour Laws:** The entity is in compliance with applicable employment regulations, including health and safety standards, fair labor practices, and minimum wage requirements.

Non-Compliance and Legal Matters

The hospital does not currently have any known major instances of statutory non-compliance that could result in significant contingent liabilities.

The hospital continues to monitor legal and compliance risks and is working closely with legal counsel to resolve all outstanding matters.

Section C

Key projects and investment decisions the entity is planning/implementing.

In alignment with the National Government’s strategic objectives and development agenda—particularly in the areas of economic transformation, infrastructure development, and improved service delivery—the entity is currently implementing and planning several key projects and investment initiatives. These projects are tailored to enhance the entity’s operational efficiency, expand its service coverage, and promote long-term financial and environmental sustainability.

Key projects and investment decisions the hospital is planning/implementing.

1. Project A: Infrastructure Modernization Program

This project involves upgrading existing infrastructure to enhance operational efficiency and service reliability. The program includes the rehabilitation of key facilities, adoption of new technologies, and digitization of service platforms.

2. Project B: Community Outreach and Capacity Building Initiative

This program is aimed at improving stakeholder engagement, customer education, and institutional capacity.

- **Viability:** Proven low-cost, high-impact model; pilot phase showed significant improvements in community cooperation and service uptake.
- **Alignment with Mandate:** Supports the social mandate of the entity, while also aligning with national values on inclusivity and public participation.
- **Financing:** Primarily grant-funded through partnerships with government and international development agencies.
- **Sustainability:** Sustainability ensured through institutionalization of outreach functions within the hospital’s operational structure.

Section D

Major risks facing the entity.

In line with the hospital’s Risk Management Framework, several key risk categories have been identified that could potentially impact the achievement of strategic objectives. These risks are continuously monitored and mitigated through established internal controls, policies, and governance mechanisms.

1. Operational Risks

These arise from day-to-day activities and may impact service delivery and operational efficiency.

Examples:

- Disruption of operations due to aging infrastructure or equipment failure.
- Human resource constraints, including skills gaps and high staff turnover.

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- Mitigation: Implementation of preventive maintenance programs, investment in ICT security infrastructure, and continuous staff training and capacity development.

2. Market Risks

These refer to external economic, political, or environmental factors that may affect the entity's performance.

Examples:

- Fluctuations in demand for services due to economic downturns.
- Effects of climate change and environmental regulations on operations.
- Mitigation: Scenario planning, engagement with policymakers, and alignment of services with emerging market trends and national priorities.

3. Capital Risk

The risk of insufficient capital to fund strategic projects or maintain operations.

Examples:

- Delays in project implementation due to inadequate funding.
- High dependency on government grants or donor funding. Mitigation: Diversification of funding sources, improved revenue collection, and adoption of Public-Private Partnerships (PPPs).

4. Credit Risk

The risk of financial losses arising from the failure of customers or partners to fulfill payment obligations.

Examples:

- Accumulation of unpaid receivables from clients or government entities
- Mitigation: Strengthening credit control procedures, conducting due diligence on partners, and adopting robust billing and collection systems.

5. Liquidity Risk

This relates to the inability of the hospital to meet short-term financial obligations.

Examples:

- Mismatch between cash inflows and outflows.
- Delay in disbursements from government or development partners.
- Mitigation: Regular cash flow forecasting, establishment of contingency reserves, and improved financial planning.

6. Reputational Risk

Negative public perception can adversely affect stakeholder trust and service uptake.

Examples:

- Poor service delivery or corruption allegations.
- Negative media coverage or public complaints.
- Mitigation: Strengthened internal governance, transparency in operations, effective stakeholder communication, and a proactive complaints resolution mechanism.

Conclusion

The hospital has instituted a comprehensive risk management framework that involves regular risk identification, assessment, mitigation, and reporting. A Risk Management Committee, reporting to the Board, oversees this process to ensure that all significant risks are addressed in a timely and strategic manner. Continued risk awareness training and integration of risk considerations into strategic planning further reinforce the hospital's resilience and ability to deliver on its mandate

Section E

Material arrears in statutory/financial obligations

As part of its commitment to transparency and accountability, the hospital maintains continuous monitoring and reporting of all statutory and financial obligations. However, the following material arrears have been identified, primarily due to historical financial constraints, delayed funding, and cash flow challenges:

1. Pending Bills

- Nature: Outstanding payments to suppliers and service providers-Amount: ksh14,939,127 as at 30th June, 2025
- Cause: Delayed disbursement of funds and revenue shortfalls.
- Mitigation Measures: A payment plan has been instituted and is being implemented in phases based on available cash flows and prioritization of critical services.

