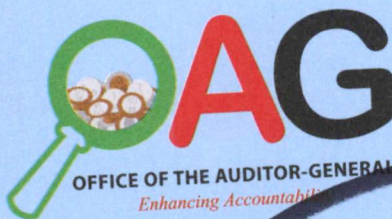


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REPORT

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MAGUNGA LEVEL 4 HOSPITAL

FOR THE YEAR ENDED  
30 JUNE, 2025

COUNTY GOVERNMENT OF HOMA BAY

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

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

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**1. Acronyms & Glossary of Terms**

<b>CSR</b>	Corporate Social Responsibility
<b>OSHA</b>	Occupational Health & Safety Act
<b>PFMA</b>	Public Financial Management Act
<b>MED SUP</b>	Medical Superintendent
<b>Fiduciary Management</b>	Key management personnel who have financial responsibility in the entity.
<b>CO</b>	Clinical Officer
<b>HRIO</b>	Health Records Information Officer
<b>HAO</b>	Hospital Administrative Officer
<b>CHEW</b>	Community Health Worker
<b>UHC</b>	Universal Health Care
<b>NHIF</b>	National Hospital Insurance Fund
<b>QIT</b>	Quality Improvement Team
<b>BOM</b>	Board of Management
<b>PHO</b>	Public Health Officer
<b>MOH</b>	Ministry of Health
<b>PFM</b>	Public Finance Management
<b>SACHAO</b>	Senior Assistant Chief Health Administrative Officer
<b>F.I. F</b>	Facility Improvement Fund

**2. Key Entity Information and Management**

**(a) Background information**

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

**(b) Principal Activities**

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

The principal activities of the hospital are:

- i. To 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; and
- v. To develop facility health management information system.

**(c) Key Management**

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

- i. County department of health
- ii. Board of Management
- iii. Accounting Officer/ Medical Superintendent
- iv. Hospital Management Team

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Medical Superintendent	Richard Ojuok
2.	Head of finance	Allan Odongo Kabita
3.	Health Administrative Officer	Seth Ouko

**(e) Fiduciary Oversight Arrangements**

Hospitals and health systems, as well as the people who sit on their committees and governing boards, are increasingly realizing the value of sound organizational monitoring. Because of the growing number of lawsuits, trustees must guarantee that their organizations take aggressive steps to protect

themselves and individuals they serve. Magunga Level 4 Hospital, as a government entity, has formed various committees to provide effective fiduciary oversight.

**i. Quality Improvement Team**

Quality Improvement Team (QIT) is a team taking lead to implement quality improvement activities. QIT is a group of multi-skilled employees charged with the responsibility of improving processes or services. The team include top and middle management members to coordinate initial planning and implementation.

The members include;

- a) Mr Richard Ojuok (RCO I/C) - Chairperson
- b) Mr. Robinson Mochama (HRIO) – Secretary
- c) Mrs. Felistas Sarange (Nursing Officer in Charge)
- d) Mr. Peter Kiprop (Pharm in Charge)
- e) Mr. Hellen Odongo - (Nutritionist)

**ii. Emergency Response Team**

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

- a) Mr Richard Ojuok (RCO I/C) - Chairperson
- b) Mr. Seth Ouko (Health Administrator Officer)
- c) Mrs. Yvonne Olweya (Public Health Officer)
- d) Mr. Isaiah Okuta (Lab Tech)
- e) Mr. Robinson Mochama (HRIO)
- f) Mr. Dennis Ouma (Nurse)
- g) Mr. Peter Kiprop (Pharm in Charge)

**iii. Medicines and Therapeutic Committee**

The Medicines and Therapeutics Committee (MTC) is a multidisciplinary committee tasked with overseeing policies and procedures governing all areas of drug and other HPT use. Drugs and Therapeutics Committees (MTCs) are formed in hospitals to improve the prescribing and administration of drugs. Its significance is evident in a variety of contexts, including the drug selection process, cost-effectiveness, and drug loss control. Overall, MTCs have played a significant role in promoting, managing, and teaching individuals about sensible drug use. This is especially evident in demonstrating how the presence of MTCs in hospitals would improve patient health outcomes while lowering overall drug costs. Members are;

- a) Mr Richard Ojuok (RCO I/C) - Chairperson
- b) Mr. Seth Ouko (Health Administrator Officer)
- c) Mrs. Yvonne Olweya (Public Health Officer)
- d) Mr. Robinson Mochama (HRIO)
- e) Mr. Peter Kiprop (Pharm in Charge)

**iv. Billing and Waiver Committee**

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

- a) Mrs. Felistas Sarange (Nursing Officer in Charge)
- b) Mr. Seth Ouko (Health Administrator Officer)
- c) Mr. Allan Odongo (Accountant)
- d) Mr. Wycliffe Obaji (Clinical Officer)
- e) Mrs. Night Chalama (SOCIAL Welfare Officer) - Secretary

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

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

- a) Mr Richard Ojuok (RCO I/C) - Chairperson
- b) Mrs. Felistas Sarange (Nursing Officer in Charge)
- c) Mr. Robinson Mochama (HRIO)

- d) Mr. Thomas Adada (CHEW)
- e) Mr. Seth Ouko (Health Administrator Officer)
- f) Mrs. Edgar Ayako (Lab Tech)
- g) Mr. William Obumba (Pharm Tech)

**vi. Hospital Management Committee**

Oversight roles and resource mobilization to the facility

**vii. Hospital Management Team**

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

**viii. Hospital finance Committee**

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

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

**(f) Entity Headquarters**

P.O. Box 1-40307, Magunga  
Magunga Hospital Building/House/Plaza  
Sindo-Magunga-Kiabuya Road  
MAGUNGA, KENYA

**(g) Entity Contacts**

Telephone: (+254) 708429452  
E-mail: [magungalevel4hospital1969@gmail.com](mailto:magungalevel4hospital1969@gmail.com)  
Website: <https://www.homabay.go.ke/>

**(h) Entity Bankers**

Cooperative Bank of Kenya,  
Cooperative House.  
Moi Avenue,  
P.O. Box 30084-00100,  
NAIROBI, KENYA

**(i) Independent Auditors**

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



**(j) Principal Legal Adviser**

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

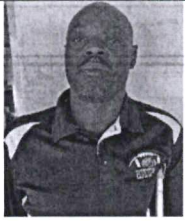
**(k) County Attorney**

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





**3. The Board of Management**

Ref	Directors	Details
1.	Mr. Ben Otima	Age: 44 years Academic: Form 4 Experience: Successful businessman
2.	 Richard Ojuok	Age: 33 Diploma in Clinical Medicine and Surgery Experience: 8 years' experience in clinical medicine
3.	Dick Seko	Age: 56 years Academic: Form 4 Experience: Successful businessman
4.	 Robert Oyier	Age: 58 years Academic: Form 4 Experience: Successful businessman
5.	Dippoah Nyangara	Age: 36 years Academic: Form 4 Experience: Successful businessperson
6.	Domnick Nyambuoro	Age: 57 years Academic: Form 4





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		Experience: Successful businessman
7.	 Martin Okinyi	Age: 44 Years Academic: Form 4 Experience: Successful businessman
8.	Millicent Oyoo	Age: 53 years Academic: Form 4 Experience: Successful businessperson
9.	Paul Odoyo	Age: 43 years Academic: Form 4 Experience: Ward Administrator

**4. Key Management Team**

Ref	Management	Details
1.	 Richard Ojuok (Diploma in Clinical Medicine and Surgery)	Facility in charge
2.	 Seth Ouko (MSc. Accounting and Finance)	Health Administrative Officer
3.	 Allan Odongo (MA Project Management)	Accountant
4.	 Felistas Sarange (Kenya Registered Community Health Nurse (Diploma))	Nursing Manager

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5.	 Peter Kiprop (Diploma in pharmaceutical technology)	Pharm Tech
6.	 Hellen Odongo (Diploma in nutrition and dietetics)	Nutritionist
7.	 Edgar Oyako (Diploma in Medical Laboratory Technologist)	Lab Manager
8.	 Robinson Mochama (Diploma in Health Records and Information Technology)	HRIO

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

On behalf of the Board of Management, I am pleased to present the Chairman's Statement for the Financial Year 2024/25. This year marked a period of strong recovery, operational stability, and significant financial growth for Magunga Level 4 Hospital. While the hospital continued to serve rising patient volumes, we also implemented key governance, service delivery, and financial reforms aimed at strengthening our long-term sustainability.

### **Operational Performance**

The hospital recorded notable improvements across major service areas compared to previous years. Outpatient attendance rose to 9,456, up from 8,750 the previous year, reflecting the community's growing confidence in our services. Inpatient admissions increased moderately to 405, while Accident & Emergency (A&E) attendance grew to 286 cases.

Specialized clinic attendance continued its upward trend, reaching 1,897, supported by strengthened referral systems and improved service availability. Our bed occupancy rate improved to 85%, from 82% in 2023/24, with the average length of stay maintained at 3–4 days, indicating stable clinical efficiency and effective patient management.

The hospital's mortality rate declined from 2.2% to 2.0%, demonstrating improvements in quality of care and case management. Although the surgical theatre remained non-operational during the year, planning for phased rehabilitation continued. We also expanded external collaborations, increasing partnerships and sponsorships from 2 to 3, which provided essential support in equipment, capacity-building, and community outreach.

### **Financial Performance**

FY 2024/25 was one of the hospital's strongest financial years. Total revenue more than doubled to Kshs 70,091,840, up from Kshs 35,939,176 in FY 2023/24. This growth was driven by improved service utilization, enhanced billing and collection processes, and better financial controls.

Total expenditure rose to Kshs 43,542,424, reflecting increased service demand and investment in operational improvements. Despite this, the hospital achieved a significant net surplus of Kshs 26,549,417, compared to Kshs 2,282,941 the previous year. Our net asset position strengthened considerably, rising to Kshs 33,313,277, reflecting prudent financial management and reinvestment in critical areas.

### **Key Achievements**

- Strengthened clinical and administrative systems, improving service efficiency.
- Improved patient outcomes, evidenced by lower mortality rates and higher service utilization.

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- Enhanced financial sustainability through better billing, revenue management, and expenditure controls.
- Expanded strategic partnerships supporting equipment, training, and community health initiatives.

