

REPUBLIC OF KENYA



REPORT

330



OF

THE AUDITOR-GENERAL

ON

MAKONGENI LEVEL 4 HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF HOMA BAY

PAPERS LAID	
DATE	19/2/2026
TABLED BY	Minority Unit
COMMITTEE	-
CLERK AT THE TABLE	Angelo

230



**MAKONGENI Level 4 HOSPITAL
(Homabay County Government)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

Makongeni Hospital (Homabay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Table of Contents

1. Acronyms & Glossary of Terms.....	ii
2. Key Entity Information and Management	iii
3. The Board of Management.....	vi
4. Key Management Team.....	viii
5. Chairman's Statement.....	ix
6. Report of The Medical Superintendent.....	xi
7. Statement of Performance Against Predetermined Objectives.....	xiv
8. Corporate Governance Statement	xvii
10.Environmental And Sustainability Reporting.....	xxiii
11Report of The Board of Management	xxvi
12Statement of Board of Management's Responsibilities	xxvii
13Report of the Independent Auditor (<i>Office of the Auditor-General</i>)	xxix
14Statement of Financial Performance for The Year Ended 30 June 2025	1
15Statement of Financial Position As At 30 th June 2025	2
16Statement of Changes in Net Assets for The Year Ended 30 June 2025.....	4
17Statement of Cash Flows for The Year Ended 30 June 2025.....	5
18Statement of Comparison of Budget and Actual Amounts for Year Ended 30 June 2025	6
19Notes to the Financial Statements	8
20Appendices.....	40

1. Acronyms & Glossary of Terms

Accrual Basis	Accounting method where revenues and expenses are recorded when they are earned or incurred, not when cash is exchanged
BOM	Board of Management
Budget Execution	The process of implementing the approved budget through expenditures and revenue collection
CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
Fiduciary Management	Key management personnel who have financial responsibility in Makongeni Level 4 Hospital.
HMT	Hospital Management Team
HR	Human Resources
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
MED SUP	Medical Superintendent
MoF	Ministry of Finance
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
OSHA	Occupational Safety and Health Act
PFMA	Public Financial Management Act
PPE	Property, Plant, and Equipment
MED SUP	Medical Superintendent

2. Key Entity Information and Management

(a) Background information

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

(b) Principal Activities

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

The principal activities of the hospital are to:

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

(c) Key Management

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

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

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Jacob Otieno
2.	Head of finance	Jeff Otieno
3.	Head of supply chain	Mercy Ogollah
4.	Nursing Officer in Charge	Venida Owadeh

(e) Fiduciary Oversight Arrangements

Increasingly, hospitals and health systems, along with the individuals serving on their committees and governing boards, are seeing the need for prudent oversight of their organizations. Due to a rising number of lawsuits, trustees need to ensure that their organizations are taking proactive steps to protect their organizations and themselves. Makongeni Level 4 Hospital, being a government entity has formed various committees to ensure robust fiduciary oversight.

i. Quality Improvement Team(QIT).

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

The members include:

- Mercy Ogollah – Chairperson.
- Vivian Adhiambo HRIO – Secretary
- Venidah Omondi - Nursing officer in charge
- Eunice Magoma- Lab Tech
- Venny Kerubo- Pharm Tech

ii. Emergency Response Team

This team is comprised of multi disciplines and specialities that activate and respond during emergencies. The team is responsible for; Registration, Patient tracking, triage, treatment, decontamination, detection and monitoring of patients and ensuring a definitive medical care.

The members include;

- Mr. Jacob Otieno - In charge of Hospital
- Venida Amondi - Nursing officer.
- Frankline Otieno -(CO)
- Godfrey Abong'o (CO)

iii. Hospital Management Committee

Oversight roles and resource mobilization to the facility.

iv. Hospital Management Team

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

Key Entity Information and Management (continued)

(f) Entity Headquarters

P.O. Box 52-40300
Makongeni Level 4 Hospital Building
Homabay -Kisumu Road
HOMABAY, KENYA

(g) Entity Contacts

Telephone: (+254) 727548277
E-mail: makongenilevelfour@gmail.com

(h) Entity Bankers

Co-operative Bank of Kenya
P.O. Box 48231 - 00100 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

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






3. The Board of Management

Ref	Directors	Details
1.	 George Ouma Ngala, Board Chairman	Age: 51 years Holds diploma in General insurance and currently doing business as an insurance Agent. Experience:
2.	 Salome Audi Ng'ielia	Age: A retired Civil servant, Currently doing business in Homa Bay town
3.	 Erick Odhiambo Ogweno	Age: 31 years Holds KCSE certificate and currently doing business in Homa Bay town.

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

4.	 Billy Blest	Age: 31 years Holds diploma in Graphics and Web design. Currently a communication officer.
5.	 Jacob Otieno	Holds a degree in Clinical Medicine. Facility In charge. Secretary of the Board

4. Key Management Team

Ref	Management	Details
1.	 Jacob Otieno- BSc. Clinical Medicine	Facility in charge and Clinical officer in charge
2.	 Mercy Ogolla – BBM (Finance)	Health administrative officer.
3.	 Jeff Otieno – Bachelor of Commerce (Finance)	Hospital accountant.
4.	 Venny Kerubo – Diploma in Pharmaceutical Technology	Pharmacist.
5.	 Venidah Owadeh – BSc. Nursing	Nursing Officer in Charge

5. Chairman's Statement

It is my privilege to present the Chairman's Statement for the year ended 30 June 2025. During the period, Makongeni Level Four Hospital made notable progress in strengthening service delivery, improving infrastructure, and enhancing operational systems despite persistent funding and logistical challenges. The Board of Management remained focused on ensuring the hospital continues to provide accessible, safe, and efficient healthcare to the community.

Key Activities During the Year

Several strategic projects were implemented to address operational gaps and support future growth. Construction of modern latrines and installation of a new main gate improved hygiene, security, and overall facility organization. The hospital procured key medical equipment, enabling better diagnostic and treatment efficiency while reducing referrals to higher-level facilities. To address water reliability—critical for infection prevention and routine clinical operations—the hospital secured a dedicated HOMA WASCO supply line and installed additional water storage capacity. Operational management systems were strengthened through improvements in financial controls, inventory oversight, and reporting mechanisms aligned with public financial management standards.