Section F

The entity's financial probity and serious governance issues

The hospital has a well-established board of management and has no serious governance issues.

10. Environmental And Sustainability Reporting

i) Sustainability strategy and profile

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

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

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

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

However, in the course of implementation of the above mentioned, there are challenges experienced in the facility. They include; Inadequate staffing, Inadequate funding and delays in disbursement also had a derail in implementation of the facility annual work plan.

ii) Environmental performance

Kakamega County General Teaching and Referral Hospital has yet to establish an environmental policy guideline, however the facility uses established National and County Executive Guidelines on environmental issues as its guiding principles in the matter.

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

iii) Employee welfare

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

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

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

iv) Market place practices-

The facility outlines its efforts to:

a Responsible competition practice.

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

b Responsible Supply chain and supplier relations

All procurement processes in the facility adhere to the laid down regulations, with the facility procurement officer taking lead to ensure guidelines and regulations are followed. The facility maintains good practices and treats its own suppliers responsibly by honouring contracts, all of which are subject to funds availability.

c Responsible marketing and advertisement

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

d Product stewardship

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

E Corporate Social Responsibility / Community Engagements

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

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

11. Report of The Board of Management

Section 166 of the Public Finance Management Act, 2012 require the Directors to prepare quarterly financial statements in respect of the hospital, which give a true and fair view of the state of affairs of the hospital at the end of the period and the operating results of the Hospital for that period. The Directors are also required to ensure that the Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the hospital. The Directors are also responsible for safeguarding the assets of the hospital.

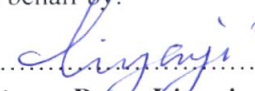
The Board of Directors is responsible for the preparation and presentation of the hospital's financial statements, which give a true and fair view of the state of affairs of the hospital's for and as at the end of the period ended on 30th June, 2025. This responsibility includes: (i) maintaining adequate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

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

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 28/11/25 and signed on its behalf by:


.....
Name: **Peter Liyayi**
Chairperson


.....
Name: Dr. **Sandifin Ayienda**
Accounting Officer

12. Statement of Board of Management’s Responsibilities

Section 164 of the Public Finance Management Act, 2012 (entities should quote the applicable legislation under which they are regulated) requires the Board of Management to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Board of Management is also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The council members are also responsible for safeguarding the assets of the entity.

The Board of Management is responsible for the preparation and presentation of the entity’s financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) 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 the entity; (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 and (– entities should quote applicable legislation as indicated under). The Board members are of the opinion that the entity’s financial statements give a true and fair view of the state of entity’s transactions during the financial year ended June 30, 20xx, and of the entity’s financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the entity, 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.

In preparing the financial statements, the Directors have assessed the Fund’s ability to continue as a going concern (disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements) OR

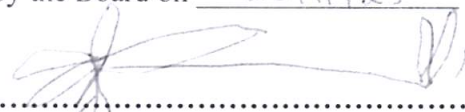
Nothing has come to the attention of the Board of management to indicate that the entity will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital’s financial statements were approved by the Board on 23/11/25 and signed on its behalf by:


.....

Name: Peter Liyayi
Chairperson
Board of Management


.....

Name: Dr. Sandifin Ayienda
Accounting Officer

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Iguhu Level 4 Hospital - County Government of Kakamega set out on pages 1 to 36, which comprise of the statement of

Report of the Auditor-General on Iguhu Level 4 Hospital for the year ended 30 June, 2025 – County Government of Kakamega

financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects Nil property, plant and equipment balance as disclosed in Note 20 to the financial statements. However, physical inspection and review of asset records revealed that the Hospital occupied a parcel of land and owned buildings, motor vehicles, assorted furniture and fittings, computers and various specialized medical equipment that had not been recognized or valued and disclosed in the financial statements.

