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REPORT

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THE AUDITOR-GENERAL

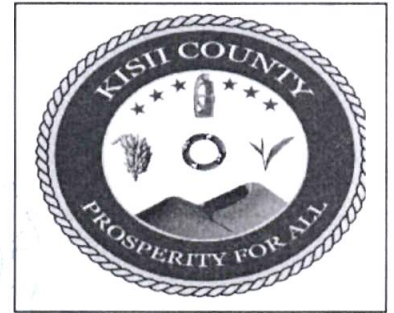
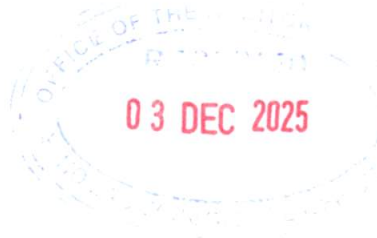
ON

NYACHEKI LEVEL 4 HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF KISII

502



NYACHEKI LEVEL 4 HOSPITAL (Kisii County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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1. Acronyms & Glossary of Terms

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

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

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

2. Key Entity Information and Management

(a) Background information

Nyacheki Hospital is a level iv hospital established under gazette notice number 3142 and is domiciled in Kisii County under the health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

To be a center of excellence in provision of healthcare services in the region

MISSION

To provide quality promotive, preventive, curative and rehabilitative care services, training and research.

OBJECTIVES

- I. Promote provision of integrated high quality healthcare services
- II. Create an enabling environment for provision of health services.
- III. To provide accessible and affordable health services

(c) Key Management

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

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

(d) Fiduciary Management

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

No.	Designation	Name
1.	Facility In Charge	Wycliff Moku
2.	Head of finance	Jackline Nyaoso
3.	Head of supply chain	Margret Githinji
4.	Hospital administrator	Erick Momanyi
5.	Nursing officer incharge	Annimic Isoe

- (e) **Fiduciary Oversight Arrangements**
- Clinical Research and Standards Committee.
 - Audit committee
 - Risk Committee
 - County Assembly
 - Parliamentary committees
 - Other oversight committees

Key Entity Information and Management (continued)

(f) **Entity Headquarters**

P.O. Box 92 - 40200
Hospital Road
Kisii, Kenya.

(g) **Entity Contacts**

Telephone: (254)746794350
E-mail: nyachekisch@gmail.com

(h) **Entity Bankers**

Kenya Commercial Bank
P.O. Box 4760-40200
Kisii, 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**
 Office of the County Attorney
 P.O. Box. 4550-40200
 Kisii, Kenya

3. The Board of Management

Ref	Directors	Details
1.	 Moses Kimaiga - Chairman	Former councillor
2.	 Tom Machuka	Peasant farmer
3.	 Benard Mochama	Business person

4.	 Ebisiba Nyangate	Retired primary teacher
5.	 Wycliff Moku – Board Secretary	Clinical Officer in charge
6.	 George Nyamari	Retired police officer

4. Key Management Team

No.	Designation	Name
1.		Wycliff Mokuu Facility in charge Degree in clinical medicine and surgery 39 years
2.		Head of Finance She is 39 years old She holds bachelors of commerce accounting
3.		Margaret Githinji Head of supply chain management Bachelors of procurement and contract management 43 years old
4.		Erick Momanyi Hospital administrator Qualifications A level(form 6) And certificate in computer Age 57years old
5.		Annimic Isoe Nursing officer in-charge Diploma in nursing 35 years old

5. Chairman's Statement

I wish to present the Chairman's Report for Nyacheki level iv hospital for the financial year 2024-2025. Over the past year, the facility has remained steadfast to its mission to sustainably operate, maintain, equip, and rehabilitate health facility, as well as procure vital emergency medical supplies.

During the financial year, the fund focused on enhancing healthcare infrastructure and service delivery. We prioritized the acquisition of critical medical equipment, the rehabilitation of several health facilities, and the procurement of emergency medical supplies. These activities have greatly improved our capacity to deliver quality healthcare services across the sub county, reinforcing our commitment to the health and well-being of our residents.

However, this period was not without its challenges. The most notable was the industrial action by medical personnel, which disrupted service delivery in our facility. This challenge highlighted the need to address human resource issues in the healthcare sector, particularly in ensuring that our healthcare workers are adequately supported. We are committed to working with all stakeholders to resolve these issues and ensure that service delivery is not compromised in the future.

