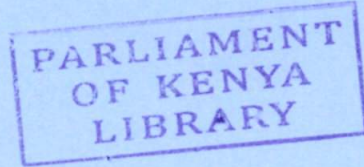
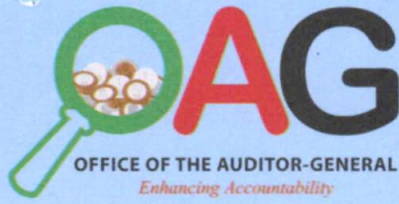


REPUBLIC OF KENYA



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REPORT

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THE AUDITOR-GENERAL

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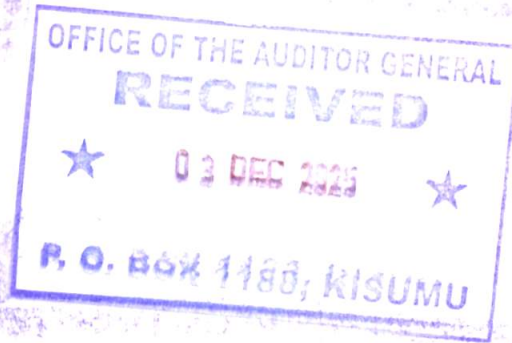
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VIHIGA COUNTY REFERRAL HOSPITAL

FOR THE YEAR ENDED  
30 JUNE, 2025

COUNTY GOVERNMENT OF VIHIGA

FS



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# **VIHIGA COUNTY REFERRAL Level 4/5 HOSPITAL (County Government of Vihiga)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

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

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

<b>CSR</b>	Corporate Social Responsibility
<b>OSHA</b>	Occupational Health & Safety Act
<b>PFMA</b>	Public Financial Management Act
<b>MED SUP</b>	Medical Superintendent
<b>Fiduciary Management</b>	Key management personnel who have financial responsibility in the entity.
<b>EHRs:</b>	Electronic Health Records
<b>IPSAS:</b>	International Public Sector Accounting Standards
<b>ENT:</b>	Ear, Nose, and Throat
<b>ICU:</b>	Intensive Care Unit
<b>HDU:</b>	High Dependency Unit
<b>PEW</b>	Paediatric Early Warning
<b>A&amp;E:</b>	Accident and Emergency
<b>VCRH</b>	Vihiga County Referral Hospital

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

**2. Key Entity Information and Management**

**(a) Background information**

Vihiga County Referral Hospital is a level (4/5) hospital established under gazette notice number GK-012444 and is domiciled in Vihiga County under the Health Department. The hospital is governed by a Board of Management.

**(b) Principal Activities**

The principal activity is to provide High quality healthcare services.

**Vision**

“A facility of choice in health care provision.”

**Mission**

To provide quality preventive, curative and rehabilitative health care services

**Core Values**

Integrity, Accountability, Teamwork, Innovation

**INTEGRITY:**

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

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

**(c) Key Management**

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

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

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Medical Superintendent	<b>Dr Collins Masika</b>
2.	Deputy Med Sup	<b>Dr Vitalis Juma</b>
3.	Hospital Administrator	<b>Bernard Chabuga</b>

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Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

No.	Designation	Name
4.	Head of Finance	<b>Beatrice Makungu</b>
5.	Head of supply chain	<b>Susan Abutika</b>

**(e) Fiduciary Oversight Arrangements**

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

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

**(f) Entity Headquarters**

P.O. Box 1069-50300  
Maragoli  
Kisumu-Kakamega Road/Highway  
Vihiga, KENYA

**(g) Entity Contacts**

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

**(h) Entity Bankers**

Kenya Commercial Banks – Mbale branch  
Equity Bank –Mbale branch  
Central Bank Of Kenya –Nairobi

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**






The Attorney General  
State Law Office

Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya


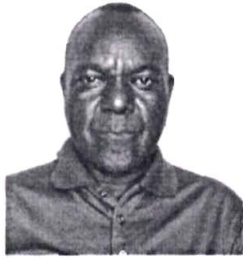


**(k) County Attorney**

P.O. Box. 344-50300  
Kenya

**3. The Board of Management**

Ref	Directors	Details
1.	 Dr Rodgers Songole Chairperson.	PhD in Clinical Psychology UCN, MSc. Clinical Psychology-Makerere University, Dip in Psychiatric Social Work (CQSW) Manchester University, BA Psychology, AA degree - USIU and Cert
2.	 Prof. Benson Estambale Member.	MB ChB, DTM&H, PhD., MBS Professor of Medical Microbiology and Fellow of the Kenya National Academy of Sciences and former Professor of Medicine at University of Nairobi & former DVC Jaramogi Oginga Odinga University
3.	 Dr. Lydia Kaduka Member.	Principal Research Officer at the Centre for Public Health Research (CPHR) within the Kenya Medical Research Institute (KEMRI). She holds a PhD in Medical Biochemistry and has pursued post-doctoral training in Healthcare Management.
4.	 Mr. Michael A. Yate Member.	Bachelors of science in Information Technology and Certificate in paramilitary sciences. Sub-county Administrator at Vihiga County Government
5.		Board member recognized for her contributions in business administration, teaching, and advocacy for persons living with

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	Ms. Roselidah Marende Member	disabilities (PWDs). She holds a Bachelor's degree in Business Administration and has extensive experience as a teacher.
6.	 Dr. Masika Fred Collins Were Secretary/MED SUP	Holds an MB ChB From University of Nairobi. Also, a board Member at Maseno Mission Hospital and Maseno Nursing School.
7.	 Mr. Wycliffe Esendi Konzoro Member	A teacher and a psychological counsellor by profession. Specializes in psychological counselling and education within clinical research settings, focusing particularly on HIV/AIDS management and community engagement in clinical trials.
8.	 Ms. Pamela Gertrude Iminzah Member	Holds a degree in Bachelor of Science in Environmental Health Science from Kenyatta University. Higher National Diploma in OHS from Kenya Medical Training College Nairobi. A certificate in Senior Management from Kenya School of Government Embu. A certificate in One Health from AFROHUN.
9.	 Mr. Wycliffe Omuchei Member	A dedicated educator and seasoned trade unionist, served in various capacities with the Kenya National Union of Teachers (KNUT), progressing from the branch level to ultimately becoming the National Chairman. Additionally, contributed to the health sector by serving as a member of the National Hospital Insurance Fund (NHIF) board, where leveraging expertise to advocate for better

*Vihiga County Referral Hospital (County Government of Vihiga)  
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		healthcare provisions for teachers and other workers
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4. Key Management Team

Ref	Management	Details
1.	 Dr. Masika Fred Collins Were Secretary/MED SUP	Medical Superintendent
2.	 Mr Bernard Chabuga	Hospital Administrator
3.	 Amina Baraka	Principal Nursing Officer

## **5. Chairman’s Statement Introduction.**

It is my honour to present the annual report and financial statements for the year ended June 30, 2025. This report reflects our commitment as a Level 4 hospital to provide the highest standards of curative, preventive, promotive, and rehabilitative healthcare services. Guided by our strategic goals, we maintain an agile approach to navigate the ever-evolving public health landscape. We actively engage with a wide range of stakeholders, including patients, government bodies, regulators, staff, civil society, and research/academic institutions.

### **Key Activities And success**

During the year under review just as the past years, achieving financial sustainability has posed significant challenges, impacting on our ability to meet essential objectives. However, the key activities that took place included:

#### **a) Operationalization of VCTRH Bill**

The board pushed and oversaw the development of the Vihiga County Teaching and Referral Hospital which was discussed and passed through various regulatory levels and ascended to by H.E the Governor. Operationalization of the bill has been documented making it a legal document for use. The bill elevates VCRH to level 5 and subsequently enable Vihiga county have a level 6 hospital.

#### **b) Funeral Home**

The completion and operationalization of the new funeral home was done, creating enough space and generating more revenue.

#### **c) Construction of Mother and Baby Unit**

Vihiga County Referral Hospital has been facing congestion challenges in the maternity unit. Through collaborative efforts, we engaged Safaricom, which, through the M-PESA Foundation, initiated the construction of a modern Mother and Baby Unit. The project is scheduled for completion by the end of October 2025 and will significantly expand the available space in the maternity ward."

#### **d) Surgical camp**

The hospital management in conjunction with the Department of Health hosted a very successful free surgical camp in June 2025.

### **Operating Challenges**

Budgetary transfers from the county government, intended to supplement our own revenue, have declined due to both national and local economic conditions. Additionally, we faced two extended strikes by health workers, which disrupted our administrative and operational functions. Since its inauguration in mid-2023, the hospital board has been pivotal in developing key policy documents, including the 2024-2029 strategic plan, and a legislative proposal aimed at granting our facility greater operational autonomy.

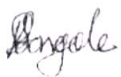
### **Our Strategy**

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

### **Future Outlook**

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

Dr Rodgers Songole



**CHAIRPERSON**

**VIHIGA COUNTY REFERRAL HOSPITAL BOARD**

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

### **Introduction**

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

### **Achievements**

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

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

### **Challenges**

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

### **Financial Sustainability**

The hospital's operations are primarily funded through user charges and insurance reimbursements. With minimal capitation from the county government, the hospital faces a significant budgetary deficit.

Approximately 45% of supplies and materials generate revenue, while the remainder is provided to patients through waivers and exemptions. Reimbursement for these foregone revenues is not included in the budget. The Linda Mama program, which offers free maternal services, consumes over 50% of the allocated resources, but reimbursement for these claims has been inadequate since November 2022, leading to substantial pending bills to suppliers.

To enhance financial sustainability, it is crucial for the county government to conduct a comprehensive cost analysis of service delivery at the referral hospital and to supplement user-generated fees with direct capitation. Timely reimbursement of outstanding claims, particularly from the Social Health Authority and Social Health Insurance.

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

**The entity’s operational and financial performance**

The facility operates as level 4 referral hospital, primarily funded through internal collection (FIF) and in-kind donation from the Department of Health. Insurance performance has declined, largely due to issues with the SHIF rollout. The facility’s cash flow indicates a need for additional government funding to cover high operational costs. Full implementation of the FIF Act would improve financial management and align operations with the National UHC agenda.

<b>Institution</b>	<b>Expected Remittances</b>	<b>Actual Receipts</b>	<b>Outstanding Receipts</b>
<b>FIF</b>	58,618,503	19,325,746	18,044,599
<b>NHIF</b>	58,618,503	46,009,297	12,609,206
<b>MINET</b>	8,049,339	7,307,219	742,120
<b>SHA</b>	162,603,283	77,839,556	84,763,727
<b>TOTAL</b>	<b>287,889,628</b>	<b>150,481,818</b>	<b>116,159,652</b>

**Entity’s compliance with statutory requirements**

- Budget estimates for FY 2025/2026 have been submitted.
- Alignment with IFMIS is ongoing.
- The Hospital Board and its committees are fully operational.
- A 100% cashless revenue management system has been implemented.

- Quarterly financial reports are being produced.

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

The facility is preparing for a level 4 to level 5 upgrade and the operationalization of the VCRH Plaza. The VTRH bill is in place. The new funeral home was operationalized in mid-December. Additionally, plans are underway to establish an infectious diseases isolation unit and relocate the TB/CCC services currently located in the basement of the existing hospital block.

The hospital management in conjunction with Safaricom through M-pesa Foundation are constructing Mother and Baby unit. The project will be completed in October 2025.