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

2. Inaccuracy of the Statement of Cash Flows

The statement of cash flows reflects net cash flows from operating activities balance of Kshs.2,128,615. However, Note 23 to the financial statements discloses, under working capital adjustments, valuation of inventory amount of Kshs.13,019,218. However, the valuation reports and nature of revalued inventory were not provided for audit. In addition, the statement of financial position reflects inventory balance of Kshs.14,679,800 leading to unreconciled variance.

In the circumstances, the accuracy and completeness of the net cash flows from operating activities balance of Kshs.2,128,615 could not be confirmed.

3. Inaccuracy of the Revaluation Reserve

The statement of financial position reflects revaluation reserve balance of Kshs.15,635,848 as at 30 June, 2025. However, assets revaluation report and details of the nature of assets revalued were not provided for audit review.

In the circumstances, the accuracy and completeness of the revaluation reserve balance of Kshs.15,635,848 could not be confirmed.

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

Key Audit Matters

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

Other Information

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

In connection with my audit on the Hospital's, financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this Other Information and 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. Non-Compliance with Kenya Quality Model for Health Policy Guidelines on Staffing of Health Workers

Review of personnel records provided for audit revealed inadequate staffing of health workers at the hospital. Therefore, the hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits as shown in the table below: -

Item	Level 4 Standard A	Number in Hospital B	Variance C=B-A	Percentage (%) (C/A) *100
Medical officers	16	0	-16	-100%
Anesthesiologists	2	0	-2	-100%
General Surgeon	2	0	-2	-100%
Gynecologists	2	0	-2	-100%
Pediatricians	2	0	-2	-100%
Radiologists	2	0	-2	-100%
Registered Community Health Nurses	75	22	-53	-71%
Registered clinical Officers	16	7	-9	-56%
Pharmacists	2	1	-1	-50%
Laboratory Technologist	16	4	-12	-75%
Total	135	34	-101	-75%

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

Services	Level 4 Hospital Standard A	Actuals in the Hospital B	Variance C=B-A	Percentage (%) (C/A) *100
Resuscitaire in Labour Ward	2	1	-1	-50%
New Born Unit incubators	5	0	-5	-100%
Functional ICU Beds	6	0	-6	-100%
High Dependency Units (HDU) Beds	6	0	-6	-100%
Renal Units with at Least 5 Dialysis Machines	5	0	-5	-100%
Functional operating theaters maternity and general	2	0	-2	-100%
Total	26	1	-25	-96%

The deficiencies contravene the First Schedule of the Health Act, 2017 and imply that accessing the highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved. Further, this contravened the Kenya Quality Model for Health Policy Guidelines and hindered the realization of the Government program on Universal Health Coverage (UHC).

In the circumstances, the Hospital may not provide the expected standard of healthcare services, including reproductive health care as envisioned for a Level 4 Hospital.

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

The statement of cash flows reflects transfers from other Government entities FIF amounting to Kshs.24,815,305 as disclosed in Note 7 to the financial statements. Further, the statement includes transfers amounting to Kshs.26,329,805 as disclosed under Note 16 to the financial statements which relates to transfer to Facility Improvement Fund. However, a balance of Kshs.1,514,500 was retained at the FIF account and not remitted to the Hospital or any other health facility.

This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which provides that there shall be retention of all monies raised or received by or on behalf of all public health facilities.

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

3. Failure to Undertake Safety and Health Audits

Review of documents provided revealed that, there were no safety and health audits carried out by the Hospital during the year under review contrary to Section 11 (1) of the Occupational Safety and Health Act, 2007 which provided that the occupier of a

workplace shall cause a thorough safety and health audit of his workplace to be carried out at least once in every period of twelve months by a safety and health advisor, who shall issue a report of such an audit containing the prescribed particulars to the occupier on payment of a prescribed fee and shall send a copy of the report to the Director.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance, 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.

1. Information and Communication Technology Internal Control Environment

Review of Information and Communication Technology (ICT) controls environment and records revealed that the Hospital had an ICT Department with one ICT officer. However, it was observed that the department lacked ICT strategic plan, approved ICT policy, established ICT steering committee, remote backup/replication server and backup system.