Clinical and Operational Performance

Service uptake remained strong, reflecting growing community confidence. The outpatient department recorded over 4,500 patients, while inpatient admissions exceeded 8,050 during the year. Enhancements in patient flow, triage procedures, and clinical oversight supported improved continuity of care and reduced congestion in high-volume service points. These achievements demonstrate the resilience and dedication of staff working under resource-constrained conditions.

Financial Performance

The hospital maintained a stable financial position during the year, supported by prudent resource management. Overall, the facility generated a net surplus of KSh. 14,660,414, indicating effective utilization of available resources and improved operational efficiencies. Net assets stood at KSh. 49,013,118, reflecting consistent growth in the hospital's long-term financial capacity. Although cash and cash equivalents amounted to KSh. 36,581 at year-end—primarily due to delayed reimbursements

from the Social Health Authority (SHA)—the hospital remained liquid enough to maintain service continuity through careful cash-flow prioritization and expenditure control.

Challenges Faced

Several challenges constrained optimal performance. Delayed SHA reimbursements created cash-flow pressures that affected timely procurement of medical supplies and limited flexibility in meeting operational obligations. The poor condition of the main access road hindered patient movement, particularly during emergencies and adverse weather. Staffing shortages across key clinical and support departments increased workload pressure and affected service turnaround time. Limited funding for priority capital investments—such as ward expansion and advanced diagnostics—restricted the hospital’s ability to respond fully to rising service demand.

Way Forward and Outlook

The Board is committed to addressing these challenges while capitalising on the year’s achievements. Key priorities for the coming year include intensified engagement with SHA and the County Government to secure timely reimbursements and increased financial support; collaboration with relevant authorities to initiate improvements on the hospital access road; and sustained advocacy for additional staffing to address human resource gaps. The hospital will also prioritise investment in diagnostic upgrades, inpatient capacity expansion, and continued reinforcement of water and power reliability. Strengthening internal financial systems and exploring allowable revenue opportunities will remain central to ensuring long-term sustainability.

The Board is confident that, with continued support from government authorities, partners, and the community, Makongeni Level Four Hospital is well-positioned to enhance service delivery, strengthen resilience, and further improve health outcomes in the coming year.

.....
Name **GEORGE OUMA NGALA**
Chairman to the Board

6. Report of The Medical Superintendent

It is my pleasure to present the Medical Superintendent's Report for the year under review, highlighting key service delivery achievements, operational performance, challenges encountered, and strategic directions for Makongeni Level Four Hospital.

Service Delivery and Operational Performance

During the review period, the hospital experienced steady growth in service utilization. Outpatient attendance averaged 800 clients per month, reflecting improved community confidence in the facility and the effectiveness of our outreach and health-promotion activities. Inpatient admissions exceeded 4,800 cases for the year, demonstrating our expanding capacity to manage a wide range of medical, surgical, maternal, and paediatric conditions.

Critical investments were made to enhance clinical efficiency and patient safety. These included the acquisition of essential medical equipment, expansion of water storage capacity, and establishment of a dedicated HOMAWASCO water supply line. The construction of new sanitation facilities and the main hospital gate significantly improved the hospital's safety, infection-prevention standards, and general working environment.

Clinical Governance and Quality Improvement

The hospital continued to strengthen clinical governance through regular morbidity and mortality reviews, case audits, adherence to treatment guidelines, and multidisciplinary clinical meetings. Continuous medical education sessions were conducted to enhance staff competence, while supportive supervision and mentorship were intensified across all departments. These initiatives contributed to improved patient outcomes, reduced referrals, and enhanced quality of care.

The pharmacy, laboratory, and radiology units maintained high service availability levels despite intermittent supply constraints. Efforts to streamline procurement, reduce stock-outs, and promote rational use of medicines remained ongoing. Infection prevention and control practices were reinforced, with improvements noted in waste management, sanitation, and environmental health.

Human Resources and Staff Welfare

Staffing shortages remained a significant operational challenge. Key departments such as nursing, laboratory, radiology, and clinical services continue to operate below optimal staffing norms. Nevertheless, the existing workforce demonstrated commendable dedication, professionalism, and teamwork. Capacity-building programs, mental-health support initiatives, and performance-review engagements were implemented to enhance staff motivation and well-being.

Infrastructure and Logistics

Infrastructure development remained central to hospital improvement efforts. Beyond the newly constructed sanitation blocks and gate, the hospital continued to prioritise maintenance of clinical spaces, water supply networks, and security infrastructure. The poor condition of the main access road, however, persisted as a constraint, affecting patient flow, supply deliveries, and emergency response times. Engagements with relevant stakeholders are ongoing to seek sustainable solutions.

Financial Performance

The hospital recorded a net surplus of KSh. 14,660,414 for the year, reflecting prudent financial management, improved revenue collection, and strengthened internal controls. Total net assets amounted to KSh. 49,013,118, and cash and cash equivalents stood at KSh. 36,581 as at 30 June 2025. While the facility's financial position remained stable, operations were affected by delayed Social Health Authority (SHA) reimbursements, which constrained liquidity and led to temporary service disruptions in some departments. Mitigation measures included enhanced credit controls, phased procurement planning, and continuous engagement with reimbursement agencies.

Key Challenges

The hospital faced several challenges, including delayed SHA remittances, inadequate staffing levels, intermittent supply shortages, and the deteriorated state of the access road. Growing patient volumes continue to exert pressure on existing infrastructure, necessitating strategic expansion and resource mobilisation.

Way Forward

Looking ahead, the hospital intends to strengthen clinical capacity, improve turnaround times for laboratory and imaging services, and expand inpatient and maternity units to accommodate increasing demand. A

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

deliberate effort will be made to leverage the hospital's strengths—including dedicated staff, rising service utilisation, and improved infrastructure—to address existing gaps. Priority areas include advocating for additional human resources, enhancing financial sustainability, digitising key hospital processes, upgrading critical equipment, and deepening community engagement to promote preventive health.