**Challenges**

Despite the progress, the hospital continues to face several challenges:

- Limited infrastructure, particularly the non-operational surgical theatre.
- High demand for specialized services relative to available staffing and equipment.
- Rising operational costs amid growing patient volumes.
- Need for improved diagnostic capacity and modern medical equipment.

**Future Outlook**

The Board remains committed to strengthening service delivery, improving patient experience, and driving financial sustainability. Priority areas for FY 2025/26 include:

- Rehabilitation and operationalization of the surgical theatre.
- Scaling up specialized clinics and diagnostic services.
- Strengthening ICT systems, including EMR integration and digital financial controls.
- Expanding strategic partnerships to support infrastructure development and staff capacity-building.
- Enhancing community outreach and preventive health programs.

In conclusion, I extend my appreciation to our staff, partners, county leadership, and the community for their continued support. The Board will continue to provide strategic oversight to ensure that Magunga Level 4 Hospital remains a centre of quality, accessible, and affordable healthcare.



.....  
**Name**

**Chairman to the Board**

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

I am honoured to present the Medical Superintendent's Report for the Financial Year 2024/25. The period under review was marked by substantial clinical progress, operational strengthening, and improved financial stewardship. Despite inherent systemic constraints typical of resource-limited public health facilities, Magunga Level 4 Hospital registered significant advances in patient volumes, service efficiency, and clinical outcomes. This performance reflects the dedication of our healthcare workforce and the increased confidence of the community we serve.

During the year, the hospital experienced a steady rise in patient attendance across key service delivery areas. Outpatient consultations increased from 8,750 to 9,456, a growth attributed to enhanced triaging, improved continuity of care, and reinforcement of primary contact services. The Accident and Emergency Department attended to 286 cases, demonstrating improved preparedness for acute conditions and better coordination with emergency referral networks. In the inpatient department, admissions increased to 405, supported by strengthened ward management, improved case review mechanisms, and more structured nursing care processes. Clinical efficiency was further demonstrated by the maintenance of an average length of stay of three to four days. The bed occupancy rate rose to 85%, indicating optimal use of available bed capacity, while the facility recorded a reduction in the hospital mortality rate to 2.0%, a positive outcome linked to better adherence to clinical guidelines, multidisciplinary ward rounds, and regular morbidity and mortality audits.

Specialized outpatient clinics continued to serve as a critical platform for chronic disease management and specialized follow-up care. Attendance rose to 1,897 visits, driven by increased caseloads of non-communicable diseases, maternal health reviews, and surgical assessments. The improved performance of these clinics is attributable to more consistent scheduling, availability of senior clinicians, and strengthened linkages with community health units to enhance patient retention and follow-up.

Although the surgical theatre remained non-operational during the reporting period, considerable progress was made toward its rehabilitation. Technical assessments were completed, equipment gaps identified, and costed refurbishment plans developed in consultation with the County Department of Health. The reactivation of theatre services remains one of the hospital's highest strategic priorities, given its implication for emergency obstetric care, elective surgeries, and overall facility readiness.

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The laboratory and radiology departments provided essential diagnostic support throughout the year but continued to experience pressure due to ageing equipment and rising diagnostic demands. Equipment downtime and supply chain gaps occasionally prolonged turnaround times. Nevertheless, diagnostic accuracy, quality control procedures, and sample management protocols were improved, contributing to more reliable clinical decision-making.

The expansion of strategic partnerships played a crucial role in supporting service delivery. The number of active collaborations increased from two to three, enabling the hospital to secure equipment donations, staff capacity-building opportunities, and support for targeted outreach activities. These partnerships remain essential in augmenting internal resources and strengthening the hospital's ability to provide comprehensive care.

Human resources for health remained a central pillar of service continuity. The hospital's workforce demonstrated resilience and professionalism despite a high patient workload and persistent gaps in specialized cadres, particularly anaesthetists, radiographers, and critical care nurses. Supportive supervision, continuous medical education sessions, and county-led professional development programs enhanced staff competencies and improved overall service quality. However, the hospital still requires additional clinical staff to match the growing service burden and to support planned expansions in surgical, diagnostic, and emergency services.

Quality assurance and clinical governance efforts intensified during the year. Regular clinical audits, mortality reviews, and infection prevention and control assessments were institutionalized. These activities enhanced adherence to clinical protocols, improved patient safety indicators, and contributed significantly to better outcomes in both inpatient and outpatient departments. Strengthened triage systems, safer patient-handling procedures, and improved clinical documentation all played a role in ensuring that care delivery met the required standards.

From a financial perspective, FY 2024/25 was exceptionally strong. Total revenue rose sharply to Kshs 70,091,840, nearly doubling the previous year's performance. This growth was driven by increased service utilization, enhanced billing accuracy, improved claim processing—particularly with NHIF—and more rigorous financial controls. Expenditures totalled Kshs 43,542,424, reflecting spending on essential supplies, staff support, and operational improvements necessary to sustain service delivery. The hospital generated a net surplus of Kshs 26,549,417, which significantly strengthened its net asset position to Kshs

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

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33,313,277. This financial stability provides a strong foundation for planned investments in infrastructure, equipment, and quality improvement initiatives in the coming year.

Despite the remarkable progress recorded, the hospital continued to face several structural and operational challenges. Infrastructure gaps remain substantial, particularly the non-functional theatre, limited diagnostic space, and inadequate room for the expansion of specialized clinics. Human resource shortages continue to constrain service expansion, while the rising cost of medical supplies and occasional procurement delays pose additional operational difficulties. These challenges highlight the need for sustained support in infrastructure development, workforce expansion, and equipment modernization.

Looking ahead to FY 2025/26, the hospital's strategic priorities include operationalizing the surgical theatre, strengthening diagnostic capacity by acquiring modern imaging and laboratory equipment, expanding specialized outpatient services, and enhancing electronic medical record systems to improve data accuracy and service efficiency. Staff development will remain a priority, with emphasis on emergency care, obstetric services, chronic disease management, and clinical governance.

In conclusion, FY 2024/25 was a year of meaningful progress for Magunga Level 4 Hospital. The gains registered in service delivery, financial performance, and patient outcomes underscore the commitment of our healthcare teams and the continued trust of the community. With sustained investment, strengthened governance, and continued partnership support, the hospital is well positioned to enhance its role as a dependable provider of quality, accessible, and patient-centred healthcare.

MAGUNGA LEVEL 4 HOSPITAL  
P.O. BOX 38 SINDOO  
R.C.O. HOMA BAY  
DATE: *12/06/25*

Name *RICHARD ODYO OJOK*  
Secretary to the Board

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

Magunga Level 4 Hospital has identified four strategic pillars within its current Strategic Plan for the FY 2023/25. These strategic pillars are as follows:

- Pillar 1: Enhancing Healthcare Services
- Pillar 2: Strengthening Infrastructure and Technology
- Pillar 3: Improving Financial Sustainability
- Pillar 4: Community Engagement and Outreach

The hospital develops its annual work plans based on these pillars. Assessment of the hospital’s performance against its annual work plan is conducted on a quarterly basis. The hospital achieved its performance targets set for the FY 2024/25 period for its four strategic pillars, as indicated in the table below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar 1: Enhancing Healthcare Services	Improve patient care and outcomes	- Patient satisfaction rate - Reduction in patient wait times - Increase in number of patients treated	- Implemented patient feedback system - Hired additional medical staff - Conducted regular staff training	- Achieved a high patient satisfaction rate - Reduced patient wait times significantly - Treated more patients compared to the previous year
Pillar 2: Strengthening Infrastructure and Technology	Upgrade hospital facilities and implement new technologies	- Number of facilities renovated - Implementation of EMR system	- Renovated laboratory and key hospital buildings - Installed Kenya EMR Software	- Renovated the laboratory and major hospital facilities - Successfully installed and

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		- Increase in diagnostic capabilities	- Acquired new diagnostic equipment	operationalized Kenya EMR Software - Acquired new radiology equipment improving diagnostics
Pillar 3: Improving Financial Sustainability	Ensure financial stability and efficient resource management	- Increase in revenue - Reduction in operational costs - Timely financial reporting	- Implemented cost-saving measures - Enhanced revenue collection processes - Conducted regular financial audits	- Increased total revenue significantly - Reduced operational costs through efficiency measures - Produced timely and accurate financial reports
Pillar 4: Community Engagement and Outreach	Strengthen community relations and promote health awareness	- Number of outreach programs - Increase in health education sessions - Community feedback and participation	- Organized health camps and awareness drives - Conducted health education sessions in local communities - Established community	- Conducted multiple health camps and awareness drives - Increased number of community health education sessions - Received positive

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			feedback mechanisms	feedback and enhanced community participation
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Magunga Level 4 Hospital has made significant progress in achieving its strategic objectives for the FY 2024/25 period. The hospital's performance against its predetermined objectives demonstrates our commitment to enhancing healthcare services, strengthening infrastructure and technology, improving financial sustainability, and engaging with the community. We will continue to build on these achievements and strive for excellence in all our endeavours.

## **8. Corporate Governance Statement**

Magunga Level 4 Hospital remains committed to the highest standards of corporate governance, anchored on accountability, transparency, ethical leadership, and prudent stewardship of public resources. The governance framework is aligned with the Public Finance Management Act, County Governments Act, the Mwongozo Code of Governance for State Corporations, and internal hospital policies. The governance structures provide strategic direction, ensure robust oversight, and sustain institutional integrity in the delivery of quality healthcare services.

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

Board members are appointed through a transparent, merit-based process led by the County Public Service Board in consultation with the County Department of Health. The appointment process ensures representation of essential competencies, including clinical governance, finance, legal affairs, community health, and public administration. Removal of members follows due process as outlined in the governing legislation and the Hospital's Board Charter, ensuring fairness, accountability, and continuity of leadership.

The Board comprises a diverse team of seven members, reflecting gender balance, multidisciplinary expertise, and representation of both professional and community perspectives. Members' demographics include individuals with backgrounds in medicine, nursing, finance, administration, and public policy, strengthening the Board's capacity to provide holistic oversight.

The Hospital maintains a comprehensive Board Charter, which articulates the mandate of the Board, scope of authority, roles and responsibilities, governance protocols, and ethical expectations. The Charter serves as a binding governance instrument guiding the conduct of the Board and its committees.