In the circumstances, the effectiveness of the Hospital's ICT environment internal controls could not be confirmed.

2. Lack of Internal Audit Function

During the year under review, the Hospital did not have an Internal Audit Function to perform risk assessment processes and evaluation of operational effectiveness through reviews of the internal controls.

In the circumstances, the absence of an operational Internal Audit Unit creates a significant gap in the Hospital's governance and control framework, increasing its vulnerability to various risks.

3. Lack of Functional Board of Management

Audit review of governance structure, revealed that the Hospital lacked a functional board of governance to execute its functions as set out in the Mwongozo Code of Governance for State Corporations that include setting and overseeing the overall strategy, approving significant policies and monitoring the Hospital's performance to ensure sustainability.

In the circumstances, the effectiveness of the Hospital's governance could not be confirmed.

4. Lack of Approved Strategic Plan

During the year under review, it was observed that Management of Iguhu Level 4 Hospital did not have a strategic plan contrary to Section 149 (2)(g) of the Public Finance Management Act, 2012.

In the circumstances, the entity may not have clear objectives.

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 Board of Management

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

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

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

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

The Board of Management is responsible for overseeing the Hospital's, financial reporting process, reviewing the effectiveness of how 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

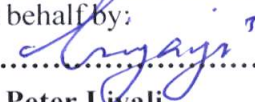
11 December, 2025

Iguhu level 4 Hospital (Kakamega County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

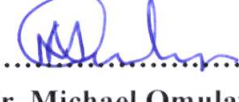
14. Statement of Financial Performance for The Year Ended 30 June 2025

Description	Notes	Period ended	Comparative Period FY
		30 th June 2025	2023-2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	12,765,403	0
Transfers from other Government entities (FIF)	7	24,815,305	0
Total Revenue from non- exchange transactions		37,580,708	0
Rendering of services- Medical Service Income	8	28,921,598	0
Miscellaneous income (Other hospital receipts)	9	922,033	0
Revenue from exchange transactions		29,843,631	0
Total revenue		67,424,339	0
Expenses			
Medical/Clinical costs	10	25,304,885	0
Employee costs	11	5,744,167	0
Board of Management Expenses	12	338,000	0
Depreciation and amortization expense	13	0	0
Repairs and maintenance	14	939,911	0
General expenses	15	15,261,383	0
Transfers to FIF	16	26,329,805	0
Total expenses		73,918,151	0
Other gains/(losses)			
Gain on foreign exchange transactions		0	0
Total other gains/(losses)		0	0
Net Surplus / (Deficit) for the year		(6,493,812)	0

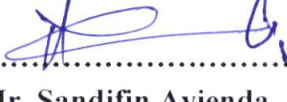
(The notes set out on pages 7 to 35 form an integral part of the Annual Financial Statements.)
 The Hospital's financial statements were approved by the Board on 28/11/25 and signed on its behalf by:



Mr. Peter Liyali
Chairman
Board of Management



Mr. Michael Omulayi
Head of Finance
ICPAK No:



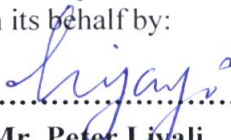
Mr. Sandifin Ayienda
Medical Superintendent

Iguhu level 4 Hospital (Kakamega County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025


15. Statement of Financial Position As At 30th June 2025

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	17	2,128,615	0
Receivables from exchange transactions	18	4,656,118	0
Inventories	19	14,679,800	0
Total Current Assets		21,464,533	0
Non-current assets			
Property, plant, and equipment	20	0	0
Total Non-current Assets		0	0
Total assets (A)		21,464,533	0
Liabilities			
Current liabilities			
Trade and other payables	21	14,939,127	0
Total Current Liabilities		14,939,127	0
Non-current liabilities			
Service concession Arrangements	22	0	0
Total non-current liabilities		0	0
Total Liabilities (B)		14,939,127	0
Net assets (A-B)		6,525,406	0
Represented by:			
Revaluation reserve		15,635,848	0
Accumulated surplus/Deficit		(9,110,442)	0
Capital Fund		0	0
Net Assets		6,525,406	0