**Major risks facing the entity.**

- Cash flow gaps are being caused by erratic disbursements from insurance providers.
- Frequent staff industrial actions affect operations.
- Pending bills remain a significant concern.
- High utility costs place a strain on finances.
- Equipment maintenance and downtime are disrupting service delivery.



.....  
**Name Dr Collins Masika**

**Medical Superintendent/ Secretary to the Board**

## 6. Statement of Performance Against Predetermined Objectives

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement a statement of the County Government entity's performance against predetermined objectives

Vihiga County Referral Hospital has four (4) strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2024- FY 2029. These strategic pillars/ themes/ issues are as follows:

Pillar /theme/issue 1: Optimize customer experience

Pillar/theme/issue 2: Enhance capacity building, research and innovation.

Pillar/theme/issue 3: Enhance resource mobilization and management.

Pillar/theme/issue 4: Enhance organizational effectiveness and governance

Vihiga County Referral Hospital develops its annual work plans based on the above four (4) pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Vihiga County Referral Hospital achieved its performance targets set for the FY 2024/2025 period for its 4 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1: Optimize customer experience	-To improve patient waiting time by 30%	-No of functional customer care desks -No of established registration/cash points -No of screening and triage points established	-Establish customer care office -Scale up the number of registration/cash points -Establish additional screening & triage points	2 customer care desks established  -3 registration points added  2 Screening

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	-To improve queue management system	-No of clients booked	-Automation of booking & scheduling of clients	and triage added
	-To realign & integrate outpatients services.	-No of functional consultation rooms	-Increase the number of consultation rooms	- Automatio n done
	Instutionalizi	-No of clinics operational.	-Establish specialized clinics ie	-Increased to 5No
	ze customer care skills across service points.	-Hospital branding	ENT/EYE/DENTAL/UROLOGY/TB/SG BV/NCD-CCC.	
	-To improve staffing and carrier progression in line with level 5 HR norms	-No of HR gaps identified	-Development of hospital website and service charter.	-7No available
		- No of staff trained	-To address HRH gaps in line with level 5 norms S standards	-100% coverage
			-To enhance staff competency	
			-To promote continuous professional development	-Staff establishm ent in place

		-No of seminars attended		
2: Enhance capacity building, research and innovation:	To improve hospital infrastructure & equipment in line with level 5 status	- commissioning certificate	-Operationalize the funeral home	-100% done
3: Enhance resource mobilization and management	To increase revenue collection by at least 60%	% Increase in revenue	-implement cashless revenue system	-95% done
4: Enhance organizational effectiveness and governance	To enhance effective governance, structures and mechanisms	-VTRH Act in place.  -Performance reports	-Enact Vihiga Teaching & Referral.  -Monitor & evaluate strategic activities outlined in the plan.	-VTRH Act enacted.  - Performance appraisal signed

## **7. Corporate Governance Statement**

Vihiga County Referral Hospital adheres to corporate governance principles, maintaining the highest standards of accountability, transparency, and ethical conduct. The board and hospital management recognize the importance of corporate governance, and as such, all operations of the hospital are carried out with honesty, openness, and integrity.

The board members attach great importance to the need to conduct the business and operations of the hospital with integrity and in accordance with generally accepted corporate practices. They endorse the developed principles of good corporate governance.

### **Appointment of Board members**

The hospital board is established under section 5 of the FIF Act. These individuals are appointed by H.E. The Governor followed by the gazettelement of the same in the Kenya gazette. The members are typically composed of local business and private sector leaders, lawyers, doctors and governance leaders.

### **Roles and Responsibilities**

The hospital board members play a key role in making sure the facility provide a strong patients experience by helping it operate as efficiently and safely as possible. Other roles are

- Overseeing the hospital activities by setting policies, evaluating the executive and ensuring ethical standards are met.
- Develops and approves strategic plans that guides growth, expansion and resource allocation.
- Ensures that the resources are managed responsibly and are in alignment with the facility goals.
- Ensures that the treatment methods and procedures used meet the clinical and ethical standards.
- Understands the local health needs are met and foster strong community relationship and
- Ensures the facility complies to risk management regulatory.

### **Induction and Training**

New board members receive induction to help them become familiar with operations, the legal framework and general conduct within their scope. To ensure board members maintain relevance in the dynamic environment of corporate management, regular trainings are conducted based on need and availability of resources.

## **Board and members' performance**

At the end of set timelines for achieving given objectives, an analysis of performance is carried out, and status reports are generated and measured against set objectives. Deviations from expected trajectories are well documented to allow for corrective measures and to inform future actions.

## **Number of Meetings**

The Act mandates them to hold a maximum of 8 meetings in one financial **year**.

## **Succession plan**

Vihiga County Referral Hospital has a comprehensive succession plan that ensures seamless transition of leadership roles. The process of appointing and removing board members is conducted in accordance with established policies and relevant laws

## **Board Remuneration**

Board members are entitled to remuneration set by existing SRC guidelines. This is done for every board sitting in the form of a sitting allowance

## **Ethics and Conduct**

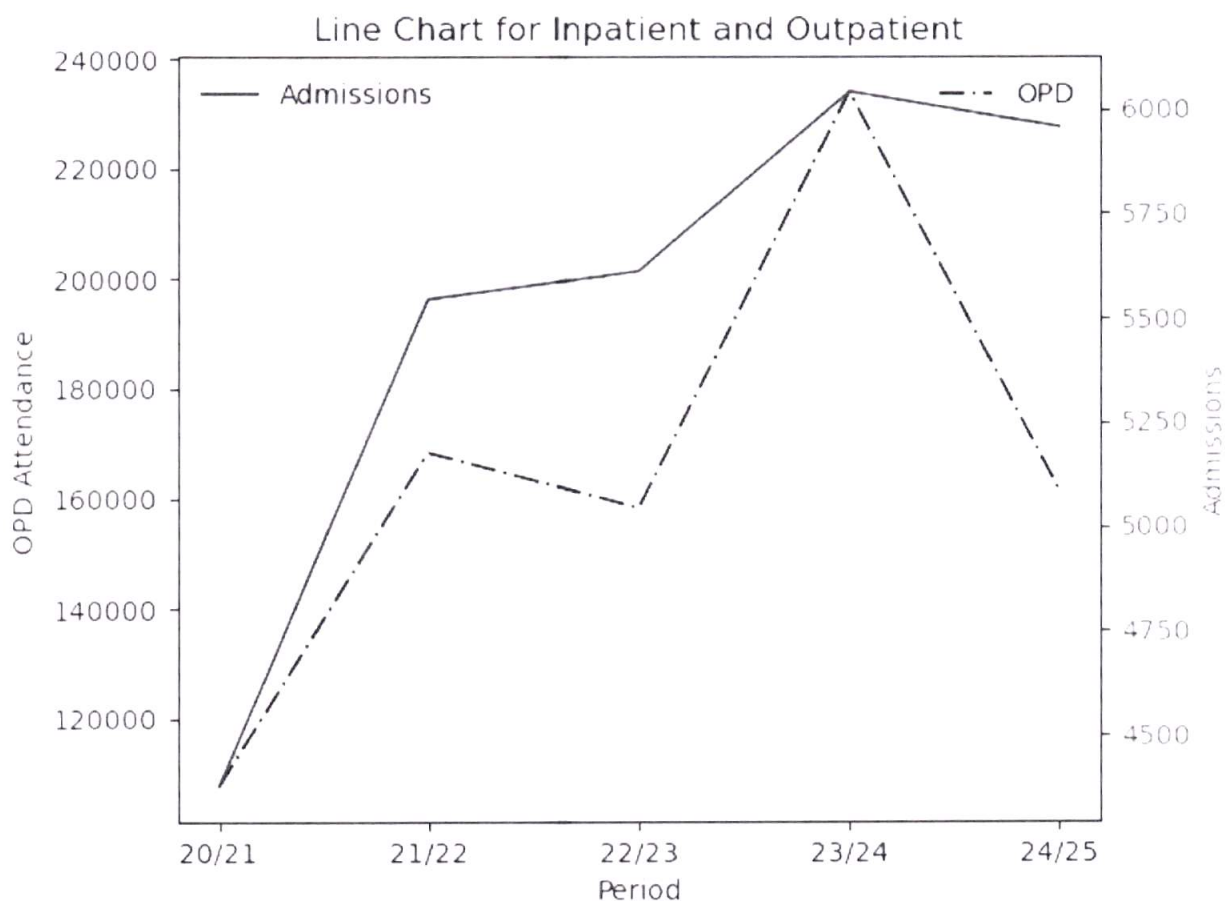
The hospital is committed to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders. The existence of a formal code of ethics helps guide management and stakeholders on acceptable behaviour in conducting business. Management is expected to avoid activities and financial interests that could clash with their responsibilities to the hospital

**8. Management Discussion and Analysis**

**9. Management Discussion and Analysis**

Metric	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
❖ <b>Bed Capacity</b>	103	144	146	146	165
<b>Patient Attendance</b>					
❖ <b>Outpatient (OPD) Visits</b>	107,616	168,352	158,239	234,004	161,514
❖ <b>Admissions</b>	4,376	5,545	5,611	6,042	5,957
❖ <b>Accident &amp; Emergency Attendance</b>	2,932	15,467	7,788	18,750	12,277
❖ <b>Specialized Clinics Attendance</b>	14,863	24,623	25,730	93,871	75,454
❖ <b>Average Length of Stay (Days)</b>	7.5	6.1	0.84	0.19	3
❖ <b>Bed Occupancy Rate</b>	150%	122%	101%		100
<b>Surgical Theatre Utilization</b>					
❖ <b>Major Surgeries</b>	689	1,817	1,135	847	762
❖ <b>Minor Surgeries</b>	90	403	404	220	272
❖ <b>Circumcision</b>	3	2	10	83	1
❖ <b>Total Surgeries</b>	782	2,222	1,549	1,150	1,035
❖ <b>Maternity (Total Deliveries)</b>	2,499	3,786	3,367	3,992	3,420

### VCRH Inpatient and Outpatient Attendance Graph



#### Interpretation:

##### Outpatient Visits:

- ❖ From 2020/2021 to 2021/2022, outpatient visits experienced a sharp increase, rising from 107,616 to 168,352 visits, reflecting significant growth in demand for outpatient services.
- ❖ However, in 2022/2023, there was a slight decline to 158,239 visits, mainly due to prolonged industrial action thus affecting the attendance.
- ❖ In 2023/2024, outpatient visits saw a dramatic increase, reaching 234,004, indicating a strong recovery or surge in demand for outpatient services.
- ❖ The facility having gained a positive trajectory, in the year 2024/2025 saw a decline. This is likely due to external factors affecting attendance.