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

The Board oversees the strategic vision and policy framework of the hospital, ensuring alignment with county health priorities and national health strategies. Its mandate includes approval of strategic plans, monitoring financial performance, ensuring clinical safety and quality standards, managing institutional risks, and promoting efficient resource utilization. The Board also provides oversight over the Medical Superintendent and senior management, ensuring effective execution of organizational objectives and safeguarding patient welfare.

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

Newly appointed Board members undergo a structured induction programme covering governance principles, hospital operations, financial management processes, clinical governance, procurement laws, and ethical standards. Continuous professional development is encouraged, and members periodically participate in training workshops on governance best practices, emerging healthcare regulations, risk management, and quality assurance. This ensures the Board remains well-equipped to provide informed oversight and adapt to evolving health sector dynamics.

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

The Board conducts annual self-assessments and peer evaluations to measure its effectiveness in fulfilling its oversight role. Performance reviews assess decision-making quality, strategic guidance, compliance with governance standards, and individual member contribution. Feedback from these evaluations informs capacity-building initiatives and supports continuous improvement in governance performance.

## **v. Number of Board Meetings Held and Attendance by Members**

During the financial year, the Board convened four (4) fully constituted Board meetings to deliberate on strategic priorities, financial performance reports, clinical quality metrics, human resource matters, and infrastructure development. Additionally, the Board's committees convened eight (8) meetings covering audit and risk management, finance and planning, human resources, and clinical quality assurance.

Attendance across all meetings was consistently strong, demonstrating a high level of commitment by members to their fiduciary responsibilities. The attendance record is included in the financial statements in accordance with governance and transparency requirements.

#### **vi. Succession Plan**

The Hospital has an established succession planning framework designed to ensure leadership continuity at both governance and management levels. The plan identifies critical positions, outlines competency requirements, and provides mechanisms for capacity building to prepare potential successors. This ensures sustained institutional performance, mitigates leadership gaps, and supports long-term strategic stability.

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

A Conflict-of-Interest Policy is in place to ensure decisions are made objectively and free from personal bias. Board members are required to declare any personal, professional, or financial interests at the beginning of each meeting or when such interests arise. Declared conflicts are formally recorded, and affected members abstain from deliberations or decisions on related matters. This promotes integrity and enhances public trust.

#### **viii. Board Remuneration**

Board remuneration is determined in accordance with Salaries and Remuneration Commission (SRC) rates. Members receive sitting allowances and approved facilitative reimbursements for official duties. No Board member receives additional compensation beyond the SRC-approved framework, ensuring compliance with public-sector remuneration guidelines and responsible use of public funds.

#### **ix. Ethics and Conduct**

The Board upholds the highest standards of ethical conduct, guided by the Public Officer Ethics Act and the Hospital's Code of Conduct. Ethical considerations underpin all governance decisions, ensuring fairness, transparency, and accountability. Board members affirm adherence to ethical principles through periodic declarations and mandatory compliance with anti-corruption guidelines.

#### **x. Governance Audit**

A governance audit is conducted periodically in accordance with national public sector governance standards. The audit assesses the effectiveness of governance structures, compliance with laws and regulations, risk management practices, internal controls, and ethical conduct. Findings from the audit inform corrective actions and drive continuous improvement in governance processes.

#### **xi. Communication Policy**

The Hospital maintains a Communication Policy that ensures clear, accurate, and timely dissemination of information to internal and external stakeholders. The policy governs communication channels, media engagement, stakeholder consultations, patient communication protocols, and information disclosure practices. It enhances transparency and reinforces the Hospital's commitment to accountability.

**xii. Terms of Reference of Committees**

The Board operates through specialized committees, each with clear Terms of Reference outlining their mandate, scope, membership composition, and reporting obligations. Key committees include the Audit and Risk Committee, Finance and Planning Committee, Human Resource and Administration Committee, and Clinical Quality and Safety Committee. These committees provide focused oversight and submit recommendations to the full Board for decision-making.

**xiii. Policy on Related Party Transactions**

The Hospital has a Policy on Related Party Transactions aimed at preventing undue influence and ensuring transactions involving Board members, senior staff, or affiliated entities are conducted transparently and at arm's length. All related party transactions are subject to full disclosure, prior approval by the Board, and strict adherence to procurement laws.

**9. Management Discussion and Analysis**

**1. Clinical and Operational Performance**

Magunga Level 4 Hospital has a bed capacity of 60. During the year under review, the hospital served a total of 9,456 outpatients and 405 inpatients, handled 286 accident and emergency cases, and facilitated 1,897 specialized clinic visits. The average length of stay for inpatients was 3 to 4 days, while the bed occupancy rate stood at 85 percent. The mortality rate was maintained at 2 percent, reflecting quality improvements in patient management.

Surgical theatre utilization was recorded as nil, since operations could not be performed during the year due to staffing and equipment gaps. Nevertheless, groundwork has been undertaken to operationalize the theatre in the next financial year. The hospital also benefitted from three sponsorships and partnerships which supported staff training, outreach programs, and procurement of medical supplies.

<b>Indicator</b>	<b>FY 2022/23</b>	<b>FY 2023/24</b>	<b>FY 2024/25</b>
Bed Capacity	60	60	60
Outpatient Attendance	8,200	8,750	9,456
Inpatient Admissions	380	392	405
Accident & Emergency Attendance	250	270	286
Specialized Clinic Attendance	1,650	1,780	1,897
Average Length of Stay (Days)	3–4	3–4	3–4
Bed Occupancy Rate (%)	80%	82%	85%
Mortality Rate (%)	2.5%	2.2%	2.0%
Surgical Theatre Utilization	Nil	Nil	Nil
Sponsorships/Partnerships	2	2	3

Table 1: Patient Statistics (Three-Year Trend)

**2. Financial Performance**

The hospital recorded significant financial growth during the year under review. Total revenue increased to Kshs 65.5 million in 2024/2025, compared to Kshs 27.3 million in 2023/2024 and Kshs 21.8 million in 2022/2023. This growth was largely attributed to improved revenue collection systems, enhanced billing mechanisms, and prudent management of resources.

Expenditure was managed within approved budgets, with major allocations going to medical and clinical costs, employee compensation, repairs and maintenance, and general expenses. The

**Magunga Level 4 Hospital (Homa Bay County Government)**  
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hospital generated a net surplus of Kshs 26.5 million in 2024/2025, compared to Kshs 2.3 million in 2023/2024.

Item	FY 2022/23	FY 2023/24	FY 2024/25
Total Revenue (Kshs)	21,800,000	35,939,176	70,091,840
Total Expenditure (Kshs)	19,517,000	33,656,235	43,542,424
Net Surplus (Kshs)	2,283,000	2,282,941	26,549,417

Table 2: Revenue and Expenditure Performance (Three-Year Trend)

### 3. Key Projects and Investments

During the reporting year, the hospital invested Kshs 4.7 million in property, plant, and equipment, including diagnostic and clinical support facilities. Renovation works were undertaken in the laboratory and critical hospital infrastructure, while the installation of the Kenya EMR (Electronic Medical Records) Software marked a significant step toward digital transformation. The hospital also acquired new diagnostic and radiology equipment, improving service delivery capacity.

### 4. Compliance with Statutory Requirements

The hospital complied with statutory and regulatory requirements during the year. Financial statements were prepared in accordance with International Public Sector Accounting Standards (IPSAS) and submitted to relevant authorities within the required timelines. Procurement processes were conducted in line with the Public Procurement and Asset Disposal Act.

### 5. Major Risks Facing the Organisation

The hospital continues to face several risks that may affect performance if not mitigated:

- Human resource shortages, especially in specialized areas such as surgery and diagnostics, limit service delivery.
- Infrastructure constraints, with a bed capacity of only 60, create congestion risks.
- Unreliable medical supply chains occasionally disrupt essential services.
- Dependence on county transfers creates financial vulnerability during budget delays.

- Theatre underutilization, due to staffing and equipment gaps, undermines full service potential.

Mitigation strategies include recruitment of specialized staff, phased expansion of facilities, strengthening partnerships to improve supply chains, and operationalizing the surgical theatre in the coming year.

#### **6. Material Arrears in Statutory and Other Obligations**

As at 30<sup>th</sup> June 2025, the hospital had no material arrears in statutory deductions or financial obligations. All commitments were met in accordance with statutory timelines, reflecting improved financial discipline.

#### **7. Outlook**

The outlook for Magunga Level 4 Hospital remains positive. Key priorities include the expansion of inpatient facilities to ease congestion, full operationalization of the surgical theatre, continued investment in digital health systems, and strengthened partnerships with stakeholders. With the solid financial base achieved in 2024/2025, the hospital is well positioned to expand its role as a center of excellence in healthcare within Homa Bay County.

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

Magunga Level 4 Hospital recognizes that sustainability is integral to its mission of providing affordable, accessible, and quality healthcare. The hospital's approach is grounded in balancing economic efficiency with environmental stewardship and social responsibility, in line with international frameworks such as the Sustainable Development Goals (SDGs), Kenya's Vision 2030, and Homa Bay County's Integrated Development Plan. During the year under review, deliberate efforts were made to strengthen governance, reduce environmental impact, safeguard employee welfare, and enhance community relations.

### **i) Sustainability Strategy and Profile**

The hospital's sustainability strategy is informed by global and national trends, including the increasing urgency of climate change, constrained public resources, and the need for inclusive economic growth. In alignment with the SDGs, particular emphasis is placed on Goal 3 (Good Health and Wellbeing), Goal 5 (Gender Equality), Goal 12 (Responsible Consumption and Production), and Goal 13 (Climate Action).

At the institutional level, Magunga Level 4 Hospital's priorities include enhancing resource efficiency, supporting inclusive procurement, and strengthening accountability in service delivery. During the year, procedures were developed to ensure that a proportion of contracts were awarded to local suppliers and affirmative action groups, including youth, women, and persons with disabilities. This not only strengthened inclusivity but also reinforced the hospital's role as an anchor institution for local economic development.

Although progress was made in improving financial sustainability and introducing digital systems to reduce paper use, the hospital faced challenges in adopting renewable energy solutions at scale. To mitigate this, discussions were initiated with partners on the adoption of solar-powered lighting and energy-saving systems.