We remain committed to providing high-quality, patient-centred, and equitable healthcare services. I extend my appreciation to the Board of Management, staff, partners, and the community for their continued support.



.....
Name *OW EAF ICUBH*

Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

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

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

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

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Theme 1: Enhance Healthcare Service Delivery	Improve access to essential health services while maintaining quality and patient safety	Total patient attendance, average length of stay, bed occupancy rate, mortality rate	Optimised outpatient triage, maintained 24-hour inpatient care, strengthened referral linkages	8,050 inpatient admissions, 4,500 outpatient visits, average length of stay 3 days, bed occupancy rate 60%, with no mortality cases
Theme 2: Ensure Financial Sustainability	Enhance internal revenue generation and optimise budget use	% budget utilisation, income growth, surplus generated	Strengthened revenue collection systems, enforced expenditure controls,	Achieved budget execution within set targets, maintained consistent medical service income,

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

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

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

				supporting sexual reproductive Health to adolescence,
--	--	--	--	---

8. Corporate Governance Statement

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

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

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

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

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

ii. Roles and Functions of the Board

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

iii. Induction, Training, and Development

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

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

i. Public Finance Management and Budget Oversight-

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

- ii. Health Sector Policy Updates** – Providing insights into new national health guidelines and their implications for hospital operations.
- iii. Corporate Governance Best Practices** – Enhancing knowledge of governance principles, Board-Management relations, and strategic oversight

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

iv. Board and Members' Performance

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

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

v. Number of Board Meetings and Attendance

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

vi. Succession Plan

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

vii. Policy to Manage Conflict of Interest

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

viii. Board Remuneration

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

ix. Ethics and Conduct

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

9. Management Discussion and Analysis

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

Clinical/operational performance

The hospital's functional bed capacity during the reporting period stood at 30 beds, a figure that has remained constant over the last three years. While modest in size, this capacity has been utilised with remarkable efficiency, as evidenced by a sustained bed occupancy rate of 80%. Such high utilisation levels reflect the community's confidence in the facility, strengthened referral pathways, and an operational culture that prioritises rapid but clinically appropriate patient turnover.

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

The mortality rate for the year was maintained at 0%, a commendable performance indicator for a Level 4 facility. This outcome reflects robust adherence to clinical guidelines, the application of evidence-based treatment protocols, and effective case triaging.

Strategic partnerships continued to provide a critical platform for service delivery enhancement. Collaborations with LVCT Health, Mariestopes supporting family planning, TIKO supporting sexual reproductive Health to adolescence, that are facilitated by expanded community outreach, strengthened maternal and child health programmes, and enabled research activities with direct

implications for public health policy. These partnerships have also been instrumental in capacity building, technology transfer, and community health literacy campaigns.

Financial Performance

The hospital's financial performance during FY 2024/2025 was shaped by a combination of internally generated revenue and external funding. Internally, the primary revenue sources were Social Health Insurance Fund (SHIF) reimbursements and direct user fees, accounting for approximately 97% and 3% of collections, respectively. County Government allocations provided the fiscal backbone for operational sustainability, while donor funding from partner organizations supported programme-specific interventions.

10 Environmental And Sustainability Reporting

i) Sustainability Strategy and Profile

Makongeni Level Four Hospital continues to align its operational priorities with global and national sustainability commitments, including the Sustainable Development Goals (SDGs), the National Climate Change Response Strategy, and the institutional sustainability policy framework of the Department of Health Services. Global macroeconomic trends such as climate change, rising healthcare demand, and resource constraints have increasingly shaped the hospital's sustainability priorities—particularly the need for efficient resource utilization, environmental stewardship, and equitable service delivery.

In line with SDG 3 (Good Health and Well-Being) and SDG 13 (Climate Action), the hospital prioritized sustainable infrastructure, efficient water utilization, improved waste management, and responsible procurement practices. During the reporting period, notable achievements included the expansion of water-storage facilities, installation of a dedicated HOMAWASCO water pipeline, and continued adoption of low-waste operational practices. These initiatives reduced operational risks associated with water shortages, improved infection control, and strengthened service reliability.

The hospital's Service Delivery Charter continued to guide efficiency and accountability in service provision, outlining timelines for care, client rights, complaint-handling mechanisms, and performance standards. In contract management, the facility adhered to national guidelines on inclusive procurement by allocating a defined proportion of contracts to youth, women, and persons with disabilities (PWDs), while also prioritizing local suppliers to promote community economic development. Challenges were noted in delayed reimbursements, which occasionally disrupted procurement schedules, though mitigation included phased contracting and supplier engagement.

ii) Environmental Performance

The hospital's environmental performance was guided by its Environmental and Climate Resilience Policy, which emphasizes protection of the ecosystem, efficient resource use, prevention of pollution, and adaptation to climate change. Implementation of the policy was evident through strengthened waste-management systems, including segregation using colour-coded bins, safe disposal of sharps, and collaboration with authorized waste handlers.

Efforts to minimize environmental impact included promoting reuse of containers where safe, reducing reliance on single-use plastics, and digitizing administrative processes to move towards a paper-light

environment. The hospital also maintained its operational vehicles to reduce emissions, encouraged energy efficiency through disciplined power use, and expanded the use of natural lighting in workspaces. Biodiversity protection within the hospital grounds was supported through tree-planting exercises and maintenance of green spaces to reduce heat, prevent soil erosion, and improve air quality. Initiatives related to climate-smart practices included the adoption of solar-powered lighting in selected areas, plans for eco-friendly sanitation facilities, and promotion of community health education on water conservation and safe waste disposal.

Shortcomings included occasional waste-handling gaps due to staffing constraints and limited infrastructure for recycling. Mitigation measures involved additional staff training, scheduled audits, and engagement with private-sector waste innovators for future partnerships.

iii) Employee Welfare

The hospital implemented human-resource policies grounded in fairness, inclusivity, and equal opportunity, with deliberate consideration for gender balance, youth representation, and inclusion of PWDs. Recruitment and promotion procedures were conducted transparently and periodically reviewed through stakeholder consultations.