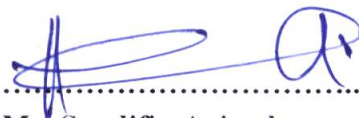
The Hospital's financial statements were approved by the Board on 28/11/25 and signed on its behalf by:



Mr. Peter Liyali
Chairman
Board of Management



Mr. Michael Omulayi
Head of Finance
ICPAK No:



Mr. Sandifin Ayienda
Medical Superintendent

Iguhu level 4 Hospital (Kakamega County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2023 (previous year)	0	0	0	0
Revaluation gain	0	0	0	0
Surplus/(deficit) for the year	0	0	0	0
Capital/Development grants	0	0	0	0
As at June 30, 2024 (previous year)	0	0	0	0
At July 1, 2024 (current year)	0	0	0	0
Revaluation gain	15,635,848	(2,616,630)	0	13,019,218
Surplus/(deficit) for the year	0	(6,493,812)	0	(6,493,812)
Capital/Development grants	0	0	0	0
At June 30, 2025 (current year)	15,635,848	(9,110,442)	0	6,525,406

Iguhu level 4 Hospital (Kakamega County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		12,765,403	0
Transfers from other Government entities		24,815,305	0
Rendering of services- Medical Service Income		24,262,480	0
Miscellaneous receipts(specify)		922,033	0
Total Receipts		62,765,221	0
Payments			
Medical/Clinical costs		18,714,459	0
Employee costs		4,271,457	0
Board of Management Expenses		338,000	0
Repairs and maintenance		545,311	0
General expenses		10,437,574	0
Transfer to FIF		26,329,805	0
Total Payments		60,636,606	0
Net cash flows from/(used in) operating activities	23	2,128,615	0
Cash flows from investing activities			
Acquisition of investments		0	0
Net cash flows from /(used in) investing activities		0	(0)
Cash flows from financing activities			(0)
Capital grants received		0	0
Net cash flows used in financing activities		(0)	(0)
Net increase/(decrease) in cash and cash equivalents		2,128,615	(0)
Cash and cash equivalents at 1 July 2024		0	0
Cash and cash equivalents at 30th Jun,2025	17	2,128,615	0

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

Iguhu Hospital (Kakamega County Government)
Annual Report and Financial Statements for The Year Ended 30th 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	0	0	0	0	0
Revenue						
Transfers from the County Government	12,200,000	0	12,200,000	12,765,403	(565,403)	104
Transfers from other Government entities (FIF)	24,815,305	0	24,815,305	24,815,305	0	100
Public contributions and donations	0	0	0	0	0	0
Rendering of services- Medical Service Income	24,815,305	0	24,815,305	24,262,480	552,825	97
Revenue from rent of facilities	0	0	0	0	0	0
Finance / interest income	0	0	0	0	0	0
Miscellaneous receipts (specify)	0	0	0	922,033	0	100
Total income	61,830,610	0	61,830,610	62,765,221	(934,611)	102
Expenses					0	
Medical/Clinical costs	21,222,326	0	21,222,326	18,714,459	2,507,867	88
Employee costs	4,400,000	0	4,400,000	4,271,457	128,543	97
Remuneration of directors	350,000	0	350,000	338,000	12,000	97
Repairs and maintenance	600,000	0	600,000	545,311	54,689	91
Grants and subsidies	0	0	0	0	0	0
General expenses	10,450,000	0	10,450,000	10,437,574	12,426	99
Refunds	0	0	0	0	0	0
Transfer to FIF	23,158,284	0	23,158,284	26,329,803	(3,171,519)	113
Total Operational Expenditure paid	60,180,610	0	60,180,610	60,636,604	(455,994)	93
Capital Expenditure paid	0	0	0	0	0	0
Surplus	0	0	0	2,128,617	0	%

Iguhu level 4 Hospital (Kakamega County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

(Budget carryovers* This is for entities whose budget lapses at year-end, but the surpluses are not legally required to be remitted to the Exchequer. Budget carryovers should not include third-party funds such as contractors' retention.)