### **ii) Environmental Performance**

The hospital is guided by an environmental policy that emphasizes responsible waste management, pollution control, and efficient resource utilization. During the reporting year, waste segregation

practices were enhanced, with color-coded bins installed to distinguish between biodegradable waste, recyclables, and biomedical waste. Hazardous medical waste was incinerated in line with regulatory standards, while non-medical waste was collected and disposed of through licensed waste handlers.

Automation initiatives, including the rollout of the Kenya Electronic Medical Records (EMR) system, reduced paper consumption, improved record management, and contributed to operational efficiency. Vehicle maintenance programs were also enforced to minimize carbon emissions, and efforts are underway to pilot solar-powered lighting systems within the hospital compound.

Despite these achievements, challenges persisted in establishing full-scale recycling programs and reducing reliance on single-use plastics. The hospital is engaging local partners to strengthen recycling initiatives, introduce biodegradable packaging within the facility, and gradually move toward eco-friendly alternatives.

### **iii) Employee Welfare**

The hospital's workforce policies emphasize inclusivity, equity, and professional development. Recruitment processes are guided by considerations of gender balance, youth engagement, and opportunities for persons with disabilities. Continuous training and development programs were conducted during the year, enhancing staff competencies and preparing them for career progression. A performance appraisal system was in place to recognize excellence and address gaps in service delivery.

Occupational safety remains a priority, and the hospital is compliant with the Occupational Safety and Health Act (OSHA) 2007. Regular safety audits were carried out, and staff were equipped with protective equipment in high-risk areas. No major work-related injuries were reported during the year, reflecting the effectiveness of preventive measures. Nevertheless, management continues to raise awareness about workplace hazards and has introduced refresher training on occupational safety protocols.

### **iv) Marketplace Practices**

Magunga Level 4 Hospital is committed to responsible practices in all marketplace engagements. In procurement, the hospital applies open and competitive tendering processes that ensure fairness, transparency, and compliance with anti-corruption guidelines. Service delivery has been enhanced

through automation, including cashless payments and the public display of a service charter that communicates service standards to patients.

Supplier relations are anchored on mutual respect and responsibility. The hospital honored contracts, maintained timely payment schedules, and encouraged competitive participation, particularly by local enterprises and marginalized groups. Outreach and communication practices adhered to principles of honesty and fairness, with the hospital avoiding exaggerated promises and instead providing accurate and clear health information.

In safeguarding citizens' rights, the hospital emphasized confidentiality of patient data, fair complaint resolution mechanisms, and respect for diversity. Whistleblower channels were established to promote accountability, while public forums and health sensitization drives ensured that citizen engagement was ethical, transparent, and inclusive.

#### **v) Corporate Social Responsibility and Community Engagement**

Corporate Social Responsibility (CSR) activities remained central to the hospital's role as a community health provider. During the reporting year, several medical outreach camps were organized, providing free health screenings and education on maternal health, nutrition, and preventive care. These efforts contributed to early disease detection and improved health-seeking behavior within the community.

The hospital also participated in environmental conservation initiatives, including tree-planting campaigns in partnership with local community groups and schools. Sponsorship programs supported training opportunities for young people in health-related fields, thereby contributing to the long-term development of the health workforce. In addition, public participation forums were conducted to involve community members in shaping hospital development priorities, reflecting a commitment to inclusivity and transparency.

#### **Conclusion**

In summary, Magunga Level 4 Hospital made tangible progress in advancing its sustainability agenda during the year under review. Significant achievements were recorded in waste management, digital transformation, inclusive procurement, and community outreach. Employee welfare remained central, while responsible marketplace practices reinforced public confidence in the institution. Nonetheless,

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

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challenges remain in scaling renewable energy adoption and establishing comprehensive recycling systems. By embedding sustainability principles into governance and daily operations, the hospital is laying a strong foundation for resilient, inclusive, and environmentally responsible healthcare delivery in Homa Bay County.

2025 JUNE 30  
MAGUNGA LEVEL 4 HOSPITAL  
HOMA BAY COUNTY GOVERNMENT  
KISumu

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

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2025, which show the state of the hospital's affairs.

**Principal activities**

The principal activities of the hospital are:

- i. To 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; and
- v. To develop facility health management information system

**Results**

The results of the entity 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 viii. During the year, no director retired/ resigned, and no director (s) was appointed.

**Auditors**

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

By Order of the Board

**MAGUNGA LEVEL 4 HOSPITAL**  
**P. O. BOX 38 SINDO**  
**R. C. O. INCHARGE**  
DATE: .....

Name *RICHARD ODOYO OJOK*

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 Magunga Level 4 Hospital, which give a true and fair view of the state of affairs of the entity at the end of the financial year and the operating results of the entity for that year. The Board of Management is also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Board members are also responsible for safeguarding the assets of the entity.

The Board of Management is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2024. This responsibility includes:

1. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
2. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity.
3. 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.
4. Safeguarding the assets of the entity.
5. Selecting and applying appropriate accounting policies.
6. Making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board members are of the opinion that the entity's financial statements give a true and fair view of the state of the entity's transactions during the financial year ended June 30, 2024, and of the entity's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.


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

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In preparing the financial statements, the Directors have assessed the hospital's ability to continue as a going concern. Nothing has come to the attention of the Board of Management to indicate that the entity will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Hospital's financial statements were approved by the Board on 26/08/2025 and signed on its behalf by:

  
.....

Name: BEN OTIMA

Chairperson

Board of Management

MAGUNGA LEVEL 4 HOSPITAL  
P.O. BOX 38 SINDO  
R.C.O. INCHARGE  
DATE: .....

Name: RICHARD OJOK

Accounting Officer

# REPUBLIC OF KENYA

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**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
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NAIROBI

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Magunga Level 4 Hospital-County Government of Homa Bay set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial

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

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

In my opinion, except for the possible 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 Magunga 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 International Public Sector Accounting Standards - Accrual Basis and comply with the Health Act, 2017 and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1. Non-Compliance with Financial Reporting Framework**

Review of the financial statements revealed several omissions in key disclosures required to ensure transparency and accountability. Under Key Entity Information and Management, the statements do not provide a high-level description of the fiduciary oversight roles played by the Audit Committee, County Assembly, and Parliamentary Committees. Additionally, the section on the Board of Management does not include passport-size photographs for six members, and the Corporate Governance Statement lacks information on the number of board meetings held and the attendance of members. In addition, the accountant who prepared the financial statements is not an ICPAK member.

Further, several critical financial disclosures are missing. The financial statements fail to disclose related party balances and transactions, and the Statement of Changes in Net Assets does not recognize capital expenditure of Kshs.4,704,028 incurred on Property, Plant, and Equipment during the year. In addition, Annex 1 Progress on Follow-Up of Auditor Recommendations does not reflect all issues raised in the Auditor-General's Report for 2023/2024, nor does it include management's actions and the current status of those issues.

In the circumstances, the annual reports and financial statements do not comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board in line with Section 164 (3) of the Public Finance Management Act, 2012 and, therefore, Management was in breach of the law.

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

The Statement of Financial Performance reflects net surplus for the year of Kshs.26,549,417 while the statement of changes in net assets reflects Kshs. 26,509,292 for the same balance. The resultant variance of Kshs.40,125 was not explained or reconciled.

The Statement of Changes in Net Assets erroneously reflects surplus/deficit for the year of Kshs.2,007,141 below the closing balances as at 30 June, 2025.

The Statement of Comparison of Budget and Actual amount does not reflect the budget carryovers from previous year as part of the final budget.

The budget reconciliation statement reflects actual surplus amount as per the Statement of Comparison of Budget and Actual of Kshs.4,581,044 while the actual statement reflects Kshs.4,629,773. The resultant variance of Kshs.48,729 was not explained or reconciled.

Note 19- Property, Plant and Equipment reflects a comparative net book value of Kshs.3,787,875. However, a re-computation of the balance gives an amount of Kshs.3,669,675. The variance of Kshs.118,200 was not explained.

Note 21 – Cash Generated from Operations reflects an increase in receivables of Kshs.24,062,748 under working capital adjustments. However, a recalculation of this balance gives Kshs.24,592,240, resulting in an unreconciled variance of Kshs.529,492. In addition, the Note reflects comparative period surplus for the year before tax and net cash flow from operating activities of Kshs.2,282,941 and Kshs.530,470 respectively while the prior year audited financial statements reflect Kshs.2,007,141 and negative Kshs.136,470. The variance of Kshs.275,800 and Kshs.666,940 was not explained or reconciled.

Further, the Statement of Changes in Net Assets reports an opening balance of Kshs.6,803,985, which differs from the recomputed balance of Kshs.2,160,141, leading to an unreconciled variance of Kshs.4,643,844. In addition, the Statement of Financial Performance discloses depreciation and amortization of Kshs.1,908,546, while Note 19 reports depreciation of Kshs.1,948,671, resulting in an unexplained difference of Kshs.40,125.

Note 21 also indicates an increase in inventory of Kshs.538,246. However, this amount represents a decrease in inventory, which should be treated as a cash inflow rather than a cash outflow.

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

### **3. Unsupported Income**

The statement of financial performance, as disclosed in Note 7 to the financial statements, reflects medical services income of Kshs.65,478,046. This amount includes Kshs.65,049,346 relating to insurance income out of which, Kshs.37,691,106 represents insurance recoveries. The insurance recoveries comprise claims paid by NHIF and the Social Health Authority.

Review of the related receipts, however, revealed that only Kshs.35,724,352 could be traced to the bank statements provided for audit. Consequently, the resulting variance of Kshs.1,966,754 could not be confirmed.

In the circumstances, the accuracy and completeness of the rendering of services-medical services income of Kshs.65,478,046 could not be confirmed.

#### **4. Unsupported General Expenses**

The statement of financial performance, and as disclosed in Note 15 to the financial statements, reflects general expenses amount of Kshs.5,029,814 which includes an amount of Kshs.1,148,500 that was not supported with payment vouchers and related documents. This was contrary to Regulation 104(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that all receipt and payment vouchers of public moneys shall be properly supported by pre-numbered vouchers and supported by appropriate authority and documentation.