Capacity-building remained a key priority, with staff benefiting from continuous medical education, specialised clinical training, and mentorship programs. Career development plans, performance appraisals, and reward mechanisms were used to promote productivity and professional growth.

Compliance with the Occupational Safety and Health Act, 2007 (OSHA) was maintained through workplace risk assessments, fire-safety drills, provision of personal protective equipment (PPE), and continuous monitoring of safety standards. Work-related injuries were minimal and were addressed through timely medical attention, corrective actions, and enhanced staff sensitization on safety procedures.

iv) Marketplace Practices

Responsible Competition Practices:

The hospital upheld ethical business practices by implementing strict anti-corruption measures, adhering to open tendering processes, and maintaining transparency in procurement and financial management. Service automation—including digital patient registration, cashless payment options, and electronic medical records—enhanced service efficiency and reduced opportunities for malpractice.

Public sensitization was conducted through official notice boards, community forums, and health-education activities aligned with the Service Charter.

Responsible Supply Chain and Supplier Relations:

The facility maintained responsible procurement practices by honouring contractual terms, ensuring timely payments subject to fund availability, and promoting competitive bidding. Suppliers were treated fairly, engaged transparently, and evaluated based on quality, compliance, and ethical standards.

Responsible Marketing and Public Engagement:

The hospital engaged ethically with the public through accurate information sharing, avoidance of misleading statements, and adherence to communication protocols. Outreach activities, facility updates, and health-promotion messages were disseminated through community forums, local networks, and approved digital platforms, ensuring inclusive and respectful communication.

Product Stewardship and Awareness Creation:

The hospital safeguarded patient rights through well-defined service standards, protection of personal data, clear communication on available healthcare services, and mechanisms for complaints and redress. Patient safety remained central to clinical processes, guided by national treatment guidelines, informed-consent policies, and strict confidentiality of medical information.

v) Corporate Social Responsibility / Community Engagements

Makongeni Level Four Hospital continued to strengthen its relationship with the community through targeted Corporate Social Responsibility initiatives aligned with its health mandate. Key engagements included community health outreaches, maternal and child health sensitisation campaigns, sanitation awareness programs, and participation in tree-planting activities supporting environmental conservation. The hospital collaborated with local leaders, schools, and community organisations in public-health education, screening programs, and joint clean-up initiatives. Additional support through material donations, community consultation forums, and participation in public-participation processes helped strengthen trust and reinforce the hospital's role as a central pillar of community wellness.

These engagements not only enhanced community health outcomes but also improved public awareness, encouraged preventive care, and promoted shared responsibility for environmental and social well-being.

11 Report of The Board of Management

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

Principal activities

The principal activities of Makongeni Level 4 Hospital are:

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

Results

The results of Makongeni Level 4 Hospital for the year ended June 30 2025 are set out on pages 1 to 7.

Board of Management

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

Auditors

The Auditor General is responsible for the statutory audit of Makongeni Level 4 Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



.....
Name **OWEN KARETH**

Secretary to the Board

12 Statement of Board of Management's Responsibilities

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

The Board of Management is responsible for the preparation and presentation of the Makongeni Level 4 Hospital's financial statements, which give a true and fair view of the state of affairs of The Makongeni Level 4 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 Makongeni Level 4 Hospital, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the Makongeni Level 4 Hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

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

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

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 03/12/20 and signed on its behalf by:

.....
Name: George Wama Ngala
Chairperson
Board of Management

.....
Name: ONELIS ICHEITH
Accounting Officer

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure 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, the risk management environment and the 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 Makongeni Level 4 Hospital - County Government of Homa Bay set out on pages 1 to 34, 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 amount 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 the Makongeni Level 4 Hospital - County Government of Homa Bay as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with the 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

1.0. Non-compliance with the Prescribed Reporting Framework

Review of the financial statements presented for audit revealed the following instances of non-compliance with the Prescribed Reporting Template issued by the Public Sector Accounting Standards Board for level 4 and level 5 hospitals in accordance with Section 164 (3) of the Public Finance Management Act, 2012:

- i. While signing the statement of financial position, the Head of Finance did not indicate his ICPAK number as required.
- ii. The statement of financial performance reflects employee costs of Kshs.676,900 which exclude salaries of unknown amount paid to the permanent and pensionable employees by the County Government of Homa Bay on behalf of the Hospital.

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

2.0. Unconfirmed Receivables from Exchange Transactions Balance

The statement of financial position reflects receivables from exchange transaction balance of Kshs.17,341,600 which, as disclosed in Note 15 to the financial statements relates to medical services receivables. Review of the supporting records revealed that the balance represents claims due from Social Health Authority (SHA). However, review of the Hospital's revenue collection system revealed that claims amounting to Kshs.11,244,000 out the balance, submitted to Social Health Authority, had been rejected, resulting in corresponding loss of revenue to the Hospital.

In the circumstances, accuracy and fair presentation of receivables from exchange transactions balance of Kshs.17,341,600 could not be confirmed.

3.0. Unconfirmed Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.31,489,937 as disclosed in Note 18 to the financial statements. However, it was noted that Management did not maintain an up-to-date fixed asset register to record necessary information such as date of acquisition, supplier name, asset codes, custodian and location among other details in respect of the assets the fund owns. As

a result, it was not possible to establish fully depreciated assets, bonded items and how the same will be written off in the books of accounts. This was contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. In addition, there was no evidence to show that the Hospital had ever evaluated its assets to ascertain the correct market values.

Further, it also noted that most of the assets were not tagged and asset movement's registers was not appropriately kept. Thus, such assets may easily be stolen.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.31,489,937 and the effectiveness of internal controls over asset management could not be confirmed.