I would like to express my heartfelt appreciation to the Kisii County Government, the Department of Health, and all our partners who have supported us throughout this journey. I also extend my gratitude to the healthcare workers who, despite the challenges faced, have shown incredible dedication in serving the people of Kisii County. Together, I am confident that we will continue to make progress in realizing our vision for better healthcare.

..... 

Name: Moses Kimaiga

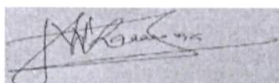
Chairman to the Board

6. Report of The facility in charge

I am pleased to present the facility in charge Report for Nyacheki Level iv Hospital for the financial year 2024-2025. Over the past year, the facility has made considerable progress in fulfilling its mandate of improving healthcare delivery across the county.

A key driver of the facility’s revenue growth was the continued investment in infrastructure and the procurement of essential medical supplies, which enabled the health facilities to operate more efficiently and attract more patients. Additionally, our partnership with various stakeholders, including healthcare donors and government agencies, has positively impacted the fund’s financial health.

Our primary goal remains the improvement of healthcare services for the residents of Bobasi. To achieve this, the facility will continue to invest in upgrading facility, ensuring that it is well-equipped to provide quality services. We are also committed to maintaining financial transparency and accountability in the management of the facility’s resources.



.....

Name: Wycliff Mokuia
Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

Nyacheki level iv hospital does not have a strategic plan yet, however the facility develops its annual work plans based on the objectives and principles of the Facility. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The objectives of the facility include;

- a) Sustainably operate, maintain, equip, rehabilitate health facilities and procure emergency medical; supplies in funds and health facilities in the county
- b) Enhance participation of relevant stakeholders and host communities in the planning and management of health facilities and funds located in their jurisdiction
- c) Create incentives for funds and health facilities to sustainably generate resources.
- d) Provide funding for the day to day operations of funds and health facilities
- e) Provide for financing of preventive and promotional healthcare services
- f) Provide immediate funds for health related emergencies and disaster

8. Corporate Governance Statement

Commitment to good corporate governance is fundamental in ensuring sustainable stakeholder value and meeting their expectations. Our procedures and processes are anchored on accountability, transparency, responsibility, and fairness which are the tenets of good corporate governance. Through the board of management Nyacheki Level iv hospital is complying with statutory requirements.

Appointment and Induction of Board Members

Appointment of Board members is as prescribed under the County Governments Act, 2012 and section 6(1) (a) and (b) of the Kisii county Health Facilities Improvement Fund Act, 2020. The CECM health appoints the board members.

Role of the Board

The responsibility of driving good corporate governance and stewardship of Nyacheki level iv is vested in the board of management. The board through its committees provide strategic direction while the Management Committee is accountable to the Board for implementing the strategy.

Conflict of interest

Declaration of conflict of interest is a standing agenda in all meetings of the Board and its committees. A register maintained by the institution to record all declarations made by board members.

Board Remuneration

Remuneration of the board members is based pegged on meetings attended as they are paid sitting allowances for each meeting attended for the period. The rates are as provided by the salaries and remuneration commission circular for sitting allowances and per diem.

9. Management Discussion and Analysis

Nyacheki level 4 Hospital carries out curative services which include out- patient and inpatient services. This is how the facility performed in terms of workload

ANC COVERAGE

- Excellent syphilis testing coverage (100% of ANC clients tested).
- Active ANC client enrollment.
- Areas for Improvement:
 - ANC visit coverage is relatively low at 42.78%. This suggests challenges with client follow-up or retention through all scheduled ANC visits.
 - HIV CASCADE
- Strong adult enrolment: The facility has maintained care for a large number of adult clients, reflecting good program stability.
- Adolescent and paediatric engagement: While smaller, these groups are crucial for long-term program success and should be supported with tailored services.
- Overall performance: A total of nearly 1,500 clients on care indicates strong retention and program coverage for the period.

MATERNITY

- Maternal and newborn care quality appears strong, with almost all deliveries resulting in live births and all babies discharged alive.
- Low birth weight prevalence (2.3%) is low — a positive indicator of effective antenatal interventions and maternal health.
- The data also implies that stillbirths and early neonatal deaths were nearly zero, which is a very good outcome for this period.