In the circumstances, the accuracy, completeness and propriety of the general expenses of Kshs.1,148,500 could not be confirmed.

#### **5. Unsupported Repairs and Maintenance Expenditure**

The statement of financial performance, as disclosed in Note 13 to the financial statements, reports repairs and maintenance expenses of Kshs.6,392,300, which includes Kshs.3,232,050 relating to motor vehicle expenses. Included in this expenditure is Kshs.2,560,000 incurred on major repairs of the hospital ambulance. However, pre- and post-inspection reports from the Mechanical and Transport Department were not provided to confirm that the repairs were carried out in accordance with specifications.

In the circumstances, the accuracy, completeness and propriety of the expenses of Kshs.2,560,000 could not be confirmed.

#### **6. Understatement of Expenditure**

The statement of financial performance, and as disclosed in Note 10 to the financial statements, reflects employee costs of Kshs.1,026,000. However, this amount does not include the salaries of thirteen (13) permanent and pensionable employees working at the hospital, paid by the County Executive of Homabay on behalf of the hospital.

In the circumstances, the accuracy and completeness of the employee costs of Kshs.1,026,000 could not be confirmed.

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

The statement of financial position, and as disclosed in Note 17 to the financial statements, reflects receivables from exchange transaction of Kshs.30,272,240 which includes an amount of Kshs.27,358,240 owed by the defunct NHIF and SHIF. However, included in the latter balance is an amount of Kshs.14,718,630 that was not supported with schedules and is in respect of the debt owed by NHIF. Further, the letter by Social Health Authority (SHA) Ref No. SHA/HQ/MEM/002/VOL.I/26 dated 7 March, 2025 indicates that NHIF owes Magunga Level 4 Hospital Kshs.15,355,240. The resultant variance of Kshs.636,610 has not been explained.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.14,718,630 could not be confirmed.

#### **8. Unsupported Inventories Balance**

The statement of financial position, and as disclosed in Note 18 to the financial statements, reflects inventories balance of Kshs.300,381. However, the quarterly inventory and stock-taking report for the year under review were not provided for audit review, contrary to Section 162(2) of the Public Procurement and Asset Disposal Act, 2015 which requires the head of procurement function to arrange for occasional visits of inspection to the stores, at least quarterly in each calendar year, and conduct quarterly and annual inventory and stock taking in order to ensure compliance with all respective governing laws and submit the report to the Accounting Officer.

In the circumstances, the accuracy and completeness of the inventories balance of Kshs.300,381 could not be confirmed.

#### **9. Unsupported Trade and Other Payables**

The statement of financial position, as disclosed in Note 20 to the financial statements, reports a trade and other payables balance of Kshs.4,365,555. However, this balance was not supported by a schedule of pending bills, including invoices, delivery notes, contracts, and LPOs/LSOs.

In the circumstances, the validity, accuracy and completeness of the trade and other payables balance of Kshs.4,365,555 could not be confirmed.

#### **10. Understatement of Assets**

The statement of financial position, as disclosed in Note 19 to the financial statements, reports a Property, Plant, and Equipment balance of Kshs.7,090,232. Included in this balance is Kshs.1,303,875 relating to plant and medical equipment, which includes Kshs.650,000 for the purchase of an ultrasound machine. However, a review of the related Local Purchase Order and invoice indicated that the equipment is valued at Kshs.1,200,000. The resulting understatement of the asset value by Kshs.550,000 which was explained.

Further review of the asset register revealed that several items of Property, Plant, and Equipment, such as office equipment, furniture and fittings, and ICT and computer equipment, were not reported in the financial statements. In addition, some buildings (including the administration block, laboratory building, and staff quarters), office furniture and equipment (such as office tables, desks, and printers), dental equipment, and solar equipment were omitted from the asset register provided for audit review.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.7,090,232 could not be confirmed.

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

## **Emphasis of Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects receipts budget and actual on comparable basis amounts of Kshs.58,800,000 and Kshs.42,782,330 respectively, resulting in underfunding of Kshs.16,017,670 or 27%. Similarly, the hospital spent Kshs.38,152,557 out of the actual receipts of Kshs.42,782,330 resulting in an underutilization of Kshs.4,629,773 or 11%.

The underutilization affected the planned activities and may have impacted negatively on service delivery to the residents of Homabay county.

My Opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

### **Other Matter**

#### **Unresolved Prior Year Matters**

In prior year's audit report, several issues were raised under the sections on Financial Statements, Lawfulness and Effectiveness in the Use of Public Resources, and Effectiveness of Internal Controls, Risk Management, and Governance. A review during the 2024/2025 audit of the hospital revealed that the matters listed in **Appendix 1** remained unresolved as at 30 June 2025.

### **Other Information**

The Management is responsible for the Other Information set out on page ii to xxxiv which comprise of Key Entity Information and Management, The Board of Management, Key Management Team, Chairman's Statement, Report of the Medical Superintendent, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management, Statement of Board of Management Responsibilities, Statement of Performance Against Predetermined Objectives. 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 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 the 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. Failure to Retain Facilities Improvement Funds (FIF) at the Hospital

Review of revenue records obtained from the Magunga Level IV Hospital revealed total collection of Kshs.65,478,046 towards the health facilities improvement. Out of this amount, a total of Kshs.5,183,000 was transferred to Special Purpose Account at the health department. However, Special Purpose Account reimbursed a total of Kshs.4,146,400 to the health facilities resulting in a deficit of Kshs.1,036,600 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. Uncompetitive Procurement of Goods

The statement of financial performance, and as disclosed in Note 9 to the financial statements, reflects an amount of Kshs.27,938,764 under medical/clinical costs which includes an amount of Kshs.6,752,250 paid to various suppliers for the delivery of hospital supplies. It was observed that the various suppliers were single sourced to supply the goods and were not identified through a fair, equitable, transparent and competitive process contrary to Section 45 (3)(c) of the Public Procurement and Asset Disposal Act 2015.

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

### **3. Non-Compliance with Gender Requirements**

Review of the composition of Magunga Level Hospital Board of Management revealed that out of eight (8) members, six were male making up 75% of the Board, contrary to the Article 27(8) of the Constitution of Kenya, 2010, which puts a limit of 66.7%.

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

### **4. Failure to Remit Statutory Dues**

The statement of financial performance, and as disclosed in Note 10 to the financial statements, reflects employee costs of Kshs.1,026,000. Review of this expenditure revealed that the employee costs is in respect of casuals contracted by the hospital. However, the hospital does not deduct and remit statutory dues such as National Social Security Fund, Social Health Insurance Fund and Affordable Housing Levy contrary to the law.

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

### **5. Irregular Budget**

Review of budget records revealed that the Hospital approved budgeted receipts and expenditure were Kshs.58,800,000 and Kshs.90,800,000 respectively. The resultant deficit of Kshs.32,000,000 was contrary to Regulation 31(c) of the Public Finance Management-County Governments Regulations 2015 that require budget revenue and expenditure appropriations to be balanced during budget formulation and approval.

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

### **6. Lack of Inspection and Acceptance Committee Reports**

The Statement of Financial Performance, as disclosed in Note 9 to the financial statements, reports medical/clinical costs of Kshs.27,938,764. This includes Kshs.7,602,005 for dressing and non-pharmaceuticals, which were not inspected by the Inspection and Acceptance Committee to confirm that the goods delivered complied with the contract, standards, and specifications. This is contrary to Section 48(4)(a) and (b) of the Public Procurement and Asset Disposal Act, 2015.

Further, the Statement of Financial Position, as disclosed in Note 19 to the financial statements, reports Property, Plant, and Equipment of Kshs.7,090,232, including additions of Kshs.3,023,750 under buildings and civil works. However, Inspection and Acceptance Committee reports were not provided to confirm that the works were carried out in accordance with the contract, standards, and specifications. In addition, engineers' certificates verifying the value of the work completed were not provided. This is contrary to Section 48(4)(a) and (b) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of the law due to failure to comply with statutory procurement and asset verification requirements.

### **7. Unutilized Equipment**

The statement of financial position, and as disclosed in Note 19 to the financial statements, reflects property plant and equipment balance of Kshs.7,090,232. Included in the balance is an amount of Kshs.1,303,875 in respect of plant and medical equipment which includes an amount of Kshs.600,000 in respect of purchase of a dental chair. Physical verification of this asset in November 2025 revealed that the equipment was idle and has never been utilized since it was delivered in January, 2025.

In the circumstances, the value for money realized from the expenditure of Kshs.600,000 could not be confirmed.

### **8. Lack of County Government Funding**

Review of the financial statements revealed that the County Government of Homa Bay did not appropriate any funds for Magunga Level 4 Hospital in the financial year 2024–2025. This is contrary to Section 5(4) of the Facilities Improvement Act, 2023, which provides that the income and other receivables retained by public health facilities shall be considered as a supplement to the budgets and resources appropriated to the facilities by the respective county government, and not as a substitute.

Instead of appropriating extra funds, the County Government directed that all revenue generated by the hospital be transferred to a special purpose account, from which 20% of the revenue is retained by the county and 80% is returned to the facility.

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

### **9. Lack of Feedback Mechanisms within Magunga Sub-County Hospital**

During the audit conducted in the month of November 2025, it was observed that there was no evidence that Management had put in place mechanisms for handling complaints and giving feedback to the complainants as required by the Section 14.(1) of the Health Act, 2017.

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

### **10. Non-compliance with Universal Health Coverage (UHC) Requirement for Level 4 Hospitals**

Review of Magunga Sub-County Hospital's operations and records during the year under review revealed that it operated below the set standards as per the Kenya Quality Assurance Model for Health Checklist for Level 4 hospitals. Several deficiencies were observed in the implementation of the Universal Health Care (UHC) programme, particularly in staffing and equipment.

The hospital did not meet the required staffing levels, with no medical officers, anesthesiologists, general surgeons, pediatricians, or radiologists, and only three registered nurses against the required 75. This significant shortage of personnel undermines the hospital's capacity to deliver essential health services.