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

Key Audit Matters

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

Other Matter

Other Information

The Management is responsible for the Other Information set out on page I to xxviii which comprises Key Entity Information and Management, the Board of Management, Key Management Team, Chairman's Statement, Report of the Medical, Superintendent, Corporate Governance Statement, Statement of Performance against Predetermined Objectives, Environment and Sustainability Reporting, Report of the Board of Management and Statement of Board of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

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

Review of revenue records obtained from the Makongeni Level IV Hospital revealed total collection of Kshs.37,364,882 towards the health facilities improvement. Out of this amount, a total of Kshs.18,887,000 was transferred to Special Purpose Account at the health department. However, Special Purpose Account reimbursed a total of Kshs.14,917,400 to the health facilities resulting in a deficit of Kshs.3,969,600 This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing account. In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

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

2.0. Non-Compliance with Minimum Required Criteria for Level 4 Hospital

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

Description	Level 4 Standard	Number in the Hospital	Variance
Medical Officers	16	0	16
Anaesthesiologists	2	0	2
General Surgeons	2	0	2
Gynaecologists	2	0	2
Paediatrics	2	0	2
Radiologists	2	0	2
Kenya Registered Community Health Nurses	75	5	70
Clinical Officers		5	
Beds	150	30	120
Resuscitaire (2 in Labour & 1 in Theatre)	2	0	2

Description	Level 4 Standard	Number in the Hospital	Variance
New Born Unit Incubators	5	0	5
New Born Unit Cots	5	1	4
Functional ICU Beds	6	0	6
High Dependency Unit (HDU) Beds	6	0	6
Renal Unit with at least 5 Dialysis Machines	5	0	5
Two Functional Operational Theatres – Maternity & General	2	0	2
Mortuary and Autopsy Services	Should be in place	Not in place	
Advanced life support	Should be in place	Not in place	
Caesarian sections and Surgical operations	Should be in place	Not in place	

The 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.

1.0. Delayed Construction of the Gate at Makongeni Level 4 Hospital

During the year under review, it was established that the Hospital paid a company Kshs.898,890 for the proposed construction of gate at Makongeni Level 4 Hospital as per the contract price. However, despite the issuance of the practical completion certificate on 25 June, 2024, the project remained incomplete and the structure was unstable. In addition, the gate valued at Kshs.190,000 as per the bill of quantities had not been fixed.

In the circumstances, the value for money realized from the expenditure of Kshs.898,890 on the project could not be confirmed.

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

1.0. Lack of Audit Committee and Internal Audit Unit

During the year under review, the Hospital had not established internal audit function and an audit committee. This was contrary to regulation 167(1) that states that, subject to paragraph (2) of this regulation, each county government entity shall establish an audit committee.

In the circumstances, the effectiveness of internal controls, risk management and governance in the Hospital could not be confirmed. Also, Management was in breach of the law.

2.0. Failure to Automate Own Source Revenue Collection

During the year under review, it was established that although Management had put in place measures to ensure that all payments were done using the Mobile money transaction platform which was transferred directly to the revenue collection bank account, Management had not mapped and automated any of its revenue-generating streams and was dependent on manual collections process which are prone to errors and inconsistencies and are time-consuming.

In the circumstances, the effectiveness of internal controls over the identification, collection and accounting for the Hospital's own generated revenues could not be confirmed.

3.0. Weak Controls on Inventory Management

Review of inventory records and audit inspection carried out at the Hospital's stores on 14 November, 2025 established that inventories were being received, recorded in bin cards, and issued by only one officer. This practice exposed the inventory process to a higher risk of errors, omissions, and possible manipulations of records. It was also noted that the Hospital lacked a substantive pharmacist, resulting in drug receipt and dispensing being handled by a few clinicians, with the entire process remaining manual and not automated.

In the circumstances, the effectiveness of internal controls over inventory management could not be confirmed.

4.0. Lack of Approved Policies

During the year under review, it was noted that the Hospital did not have key governance frameworks, including a risk management strategy, fire safety management strategy, finance and accounting policy manual, information communication and technology (ICT) policy. The absence of these frameworks exposed the Hospital to operational, financial and compliance risks.

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

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

Responsibilities of Management and Board of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements which 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 complies with the authorities which govern them, and that public resources are applied in an effective way.

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

02 December, 2025

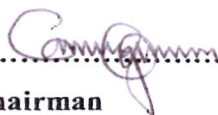
Makongeni Level 4 Hospital (Homabay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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


Description	Note	FY 2024-2025
		Kshs
Revenue		
Revenue from exchange transactions		
Rendering of services- Medical Service Income	6	37,364,882
Revenue from exchange transactions		37,364,882
Total revenue		37,364,882
Expenses		
Medical/Clinical costs	7	10,281,565
Employee costs	8	676,900
Board of Management Expenses	9	97,000
Depreciation and amortization expense	10	939,259
Repairs and maintenance	11	3,102,450
Grants and subsidies	12	3,777,400
General expenses	13	3,829,894
Total expenses		22,704,468
Net Surplus for the year		14,660,414

(The notes set out on pages 8 to 48 form an integral part of the Annual Financial Statements.)


The Hospital's financial statements were approved by the Board on 02/12/25 and signed on its behalf by:


 Chairman

Board of Management


 Head of Finance

ICPAK No:


 Medical Superintendent

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

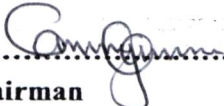
15 Statement of Financial Position As At 30th June 2025


Description	Note	FY 2024-2025
		Kshs
Assets		
Current assets		
Cash and cash equivalents	14	36,581
Receivables from exchange transactions	15	17,341,600
Receivables from non-exchange transactions	16	192,000
Inventories	17	560,000
Total Current Assets		18,130,181
Non-current assets		
Property, plant, and equipment	18	31,489,937
Total Non-current Assets		31,489,937
Total assets (A)		49,620,118
Liabilities		
Current liabilities		
Trade and other payables	19	607,000
Total Current Liabilities		607,000
Non-current liabilities		
Total non-current liabilities		
Total Liabilities (B)		607,000
Net assets (A-B)		49,013,118
Represented by:		
Accumulated surplus		19,180,563
Capital Fund		29,832,555
Net Assets		49,013,118


(The notes set out on pages 8 to 48 form an integral part of the Annual Financial Statements.)