10. Environmental And Sustainability Reporting

Nyacheki level iv Hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

As a Hospital we conduct our operations in a manner that considers the environmental. we are committed to being transparent and open with our operations.

We actively engage with government regulators, customers, suppliers and citizens to create an environment that is supportive of solutions.

ii) Environmental performance

As part of adopting energy efficient technology, hospitals incinerate their medical waste using bags for clinical waste; staffs are also provided with personal protective equipment

iii) Employee welfare

Employees are encouraged and supported to continually build on their skills and knowledge in courses in leadership, management and technical competencies relevant to each employee.

iv) Community Engagements

As a way of creating awareness on health seeking behaviour and encourage early diagnosis and treatment, the fund conducts clinical outreaches in the communities within its catchment area.

11. Report of The Board of Management

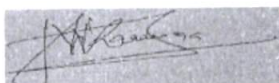
The board members submit their report together with the financial statements for the year that ended June 30, 2025, which show the state of the *hospital's* affairs.

Principal activities

Auditors

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

By Order of the Board



.....
Name Wycliff Mokuia

Secretary to the Board

12. Statement of Board of Management's Responsibilities

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

The Board of Management is responsible for the preparation and presentation of the Nyacheki Level iv hospital's financial statements, which give a true and fair view of the state of affairs of Nyacheki Level iv hospital for and as at the end of the financial year ended on June 30, 2025. This responsibility includes:(i)Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period(ii)maintaining

proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity(iii)designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv)safeguarding the assets of Nyacheki Level iv hospital;(v) selecting and applying appropriate accounting policies, and (vi)Making accounting estimates that are reasonable in the circumstances.

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

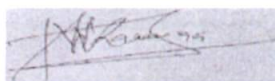
In preparing the financial statements, the Directors have assessed the hospital's ability to continue as a going concern and nothing has come to the attention of the Board of management to indicate that Nyacheki Level iv hospital will not remain a going concern for at least the next twelve months from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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 20/11/2025 and signed on its behalf by:

M.K.

.....
Name: Moses Kimaiga
Chairperson



.....
Name: Wycliff Mokuia
Accounting Officer

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON NYACHEKI LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF KISII

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nyacheki Level 4 Hospital - County Government of Kisii set out on pages 1 to 13, which comprise of the statement of financial position, as at 30 June, 2025 and the statement of statement of financial

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

In my opinion, except for the effect of the matters described in the Basis for qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nyacheki Level 4 Hospital - County Government of Kisii 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 the Prescribed Reporting Framework and Inaccuracy in the Financial Statements

The statement of financial performance, and as disclosed in Note 7 to the financial statements, reflects transfers to Kisii County FIF amount of Kshs.740,000 under expenses. The amount was transferred to Facility Improvement Fund (FIF) Account. However, this expenditure item (Transfers to Kisii County FIF) is not provided for in the prescribed reporting template which requires expenses to be charged to the following chart of accounts: Medical/Clinical costs, Employee costs, Board of Management Expenses, Depreciation and amortization expense, Repairs and maintenance, Grants and subsidies, General expenses, Finance costs. This means that Management did not obtain expenditure returns from FIF to enable proper classification of expenses. This was contrary to 164(3) of the Public Finance Management Act, 2012, which provides that the accounting officer shall prepare the financial statements in a form that complies with relevant accounting standards prescribed and published by the Accounting Standards Board from time to time. This was contrary to the provisions of Section 164(3) of the Public Finance Management Act, 2012:

Further, the statement of cash flows reflects rendering of services-medical service income amount of Kshs.4,166,741, while the statement of comparison of budget and actual amounts indicates a corresponding amount of Kshs.6,912,042, resulting in an unreconciled variance of negative Kshs.2,745,301, despite the fact that both financial statements are prepared on cash basis.

In addition, the financial statements do not include budget reconciliation to reconcile the surplus of Kshs.6,557,850 reported in the statement of comparison of budget and actual amounts and cash and cash equivalents as at 30 June, 2025 of Kshs.4,113,286 reflected in the statement of cash flows.

In the circumstances, the financial statements do not comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board, and Management was in breach of the law. Further, the accuracy and fair presentation of the financial statements could not be confirmed.