##### Inpatient Admissions:

- ❖ Inpatient numbers steadily increased year on year, from 4,376 in 2020/2021 to 6,042 in 2023/2024, in the year 2024/25 a drop was experienced at 5,957

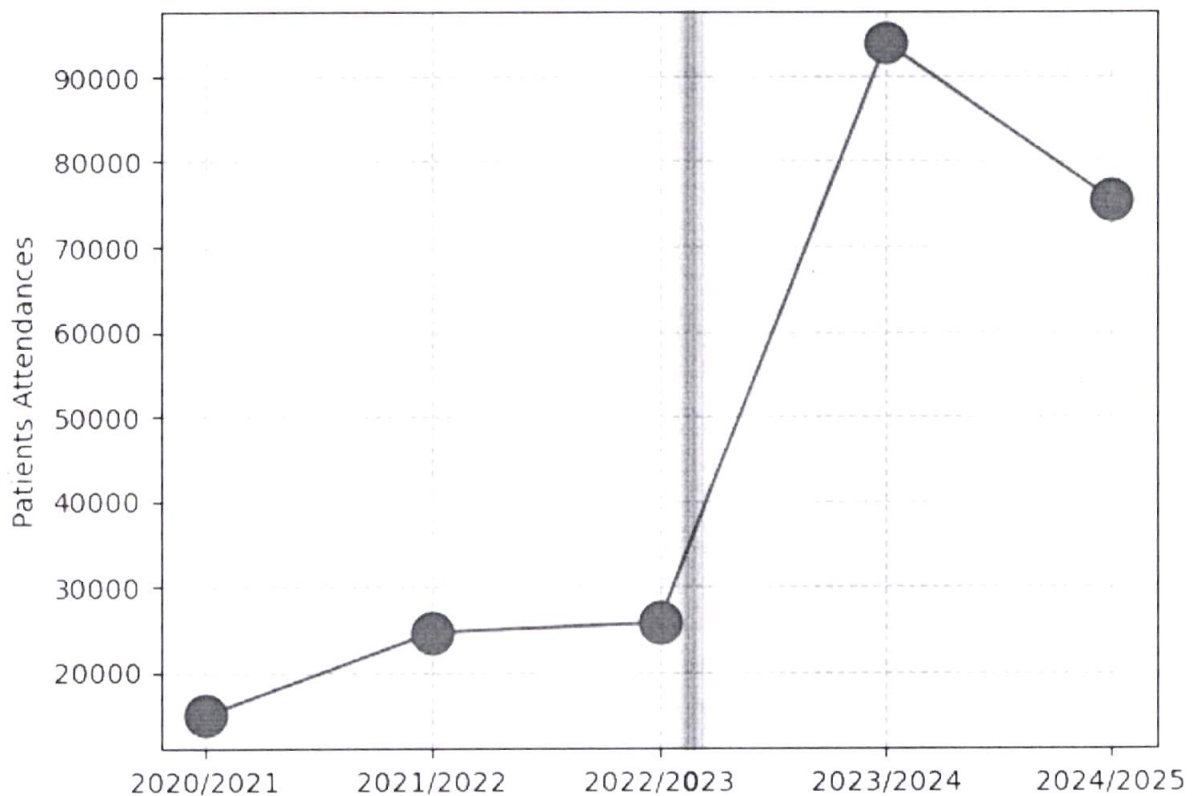
❖ However, there was a slight reduction in the number of admissions in the year 2024/2025.

**Conclusion:**

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

**Specialized Clinics Attendance Graph**

Special Clinics Attendances



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

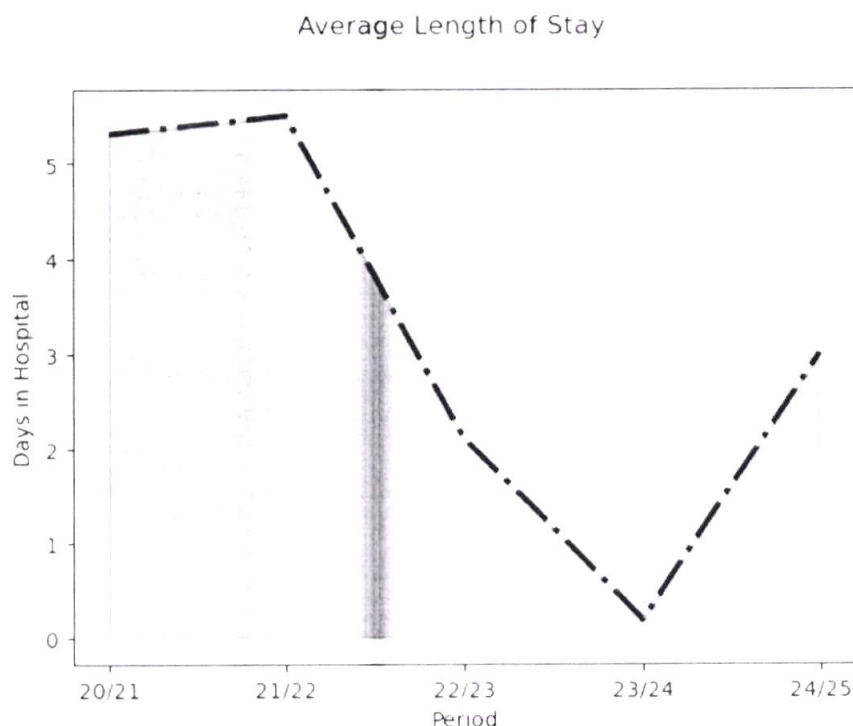
❖ The attendance at special clinics grew steadily from 15,000 patients in 2020/2021 to 94,000 in the year **2023/24**, reflecting a growing acceptance and utilization of special clinics among the community.

- ❖ **2021/2022:** Attendance peaked at 25,000 patients, demonstrating a strong upward trend and a significant demand for special clinic services during this period.
- ❖ **2022/2023:** Attendance saw a slight increase to 26,000 patients, which shows a positive demand of the special clinic services.
- ❖ **2023/2024:** The introduction of additional specialized services and the establishment of new clinics led to an upsurge in clinical attendances, further enhancing patient engagement and service delivery.
- ❖ **2024/2025:** There has been a steep decline in the clinic attendance attributed to industrial strike that the facility experienced in the financial year.

### Conclusion

Overall, the number of patients attending special clinics exhibited a steady increase from the financial year 2020/2021, culminating in a peak in 2023/2024. While there was a decline in attendance in the financial year 2024/2025, it is noteworthy that attendance levels remained higher than those recorded in both 2020/2022 to 2022/2023. From the observation it is clear that frequent industrial action has a major effective in the facility's service delivery.

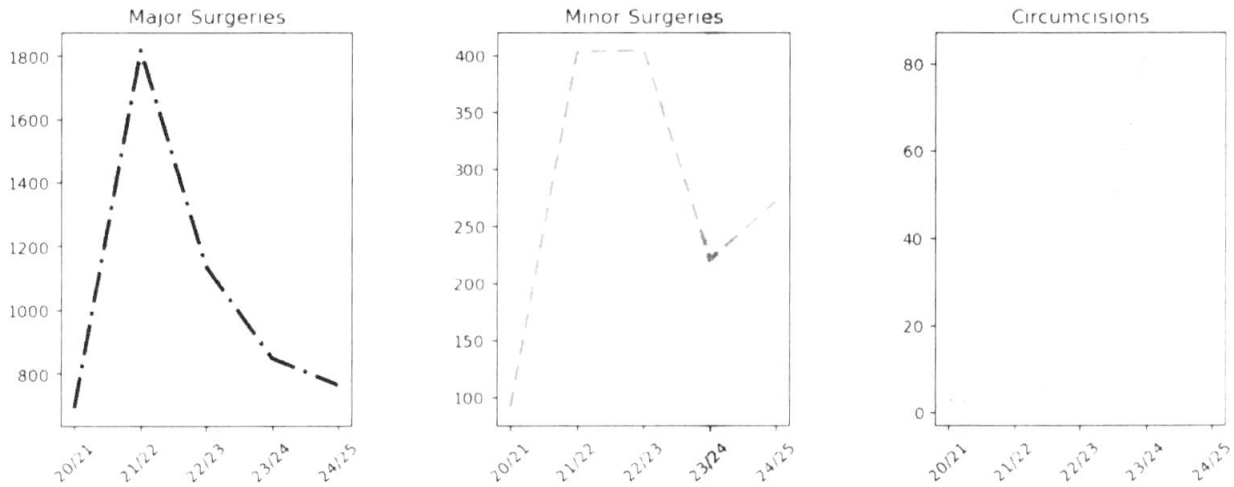
### Average Length of Stay Graph



The average length of stay (ALOS) for inpatients at the hospital has shown a consistent downward trend from 2021/2020 to 2023/2024. This trend indicates a marked improvement in service delivery and patient management. The sharp decline in ALOS over these years suggests that patients are receiving more efficient and effective care, resulting in shorter hospital stays.

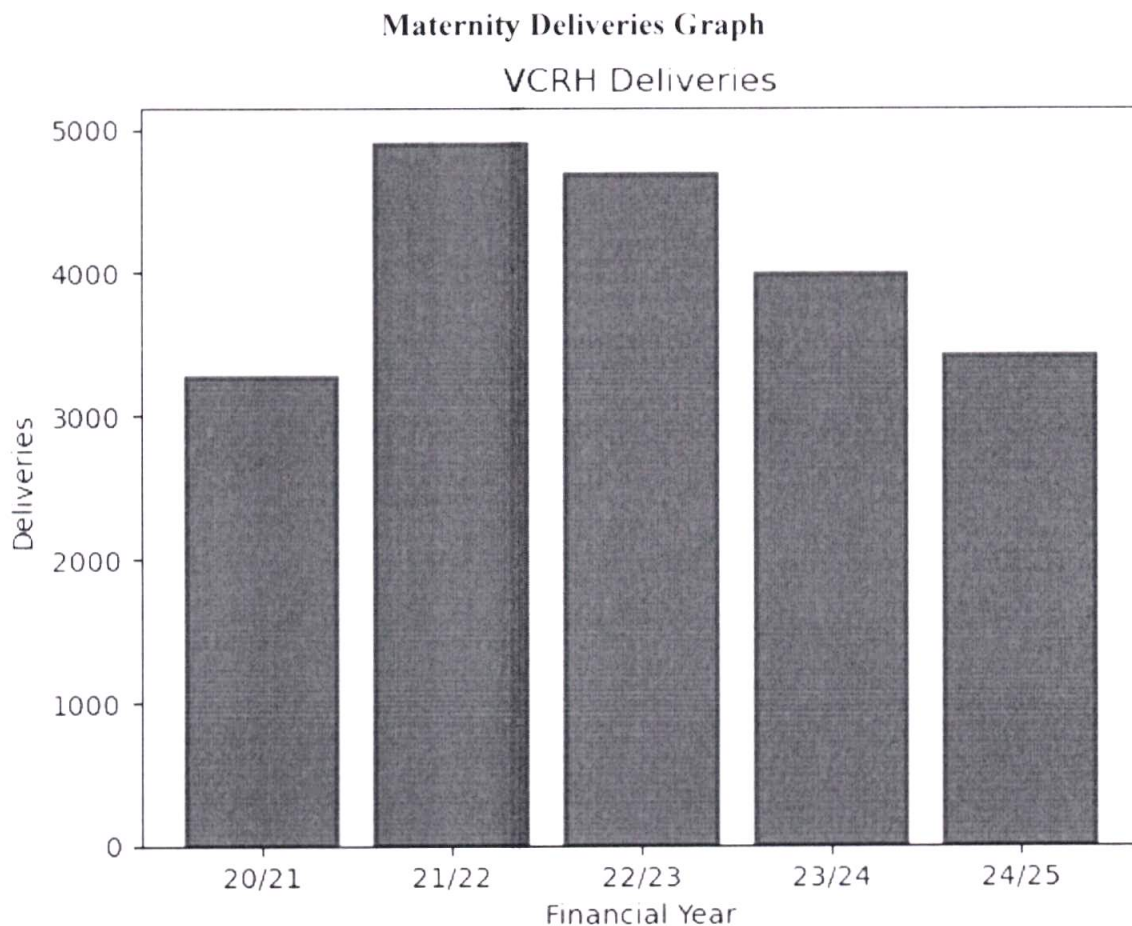
### Surgical Theatre Utilization Graph

VCRH SURGERIES CONDUCTED



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

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



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

**FINANCIAL PERFORMANCE ANALYSIS**

FY	REVENUE	EXPENDITURE
2022/2023	113,626,360	93,152,469
2023/2024	172,283,259	158,437,102
2024/2025	<b>260,577,610</b>	<b>199,603,233</b>

**REVENUE SOURCE ANALYSIS**

REVENUE SOURCE	FY2022/23	FY 2023/24	FY 2024/25
NHIF	49,151,664	98,754,518	<b>36,454,590</b>
MINET	1,582,456	7,621,178	<b>5,108,665</b>
FIF	28,343,381	43,734,872	<b>49,883,447</b>
SHA	-	-	<b>162,603,282</b>

*Vihiga County Referral Hospital (County Government of Vihiga)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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During the year under review, the facility generated revenue of ksh 260,577,610 with SHA giving the biggest share of ksh 162,603,282. There was an increase in revenue as compared to previous year 2023/24 of ksh 172,283,259. The facility revenue was sourced from the FIF comprising of service charges, reimbursement from NHIF, MINET, SHA and in-kind contributions from MEDS and Department of health.