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

The Hospital's financial statements were approved by the Board on 03/12/25 and signed on its behalf by:


.....
Chairman
Board of Management


.....
Head of Finance
ICPAK No:


.....
Medical Superintendent

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

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

Description	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2024	4,520,149		4,520,149
Surplus/(deficit) for the year	14,660,414	-	14,660,414
Capital/Development grants	-	29,832,555	29,832,555
As at June 30, 2025	19,180,563	29,832,555	49,013,118

Notes:

1. **Capital/Development Grants-** Funds received from the County Government and development partners to finance long-term assets, including buildings, water systems, medical equipment, and other development projects. For 2024/25, these amounted to **KSh. 29,832,555**.
2. **Accumulated Surplus-** Represents cumulative excess of income over expenditure. The surplus for the year, **KSh. 14,660,414**, reflects improved revenue collection, cost management, and increased service utilization.
3. **Prior Year Adjustments** - No prior year adjustments were made during the year. Opening balances remain as previously reported. Any future adjustments will be restated with detailed notes.
4. **Presentation Basis** - The statement is prepared under Public Sector Accounting Standards on an accrual basis, separating operational (Accumulated Surplus) and development (Capital Fund) financing.

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

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

Description	Note	FY 2024-2025
		Kshs
Cash flows from operating activities		
Receipts		
Rendering of services- Medical Service Income		20,023,282
Total Receipts		20,023,282
Payments		
Medical/Clinical costs		9,855,415
Employee costs		676,900
Board of Management Expenses		97,000
Repairs and maintenance		2,961,600
Grants and subsidies		3,777,400
General expenses		3,829,894
Transfer to Special Purposes Account		192,000
Total Payments		21,390,209
Net cash flows from operating activities	20	(1,366,927)
Cash flows from investing activities		
Purchase of property, plant, equipment		(2,596,641)
Net cash flows used in investing activities		(2,596,641)
Cash flows from financing activities		
Net cash flows used in financing activities		
Net increase/(decrease) in cash and cash equivalents		(3,963,568)
Cash and cash equivalents as at 1 July	14	4,000,149
Cash and cash equivalents as at 30 June	14	36,581

Makongeni Hospital (Homabay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs .	
Budget carryovers from the previous year	-			4,000,149		%
Receipts						
Rendering of services- Medical Service Income	25,000,000	-	25,000,000	20,023,282	4,976,718	80%
Total receipts					-	
Payments	25,000,000	-	25,000,000	20,023,282	976,569	
Medical/Clinical costs						
Employee costs	10,000,000	-	10,000,000	9,855,415	144,585	99%
Remuneration of directors	700,000	-	700,000	676,900	23,100	97%
Repairs and maintenance	100,000	-	100,000	97,000	3,000	97%
Grants and subsidies	3,000,000	-	3,000,000	2,961,600	38,400	99%
General expenses	4,700,000	-	4,700,000	3,777,400	922,600	80%
Finance costs	3,900,000	-	3,900,000	3,829,894	70,106	98%
Total Operational Expenditure paid	22,400,000	-	22,400,000	21,198,209	1,201,791	
Capital Expenditure paid	2,600,000	-	2,600,000	2,596,641	3,360	100%
Surplus				228,581		

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

Budget notes

1. **Explanation of Significant Variances**
 - **Rendering of Services – Medical Income:** Actual receipts were KSh. 20,023,282 compared to a budget of KSh. 25,000,000, representing 80% utilization. The variance of KSh. 4,976,718 is due to lower patient volume and delays in payment collections.
 - **General Expenses:** Actual expenditure of KSh. 3,777,400 was below the budget of KSh. 4,700,000 (80% utilization), mainly due to cost-saving measures and deferred non-essential purchases.
 - **Other expenditure items** were within 90–100% of the budget; minor variances are attributable to normal operational adjustments.
2. **Changes Between Original and Final Budget-** No adjustments were made to the original budget during the year; the final budget remained equal to the original budget for all line items. Any minor reallocations within departments were internal and did not affect the overall approved budget.
3. **Budget Carryovers-** The hospital's budget lapses at year-end; however, unspent balances are not legally required to be remitted to the Exchequer. Carryovers exclude third-party funds such as contractors' retention.
4. **Compliance with IPSAS 24 -** The Statement of Comparison of Budget and Actual Amounts has been prepared in accordance with IPSAS 24, ensuring transparency, explanation of material variances, and disclosure of any reallocations or changes between the original and final budget.

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	228,581
1	Transfer to County SPA	(192,000)
	Closing Cash and Cash Equivalent as per the statement of Cash flows	36,581

19 Notes to the Financial Statements

1. General Information

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied through the year presented.

3. Adoption of New and Revised Standards

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

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

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

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>Makongeni Level 4 Hospital expects minimal impact as it currently has no material lease arrangements; however, any future leases will be accounted for in compliance with IPSAS 43.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>No significant impact anticipated, as Makongeni Level 4 Hospital does not currently hold assets for sale or operate discontinued segments.</p>
IPSAS 45- Property	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets,</p>

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

Standard	Effective date and impact:
Plant and Equipment	<p>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>Makongeni Level 4 Hospital expects improved classification and disclosure for infrastructure assets; no material changes to carrying amounts is anticipated</p>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>May influence valuation methodologies for certain non-financial assets, particularly operational facilities.</p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users</p>

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

Standard	Effective date and impact:
	<p>of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>May require changes to revenue recognition policies for government transfers and service income.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>No material impact expected, as Makongeni Level 4 Hospital is primarily a recipient rather than a provider of transfer payments</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>No direct impact expected, as Makongeni Level 4 Hospital does not administer retirement benefit plans.</p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in Makongeni Level 4 Hospital's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of

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

Standard	Effective date and impact:
	future cash flows from any exploration and evaluation assets recognized. No impact expected, as Makongeni Level 4 Hospital is not engaged in mineral resource exploration or evaluation activities.

iii) Early adoption of standards

Makongeni Level 4 Hospital did not early – adopt any new or amended standards in the financial year .