2. Unconfirmed Rendering of Services-Medical Service Income

The statement of financial performance and as disclosed in Not 6 to the financial statements, reflects rendering of services-medical service income of Kshs.6,912,042. Included in the amount Kshs.1,053,111 which differs with the Kshs.648,714 shown in the supporting ledger.

Further, the amount of Kshs.6,912,042 includes SHA/NHIF amount of Kshs.3,113,631, while the supporting ledger indicates a corresponding amount of Kshs.3,902,112, resulting in an unreconciled variance of Kshs.788,481.

In addition, the amount of Kshs.6,912,042 includes SHA receivables amount of Kshs.2,745,300 whose supporting ledger was not provided for audit.

Furthermore, the Hospital did not provide evidence that quarterly revenue reports were prepared and submitted to the County Treasury and the Auditor-General as required under Regulation 64(1) of the Public Finance Management (County Governments) Regulations, 2015. The Regulation requires revenue collectors to prepare quarterly reports not later than the 15th day after the end of each quarter.

As at 30 June, 2025, the Hospital's SHA claims schedule reflected a total of Kshs.3,902,112, whereas the SHA portal indicated submitted claims amounting to Kshs.2,983,708, resulting in unreconciled variance of Kshs.918,404. It was noted claims amounting to Kshs.421,600 were rejected due to the submission of incorrect documentation

Further, although the Hospital received SHA payments amounting to Kshs.2,922,497 as reflected in its bank statements, it had made claims worth Kshs.2,983,708 as per the SHA system, resulting in an underpayment of Kshs.61,211.

In addition, the SHA portal administrator is the Clinical Officer serving as the in-charge, whose account credentials were being used by other officers and allowed multiple logins. This contravened Regulation 102(3) of the Public Finance Management (County Governments) Regulations, 2015, which requires that an Accounting Officer ensure that any alteration of financial records, whether electronic or manual, maintains a sufficient audit trail to identify the person who authorized, approved, or deleted a transaction.

In the circumstances, the accuracy and completeness of the rendering of services-medical service income of Kshs.6,912,042, and the effectiveness of internal controls on revenue collection could not be confirmed.

3. Failure to Disclose Inventory of Pharmaceutical and Non-Pharmaceutical Supplies

The statement of financial position reflects nil inventories balance. However, physical verification conducted on 3 November, 2025 confirmed that the Hospital held inventories comprising pharmaceutical items such as drugs and laboratory reagents, as well as non-pharmaceutical supplies including gloves, cotton wool, and feeding materials, among others. These inventories were not disclosed in the financial statements.

Further, Management did not carry out quarterly inventory stock takes, contrary to the provisions of Section 162(2) of the Public Procurement and Asset Disposal Act, 2015, which stipulates that the head of the procurement function shall arrange for periodic inspections of stores, at least quarterly in each calendar year and conduct quarterly and annual inventory and stocktaking exercises to ensure compliance with all applicable laws, and submit the reports to the accounting officer.

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

4. Non-Disclosure of Assets and Absence of an Up-To-Date Fixed Assets Register

The statement of financial position reflects nil non-current assets balance despite being in possession of various items that are required to be reported prior to registration. Physical verification conducted on 3 November, 2025 confirmed that the Hospital owned several assets, including land, buildings, furniture, computers, and equipment, which were not disclosed in the financial statements.

In addition, ownership documents for the land occupied by the Hospital were not provided for audit review. It was also noted that the Hospital had not maintained an up-to-date fixed asset register detailing accurate asset classifications, asset tags, serial or logbook numbers, asset locations, opening balances, additions, acquisition dates, disposals, depreciation charges, accumulated depreciation, and net book values.

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

5. Unsupported Transfers to FIF Account

The statement of financial performance and note 7 to the financial statements, shows transfers to other government entities amount Kshs.740,000. However, the supporting ledger schedules, payment vouchers, and procurement records were not provided for audit review.

In the circumstances, the, accuracy and completeness of the reported expenditure could not be confirmed.

6. Unsupported and Unconfirmed Receivables from Exchange Transactions

The statement of financial position, and as disclosed in Note 6 to the financial statements, reflects receivables from exchange transactions balance of Kshs.2,745,300. However, the supporting ledger schedules and relevant documentation were not provided for audit verification. Further, there was no evidence of efforts made to recover the outstanding amounts.