In addition, the hospital lacked or had insufficient Level 4 hospital equipment. Critical shortages included resusitaires, newborn unit incubators and cots, ICU and HDU beds, a renal unit with dialysis machines, functional operating theatres, and overall hospital beds. These deficiencies contravene the First Schedule of the Health Act, 2017, and impede the realization of the highest attainable standards of health, including the right to health care services as required under Article 43(1) of the Constitution of Kenya, 2010. The gaps also contravene the Kenya Quality Model for Health Policy Guidelines and may have hindered the achievement of the Government's Universal Health Coverage programme. In the circumstances, the effectiveness of medical services provided and the implementation of the Universal Health Coverage programme at the hospital 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 THE 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 effects of the matter described in the Basis for Conclusion on the 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. Weakness in the Cash and Bank Management Controls

Review of the cash and bank management controls revealed that the cash book postings and bank reconciliation statements were done by the same officer hence no segregation of duties, and further, were not reviewed by a senior accountant. In addition, the cash book was not being updated promptly, and as at 13 November, 2025 the cash book had only been updated up to the month of March 2025.

In the circumstances, the effectiveness of the internal controls on cash and bank management could not be confirmed.

## **2. Weakness in the Financial Reporting System**

Review of the ledger and payment vouchers supporting the expenditure incurred during the year revealed that there was no audit trail to trace payment vouchers to the corresponding ledger entries. The ledger did not contain unique identifying numbers linking the entries to the payments made.

In the circumstances, the effectiveness of the internal controls on the preparation of annual report and financial statements could not be confirmed.

## **3. Non-Documentation of Expired Pharmaceuticals**

Review of Magunga Sub-County Hospital's operations and records for the year under review revealed the presence of expired drugs across various categories. However, their quantity and value could not be confirmed because no records were maintained. As a result, the value of the expired drugs could not be determined, and management is unable to plan for their disposal due to the absence of proper documentation.

In the circumstances, the effectiveness of the internal controls on the management of pharmaceuticals could not be confirmed.

## **4. Lack of Segregation of Duties**

5. Review of the Pharmacy, Laboratory, and Food Stores sections of Magunga Level 4 Hospital revealed that, due to inadequate staffing, employees in these units issue inventory to themselves without proper supervision. They receive stock, record it, dispense items, and document the quantities used, resulting in a lack of appropriate internal controls.

In the circumstances, the effectiveness of the internal controls on the Pharmacy, Laboratory and Food stores sections could not be confirmed.

## **6. Ineffective Internal Audit Function**

The Internal Audit Department conducted an audit of Magunga Level 4 Hospital and published the report on 15 January 2025. However, there was no evidence of a management response or any deliberations on the report by the Audit Committee. As a result, the internal audit function appears ineffective, and the internal control environment may be experiencing recurring weaknesses.

In the circumstances, the effectiveness of the internal audit function could not be confirmed.

## **7. Lack of Key Personnel**

Review of the Hospital's staffing revealed that there is no procurement officer in place. As a result, all procurement activities were undertaken without the supervision or oversight of a qualified procurement professional, increasing the risk of non-compliance with procurement laws and regulations.

This was contrary to section 73 of the Public Procurement and Asset Disposal Act, 2015 requires every public entity to establish a procurement function staffed with qualified procurement professionals responsible for managing procurement processes in accordance with the law. The absence of such an officer means the hospital did not meet this legal requirement.

8. In the circumstances, the effectiveness of internal controls over procurement could not be confirmed.

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

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

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

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

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

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

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

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

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

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

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

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**

## APPENDICES

### Appendix 1: Unresolved Prior Year Matters

S/No.	Financial Year	Audit Issue
1	2023/2024	Non-Compliance with Financial Reporting Framework
2	2023/2024	Variances between Prior Year Balances and Opening Balances
3	2023/2024	Variances between Financial Statement and Ledgers
4	2023/2024	Unsupported Employee Costs
5	2023/2024	Misclassification of Expenditure
6	2023/2024	Unsupported Receivables from Exchange Transactions
7	2023/2024	Unsupported Inventories Balance
8	2023/2024	Unsupported Property, Plant and Equipment Balance
9	2023/2024	Unsupported Trade and Other Payables
10	2023/2024	Budget Control and Performance
11	2023/2024	Procurement of Goods
12	2023/2024	Underpayment of Staff
13	2023/2024	Inadequate Staffing in Health Facilities
14	2023/2024	Lack of Approved Strategic Plan
15	2023/2024	Lack of Risk Management Policy
16	2023/2024	Lack of an Approved Staff Establishment
17	2023/2024	Ineffective Internal Audit Function
18	2023/2024	Weakness in the Cash and Bank Management Controls
19	2023/2024	Failure to Maintain an Imprest Register

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

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

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
In-kind contributions from the County Government	6	4,613,794	8,585,269
<b>Revenue from exchange transactions</b>		<b>4,613,794</b>	<b>8,585,269</b>
Rendering of services- Medical Service Income	7	65,478,046	692,683
Miscellaneous Income	8		26,464,224
<b>Revenue from exchange transactions</b>		<b>65,478,046</b>	<b>27,156,907</b>
<b>Total revenue</b>		<b>70,091,840</b>	<b>35,742,176</b>
<b>Expenses</b>			
Medical/Clinical costs	9	27,938,764	24,147,010
Employee costs	10	1,026,000	1,171,000
Board of Management Expenses	11	210,400	205,000
Depreciation and amortization expense	12	1,908,546	1,490,125
Repairs and maintenance	13	6,392,300	2,609,460
Grants and subsidies	14	1,036,600	-
General expenses	15	5,029,814	4,112,440
<b>Total expenses</b>		<b>43,542,424</b>	<b>33,735,035</b>
<b>Net Surplus / (Deficit) for the year</b>		<b>26,549,417</b>	<b>2,007,141</b>

*(The notes set out on pages 8 to 44 form an integral part of the Annual Financial Statements.)*

The Hospital's financial statements were approved by the Board on 26/08/2025 and signed on its behalf by:

*B. E. Tima*

**Chairman**

*BEN ETIMA*

**ACCOUNTANT IN CHARGE**  
**MAGUNGA LEVEL 4 HOSPITAL**  
**P.O. BOX 10000 HOMA BAY**

**Head of Finance**

*ALLAN OJONGO*

**MAGUNGA LEVEL 4 HOSPITAL**  
**P.O. BOX 38 SINDO**  
**R.C.O INCHARGE**

**Medical Superintendent**

*RICHARD DIUK*

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

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

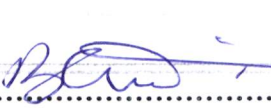
Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	15,979	48,729
Receivables from exchange transactions	17	30,272,240	5,680,000
Inventories	18	300,381	838,627
<b>Total Current Assets</b>		<b>30,588,600</b>	<b>6,567,356</b>
<b>Non-current assets</b>			
Property, plant, and equipment	19	7,090,232	3,787,875
Intangible assets		-	-
<b>Total Non-current Assets</b>		<b>7,090,232</b>	<b>3,787,875</b>
<b>Total assets (A)</b>		<b>37,678,832</b>	<b>10,355,231</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	4,365,555	3,551,246
<b>Total Current Liabilities</b>		<b>4,365,555</b>	<b>3,551,246</b>
<b>Total Liabilities (B)</b>		<b>4,365,555</b>	<b>3,551,246</b>
<b>Net assets (A-B)</b>		<b>33,313,277</b>	<b>6,803,985</b>
<b>Represented by:</b>			
Accumulated surplus/Deficit		26,585,277	75,985
Capital Fund		6,728,000	6,728,000
<b>Net Assets</b>		<b>33,313,277</b>	<b>6,803,985</b>

*(The notes set out on pages 8 to 44 form an integral part of the Annual Financial Statements.)*

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

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The Hospital's financial statements were approved by the Board on 26/08/2025 and signed on its behalf by:



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

BEN OTIUKA



**Head of Finance**  
**ICPAK No:**

ANNA ODIKO



**Medical Superintendent**

RICHARD ODIKO

*Magunga Level 4 Hospital (Homa Bay County Government)*  
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**16. Statement of Changes in Net Assets for The Year Ended 30 June 2025**

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
Surplus/(deficit) for the year	-	2,007,141	-	<b>2,007,141</b>
Capital/Development grants	-	-	153,000	<b>153,000</b>
<b>As at June 30, 2024</b>	-	<b>75,985</b>	<b>6,728,000</b>	<b>6,803,985</b>
<b>At July 1, 2024</b>	-	<b>75,985</b>	<b>6,728,000</b>	<b>6,803,985</b>
Surplus/(deficit) for the year	-	26,509,292	-	<b>26,509,292</b>
Capital/Development grants	-	-	-	-
<b>At June 30, 2025</b>	-	<b>26,585,277</b>	<b>6,728,000</b>	<b>33,313,277</b>
Surplus/(deficit) for the year	-	2,007,141	-	<b>2,007,141</b>

*(Note:*

- 1. The Capital Fund represents funds invested in non-current assets from sources other than Hospital Financing*
- 2. The Accumulated Surplus/Deficit reflects the cumulative retained results of the hospital, which moved from a deficit position in 2023 to a strong surplus by June 2025 due to improved operational performance.*
- 3. No revaluation reserve was recorded during the reporting period as no asset revaluations were undertaken.*
- 4. Prior year adjustments, where applicable, have been disclosed in the notes to the financial statements with explanations provided for the restatement of opening balances.)*

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

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government			
Rendering of services- Medical Service Income		<b>38,119,806</b>	692,683
Miscellaneous receipts(Insurance recoveries)			20,587,224
<b>Total Receipts</b>		<b>38,119,806</b>	<b>21,279,907</b>
<b>Payments</b>			
Medical/Clinical costs		21,551,515	14,358,037
Employee costs		1,026,000	1,171,000
Board of Management Expenses		210,400	205,000
Repairs and maintenance		5,792,300	1,946,960
Grants and subsidies		1,036,600	-
General expenses		3,831,714	3,462,440
<b>Total Payments</b>		<b>33,448,529</b>	<b>21,143,437</b>
<b>Net cash flows from operating activities</b>	21	<b>4,671,277</b>	<b>136,470</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment		(4,704,028)	(153,000)
<b>Net cash flows used in investing activities</b>		<b>(4,704,028)</b>	<b>(153,000)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(32,751)</b>	<b>(16,530)</b>
Cash and cash equivalents as at 1 July	16	48,729	65,259
<b>Cash and cash equivalents as at 30 June</b>	16	<b>15,979</b>	<b>48,729</b>