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to Makongeni Level 4 Hospital 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

Makongeni Level 4 Hospital 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 Makongeni Level 4 Hospital.

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2024-2025 was approved by Board on **30th June 2024**. The *Makongeni Level 4 Hospital's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, Makongeni Level 4 Hospital recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Notes to the Financial Statements (Continued)

f. Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to Makongeni Level 4 Hospital. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. Makongeni Level 4 Hospital also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that Makongeni Level 4 Hospital will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to Makongeni Level 4 Hospital. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Biological Assets

Makongeni Level 4 Hospital recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to Makongeni Level 4 Hospital, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

i. Research and development costs

Makongeni Level 4 Hospital expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when Makongeni Level 4 Hospital can demonstrate:

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

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

j. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *Makongeni Level 4 Hospital 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, Makongeni Level 4 Hospital 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

Makongeni Level 4 Hospital 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 Makongeni Level 4 Hospital'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, Makongeni Level 4 Hospital 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 Makongeni Level 4 Hospital 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

Makongeni Level 4 Hospital 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. Makongeni Level 4 Hospital recognizes a loss allowance for such losses at each reporting date.

Financial liabilities

Classification

Makongeni Level 4 Hospital classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

k. Inventories

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

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

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

After initial recognition, inventory is measured at the lower cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower cost and the current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of Makongeni Level 4 Hospital.

l. Provisions

Provisions are recognized when Makongeni Level 4 Hospital 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 Makongeni Level 4 Hospital expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

Notes to the Financial Statements (Continued)

m. Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. Makongeni Level 4 Hospital 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 Makongeni Level 4 Hospital will incur in fulfilling the present obligations represented by the liability.

n. Contingent liabilities

Makongeni Level 4 Hospital does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

o. Contingent assets

Makongeni Level 4 Hospital does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Makongeni Level 4 Hospital in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

p. Nature and purpose of reserves

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

q. Changes in accounting policies and estimates

Makongeni Level 4 Hospital recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical

Notes to the Financial Statements (Continued)

r. Employee benefits

Retirement benefit plans

Makongeni Level 4 Hospital provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

s. Foreign currency transactions

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

t. Borrowing costs

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

u. Related parties

Makongeni Level 4 Hospital regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over Makongeni Level 4 Hospital, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO/principal and senior managers.

v. Service concession arrangements

Makongeni Level 4 Hospital analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, Makongeni Level 4 Hospital recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, Makongeni Level 4 Hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

w. Cash and cash equivalents

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

x. Comparative figures

There are no Comparative figures as this is the entity's first financial Statement

y. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of Makongeni Level 4 Hospital'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. Makongeni Level 4 Hospital based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of Makongeni Level 4 Hospital. 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 Makongeni Level 4 Hospital.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset.

Provisions

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

Notes to Financial Statements Continued

6. Rendering of Services-Medical Service Income

Description	FY 2024-2025
	Kshs
Pharmaceuticals	491,411
Laboratory	259,735
Outpatient Services	3,250
Inpatient Services	48,390
Maternity	5,100
Health Records	262,150
Insurance Income Receipts	18,953,246
Accrued Insurance Income	17,341,600
Total revenue from the rendering of services	37,364,882

Notes to the Financial Statements (Continued)

7. Medical/ Clinical Costs

Description	FY 2024-2025
	Kshs
Laboratory chemicals and reagents	765,050
Food and Ration	1,736,000
Dressing and Non-Pharmaceuticals	2,972,180
Pharmaceutical supplies	2,540,655
Health information stationery	1,468,900
Sanitary and cleansing Materials	798,780
Total medical/ clinical costs	10,281,565

8. Employee Costs

Description	FY 2024-2025
	Kshs
Salaries, wages, and allowances	676,900
Contributions to pension schemes	
Staff medical expenses and Insurance cover	
Total Employee Costs	676,900

Notes to the Financial Statements (Continued)

9. Board of Management Expenses

Description	FY 2024-2025
	Kshs
Sitting allowance	97,000
Total	97,000

10. Depreciation and Amortization Expense

Description	FY 2024-2025
	Kshs
Property, plant and equipment	939,259
Total depreciation and amortization	939,259

11. Repairs And Maintenance

Description	FY 2024-2025
	Kshs
Property- Buildings	1,629,800
Medical equipment	306,000
Computer accessories	189,000
Furniture and fittings	59,000
Maintenance of computers	45,000
Motor vehicle expenses	873,650
Total repairs and maintenance	3,102,450

Notes to the Financial Statements (Continued)

12. Grants And Subsidies

Description	FY 2024-2025
	Kshs
Other grants and subsidies-Contribution to SPA	3,777,400
Total grants and subsidies	3,777,400

13. General Expenses

Description	FY 2024-2025
	Kshs
Catering expenses	185,860
Bank charges	72,454
Electricity expenses	233,680
Fuel and Lubricants	315,000
Travel and accommodation allowance	358,200
General office supplies	1,498,000
Water and sewerage costs	167,000
Telephone and mobile phone services	205,100
Internet expenses	110,900
Fungicides and Sprays	80,000
Staff training and development	174,700
Other Fuels	261,000
Contracted Guards services	168,000
Total General Expenses	3,829,894

Notes to the Financial Statements (Continued)

14. Cash And Cash Equivalents

Description	FY 2024-2025	FY 2023-2024
	KShs	Kshs
Current accounts	36,581	4,000,149
Cash in hand		-
		-
Total cash and cash equivalents	36,581	4,000,149

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

Description		FY 2024-2025
Financial institution	Account number	KShs
a) Current account		
Cooperative Bank Of Kenya	01141456943000	36,581
Sub- total		36,581
b) Others		
cash in hand		..
Sub- total		
Grand total		36,581

15. Receivables From Exchange Transactions

Description	FY 2024-2025
	KShs
Medical services receivables	17,341,600
Less: impairment allowance	
Total receivables	17,341,600