Budget notes

1. Provide an explanation of differences between actual and budgeted amounts (any over/ 90% under) IPSAS 24.14
2. Provide an explanation of changes between the original and final budget, indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

:

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	1,206,582
1	Reason for differences(Opening reserve)	922,033
2	Reason for differences	0
3	Reason for differences	0
4	Reason for differences	0
	Closing Cash and Cash Equivalent as per the statement of Cash flows	2,128,615

19. Notes to the Financial Statements

1. General Information

Iguhu level 4 Hospital is established by and derives its authority and accountability from gazette notice number 17 of 2012 Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is provision of health services.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Iguhu level 4 Hospital's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 14. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Iguhu level 4 Hospital. The financial statements have been prepared in accordance with the PFM Act, and (include any other applicable legislation), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

(When an IPSAS becomes effective on 1st January 2025, it is applicable in Kenya from 1st July 2025)

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

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

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

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</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>State the expected impact of the standard to the Entity if relevant</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</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>State the expected impact of the standard to the Entity if relevant</p>

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Standard	Effective date and impact:
<p>IPSAS 45- Property Plant and Equipment</p>	<p>Applicable 1st January 2025</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>State the expected impact of the standard to the Entity if relevant</p>
<p>IPSAS 46 Measurement</p>	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>State the expected impact of the standard to the Entity if relevant</p>
<p>IPSAS 47- Revenue</p>	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users</p>

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Standard	Effective date and impact:
	<p>of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>State the expected impact of the standard to the Entity if relevant</p>
<p>IPSAS 48- Transfer Expenses</p>	<p>Applicable 1st January 2026</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>State the expected impact of the standard to the Entity if relevant</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p>Applicable 1st January 2026</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>State the expected impact of the standard to the Entity if relevant</p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p>Applicable 1st January 2027</p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <p>State the expected impact of the standard to the Entity if relevant</p>

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2024-25 was approved by Board on **30th June 2024**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Iguhu level 4 Hospital recorded additional appropriations of kshs **0** on the FY 202-25 budget following the Board's approval. The Iguhu 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 0 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 Iguhu level 4 Hospital. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

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

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the 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 loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in Note xx.

Financial liabilities

Classification

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

k. Inventories

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

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

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

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

l. Provisions

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

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

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

Notes to the Financial Statements (Continued)

m. Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the Iguhu level 4 Hospital will incur in fulfilling the present obligations represented by the liability.

n. Contingent liabilities

The Iguhu level 4 Hospital 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 Iguhu level 4 Hospital 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 Iguhu level 4 Hospital in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

p. Nature and purpose of reserves

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

q. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

r. Employee benefits

Retirement benefit plans

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

s. Foreign currency transactions

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

t. Borrowing costs

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

u. Related parties

The Iguhu level 4 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 Iguhu level 4 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 Iguhu level 4 Hospital analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Iguhu 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 Iguhu level 4 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 Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

x. Comparative figures

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

y. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	2024/2025	2023/2024
	KShs	KShs
Unconditional grants		
Operational grant	12,765,403	0
Level 4/5 grants	0	0
Unconditional development grants	0	0
Other grants (specify)	0	0
	12,765,403	0
Conditional grants		
User fee forgone	0	0
Transforming health services for Universal care project (THUCP)	0	0
DANIDA	0	0
Wards Development grant	0	0
Paediatric block grant	0	0
Administration block grant	0	0
Laboratory grant	0	0
Total government grants and subsidies	12,765,403	0

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
			KShs	KShs	KShs
Kakamega County Government	12,765,403	0	0	12,765,403	0
Total	12,765,403	0	0	12,765,403	0

(Ensure that the amount recorded above as having been received from the County fully reconciles to the amount recorded by the amount recorded as transferred by the County. An acknowledgement note/receipt should be raised in favour of the sending County Government. The details of the reconciliation have been included under appendix xxx).

*Amount recognised in the statement of financial performance should be the recurrent grant and the development grant to the extent that there are no conditions attached. Total of column 1 should tie to note 6(the part on unconditional grants).