In the circumstances, the accuracy, completeness, and recoverability of the reported accounts receivable balance could not be confirmed.

7. Undisclosed Revenue in Kind Received from the County Government of Kisii

Review of staff biodata records revealed that the Hospital had a total of 25 staff members employed and paid by the County Executive of Kisii. However, the employee costs for all the 25 staff members and the corresponding revenue were not disclosed in the financial statements and were not supported by an approved payroll.

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

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget of Kshs.10,070,000 and actual receipts of Kshs.7,311,654, resulting in underfunding of Kshs.2,758,346 or 27% of the budget. Further, out of the actual receipts of Kshs.7,311,654 only Kshs.753,804 was spent, leading to underutilization of Kshs.6,557,850 or 89% of the actual receipts.

The underfunding and underutilization affected planned activities and may have negatively impacted service delivery by the Hospital.

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 I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Management is responsible for the Other Information set out on page i to v 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 of board of management and Statement of management's responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

Review of revenue records obtained from the Nyacheki Sub County Hospital revealed total collection of Kshs.4,166,741 towards the health facilities improvement. Out of this amount, a total of Kshs.740,000 was transferred to County Health Facilities Improvement Fund Board account. However, the amount reimbursed by the Board to Nyacheki Sub County Hospital could not be ascertained. This is because the Board made payments on behalf of Nyacheki Sub County Hospital without disclosing the amount for the expenditures incurred. 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 Facilities Improvement Funds (FIF) was in breach of the law

2. Failure to Appoint a Medical Superintendent and Accounting Officer

Review of records revealed that the officer in charge had not been formally appointed as the Medical Superintendent and had not been designated as the Accounting Officer. This is contrary to Section 21(2) of the Facilities Improvement Financing Act, 2023 (Cap. 277) Laws of Kenya, which provides that the hospital Medical Superintendent (or Hospital in-charge, in the case of health centers and dispensaries) shall receive the authority to incur expenditure from the Chief Officer.

Further, there was no evidence that the in-charge has requisite qualifications contrary to First Schedule of the Health Act, 2017 on level 4 hospitals which states that the In-charge shall be a registered medical practitioner with a Master's degree in a health-related field. In the circumstances, the appointing authority was in breach of the law.

3. Irregular Issuance of Hospital Registration Certificate

There was no evidence that the Hospital met basic requirements, contrary to Rule 16(2)(a)(b)(c) and (d) of the Medical Practitioners and Dentists (Inspections and Licensing) Rules, 2022, which states that the application shall be accompanied by proof of the institution indemnity cover, current list and licensure of health professionals, name of medical director, and evidence of a submitted inspections checklist.

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

4. Lack of Requisitions for Pharmaceutical and Non-Pharmaceutical Items

During the year under review, the Hospital did not maintain records of Inventory requisitions for pharmaceuticals contrary to Regulation 171(1)(e) of the Public Procurement and Asset Disposal Regulations, 2020 which states that states that, the head of the procurement function of a procuring entity shall ensure that all stores requisitions and issues are approved by the head of the procurement function pursuant to section 162(4) of the Act.

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

5. Unregistered Facility's Pharmacy

During the review period, it was observed that the facility was operating a pharmacy without any evidence of registration with the Pharmacy and Poisons Board (PPB). This was contrary to Section 23(1) of the Pharmacy and Poisons Act Cap (244), states that it shall not be lawful for any person to carry on the business of a pharmacist except in premises registered in accordance with this section.

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

6. Irregular Opening and Operation of Bank Account

Audit review established that Nyacheki Level 4 Hospital operated a bank account at a commercial bank. However, Management did not provide evidence of authorization from the County Treasury for the opening of the account, nor minutes of the Board confirming the appointment of the account signatories. This was contrary to Regulation 82(3) and (4) of the Public Finance Management (County Governments) Regulations, 2015, which stipulate that, except with the prior authority of the County Treasury, no Accounting Officer may open a bank account for the deposit, custody, or withdrawal of public funds, or for any other official banking business. In addition, the authority of the County Treasury must be conveyed in writing to the responsible Accounting Officer, with copies submitted to the Controller of Budget and the Auditor-General.