Analysis of Receivables From Exchange Transactions

Description	FY 2024-2025	
	Kshs	
	FY 2024-2025	% of the total
Less than 1 year	17,341,600	100%
Between 1- 2 years		0%
Between 2-3 years		0%
Over 3 years		0%
Total (a+b)	17,341,600	100%

16. Receivables From Non-Exchange Transactions

Description	FY 2024-2025
	KShs
Transfers from Special Purpose Account	192,000
Less: impairment allowance	
Total receivables	192,000

Analysis of Receivables From Non-Exchange Transactions

Description	FY 2024-2025	
	Kshs	
	FY 2024-2025	% of the total
Less than 1 year	192,000	100%
Between 1- 2 years		0%
Between 2-3 years		0%
Over 3 years		0%
Total (a+b)	192,000	100%

17. Inventories

Description	FY 2024-2025
	KShs
Pharmaceutical supplies	150,000
Health Information Stationery	150,000
Non Pharmaceuticals	170,000
Cleaning materials supplies	90,000
Less: provision for impairment of stocks	-
Total	560,000

Detailed disclosure on inventories

	FY 2024-2025
Opening balance	368,000
Additional Inventory in the year	10,281,565
Inventory expensed in the year	10,089,565
Write-downs in the year	
Others specify	
Closing balance	560,000

NOTE: The hospital operated had stock as at start of the year

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

Notes to the Financial Statements (Continued)

18. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost		2%	12.5%	30.0%	12.5%	
At 1 July 2024	7,500,000	20,000,000	1,054,020	257,290	1,021,245	29,832,555
Additions		1,294,441	22,000	80,000	1,200,200	2,596,641
Disposals						
Transfers/adjustments						
At 30 th Jun 2025	7,500,000	21,294,441	1,076,020	337,290	2,221,445	32,429,196
Depreciation and impairment						
At 1 July 2024						
Depreciation for the year	-	425,889	134,503	101,187	277,681	939,259
Disposals						
Impairment						
At 30 June 2025	-	425,889	134,503	101,187	277,681	939,259
Net book values						
At 30 th Jun 2025	7,500,000	20,868,552	941,518	236,103	1,943,764	31,489,937

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

Notes to the Financial Statements (Continued)

19. Trade and other Payables

Description	FY 2024-2025	
	KShs	
Trade payables	607,000	
Employee dues		
Third-party payments (e.g. unremitted payroll deductions)		
Audit fee	607,000	
Doctors' fee	607,000	
Total trade and other payables		
Ageing analysis:	FY 2024-2025	% of the Total
Under one year	567,000	93%
1-2 years	40,000	7%
2-3 years		%
Over 3 years		%
Total	607,000	100%

20. Cash Generated from Operations

Description	FY 2024-2025	
	KShs	
Surplus for the year before tax	14,660,414	
Adjusted for:		
Depreciation	939,259	
Working Capital adjustments		
Increase in inventory	(192,000)	
Increase in receivables	(17,341,600)	
Increase in payables	567,000	
Net cash flow from operating activities	(1,366,927)	

Notes to the Financial Statements (Continued)

21. Financial Risk Management

Makongeni Level 4 Hospital's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The hospital's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The hospital does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. Makongeni Level 4 Hospital's financial risk management objectives and policies are detailed below:

(i) Credit risk

Makongeni Level 4 Hospital has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the hospital's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing Makongeni Level 4 Hospital's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Receivables from exchange transactions	17,341,600			
Receivables from –non-exchange transactions	192,000			
Bank balances	36,581			
Total	17,570,181			

Notes to the Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. Makongeni Level 4 Hospital has significant concentration of credit risk on amounts due from Health Insurance scheme (NHIF and SHIF). The board of management shall be able to set the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the hospital's board of management who have built an appropriate liquidity risk management framework for the management of Makongeni Level 4 Hospital's short, medium and long-term funding and liquidity management requirements. Makongeni Level 4 Hospital manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Trade payables			607,000	607,000
Total			607,000	607,000

Notes to the Financial Statements (Continued)

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by Makongeni Level 4 Hospital on an ongoing basis, the evaluation of its internal accounting and operational controls done by the -County Government..

The hospital's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to Makongeni Level 4 Hospital's exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

Makongeni Level 4 Hospital has had no transactional currency exposures as it trades in the home currency.

b) Interest rate risk

Interest rate risk is the risk that Makongeni Level 4 Hospital's financial condition may be adversely affected as a result of changes in interest rate levels. The hospital's interest rate risk arises from bank deposits. This exposes the hospital to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the hospital's deposits.

Management of interest rate risk

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

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

Notes to the Financial Statements (Continued)

iv) Capital Risk Management

The objective of Makongeni Level 4 Hospital's capital risk management is to safeguard the Hospital's ability to continue as a going concern. Makongeni Level 4 Hospital capital structure comprises of the following funds:

Description	FY 2024-2025
	Kshs
Retained earnings	19,180,563
Capital reserve	29,832,555
Total funds	49,013,118
Total borrowings	-
Less: cash and bank balances	36,581
Net debt/ (<i>excess cash and cash equivalents</i>)	(36,581)
Gearing	0%

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

Notes to the Financial Statements (Continued)

22. Related Party Balances

Nature of related party relationships

Entities and other parties related to Makongeni Level 4 Hospital include those parties who have the ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates, and close family members.

Homa bay County Government is the principal shareholder of Makongeni Level 4 Hospital, holding 100% of Makongeni Level 4 Hospital's equity interest. The National Government of Kenya has provided full guarantees to all long-term lenders of Makongeni Level 4 Hospital, both domestic and external. The related parties include:

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

23. Segment Information

The Entity operated in the same geographical area.

24. Contingent Liabilities

The hospital had no contingent Liabilities during the financial year under review.

25. Events after the Reporting Period

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

26. Ultimate and Holding Entity

Makongeni Level 4 Hospital is a County Corporation/ or a Semi- Autonomous Government Agency under the County Department of Public Health and Medical Services. Its ultimate parent is the County Government of Homa Bay

27. Currency

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

20 Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

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


.....
Accounting Officer