**Dr Collins Masika**

**Medical Superintendent/Secretary of Board**

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

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

### **i) Sustainability strategy and profile**

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

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

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

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

### **ii) Environmental Performance**

The hospital recognizes that environmental sustainability is integral to quality healthcare delivery. With increasing patient numbers and resource constraints, the hospital has adopted eco-friendly strategies to minimize its environmental footprint and ensure responsible use of available resources. Key measures include proper medical waste segregation and disposal, energy conservation through solar installations and efficient lighting systems, and improved water harvesting and management practices.

The hospital's leadership emphasizes benchmarking with other referral facilities to learn and adopt best practices in environmental management. Continuous engagement with stakeholders, including staff, patients, and the community, ensures that environmental initiatives address both health and ecological needs.

Despite progress, challenges remain. The transition to county-managed health services has created gaps in policy clarity and funding for environmental programs. Policymakers and county leaders must strengthen

frameworks to support green healthcare initiatives, including sustainable procurement, waste management infrastructure, and adequate resource allocation.

Overall, the hospital is committed to promoting innovation in environmental management, enhancing cost-effectiveness, improving safety and service quality, and ensuring accountability in line with global best practices for sustainable healthcare.

**iii) Employee welfare**

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

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

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

**iv) Market place practices**

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

**a) Responsible competition practice.**

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

**b) Responsible Supply chain and supplier relations**

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

**c) Responsible Marketing and Advertising**

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

**d) Product Stewardship**

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

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

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

**Report of The Board of Management**

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

**Principal activities**

The principal activities of the entity are to provide High quality preventive, curative and rehabilitative healthcare services.

**Results**

The results of the entity for the year ended June 30 2025 are set out on pages 1 to 9

**Board of Management**

The members of the Board who served during the year are shown on page vi-viii. During the year, 2024/25 none of director(s) retired nor resigned.

**Auditors**

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

By Order of the Board



.....  
**Name Dr Collins Masika**

**Medical Superintendent/ Secretary to the Board**

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

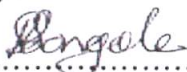
- 12.** Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of that Vihiga County Referral Hospital, which give a true and fair view of the state of affairs of the Vihiga County Referral Hospital at the end of the financial year/period and the operating results of the Vihiga County Referral Hospital for that year/period. The Board of Management is also required to ensure that the Vihiga County Referral Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the Vihiga County Referral Hospital. The council members are also responsible for safeguarding the assets of the Vihiga County Referral Hospital.
- 13.** The Board of Management is responsible for the preparation and presentation of the Vihiga County Referral Hospital's financial statements, which give a true and fair view of the state of affairs of the Vihiga County Referral Hospital for and as at the end of the financial year (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 Vihiga County Referral Hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.
- 14.** The Board of Management accepts responsibility for the Vihiga County Referral Hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and FIF Act 2023. The Board members are of the opinion that the Vihiga County Referral Hospital's financial statements give a true and fair view of the state of Vihiga County Referral Hospital's transactions during the financial year ended June 30, 2025, and of the Vihiga County Referral Hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Vihiga County Referral

Hospital, which have been relied upon in the preparation of the Vihiga County Referral Hospital's financial statements as well as the adequacy of the systems of internal financial control.


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

#### Approval of the financial statements

The Hospital's financial statements were approved by the Board on 30/6/2025 and signed on its behalf by:



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



.....  
Name: Dr Collins Masika  
Accounting Officer

# REPUBLIC OF KENYA

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON VIHIGA COUNTY REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF VIHIGA

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Vihiga County Referral Hospital - County Government of Vihiga set out on pages 1 to 44, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a

summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

## **Basis for Qualified Opinion**

### **1. Variances in the Financial Statements**

Review of the financial statements submitted for audit revealed various variances with the ledger as detailed below;

- i. The statement of financial performance and as disclosed in Note 11 to the financial statements reflects medical/clinical costs of Kshs.49,351,104 while the supporting schedules reflect Kshs.71,035,034 resulting to an unreconciled variance of Kshs.21,683,930.
- ii. The statement of financial performance and Note 12 to the financial statements reflects employee costs of Kshs.42,956,865 which differs with the ledger amount of Kshs.42,902,849 resulting to an unreconciled variance of Kshs.54,016. Further, the statement reflects repairs and maintenance expenses of Kshs.7,192,592 which differs with the ledger amount of Kshs.9,421,092 resulting to an unexplained variance of Kshs.2,228,500.
- iii. The statement of financial performance and as disclosed in Note 16 to the financial statements reflects general expenses of Kshs.48,222,722. However, the supporting schedule reflect Kshs.51,751,372 resulting to an unexplained variance of Kshs.3,528,650.
- iv. In addition, the statement of financial position and as disclosed in Note 20 to the financial statements reflects receivables from exchange transactions balance of Kshs.116,159,651 against the ledger balance of Kshs.115,607,080 resulting to unexplained variance of Kshs.552,571.
- v. The statement of financial position and as disclosed in Note 24 to the financial statements reflects trade and other payables of Kshs.60,475,384 which include employee dues of Kshs.3,883,516. However, supporting schedule reflected a balance of Kshs.3,53,516 resulting to a variance of Kshs.50,000.

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

### **2. Inaccuracies in the Financial Statements**

Review of the financial statements revealed the following inaccuracies in the financial statements:

- i. The statement of financial performance reflects Kshs.29,046,866 in respect of comparative employee costs which is at variance with the previous year's audited costs of Kshs.27,472,646 resulting in an unexplained variance of Kshs.1,574,219.
- ii. The statement of financial position reflects trade and other payables balance of Kshs.59,203,268 while the prior year's audited financial statements reflect Kshs.54,458,311 resulting to a variance of Kshs.4,744,957. Although Management explained that the adjustments related omissions in the prior year, Management did not provide supporting schedules and journals to show how the figures were revised.
- iii. Further, the statement of changes in net assets reflects accumulated surplus opening balance of Kshs.14,870,997 which differs with the prior year audited balance of Kshs.34,320,047, resulting to an unexplained difference of Kshs.19,449,050.
- iv. The statement of financial position reflects revaluation reserve balance of Kshs.14,870,997. However, the statement of changes in net assets reflects Nil balance.

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

### **3. Unsupported Cash and Cash Equivalentents**

The statement of financial position reflects cash and cash equivalentents balance of Kshs.6,317,835 as disclosed in Note 19 to the financial statements, comprises balances of Kshs.5,456,940 held in four (4) bank accounts and cash in hand balance of Kshs.860,895. Review of records provided for audit in respect to the bank balances revealed the following anomalies:

- i. Further, the cash and cash equivalent balances of Kshs.4,814,091 held at SPA Account was not supported with a cashbook and KCB Collection Account was not supported by certificate of bank balance.
- ii. In addition, the Board of Survey report to support the bank balances and cash in hand of Kshs.5,456,940 and Kshs.860,895 respectively was not provided for audit review.
- iii. The SPA bank reconciliation statement reflects payments in bank statements not recorded in cashbook of Kshs.2,169,000. However, the nature of these reconciling items and reasons for their posting in the cash book were not provided.
- iv. Bank reconciliations and updating the cashbook was not done on time. Failure to update the cash book is contrary to Regulation 90(3) of the Public Finance Management (County Governments) Regulations, 2015 states that the Accounting Officers shall ensure any discrepancies noted during bank reconciliation exercise are investigated immediately and appropriate action taken including updating the relevant cash books.

In the circumstances, the accuracy and completeness of the cash and cash equivalentents balance of Kshs.6,317,835 could not be confirmed.

#### **4. Unsupported Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs.9,659,157 and as disclosed in Note 22 to the financial statements. However, detailed assets register indicating asset description, location, cost and ownership status was not provided for audit. Further, Management has not developed a depreciation policy.

In the circumstances, the accuracy, completeness, ownership and valuation of property, plant and equipment balance of Kshs.9,659,157 could not be confirmed.

#### **5. Unsupported Intangible Assets**

The statement of financial position reflects intangible assets balance of Kshs.1,920,000 as disclosed in Note 23 to the financial statements. However, detailed schedule indicating asset description, cost and ownership status was not provided for audit.

In the circumstances, the accuracy and completeness of the intangible assets balance of Kshs.1,920,000 could not be confirmed.

#### **6. Unsupported and Long Outstanding Trade and Other Payables**

The statement of financial position and as disclosed in Note 24 to the financial statements reflects a balance of Kshs.60,332,784 in respect of trade and other payables. . However, this balance was not supported by invoices register and monthly aging analysis and creditors statements of accounts. Further, the outstanding bills listing provided for audit indicated payables amounting to Kshs.25,193,059, which should have been a first charge in the financial years 2024/2025 were still outstanding as at 30 June, 2024 contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which requires debt service payments be a first charge to the budget. Failure to settle bills during the year to which they relate adversely affects the implementation of the subsequent year's budgeted programs as the outstanding bills form a first charge to that year's budget provision.

In the circumstances, the accuracy and completeness of the trade payables could not be confirmed.

#### **7. Unsupported Grants and Subsidies**

The statement of financial performance reflects grants and subsidies expenses of Kshs.14,965,034 and as disclosed in Note 16 to the financial statements. Review of Section 16(d) of the Vihiga County Facilities Improvement Fund Act, 2020 states that the board shall allocate twenty five percent of the total collections from the health facilities to be utilized for public health services that is disease outbreaks and prevention of disease upsurges. However, details of the grants and subsidies and beneficiary facilities were not provided for audit.

In the circumstances, the accuracy and completeness of the grants and other subsidies of Kshs.14,965,034 could not be confirmed.

## **8. Long Outstanding Receivables from Exchange Transactions**

The statement of financial position and as disclosed in Note 20 to the financial statements, reflects receivables from exchange transactions balance of Kshs.116,159,651. Review of records revealed that Kshs.12,609,206 or 10.8% of the total receivables that have been outstanding for over a year. The receivables balance relates to NHIF claims inherited by the Social Health Authority that was rolled out on 1 October, 2024 and are yet to be settled. Management did not provide evidence to indicate mechanisms put in place to recover these long overdue debts.

In the circumstances, the recoverability of receivables from exchange transactions could not be confirmed.