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	-		-	(48,729)		
<b>Receipts</b>						
Inkind Supplies	9,000,000	-	9,000,000	4,613,794	4,386,206	51%
Rendering of services- Medical Service Income	1,800,000	-	1,800,000	428,700	1,371,300	24%
Insurance Recoveries	48,000,000	-	48,000,000	37,691,106	10,308,894	79%
<b>Total receipts</b>	<b>58,800,000</b>	<b>-</b>	<b>58,800,000</b>	<b>42,782,330</b>	<b>16,017,670</b>	<b>73%</b>
<b>Payments</b>						
Medical/Clinical costs	25,000,000	-	25,000,000	21,551,515	3,448,485	86%
Employee costs	1,594,000	-	1,594,000	1,026,000	568,000	64%
Remuneration of directors	294,000	-	294,000	210,400	83,600	72%
Repairs and maintenance	6,912,000	-	6,912,000	5,792,300	1,119,700	84%
Grants and subsidies		-	-	1,036,600	(1,036,600)	
General expenses	4,000,000	-	4,000,000	3,831,714	168,286	96%
<b>Total Operational Expenditure paid</b>	<b>37,800,000</b>	<b>-</b>	<b>37,800,000</b>	<b>33,448,529</b>	<b>4,351,471</b>	

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

Capital Expenditure paid	21,000,000	-	21,000,000	4,704,028	16,295,972	22%
Surplus	-			4,629,773		

*Budget notes*

**1. Variances Between Budget and Actual (IPSAS 24.14)**

- **In-kind Supplies (51% utilization)** – Donor and partner contributions were significantly lower than anticipated, resulting in reduced in-kind supplies received during the year.
- **Medical Service Income (24% utilization)** – The hospital recorded lower patient numbers than projected, and some billings were delayed, reducing cash collections.
- **Insurance Recoveries (79% utilization)** – A portion of insurance claims remained outstanding at year-end due to delays in processing and partial payments by insurance companies.
- **Medical/Clinical Costs (86% utilization)** – Savings were realized due to improved procurement processes, timely supplier negotiations, and delayed delivery of some medical items.
- **Employee Costs (64% utilization)** – Several positions remained unfilled and recruitment took longer than expected, resulting in lower wage expenses.
- **Repairs and Maintenance (84% utilization)** – Some non-urgent repair works were deferred to the next financial year because of contractor delays and prioritization of essential maintenance only.
- **General Expenses (96% utilization)** – Expenditure was generally in line with the budget, with minor savings arising from cost-containment measures.
- **Capital Expenditure (22% utilization)** – Major procurement and development projects were postponed or delayed due to lengthy tender processes and pending approvals.
- **Grants & Subsidies** – These expenditures were not included in the approved budget. The actual amount relates to donor-funded activities that arose during the year.

**2. Changes Between Original and Final Budget (IPSAS 24.29)**

There were no changes made to the budget during the year. The final budget is the same as the originally approved budget. All differences between budget and actual performance resulted from operational factors rather than budget reallocations.

**3. Grant Expenditure**

The grant expenditure of **Kshs 1,036,600** was unbudgeted and relates to donor-supported and partner-funded activities that could not be anticipated at the budgeting stage.

**Budget Reconciliation**

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	4,581,044
1	In Kind Supplies	(4,613,794)
2	Opening Cash and cash equivalents	48,729
3	Closing Cash and Cash Equivalent as per the statement of Cash flows	<b>15,979</b>

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

### **1. General Information**

Magunga Level 4 Hospital is established by and derives its authority and accountability from the Homa Bau County FIF Act 2023. The entity is wholly owned by the Homa Bay County Government and is domiciled in Homa Bay County, Kenya. The entity's principal activity is providing comprehensive healthcare services to the community.

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

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

**3. Adoption of New and Revised Standards**

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

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

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

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1<sup>st</sup> 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>No significant leases currently exist; minimal immediate impact. Future lease agreements (e.g., for equipment) will increase assets and liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>No current assets meet the “held for sale” criteria; no discontinued operations. Minimal expected impact.</p>

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

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

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Standard	Effective date and impact:
	understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. Not applicable; hospital does not engage in mineral resource activities.

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

The hospital did not early-adopt any new or amended standards during the financial year ended 30 June 2025.

**4. Summary of Significant Accounting Policies**

**a. Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other Government entities**

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

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

**Sale of goods**

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

**Interest income**

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

**Rental income**

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

*Notes to the Financial Statements (Continued)*

**b. Budget information**

The original budget for the financial year 2024/2025 was approved by the Board of Management on 15th May 2024. The approved budget represented the entity's financial plan for the year and provided the framework against which resources were allocated and managed.

During the year under review, no subsequent revisions or additional appropriations were made to the approved budget. The entity therefore operated strictly within the allocations provided in the original budget. This reflects disciplined financial management and adherence to the approved financial plan.

It should be noted that the hospital's budget is prepared on a basis different from that used for the preparation of the financial statements, which are prepared in accordance with International Public Sector Accounting Standards (IPSAS). Consequently, variances may arise between budgeted amounts and actual figures disclosed in the financial statements, but these differences are attributable solely to the basis of preparation and not to revisions or additional appropriations.

The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

**c. Taxes**

**Sales tax/ Value Added Tax**

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

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- 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. The hospital depreciates property, plant, and equipment on a straight-line basis over their estimated useful lives, reflecting the pattern in which the asset's future economic benefits are expected to be consumed. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

*Notes to the Financial Statements (Continued)*

**f. Leases**

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

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

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

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

**g. Intangible assets**

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

*Notes to the Financial Statements (Continued)*

**h. Biological Assets**

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

**i. Research and development costs**

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

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

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

**j. Financial instruments**

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

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

### **Financial assets**

#### **Classification of financial assets**

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

#### **Subsequent measurement**

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

#### **Amortized cost**

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

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

#### **Fair value through net assets/ equity**

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

#### **Fair value through surplus or deficit**

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

#### **Trade and other receivables**

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

#### **Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. However, based on the current assessment and historical data, no expected credit losses (ECL) were recorded in the financial year under review. Therefore, no loss allowance has been recognized as at the reporting date.

## **Financial liabilities**

### **Classification**

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

### **k. Inventories**

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

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

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

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

### **l. Provisions**

Provisions are recognized when the 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 the 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. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

**n. Contingent liabilities**

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

**o. Contingent assets**

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

**p. Nature and purpose of reserves**

The hospital creates and maintains reserves in terms of specific requirements. However, during the year under review, Magunga Level 4 Hospital did not maintain any reserves. No reserve accounts were established or carried forward in the financial statements.

**q. Changes in accounting policies and estimates**

The 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**

The 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**

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

**v. Service concession arrangements**

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

**w. Cash and cash equivalents**

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

**x. Comparative figures**

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

**y. Subsequent events**

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

## **5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the 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. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. (IPSAS 1.140)

### **Useful lives and residual values**

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

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

### **Provisions**

Provisions are recognized when the entity has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, with a reliable estimate of the amount.

For the year ended 30 June 2025, Magunga Level 4 Hospital did not make any provisions, including those for doubtful debts, obsolete stock, or other contingent obligations. Management assessed all relevant items and determined that no provisions were necessary based on the available information as at the reporting date.

Notes to Financial Statements Continued

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

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Salaries and wages		
Laboratory Supplies	2,590,883	232,714
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	2,022,911	8,352,555
Utility bills		
<b>Total grants in kind</b>	<b>4,613,794</b>	<b>8,585,269</b>

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

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Pharmaceuticals	209,505	352,967
Non-Pharmaceuticals	-	
Laboratory	137,000	276,370
Outpatient Services	25,300	7,040
Inpatient Services	27,395	51,055
Theatre	-	
Maternity	-	
Health Records	29,500	5,251
Ambulance services	-	
Insurance Income	65,049,346	
<b>Total revenue from the rendering of services</b>	<b>65,478,046</b>	<b>692,683</b>

Notes to the Financial Statements (Continued)

8. Miscellaneous Income-Insurance Income

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Insurance recoveries		20,784,224
Insurance Receivables		5,680,000
<b>Total Miscellaneous income</b>		26,464,224
<b>Amount as per comprehensive income statement</b>		<b>26,464,224</b>

9. Medical/ Clinical Costs

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Laboratory chemicals and reagents	3,496,933	2,448,714
Food and Ration	3,890,000	3,732,160
Dressing and non-pharmaceuticals	7,602,005	3,601,204
Beddings and Linens	453,000	
Pharmaceutical supplies	7,503,216	12,102,332
Health information stationery	4,013,300	991,600
Sanitary and cleansing Materials	980,310	835,000
Fungicides, Insecticides, Sprays		436,000
X-Ray/Radiology supplies		
<b>Total medical/ clinical costs</b>	<b>27,938,764</b>	<b>24,147,010</b>

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**10. Employee Costs**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Salaries, wages, and allowances	1,026,000	1,171,000
<b>Employee costs</b>	<b>1,026,000</b>	<b>1,171,000</b>

**11. Board of Management Expenses**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Chairman's Honoraria		
Sitting allowance	210,400	205,000
<b>Total</b>	<b>210,400</b>	<b>205,000</b>

**12. Depreciation and Amortization Expense**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Property, plant and equipment	1,948,671	1,490,125
<b>Total depreciation and amortization</b>	<b>1,948,671</b>	<b>1,490,125</b>

**13. Repairs And Maintenance**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Property- Buildings	2,778,850	465,960
Medical equipment	168,500	540,000
Office equipment	-	
Furniture and fittings	8,000	
Computers and accessories	204,900	160,000
Motor vehicle expenses	3,232,050	1,387,500
Software		56,000
Maintenance of civil works	-	
<b>Total repairs and maintenance</b>	<b>6,392,300</b>	<b>2,609,460</b>

Notes to the Financial Statements (Continued)

**14. Grants And Subsidies**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Community development and social work		
Education initiatives and programs		
Free/ subsidised medical camp		
Disability programs		
Free cancer screening		
Social benefit expenses		
Other grants and subsidies( <i>special purpose account</i> )	1,036,600	
<b>Total grants and subsidies</b>	<b>1,036,600</b>	