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Notes to Financial Statements Continued

7. Transfers From Other Government Entities

Description	2024/2025	2023/2024
	KShs	KShs
Transfer from National Government (Ministry of Health)	0	0
Transfer from other government entities FIF	24,815,305	0
Total Transfers	24,815,305	0

8. Rendering of Services-Medical Service Income

Description	2024/2025	2023/2024
	Kshs	Kshs
Pharmaceuticals	11,230,560	0
Non-Pharmaceuticals	7,789,000	0
Laboratory	1,678,900	0
Radiology	4,578,000	0
Orthopedic and Trauma Technology	0	0
Theatre	0	0
Accident and Emergency Service	178,900	0
Anesthesia Service	0	0
Ear Nose and Throat service	0	0
Nutrition service	78,940	0
Cancer centre service	0	0
Dental services	840,383	0
Reproductive health	1,567,800	0
Paediatrics services	979,115	0
Farewell home services	0	0
Ambulance services	0	0
Other medical services income (specify)	0	0
Total revenue from the rendering of services	28,921,598	0

Notes to the Financial Statements (Continued)

9. Miscellaneous Income

Description	2024/2025	2023/2024
	KShs	KShs
Others (Miscelenious)	922,033	0
Total Miscellaneous income	922,033	0

10. Medical/ Clinical Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Dental costs/ materials	0	0
Laboratory chemicals and reagents	980,000	0
Public health activities	0	0
Food and Ration	2,678,900	0
Uniform, clothing, and linen	1,568,000	0
Dressing and Non-Pharmaceuticals	3,456,700	0
Pharmaceutical supplies	5,498,377	0
Health information stationery	2,678,500	0
Reproductive health materials	1,400,908	0
Sanitary and cleansing Materials	3,908,500	0
Purchase of Medical gases	345,600	0
X-Ray/Radiology supplies	2,789,400	0
Other medical related clinical costs (specify)	0	0
Total medical/ clinical costs	25,304,885	0

11. Employee Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	5,744,167	0
Contributions to pension schemes	0	0
Employee costs	5,744,167	0

Notes to the Financial Statements (Continued)

12. Board of Management Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Sitting allowance	338,000	0
Airtime allowances	0	0
Total	338,000	0

13. Depreciation and Amortization Expense

Description	2024/2025	2023/2024
	Kshs	Kshs
Property, plant and equipment	0	0
Total depreciation and amortization	0	0

14. Repairs And Maintenance

Description	2024/2025	2023/2024
	Kshs	Kshs
Property- Buildings	0	0
Medical equipment	939,911	0
Maintenance of civil works	0	0
Total repairs and maintenance	939,911	0

15. General Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Advertising and publicity expenses	0	0
Catering expenses	2,908,500	0
Bank charges	120,200	0
Contracted services	3,567,800	0
Electricity expenses	1,980,500	0
Fuel and Lubricants	2,560,700	0
Travel and accommodation allowance	1,456,300	0
Printing and stationery	1,345,124	0
Water and sewerage costs	789,320	0
Telephone and mobile phone services	156,000	0
Internet expenses	376,939	0
Total General Expenses	15,261,383	0

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16. Transfer to FIF

Description	2024/2025	2023/2024
	KShs	KShs
Transfer to FIF	24,150,296	0
Transfer to Mumias West	2,179,509	0
Transfer to Level II & III	0	0
Total gain on sale of assets	26,329,805	0

17. Cash And Cash Equivalentents

Description	2024/2025	2023/2024
	KShs	KShs
Current accounts	2,128,615	0
On - call deposits	0	0
Fixed deposits accounts	0	0
Cash in hand	0	0
Others(specify)- Mobile money	0	0
Total cash and cash equivalentents	2,128,615	0

Notes to the Financial Statements (Continued)

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

Description		2024/2025	2023/2024
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank		1,788,427	0
Kcb		340,188	0
Sub- total		2,128,615	0
b) On - call deposits			
Kenya Commercial bank		0	0
Equity Bank – etc		0	0
Sub- total		0	0
c) Fixed deposits account			
Bank Name		0	0
Sub- total		0	0
d) Others(specify)		0	0
cash in hand		0	0
Mobile money- Mpesa, Airtel money		0	0
Sub- total		0	0
Grand total		2,128,615	0

18. Receivables From Exchange Transactions

Description	2024/2025	2023/2024
	KShs	KShs
Medical services receivables	4,656,118	0
Rent receivables	0	0
Other exchange debtors	0	0
Less: impairment allowance	0	0
Total receivables	4,656,118	0