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

### **Emphasis of Matter**

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

The statement of comparison of budget and actual amounts for the year ended 30 June, 2025 reflects final receipts budget and actual on a comparable basis of Kshs.315,086,010 and Kshs.152,395,324 respectively resulting to a recomputed under collection and under funding of Kshs.162,690,686 or 50% of the budget. Similarly, the Hospital expended Kshs.146,077,739 against final budget of Kshs.315,086,010 resulting to a recomputed under expenditure of Kshs.169,008,271 or 53% of the budget. Further, review of the budget process revealed that the Referral Hospital failed prepare its own annual budget and instead used the Department of Health Services budget. This was contrary to Regulation 29(1) of the Public Finance Management (County Government) Regulations, 2015.

The under collection and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

## Other Matter

### Unresolved Prior Year Matters

In the prior year's report, issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during the audit of the Hospital in 2024/2025 revealed that the following thirteen (13) matters remained unresolved:

No.	Financial Year	Audit Issue
1.	2023-2024	Variances in the Financial Statements
2.	2023-2024	Inaccuracies in the Financial Statement
3.	2023-2024	Variance in Employee Costs
4.	2023-2024	Inaccuracies in Property, Plant and Equipment Balance
5.	2023-2024	Failure to charge depreciation and lack of a depreciation policy
6.	2023-2024	Cash and Cash equivalents
7.	2023-2024	Unsupported Trade Payables
8.	2023-2024	Budgetary Control and Performance
9.	2023-2024	Deficiencies in Implementation of Universal Health Coverage (UHC)
10.	2023-2024	Lack of Approved Staff Establishment
11.	2023-2024	Underpayment of Casuals
12.	2023-2024	Inventories (Drugs) Management
13.	2023-2024	Expired and Quarantined Pharmaceutical Items

### Other Information

The Management responsible for the Other Information set out on page iii to xxxi which comprise of Key Entity Information and Management, The Board of Management, 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 Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Hospital's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. In my opinion, except for the matters described below, I confirm that the Other Information is not materially inconsistent with the financial statements.

### Lack of Correlation in the Management Discussion Analysis

The financial outlook in the Management Discussion Analysis report at page xx indicate that outpatient visits and admissions during the year under review were

161,514 and 5,957 respectively which was a decline from the prior year figures of 234,004 and 6,042 respectively. However, review of the revenue from exchange transaction increased from Kshs.43,734,872 to Kshs.49,883,447. Further, the analysis indicates a gradual decline in bed occupancy from 150% in 2020/2021 to 100% in the year under review. The relationship between the decrease in patients and increase in revenue could not be confirmed.

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

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

### Conclusion

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

### Basis for Conclusion

#### 1. Failure to Update Suppliers Documents

Review of payment and procurement records provided revealed that Management awarded a tender for the supply of cleansing materials valued at Kshs.898,190. However, review of the supporting documents revealed that the supplier failed to submit a valid AGPO certificate and yet proceeded to financial evaluation. This is contrary to Regulation 76(1) of Public Procurement and Asset Disposal Regulations, 2020 which provides that upon completion of the preliminary evaluation under regulation 74, the evaluation committee shall conduct a technical evaluation by comparing each tender to the technical requirements of the goods, works or services in the tender document. The evaluation committee shall reject tenders which do not satisfy the technical requirements under paragraph (1).

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

#### 2. Non-Compliance With Laws of Procurement Planning

Review of the procurement and payment records and other relevant supporting documents revealed the following anomalies;

- i. The Management provided the annual procurement plan for the financial year 2024/2025 for audit review. However, there was no evidence that the plan was submitted to the National Treasury as required by Section 44 (2c) Public of the Procurement and Asset Disposal Act, 2015 which states that the Accounting Officer shall ensure procurement plans are prepared in conformity with the

- medium-term fiscal framework and fiscal policy objectives and, subject to subsection (3), submit them to the National Treasury.
- ii. The Head of the Procurement Unit did not maintain quarterly reports on the implementation of the annual procurement plan as prescribed by the law. This was contrary to Regulation 40(6) of the Public Procurement and Asset Disposal Regulations, 2020 which states that an accounting officer of a procuring entity shall prepare a quarterly report on the implementation of the annual procurement plan and submit it to the Cabinet Secretary or county executive committee member for finance or responsible for the procuring entity or the governing body, as the case may be.
  - iii. The procurement and disposal plans did not include percentages reserved to the Youth, Women, PWDs and other disadvantaged groups. This was contrary to Regulation 149 of the Public Procurement and Asset Disposal Regulations, 2020, which states that an accounting officer of a procuring entity shall, when processing procurement under section 157(5) of the Act, allocate at least thirty percent (30%) of its annual procurement budget for the purposes of procuring goods, works and services from enterprises owned by youth, women and persons with disability.

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

### **3. Non-Compliance with Procurement Procedures**

Review of procurement records revealed that Management engaged two firms for repair and service of fixed X-ray machine and 80K VA UPS power at the Hospital at a cost of Kshs.2,550,840 and Kshs.2,927,720 respectively. However, the expenditures were not included in the procurement plan or budgeted for and the firms were not prequalified under the category. This was contrary to Section 106(2) of the Public Procurement and Asset Disposal Act, 2015, which require the accounting officer to give the request for quotations to persons that are registered by the procuring entity.

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

### **4. Unapproved Waivers of Patients' Bills**

The statement of financial performance reflects medical services contracts losses of Kshs.2,687,689 in respect of waivers and exemptions. However, Management did not provide for audit review the written delegated authority to the officers who granted the waivers from the Accounting Officer or the receiver of revenue. This was contrary to Regulation 64(3) of the Public Finance Management (County Governments) Regulations, 2015 which provide that the accounting officer or receiver of revenue or collector of revenue shall include in the report under paragraph (1), the following details in respect of each waiver or variation; (a) the full name of each person benefiting from the waiver or variation; (b) the amount of tax, fee or charge affected by the waiver or variation; (c) the year to which the waiver or variation relates; (d) the reasons for the waiver or variation. Further, there was no assessment report indicating the patient's inability to pay for the services rendered or a quarterly report submitted to the County Treasury and the Auditor General.

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

## 5. Engagement of Casuals Beyond the Stipulated Period

Review of the Hospital's personnel records relating to casuals for the month of June, 2025 revealed that forty-six (46) casuals were engaged at various times during the year under review. However, review of the payroll and appointment letters revealed that the engaged casuals had worked continuously for a period of more than three (3) months with some being engaged for a period of over three (3) years. This was contrary to Section 37(b) of the Employment Act, 2007 which states that notwithstanding any provisions of this Act, where a casual employee performs work which cannot reasonably be expected to be completed within a period, or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly and section 35 (1) (c) shall apply to that contract of service.

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

## 6. Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by 89% of the authorized establishment.

Staffing Requirement	Level 4 Requirement	In Post	Variance	Percentage %
Medical Officers	16	9	7	43.75
Anesthesiologists	2	0	2	100
General Surgeons	2	2	0	0
Gynecologists	2	2	0	0
Pediatricians	2	0	2	100
Radiologists	2	1	1	50
Registered Community Health Nurses	75	47	28	37.3
<b>Total</b>	<b>101</b>	<b>64</b>	<b>73</b>	<b>72.27</b>

In addition, the Hospital did not provide required services and lacked the necessary equipment and machines outlined in the Health Policy Guidelines as detailed below;

Equipment and Machines	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Bed Capacity	150	167	-17	Over by 11.3
Incubators (Newborn)	5	11	-6	120
Cots	5	5	0	0
Resuscitative in Theatre	1	1	0	0

Equipment and Machines	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Resuscitative in Labour Ward	2	2	0	0
Functional ICU Beds	6	2	4	66.67
HDU Beds	6	0	6	100
Equipment and Machines	Level 4 Hospital Standard	Actuals in the Hospital	Variance	
Renal Unit with Dialysis Machines	5	5 but only one functional	0	0
Functional Operating Theatres Maternity and General	2	3		150
Services Offered	Level 4 Hospital Standard			
Surgical Services	Available			
Gynecology Services	Available			
Renal Services	Partially available-Only one out of five is functional			
Comprehensive emergency Obstetric Unit	Available			

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

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

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

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

### Conclusion

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

## **Basis for Conclusion**

### **1. Non-Functional Revenue System**

The statement of financial performance reflects rendering of services-medical service income amount of Kshs.49,883,447 as disclosed in Note 9 to the financial statements. Review of internal controls of the Hospital revealed that Management procured Check Health Information System Version 5.1.4, an intersoft software (CHIS System) in 2023 for revenue billing. However, the system could not generate revenue billing reports for the year under review. This was contrary to Regulation 63(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires that an Accounting Officer and a Receiver of Revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all County Government revenue and other public money relating to their County departments or agencies and adequate measures, including legal action where appropriate, are taken to obtain payment.

In the circumstances, the effectiveness of internal controls in revenue billing could not be confirmed.

### **2. Failure to Maintain an Updated Fixed Assets Register**

The statement of financial position and Note 22 to the financial statements, reflects property, plant and equipment balance of Kshs.9,659,157. However, the Hospital did not maintain an updated assets register showing details relating to: nature or type of asset, date of acquisition, cost, supplier, unique identification number, current value, current location, user, accumulated depreciation and net book values. This is contrary to Regulation 136(1) of the Public Finance Management (National Government) Regulations, 2015. Further, the assets were not tagged with unique identification numbers for ease of traceability and accountability.

In the circumstances, the existence of effective internal controls on management of fixed assets could not be confirmed.

### **3. Weaknesses in ICT Internal Controls and Physical Security**

Review of the Health's information technology systems revealed the Hospital has installed information management system. However, the Hospital did not have an approved IT policy for governance and management of its ICT resources. Lack of an approved IT policy may result in an unclear direction regarding maintenance of information security across the organization and safeguarding the Hospital's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

Further, physical verification of facilities and peripheries revealed that the Hospital did not have a perimeter fence around the facility which poses threat to patients and staff. In the circumstances, existence of effective ICT and physical controls could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether

effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of the Management and those Charged with Governance**

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

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

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

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

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


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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards 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

10 December, 2025

*Vihiga County Referral Hospital (County Government of Vihiga)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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

Description	Note	FY-2024/25	FY-2023/24
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government			
In-kind contributions from the County Government, Meds/Kemsa	6	4,081,963	19,925,781
Grants from donors and development partners			484,260
Transfers from other Government entities	7	204,166,537	98,754,518
Public contributions and donations	8	2,445,413	1,762,650
		<b>210,693,913</b>	<b>120,927,209</b>
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	9	49,883,447	43,734,827
Other income			7,621,178
Miscellaneous Income-m-pesa	10	250	
<b>Revenue from exchange transactions</b>		<b>49,883,697</b>	<b>51,356,050</b>
<b>Total revenue</b>		<b>260,577,610</b>	<b>172,283,259</b>
<b>Expenses</b>			
Medical/Clinical costs	11	49,351,104	67,138,001
Employee costs	12	42,956,865	29,046,866
Board of Management Expenses	13	3,539,100	2,528,370
Depreciation and amortization expense	14	5,934,735	
Repairs and maintenance	15	7,192,592	18,257,059
Grants and subsidies	16	14,965,034	
General expenses	17	48,222,722	43,041,026
<b>Transfer</b>			
<b>Total expenses</b>		<b>172,162,152</b>	<b>160,011,322</b>
<b>Other gains/(losses)</b>			
Gain/Loss on disposal of non-Current assets			
Unrealized gain on fair value of investments			
Medical services contracts Gains/Losses	18	-2,687,689	
Impairment loss			
Gain on foreign exchange transactions			
<b>Total other gains/(losses)</b>			
<b>Net Surplus / (Deficit) for the year</b>		<b>88,415,458</b>	<b>12,271,937</b>