**15. General Expenses**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Advertising and publicity expenses		
Catering expenses	241,650	
Bank charges	55,164	35,440
Electricity expenses	139,000	662,000
Fuel and Lubricants	1,624,500	1,101,000
Travel and accommodation allowance	85,350	60,000
Daily Subsistence Allowance		350,000
Computer Accessories		444,000
Printing and stationery	1,122,300	1,120,000
Water and sewerage costs	1,548,950	70,000
Telephone and mobile phone services		
Internet expenses	52,900	
Staff training and development		
Other Fuels		270,000
Staff Uniforms	-	
Purchase of Households	160,000	
<b>Total General Expenses</b>	<b>5,029,814</b>	<b>4,112,440</b>

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**16. Cash And Cash Equivalents**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Current accounts	15,979	48,729
Cash in hand		
Others( <i>specify</i> )- Mobile money		
<b>Total cash and cash equivalents</b>	<b>15,979</b>	<b>48,729</b>

Notes to the Financial Statements (Continued)

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

Description		FY 2024-2025	FY 2023-2024
Financial institution	Account number	Kshs	Kshs
<b>a) Current account</b>			
Kenya Cooperative Bank	01141076455000	15,979	48,729
<b>Sub- total</b>		15,979	48,729
<b>Grand total</b>		<b>15,979</b>	<b>48,729</b>

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**17. Receivables From Exchange Transactions**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Medical services receivables	30,272,240	5,680,000
Less: impairment allowance		
<b>Total receivables</b>	<b>30,272,240</b>	<b>5,680,000</b>

**Analysis of Receivables From Exchange Transactions**

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
	FY 2024-2025	% of the total	Comparative FY	% of the total
Less than 1 year	27,358,240	90%	5,680,000	100%
Between 1- 2 years	2,914,000	10%		%
Between 2-3 years		%		%
Over 3 years		%		%
<b>Total (a+b)</b>	<b>30,272,240</b>	<b>100%</b>	<b>5,680,000</b>	<b>100%</b>

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**18. Inventories**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Pharmaceutical supplies	135,175	587,040
Laboratory supplies	45,010	149,980
Food supplies	18,500	
Non-Pharmaceuticals	101,696	101,607
Cleaning materials supplies		
General supplies		
Less: provision for impairment of stocks	-	-
<b>Total</b>	<b>300,381</b>	<b>838,627</b>

**Detailed disclosure on inventories**

	FY 2024-2025	FY 2023-2024
Opening balance	838,627	526,155
Additional Inventory in the year	27,400,518	24,459,482
Inventory expensed in the year	27,938,764	24,147,010
Write-downs in the year		
Others specify		
Closing balance	<b>300,381</b>	<b>838,627</b>

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*Notes to the Financial Statements (Continued)*

**19. Property, Plant and Equipment**

Description	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
<b>Cost</b>	<b>2%</b>	<b>25.0%</b>	<b>12.5%</b>	<b>30.0%</b>	<b>12.5%</b>	
At 1 July 2023	-	4,500,000	-	375,000	1,700,000	<b>6,575,000</b>
Additions				120,000	33,000	<b>153,000</b>
Disposals	-					
Transfers/adjustments	-					-
Revaluation Adjustments	-					-
<b>At 30<sup>th</sup> Jun 2024</b>	-	<b>4,500,000</b>	-	<b>495,000</b>	<b>1,733,000</b>	<b>6,728,000</b>
At 1 July 2024	-	4,500,000	-	495,000	1,733,000	<b>6,728,000</b>
Additions	3,023,750		260,500	169,778	1,250,000	4,704,028
Disposals	-	-	-	-	-	-
Transfer/adjustments				514,000	33,000	<b>547,000</b>
Revaluation Adjustments						-

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Description	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
<b>At 30<sup>th</sup> Jun 2025</b>	<b>3,023,750</b>	<b>4,500,000</b>	<b>260,500</b>	<b>1,178,778</b>	<b>3,016,000</b>	<b>11,979,028</b>
<b>Depreciation and impairment</b>						
At 1 July 2022		<b>1,125,000</b>		<b>112,500</b>	<b>212,500</b>	<b>1,450,000</b>
Depreciation for the year		1,125,000	-	266,700	216,625	1,608,325
Disposals	-	-	-	-	-	-
Impairment						-
<b>At 30 June 2024</b>	-	<b>2,250,000</b>	-	<b>379,200</b>	<b>429,125</b>	<b>3,058,325</b>
At July 2024	-	<b>2,250,000</b>	-	<b>379,200</b>	<b>429,125</b>	<b>3,058,325</b>
Depreciation	60,475	1,125,000	32,563	353,633	377,000	<b>1,948,671</b>
Disposals						-
Impairment						-
Transfer/adjustment	-	-	0	-	-	-
<b>At 30<sup>th</sup> June 2025</b>	<b>60,475</b>	<b>3,375,000</b>	<b>32,563</b>	<b>614,633</b>	<b>806,125</b>	<b>4,888,796</b>

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Description	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
<b>Net book values</b>						
At 30 <sup>th</sup> Jun 2024	-	2,250,000	-	234,000	1,303,875	3,787,875
At 30 <sup>th</sup> Jun 2025	2,963,275	1,125,000	227,938	564,145	2,209,875	7,090,232

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Notes to the Financial Statements (Continued)

20. Trade and other Payables

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
Trade payables	4,365,555		3,551,246	
Employee dues				
Third-party payments				
<b>Total trade and other payables</b>	<b>4,365,555</b>		<b>3,551,246</b>	
<b>Ageing analysis:</b>	<b>FY 2024-2025</b>	<b>% of the Total</b>	<b>FY 2023-2024</b>	<b>% of the total</b>
Under one year	4,365,555	95%	3,551,246	%
1-2 years		0%		%
2-3 years		0%		%
Over 3 years		0%		%
<b>Total</b>	<b>4,365,555</b>	<b>95%</b>	<b>3,551,246</b>	<b>%</b>

21. Cash Generated from Operations

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Surplus for the year before tax	26,549,417	2,282,941
<b>Adjusted for:</b>		
Depreciation	1,908,546	1,608,325
<b>Working Capital adjustments</b>		
Increase in inventory	(538,246)	(312,492)
Increase in receivables	(24,062,748)	(2,959,430)
Increase in payables	814,309	(88,874)
<b>Net cash flow from operating activities</b>	<b>4,671,277</b>	<b>530,470</b>

**Magunga Level 4 Hospital (Homa Bay County Government)**  
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**22. Financial Risk Management**

The 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.

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

**(i) Credit risk**

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2024</b>				
Receivables from exchange transactions	5,680,000	-	-	0
Receivables from –non-exchange transactions	-	-	-	0
Bank balances	48,729	-	-	0
<b>Total</b>	<b>5,728,729</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>At 30 June 2025</b>				
Receivables from exchange transactions	30,272,240	-	-	0
Receivables from –non-exchange transactions	-	-	-	0
Bank balances	15,979	-	-	0
<b>Total</b>	<b>30,288,219</b>	<b>-</b>	<b>-</b>	<b>0</b>

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. There is no significant concentration of credit risk on amounts due from any individual customer or group of customers. The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**(ii) Liquidity risk management**

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2024</b>				
Trade payables	3,551,246			3,551,246
Employee benefit obligation				-
<b>Total</b>	<b>3,551,246</b>	-	-	<b>3,551,246</b>
<b>At 30 June 2025</b>				
Trade payables	4,365,555			4,365,555
Employee benefit obligation				-
<b>Total</b>	<b>4,365,555</b>	-	-	<b>4,365,555</b>

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

**(iii) Market risk**

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

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

**a) Foreign currency risk**

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

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

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

**Foreign currency sensitivity analysis**

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

**b) Interest rate risk**

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

**Management of interest rate risk**

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

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

**Sensitivity analysis**

The entity regularly reviews its exposure to interest rate risk as part of its financial risk management framework. Sensitivity analysis is ordinarily undertaken to determine the potential impact of defined interest rate shifts on the surplus or deficit for the year, under the assumption that all other variables, particularly foreign exchange rates, remain constant.

For the year ended 30 June 2025, the hospital had no borrowings or financial instruments linked to floating interest rates. Consequently, the entity was not exposed to interest rate risk and no sensitivity analysis was required. This position was consistent with the prior year.

**iv) Capital Risk Management**

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

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

**23. Related Party Balances**

**Nature of related party relationships**

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

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

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

**24. Segment Information**

IPSAS 18 requires entities that operate across different geographical regions or through distinct departments to present segmental information in order to provide users with insights into performance and the allocation of resources among various segments.

For the year ended 30 June 2025, Magunga Level 4 Hospital operated as a single reporting entity without distinct geographical or departmental segments. Accordingly, no segmental reports are applicable.

**25. Contingent Liabilities**

In compliance with the requirements of IPSAS, the entity discloses any potential obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the entity's control.

For the year ended 30 June 2025, the hospital had no contingent liabilities.

**26. Capital Commitments**

In line with IPSAS 17, the entity is required to disclose capital commitments relating to property, plant, and equipment that have been authorized by the Board but not yet contracted, or those already contracted and ongoing at the reporting date.

For the year ended 30 June 2025, the hospital had no capital commitments.

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

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**27. Events after the Reporting Period**

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

**28. Ultimate and Holding Entity**

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

**29. 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)
	Uncompetitive Procurement of goods	The entity uses a list of prequalified suppliers and Contractors provided by the County Government of Homabay, Department of Finance as attached under Appendix As per the provision of the Public Procurement and Asset Disposal Act 2015 and your recommendation, the management shall appoint an Inspection and Acceptance committee to confirm the qualities and quantities of goods.	Resolved	-
	Failure to maintain an Imprest Register	The acknowledge the oversight in failing to maintain an Imprest Register. We understand the importance of this register in maintaining accurate financial records. To rectify this, we have	Resolved	-

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		established a comprehensive Imprest Register to track all cash advances and ensure proper documentation as well as regular monitoring and review processes to ensure the Imprest Register is maintained accurately and promptly.		

**MAGUNGA LEVEL 4 HOSPITAL**  
**P.O. BOX 38 SINDO**  
**R.S. MURGE**  
 Accounting Officer  
 DATE: \_\_\_\_\_



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