Analysis of Receivables From Exchange Transactions

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	2024/2025	% of the total	2023/2024	% of the total
Less than 1 year	0	%	0	%
Between 1- 2 years	4,656,118	%	0	%
Between 2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total (a+b)	4,656,118	%	0	%

19. Inventories

Description	2024/2025	2023/2024
	KShs	KShs
Pharmaceutical supplies	14,679,800	0
Less: provision for impairment of stocks	0	0
Total	14,679,800	0

Detailed disclosure on inventories

	2024/2025	2023/2024
Opening balance	0	0
Additional Inventory in the year	29,536,648	0
Inventory expensed in the year	14,856,848	0
Write-downs in the year	0	0
Others specify	0	0
Closing balance	14,679,800	0

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Notes to the Financial Statements (Continued)

20. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (specify)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
Cost									
At 1 July 2023 (previous year)	0	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0	0	0	0	0
Revaluation Adjustments	0	0	0	0	0	0	0	0	0
At 30th Jun 2024	0	0	0	0	0	0	0	0	0
At 1 July 2024 (current year)	0	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Transfer/adjustments	0	0	0	0	0	0	0	0	0
Revaluation Adjustments	0	0	0	0	0	0	0	0	0
At 30th Jun 2025	0	0	0	0	0	0	0	0	0
Depreciation and impairment									
At 1 July 2023 (previous year)	0	0	0	0	0	0	0	0	0

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (specify)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
Depreciation for the year	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0	0	0
At 30 June 2024	0	0	0	0	0	0	0	0	0
At July 2024 (current year)	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0	0	0
Transfer/adjustment	0	0	0	0	0	0	0	0	0
At 30th June 2025	0	0	0	0	0	0	0	0	0
Net book values									
At 30 th Jun 2024 (previous)	0	0	0	0	0	0	0	0	0
At 30 th Jun 2025 (current)	0	0	0	0	0	0	0	0	0

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Notes to the Financial Statements (Continued)

21. Trade and other Payables

Description	2024/2025		2023/2025	
	KShs		KShs	
Trade payables	14,939,127		0	
Employee dues	0		0	
Third-party payments (e.g. unremitted payroll deductions)	0		0	
Audit fee	0		0	
Doctors' fee	0		0	
Total trade and other payables	14,939,127		0	
Ageing analysis:	2024/2025	% of the Total	2023/2024	% of the total
Under one year	0	%	0	%
1-2 years	14,939,127	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total	14,939,127	%	0	%

22. Service Concession Arrangements

Description	2024/2025		2023/2024	
	KShs		KShs	
Fair value of service concession assets recognized under PPE	0		0	
Service concession liability at end of the year	0		0	

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23. Cash Generated from Operations

Description	2024/2025	2023/2024
	KShs	KShs
Surplus for the year before tax	(6,493,812)	0
Adjusted for:	0	0
Depreciation	0	0
Non-cash grants received	0	0
Impairment	0	0
Gains and losses on disposal of assets	0	0
Contribution to provisions	0	0
Contribution to impairment allowance	0	0
Working Capital adjustments		
Increase in inventory	(14,679,800)	0
Increase in receivables	(4,656,118)	0
Valuation of inventory	13,019,218	0
Increase in payables	14,939,127	0
Increase in payments received in advance	0	0
Net cash flow from operating activities	2,128,615	0

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

Notes to the Financial Statements (Continued)

24. 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:

25. Related Party Balances

Nature of related party relationships

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

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

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

26. Events after the Reporting Period

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

27. 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.

This is the first set of financial report and statements and therefore the management has never received audit certificate as such no prior year audit issues.

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)

.....
Mr. Sandifin Anyienda
Accounting Officer



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Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

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

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

**Iguhu level 4 Hospital (Kakamega County Government)
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Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity..... Iguhu Hospital.....

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30th June (Current FY)

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

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

Head of Accounts Department - Disbursing Entity:

Name Sign Date

Head of Accounts Department - Beneficiary Entity:

Name Michael Omulayi Sign [Signature] Date 28/11/25

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Appendix IV Reporting of Climate Relevant Expenditures

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

Appendix V: Disaster Expenditure Reporting Template

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