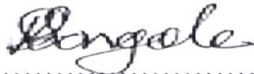
*Vihiga County Referral Hospital (County Government of Vihiga)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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**The employee cost was corrected under prior year adjustment to reflect 29,049,866 and not 27,472,647 as early reported**

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

The Hospital's financial statements were approved by the Board on 30/6/2025 and signed on its behalf by:



.....  
**Chairman**

**Board of Management**



.....  
**Head of Finance**

**ICPAK No: 11250**



.....  
**Medical Superintendent**

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

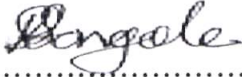
Description	Note	FY 2024/25	FY 2023/24
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	19	6,317,835	2,888,025
Prepayments			
Receivables from exchange transactions	20	116,159,651	27,556,519
Receivables from non-exchange transactions			
Inventories	21	29,705,196	43,774,571
<b>Total Current Assets</b>		<b>152,182,682</b>	<b>74,219,115</b>
<b>Non-current assets</b>			
Property, plant, and equipment	22	9,659,157	11,679,243
Intangible assets	23	1,920,000	2,880,000
Investment property			
Biological Assets			
<b>Total Non-current Assets</b>		<b>11,579,157</b>	<b>14,559,243</b>
<b>Total assets (A)</b>		<b>163,761,839</b>	<b>88,778,358</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	24	60,475,384	59,203,268
<b>Total Current Liabilities</b>		<b>60,475,384</b>	<b>59,203,268</b>
<b>Non-current liabilities</b>			
<b>Total non-current liabilities</b>			
<b>Total Liabilities (B)</b>		<b>60,475,384</b>	<b>59,203,268</b>
<b>Net assets (A-B)</b>		<b>103,286,455</b>	<b>29,575,089</b>
<b>Represented by:</b>			
Revaluation reserve		14,870,997	
Accumulated surplus/Deficit		88,415,458	29,564,481
Capital Fund			
<b>Net Assets</b>		<b>103,286,455</b>	<b>29,564,481</b>

*Vihiga County Referral Hospital (County Government of Vihiga)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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**There was a prior year adjustment by capturing the supplies omitted and reconciling the opening balance for Electricity and MEDS**

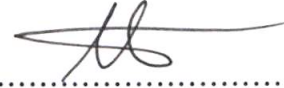
The Hospital's financial statements were approved by the Board on 30/6/2025 and signed on its behalf by:



.....  
**Chairman  
Board of Management**



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



.....  
**Medical Superintendent**

19. 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)		17,292,544		17,292,544
Revaluation gain				-
Surplus (deficit) for the year		12,271,937		12,271,937
Capital/Development grants				-
<b>Adjustments:</b> - Understatement of employee cost		1,574,219		1,574,219
omissions of trade payable		-		-
		4,744,958		4,744,958
Omissions of MINET		7,621,178		7,621,178
Omission of Hospice		484,260		484,260
Correction of understatement in expenditures		3,693,117		3,693,117
Correction of overstatement in expenditures		-23,321,300		-23,321,300
<b>Adjusted bal As at June 30, 2024 (previous year)</b>		<b>14,870,997</b>		<b>14,870,997</b>
				-
<b>At July 1, 2024 (current year)</b>		<b>14,870,997</b>		<b>14,870,997</b>
Revaluation gain				-
Surplus/(deficit) for the year		88,415,458		88,415,458
Capital/Development grants				-
				-
				-
<b>At June 30, 2025 (current year)</b>		<b>103,286,455</b>		<b>103,286,455</b>

Vihiga County Referral Hospital (County Government of Vihiga)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025

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

Description	Note	FY 2024/25	FY 2023/24
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government			
Grants from donors and development partners			484,260
Transfers from other Government entities		127,736,140	76,590,605
Public contributions and donations		2,445,413	1,762,650
Rendering of services- Medical Service Income		19,325,746	41,282,940
Revenue from rent of facilities			
Finance / interest income			
Miscellaneous receipts ( <i>returned salary, M-pesa</i> )		250	4,680,504
<b>Total Receipts</b>		<b>149,507,549</b>	<b>124,800,959</b>
<b>Payments</b>			
Medical/Clinical costs		43,978,825	42,999,524
Employee costs		39,073,349	27,472,646
Board of Management Expenses		3,539,100	2,528,370
Repairs and maintenance		9,421,092	18,257,059
Grants and subsidies			
General expenses		47,110,723	41,350,053
Finance costs			
<b>Total Payments</b>		<b>143,123,089</b>	<b>132,607,652</b>
<b>Net cash flows from operating activities</b>	25	<b>6,384,460</b>	<b>-7,806,693</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment		-2,954,650	-5,470,936
Purchase of intangible assets			-500,000
Proceeds from the sale of PPE			
Acquisition of investments			
<b>Net cash flows used in investing activities</b>		<b>-2,954,650</b>	<b>-1,835,757</b>
<b>Cash flows from financing activities</b>			
<b>Net cash flows used in financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,429,810</b>	<b>-1,835,757</b>
Cash and cash equivalents as at 1 July		2,888,025	4,723,782
<b>Cash and cash equivalents as at 30 June</b>		<b>6,317,835</b>	<b>2,888,025</b>

Vihiga County Referral Hospital (Vihiga County Government of Vihiga)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025

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

Description	Original budget a	Adjustments b	Final budget c=(a+b)	Actual on comparable basis d	Performance difference e=(c-d)	% of utilisation f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year		2,888,025	2,888,025	2,888,025		100
<b>Receipts</b>			-			#DIV/0!
Transfers from the County Government			-			#DIV/0!
Grants from donors and development partners			-			#DIV/0!
Transfers from other Government entities	244,345,524		244,345,524	127,736,140	113,189,452	52
Public contributions and donations	2,689,955		2,689,955	2,445,413	244,542	91
Rendering of services- Medical Service Income	89,634,302	-24,471,796	65,162,506	19,325,746	45,836,760	30
Revenue from rent of facilities						#DIV/0!
Finance / interest income						#DIV/0!
Miscellaneous receipts ( <i>specify</i> )						#DIV/0!
<b>Total receipts</b>	<b>336,669,781</b>	<b>-21,583,771</b>	<b>315,086,010</b>	<b>152,395,324</b>	<b>159,270,754</b>	<b>48</b>
<b>Payments</b>					0	#DIV/0!

**Vihiga County Referral Hospital (County Government of Vihiga)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

Medical/Clinical costs	190,264,127	-13,663,771	176,600,356	43,978,825	132,621,531	25
Employee costs	40,591,200	-7,920,000	32,671,200	39,073,349	-6,402,149	120
Board of mgt expenses	4,779,996		4,779,996	3,539,100	1,240,896	74
Repairs and maintenance	21,989,996		21,989,996	9,421,092	12,568,904	43
Grants and subsidies	26,890,291	-7,341,539	19,548,752	0	4,582,887	-
General expenses	52,154,171	7,341,539	59,495,710	47,110,723	12,384,987	79%
PPE				2,954,650	0	#DIV/0!
<b>Total Operational Expenditure paid</b>	<b>336,669,781</b>	<b>-21,583,771</b>	<b>315,086,010</b>	<b>146,077,739</b>	<b>147,980,794</b>	<b>46%</b>
<b>Capital Expenditure paid</b>						<b>%</b>
<b>Surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,317,585</b>		<b>%</b>

**Budget Reconciliation**

Description of Particulars		Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	6,317,835
1	income not in budget (other income)	0
2	Expenditure not on cash flow- (subsidies)	0
3	Expenditure not on budget but on cash flow- (other payments)	0
4	Expenditure not on budget but on cash flow (revenue refund)	0
	Closing Cash and Cash Equivalent as per the statement of Cash flows	6,317,835

## 22. Notes to the Financial Statements

### 1. General Information

Vihiga County Referral Hospital is established by and derives its authority and accountability from FIF Act. The entity is wholly owned by the Vihiga County Government and is domiciled in Vihiga County in Kenya. The entity's principal activity is providing high quality preventive, curative and rehabilitative healthcare services.

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

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

### 3. Adoption of New and Revised Standards

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

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

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

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1<sup>st</sup> January 2025</i>

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Standard	Effective date and impact:
	<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>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
<p>IPSAS 45- Property Plant and Equipment</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p>

Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS:</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

*iii) Early adoption of standards*

The Entity 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 *30<sup>th</sup> 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 entity did not record additional appropriations on the FY 2024/25 budget following the Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

**c. Taxes**

**Sales tax/ Value Added Tax**

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

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

*Notes to the Financial Statements (Continued)*

**d. Investment property**

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 3 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.

**f. 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.

**g. 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.

**h. 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 *-not applicable*.

**Financial liabilities**

**Classification**

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

**i. 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.

**j. 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.

**k. Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme

is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

**l. Contingent liabilities**

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

**m. Contingent assets**

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

**n. Nature and purpose of reserves**

The entity creates and maintains reserves in terms of specific requirements.

**o. 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.

**p. 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.

**q. 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.

**r. Comparative figures**

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

**s. 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

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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.

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

Description	FY 2024/25	FY 2023/24
	KShs	KShs
Medical supplies-Drawings Rights (KEMSA)	-	19,092,261
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	2,481,963	833,520
Utility bills	1,600,000	-
<b>Total grants in kind</b>	<b>4,081,963</b>	<b>19,925,781</b>

**7. Transfers From Other Government Entities**

Description	FY 2024/25	FY 2023/24
	KShs	KShs
Transfer from National Government (Ministry of Health)		
Transfer from National Hospital Fund	36,454,590	98,754,518
MINET	5,108,665	7,621,178
SHA	162,603,282	
<b>Total Transfers</b>	<b>204,166,537</b>	<b>106,375,696</b>

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**8. Public Contributions and Donations**

Description	FY 2024/25	FY 2023/24
	KShs	KShs
Public donations-Fistula	2,445,413	1,762,650
Other donations(hospice)		484,260
<b>Total donations and sponsorships</b>	<b>2,445,413.1</b>	<b>2,246,910</b>

Fistula Foundation is an Entity that partners with Vihiga County Referral Hospital to help fund Fistula related conditions within Vihiga County

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

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Pharmaceuticals	5,670,487	
Non-Pharmaceuticals	4,668,469	
Laboratory	7,087,025	
Radiology	7,063,965	
Orthopedic and Trauma Technology	750,365	
Theatre	1,974,417	
Accident and Emergency Service	243,500	
Ear Nose and Throat service	33,900	
Nutrition service	135,596	
Cancer centre service	495,945	
Dental services	602,950	
Paediatrics services	216,870	
Farewell home services	8,147,500	
Ambulance services	86,000	
Records	5,392,804	
Male/Female ward	2,409,447	
Maternity	755,750	
ICU	1,398,346	
Amenity	1,575,996	
Cardiac	305,990	
Physiotherapy	193,260	
Occupational therapy	129,900	
Eye	111,700	
Gynaecology	55,440	
Oncology	8,000	

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NBU	10,700	
Catering/kitchen	100,000	
Public health	4,950	
ICT	30,000	
Attachment	218,500	
Other medical services income ( <i>o p. popc. gopc.mch</i> )	5,675	43,734.872
<b>Total revenue from the rendering of services</b>	<b>49,883,447</b>	<b>43,734.872</b>

*(Other medical services fee relates to other charges not listed above and should be specific)*

#### 10. Miscellaneous Income

Description	FY 2024/25	FY 2023/24
	KShs	KShs
<i>Others (mpesa)</i>	250	
<b>Total Miscellaneous income</b>	<b>250</b>	

#### 11. Medical/ Clinical Costs

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Laboratory chemicals and reagents	2,286,170	7,232,481
Food and Ration	1,282,620	12,184,263
Uniform, clothing, and linen	210,100	1,054,200
Dressing and Non-Pharmaceuticals	19,251,310	20,110,172
Pharmaceutical supplies	21,401,308	17,566,418
Health information stationery	1,340,000	3,878,830
Reproductive health materials	0	944,744
Sanitary and cleansing Materials	2,018,982	3,060,293
Purchase of Medical gases	353,049	
X-Ray/Radiology supplies	0	340,000
Other medical related clinical costs ( <i>specify</i> )	598,065	
Contracted professionals	0	397,800
Oncology	609,500	368,800
<b>Total medical/ clinical costs</b>	<b>49,351,104</b>	<b>67,138,001</b>

#### 12. Employee Costs

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Salaries, wages, and allowances	42,169,485	26,505,956
Contributions to pension schemes	787,380	966,690
<b>Employee costs</b>	<b>42,956,865</b>	<b>27,472,646</b>

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**13. Board of Management Expenses**

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Sitting allowance	3,257,200	2,528,370
Lunch	94,600	
Travel and accommodation allowance	184,300	
Airtime allowances	3,000	
<b>Total</b>	<b>3,539,100</b>	<b>2,528,370</b>

**14. Depreciation and Amortization Expense**

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Property, plant and equipment	4,974,735	
Intangible assets	960,000	
<b>Total depreciation and amortization</b>	<b>5,934,736</b>	

**15. Repairs And Maintenance**

	FY 2024/25	FY 2023/24
	Kshs	Kshs
Property- Buildings	125,300	10,928,072
Medical equipment	3,017,030	115,697
Computers and accessories/software	325,150	248,555
Motor vehicle expenses	0	757,828
Other Admin costs	118,880	-
Maintenance of civil works	-	167,870
Plant, machinery equipment	3,606,232	6,039,037
<b>Total repairs and maintenance</b>	<b>7,192,592</b>	<b>18,257,059</b>

**16. Grants And Subsidies**

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Other grants and subsidies (rendering service 30%)	14,965,034	-
<b>Total grants and subsidies</b>	<b>14,965,034</b>	<b>-</b>

**17. General Expenses**

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Advertising and publicity expenses	49,240	1,292,600
Catering expenses	589,040	1,678,159
Insecticides and rodenticides	998,800	-
Bank charges	60,598	47,624
Contracted services-Security	4,421,000	3,047,000
Electricity expenses	13,050,000	13,135,188
Fuel and Lubricants	1,543,363	4,232,300
Other fuel (cooking gas, firewood, charcoal)	621,000	400,970
Other committee allowance	1,602,240	1,973,705
Travel and accommodation allowance	392,000	89,040
Daly subsistence	18,258,980	4,386,990
Legal expenses	181,000	780,617
Courier and postal services	11,360	38,420
Printing and stationery	477,575	
Beatification	43,000	334,895
Water and sewerage costs	2,725,195	5,165,431
Telephone and mobile phone services	571,911	1,001,500
Internet expenses	1,020,565	1,001,254
Staff training and development	877,610	1,089,059
Subscriptions to professional bodies	60,115	-
General office supplies	668,130	3,200,314
Printer accessories	0	145,960
<b>Total General Expenses</b>	<b>48,222,722</b>	<b>43,041,026</b>

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

Description	FY 2024/25	FY 2023/24
	KShs	KShs
Waivers and Exemptions	2,687,689	
<b>Total Gain/Loss</b>	<b>2,687,689</b>	

**19. Cash And Cash Equivalent**

Description	FY 2024/25	FY 2023/24
	KShs	KShs
Current accounts	5,456,940	2,888,025

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Cash in hand-imprest	860,895	-
<b>Total cash and cash equivalents</b>	<b>6,317,835</b>	<b>2,888,025</b>

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

Description		FY 2024/25	FY 2023/24
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
KCB COLLECTION	1145335578	0.60	2,888,025.36
KCB-IMPREST A/C	1334797862	28.35	
Equity Bank, etc	0960285663 286	642,820	
SPA	1000745525	4,814,090.75	
<b>Sub- total</b>		<b>5,456,939.70</b>	<b>2,888,025.36</b>
<b>b) Others(specify)</b>			
cash in hand-Imprest		860,895	
<b>Sub- total</b>		<b>860,895</b>	
<b>Grand total</b>		<b>6,317,835</b>	<b>2,888,025.36</b>

20. Receivables From Exchange Transactions

Description	FY 2024/25	FY 2023/24
	KShs	KShs
Medical services receivables- NHIF	12,609,206	22,163,913
MINET	742,120	2,940,674
SHA	84,763,726	-
FIF	18,044,599	2,451,932
Less: impairment allowance	-	-
<b>Total receivables</b>	<b>116,159,652</b>	<b>27,556,519</b>

CORRECT FIGURE OF 27,556,519 NOW EFFECTED UNDER PRIOR YEAR ADJUSTMENTS.

Analysis of Receivables From Exchange Transactions

Description	FY2024/25		FY2023/24	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	103,550,446	89.7%		0%
Between 1- 2 years	12,609,206	10.3%		0%
Between 2-3 years		%		0%
Over 3 years		%		0%
<b>Total (a+b)</b>	<b>116,159,652</b>	<b>%</b>		<b>%</b>

21. Inventories

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Pharmaceutical supplies	23,659,027	34,570,292
Non pharms	6,046,169	9,204,279
General supplies	0	
<b>Total</b>	<b>29,705,196</b>	<b>43,774,571</b>

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**Detailed disclosure on inventories**

	<b>FY 2024/25</b>	<b>FY 2023/24</b>
Opening balance	43,774,571	
Additional Inventory in the year	40,725,785	
Inventory expensed in the year	-54,795,160	
Closing balance	29,705,196	



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Description	Land	Buildings and Civil works	Mortuary equipment	Furniture, fittings, and office equipment	ICT Equipment	Office Equipment	Other Assets (water tank)	Plant and medical Equip	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Depreciation for the year		82,614		437,400	993,730	-	-	694,109	2,207,853
Disposals									
Impairment									
<b>At 30 June 2024</b>		<b>115,918</b>		<b>454,800</b>		-	-	694,109	<b>1,264,827</b>
At July 2024 (current year)		115,918		454,800	1,003,397	-	-	694,109	<b>2,268,224</b>
Depreciation		92,807	118,500	523,800	1,163,996	11,300	102,000	694,109	<b>2,706,512</b>
Disposals									
Impairment									
Transfer/adjustment									
<b>At 30<sup>th</sup> June 2025</b>		<b>208,725</b>	<b>118,500</b>	<b>978,600</b>	<b>2,167,393</b>	<b>11,300</b>	<b>102,000</b>	<b>1,388,218</b>	<b>4,974,736</b>
<b>Net book values</b>									
At 30 <sup>th</sup> Jun 2024 (previous)		1,536,374		1,732,200	1,977,793	-		4,164,652	9,411,019
At 30 <sup>th</sup> Jun 2025 (current)		1,647,417	1,066,500	1,640,400	1,324,597	101,700	408,000	3,470,543	9,659,157

Disclosed and attached are the assets owned by the hospital (VCRH)

23. Intangible Assets-Software

Description	FY 2024/25	FY 2023/24
	KShs	KShs
<b>Cost</b>		
At beginning of the year	2,880,000	-
Additions		2,880,000
<b>At end of the year</b>	<b>2,880,000</b>	
<b>Amortization and impairment</b>		
At beginning of the year	480,000	
Amortization for the period	480,000	
<b>At end of the year</b>	<b>960,000</b>	
<b>NBV</b>	<b>1,920,000</b>	<b>2,880,000</b>

24. Trade and other Payables

Description	FY 2024/25		FY 2023/24	
	KShs		KShs	
Trade payables	56,591,868		57,126,711	
Employee dues	3,883,516		3,779,500	
<b>Total trade and other payables</b>	<b>60,475,384</b>		<b>59,295,869</b>	
<b>Ageing analysis:</b>	<b>FY 2024/25</b>	<b>% of the Total</b>	<b>FY 2023/24</b>	<b>% of the total</b>
Under one year	21,020,156	37%		%
1-2 years	16,910,131	28%		%
2-3 years	24,504,994	35%		%
Over 3 years		%		%
<b>Total</b>	<b>60,332,784</b>	<b>%</b>		<b>%</b>

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**25. Cash Generated from Operations**

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Surplus for the year before tax	88,415,458	13,846,157
<b>Adjusted for:</b>		
Depreciation	5,934,735	
Non-cash grants received	-4,081,963	-19,925,781
Non-cash	-10,529,527	
Medical services contracts Gains/Losses		0
Gains and losses on disposal of assets	0	
Contribution to provisions		
Contribution to impairment allowance		
<b>Working Capital adjustments</b>		
Increase in inventory	14,069,375	-41,903,742
Increase in receivables	-88,603,132	1,646,020
Increase in deferred income		
Increase in payables	1,179,515	37,452,969
Increase in payments received in advance		
<b>Net cash flow from operating activities</b>	<b>6,384,460</b>	<b>21,694,678</b>

**26. Events after the Reporting Period**

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

**27. Ultimate and Holding Entity**

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

**28. Currency**

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

30. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p><b>Variances in the Financial statement.</b></p> <p>There were unexplained variances between the amounts reflected in financial statements and amounts reflected in the ledgers and supporting documents.</p>	The management provided the ledgers and supporting documents that tally with the figures in the financial statements	Resolved	
2	<p><b>Inaccuracies in the financial statements</b></p> <p>i)variances between amounts and balances in financial statements and those in explanatory notes ii)There was nil balances under note 21 and 22 yet cashflow statement reflected ksh 10,897,159</p>	<p>i)The management had explained that there were casting errors which has been corrected under prior year adjustments fy 2024/25 ii)The correction of financial year been done adjustments has been done under prior year adjustments 2024/25 iii)Non cash items and payables reflected in cash flow statement has</p>	Resolved	

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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)
3	<p>and ksh 2,880,000 in respect of purchase of PPE and intangible asset.</p> <p>iii) There was a recasting of the cash flow statement by ksh 7,917,519.</p> <p>iv) Statement of financial performance reflected medical costs, general exp and grants of ksh 49,754,326, ksh 13,093,216 and nil which differed with prior year amounts of ksh 50,983,271, ksh 12,188,216 and ksh 2,410,200 respectively.</p> <p>v) financial position reflected nil which differs with prior year balance of ksh 900,000</p> <p><b>Variance in Employee costs</b> The financial statement reflected ksh 27,472,647 yet payroll records amounted to ksh 29,046,866</p>	<p>been removed and adjusted under prior year FY 2024/25</p> <p>iv) The variances were as the result of prior year adjustment FY 2023/24</p> <p>v) The amount of 900,000 was erroneously reported as an asset, this was corrected as a general exp under prior year adjustments FY 2023/24</p>	Resolved	
		<p>The management noted that ksh 29,046,866 was the total employee cost for the period and ksh 27,472,647 was the actual cash paid in the period. Variance has been adjusted under prior year FY 2024/25</p>	Resolved	

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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)
4	<p><b>Inaccuracies in property, plant and equipment balance</b></p> <ul style="list-style-type: none"> <li>-Value for land was not disclosed</li> <li>-Logbooks for 2 ambulances in possession of county government</li> <li>-Omission of ksh 3,303,866 from the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>-The management noted that the hospital could not disclose the land value since it does not own it</li> <li>-The logbooks are in possession of the department of health</li> </ul> <p>The asset acquired were recognised in books at the point of acquisition hence reflected in the financial statements.</p>	<p>Not resolved</p> <p>-Resolved</p>	<p>HMT 1 year</p>
5	<p><b>Failure to charge depreciation</b></p> <p><b>-The net book value for assets were reported at cost.</b></p>	<p>The management agreed to adopt the policy in the financial management and procurement manual for county health spending units by council of Governors 2024</p>	<p>Resolved</p>	
6	<p><b>Cash and Cash Equivalents</b></p> <ul style="list-style-type: none"> <li>-Statements of financial performance reflected that reconciliation items of ksh 46,500 and ksh 4,841 were not adjusted in the cash book</li> </ul>	<p>The management noted that the items were recorded in the subsequent year</p>	<p>Resolved</p>	

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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)
7	<p><b>Unsupported Trade Payables</b></p> <p>-The balances were not supported with detailed schedule and aging analysis indicating opening balance, additions, payment made and closing balances</p> <p>-Supporting documents including invoices, vouchers and certificates were not provided</p>	<p>-The management provided the aging analysis showing all the said categories</p> <p>-The sampled files were handed to auditors during the audit exercise</p>	Resolved	
1 Emphasis of matter	<p><b>Budgetary control and performance</b></p> <p>-Un explained under collection and under spending</p>	<p>-The management noted that, these was attributed to two industrial actions</p> <p>-delayed disbursements from NHIF and MINET</p>	Resolved	
1 Other matters	<p><b>Unresolved prior year matters</b></p> <p>-management had not resolved issues raised under FY 2022/23</p>	<p>The management prepared the prior year report but forwarded it as an attachment, this has been corrected under prior year adjustments 2024/25</p>	Resolved	
1 Report on lawfulness and effectiveness	<p><b>Deficiencies in implementation of universal health coverage</b></p> <p>-Hospital did not meet the requirements of Kenya</p>	<p>-Hospital management is in collaboration with the dept of health to address the staffing gaps</p> <p>-Hospital had released 7 medical officers for further specialist training.</p>	Not Resolved	HMT 1 YEAR

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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)
	<p>quality model for health policy guidelines due to staff deficits</p> <p>-Hospital lacked four functional intensive care unit-beds and six high dependency unit beds</p> <p>-Two renal machines not functional</p>	<p>-The space issue will be addressed with the completion of hospital plaza</p> <p>-The hospital will acquire a power stabilizer this FY 2025/26</p>		
2	<p><b>Lack of staff establishment</b></p> <p>-There was under staffing of 583 staff members</p> <p>-There was no approved staff establishment</p>	<p>The understaffing issue is addressed with deployment of interns and engagement of locum staff</p> <p>-The proposed staff establishment prepared and forwarded to county Assembly is awaiting assent</p>	Not Resolved	1 year
3	<p><b>Underpayment of Casuals</b></p> <p>-Casual employees are paid between ksh 6,300-ksh 10,000 contrary to minimum pay of ksh 14,025</p>	<p>The management has complied by effecting the minimum wage of ksh 14,025 in FY 2025/26</p>	Resolved	
1 Report on effectiveness of internal control. Risk management & Governance	<p><b>Inventory (Drugs) management</b></p> <p>-Report on regular inspection of stores and Annual stock take were not provided</p>	<p>-The management provided the regular inspection report and annual stock take report</p> <p>-The Pharms and Non pharms were included in the procurement plan</p>	Resolved	

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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)
	-Pharms and non-pharms were not included in proposed procurement plan			
2	<b>Expired and Quarantined Pharmaceutical items</b> -It was observed that the expired drugs ha taken more than ten months after expiry in the quarantine zone	The management notes that the expired drugs have been disposed off with permission from pharmacy and poison board and NEEMA	Resolved	

S/no	QUERRY/ISSUE	OBSERVATION	MANAGEMENT COMMENTS	Status	TIME FRAME
1	Errors in Annual Report and Financial Statements <i>Vihiga County Referral Hospital (Vihiga County Government) Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025</i>	Variance of Ksh 11,992,109 between note 42 and cash flow from operation Opening balance not supported Variance in med sup report Management discussion had comparative figures yet FY 2021-22 statements were not prepared	Reconciliation been done Supporting documents been provided Comparative figures been removed	Resolved	Oct to Dec 2024
02	Variences Between the Financial Statements and the Supporting Schedules	Variences in financial statements and supporting schedules on public contributions, other income, contracted professional dressing, repairs, receivables and general exp	Adjustments be done and effected.	Resolved	Oct-Dec 2024
03	Unsupported In-Kind Contribution from the County Government	The figures for pharmaceutical non-pharms supplies not supported by relevant ledgers and counter receipt	The hospital management has been using stock control card, now has introduced HMIS-CHIS which captures all information	Resolved	Oct -Dec 2024

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04	Unsupported Revenue from Rendering of Services-Medical Service	The system generated data of elephant system	The system was accessed and data retrieved after the existing dispute resolved	Resolved	OCT TO DEC 2024
05	Variations in Revenue from Rendering Service	Variance in NHIF amount reported in financial statement and records	There was no variance	Resolved	OCT TO DEC 2024
06	Unsupported Opening Balance	The opening balance of Ksh 3,505,292 not supported	It was a posting error which has been rectified	Resolved	Oct-Dec 2024
07(1)	Variations in Receivables from Exchange Transaction	Unreconciled figure for NHIF reported in financial statement	Reconciliation done	Resolved	Oct-Dec 2024
07(2)	Unsupported Receivable from Exchange Transactions	The FIF receivable of Ksh 4,482,013 not supported by ledger	Reconciliation done and ledger provided	Resolved	Oct-Dec 2024
08	Unsupported Grants and Subsidies	Grants of Ksh 14,068,025 reported was not supported by verifiable document	The amount was erroneously reported hence been removed	Resolved	Oct-Dec 2024
09	Non-Disclosure of Property, Plant and Equipment	Various assets i.e., land, building, civil works motor vehicles equipment, computers of undetermined values not included in financial statements	The blank column was deleted to customize the template	Resolved	Oct-Dec 2024

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10	Unsupported Intangible Assets Balance	The balances and payment for intangible assets not supported	Intangible assets erroneously reported. This was amount paid on the contracted services hence reported under general expenses	Resolved	Oct-Dec 2024
11	Variances in Trade and Other Payables	The amount reported for KEMSA not tallying with KEMSA records	Reconciliation done based on invoices	Resolved	Oct-Dec 2024
12	Variance in Inventories Balance	Variance in inventories figure reported and annual stock take sheet	Realized the variance was from what the county procured and was not captured in the accountant ledger-	Resolved	Oct-Dec 2024
13	Non-Disclosure of Donated Drugs	Donation of Ksh1,805,338 under UHC not disclosed in financial statement	The omission was rectified	Resolved	Oct-Dec 2024
14	Non-Disclosure of Employee Costs Paid by the County Government	The expenditure for 285 medical staff not disclosed in financial statement	The disclosure done	Resolved	Oct-Dec 2024
15	Non-Provision of Bank and M-pesa Statement	M-pesa statement was not provided to confirm the monies disbursed to facility	M-pesa statement provided and reconciliation done	Resolved	Oct-Dec 2024
16	Non-Compliance with the Financial Reporting Framework Template	the annual statement submitted did not comply with the financial reporting format	the template used was prescribed by the PSASB	Resolved	Oct-Dec 2024

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17	Failure to Submit Financial Statements	The board did not prepare and submit financial statement for FY 2021-22	The statements were consolidated in the county executive reports	Continuous	continuous
18	Irregular Contracting of National Health Insurance Fun	The NHIF was functional yet not signed	The delay was by the service provider who signed on 31/3/2023 when the contract commenced on 1/7/2022. Contract is in place	Resolved	
19	Unsupported Receivable from Exchange Transaction	The hospital rendered services to medical administration Kenya without a valid contract	There was a renewed pre-existing contract, thereafter a valid contract	Resolved	Oct-Dec 2024
20	Trade and Other Payables	Patients' data was not accessed. The auditor could not also establish how the supplier was identified	Data was accessed after resolving the dispute The process was competitive via RFQ/VCRH/13/2022-2023	Resolved	Oct-Dec 2024
21	Unsupported Trade and Other Payables	various payables were not supported adequately by invoices, delivery and approvals	the invoices, delivery notes and approval provided	Resolved	Oct-Dec 2024
22	Irregular Engagement and Payment of Casual Employees	Casual workers were engaged for more than 3 months which was contrary to the county public service human resource manual	Termination and re-hiring letters are provided	Resolved	OCT-DEC 2024

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23	Irregular Procurement of Security Service	The Access security service firm was not competitively procured			
24	Non-Remittance of Statutory Deduction	NHIF for Feb 2022 was not remitted on time attracting a penalty of Ksh 61,100	Facility had cash flow challenges	Resolved	continuous
25	Lack of Procurement Plan	There was no approved procurement plan	Hospital relied on the department consolidated procurement plan	Resolved	OCT-DEC 2024
26	Variance between Approved Staff Establishment and in Post Positions	The management failed to address staffing gaps as recommended	Management is collaborating with health department and county government	Continuous	continuous
27	Deficiencies in Implementation of Universal Health Coverage (UHC)	Deficiencies in staffing	Management is collaborating with health department and county government	Continuous	continuous
28	Lack of an Approved Budget	The hospital management did not provide an approved budget	Hospital relied on the department consolidated budget	Resolved	OCT-DEC 2024
29	Failure to Establish Board of Management	The hospital operated without a board yet expensed	The expenditure was utilized by various board related activities	Resolved	Board in place
30	Lack of Risk Management Policy, Disaster Recovery Plan	There was no risk management policy, strategies and risk register	There is a disaster management policy that is centralized coordination, hospital aligns its disaster	Pending	HMT 1YR

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			preparedness to the executives		
31	Lack of Standard Operating Procedures	hospital did not provide approved standard operating procedures	the management relies on PFM Act, PPAD Act, and respective clinical protocols	Resolved	
32	Lack of IT Internal Controls	There was no ICT strategic committee, ICT strategic plan and ICT business continuity plan	The mentioned are guided by the county ict directorate at county executive	pending	
33	Lack of Audit Committee and Internal Audit Function	The audits reports and committee minutes were not provided	There is a centralized internal audit unit Board was constituted and gazette after the 2022 political transition	Resolved	Committee in place
34	Failure to Maintain Fixed Asset Register	hospital does not maintain a fixed asset register	the existing assets are captured under the department of health.	Resolved	continuous
35	Standing Imprest Management	Imprest issued of Ksh 11,700,000 which the maximum level per months and purpose could not be established	Imprest was issued to serve emergency but currently we have adopted internet banking	Resolved	continuous

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**Accounting Officer**

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

Name of Transferring entity.....

Name of Beneficiary entity.....

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 <sup>th</sup> June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
<b>Total</b>					

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

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

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

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

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