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

7. Non-Compliance on Medical Waste Management

Review of the operations at the Hospital revealed that it operated without an incinerator and during the time of audit, non-pharmaceutical Hospital waste was accumulated at the entrance of the burning chamber next to the washrooms. The sensitive biomedical and pharmaceutical waste is accumulated and transported to Kisii Training Referral Hospital for disposal. However, there was no evidence that Management had complied with NEMA Waste Management Regulations, 2006 on biomedical waste management on taking all practical steps to ensure that waste is managed in a manner which will protect human health and the environment against the adverse effects which may result from the waste. Further, there was no evidence that the Management segregated waste at source, contrary to Section 20 of the Sustainable Waste Management Act, 2022 (Cap. 387C) which provides that a person who generates waste shall segregate it at source and dispose of it only via licensed waste service providers.

The Hospital did not have a waste management plan, contrary to Section 17 of the Sustainable Waste Management Act, 2022 (Cap. 387C) which obliges each county government to prepare a waste-management plan, maintain data on waste service provision, and ensure waste recovery and disposal facilities.

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

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

Review of documents and physical inspection revealed that Nyacheki Hospital faces significant staffing and service gaps required under Kenya Gazette Notice No. 786 of 4 February 2020. The hospital has 25 staff members against the required 101, resulting in a shortage of 76 staff. In addition, key services such as renal, surgical, pediatric, gynecology, radiology, and tuberculosis care are not offered. The facility also lacks essential equipment and infrastructure expected in Level 4 hospitals, including incubators

for newborns, COTS, resuscitaires in the theatre and labour ward, functional ICU and HDU beds, renal unit with dialysis machines, and functional operating theatres for both maternity and general services.

The hospital also faces physical and administrative challenges. It has only 1 acre of land against the required 5 acres, resulting in a 4-acre deficit. While a Hospital Management Committee has been established, the appointment letters, qualifications, and gazette notice confirming the members' appointments were not provided for audit review.

Operational limitations further affect service delivery. The hospital does not have an ambulance, which may compromise patient referrals, particularly during emergencies. Its operations are not automated, limiting data integration with national health information systems and hindering effective information sharing. Moreover, there are no systems in place to collect patient feedback, assess satisfaction, or support continuous service improvement.

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

9. Non- Compliance with Law on Ethnic Composition in Staffing

Review of staff biodata records revealed that the Hospital had a total of twenty-five (25) staff members out of which, twenty-four (24), representing approximately 96% of the total workforce, were drawn from a single dominant ethnic community, as summarized in the table below:

No	Ethnic Orientation	Total Number	Percentage %
1	Kisii	24	96%
2	Meru	1	4%
	TOTAL	25	100%

This was contrary to section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

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

10. Non-compliance with Affirmative Action Requirements for Persons with Disabilities

Review of staff biodata and discussions with Management revealed that the Hospital had employed one (1) person with disabilities, representing 4% of its twenty-four (25) staff and which is below the legally required minimum of 5%. In addition, persons with disabilities were not represented in committees and leadership structures of the Hospital. In the circumstances, the Hospital did not comply with the legal requirements on the employment and inclusion of persons with disabilities, exposing it to non-compliance risks and limited representation in its governance structures.

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

11. Irregular Engagement of Casual Employees

Review of record revealed that the Hospital had nine (9) casual employee which was not supported with a payroll, an approved staff establishment showing deficiency of staff to be filled by the casuals, nor formal requests done by the user departments on the need for engaging casuals. There was no authorization by the County Public Services Board to the departments to recruit casual employees, contrary to Section 74 of the County Governments Act, 2012 which states that the County Public Service Board shall regulate the engagement of persons on contract, volunteer and casual workers in its public bodies and offices.

Further, records in respect of how temporary employees were hired, the work for which they were hired for, criteria for their recruitment were not provided for audit.

In-addition evidence of monthly statutory deductions on wages in respect of PAYE, NHIF and NSSF and remittances were not provided for audit.

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

12. Failure to Prepare and Approve Budget for the Hospital

The statement of comparison of budget and actual amounts indicates final revenue and expenditure budget of Kshs.10,070,000. However, an approved budget was not done, contrary to Section 149 (2) (h) and (i) of the Public Finance Management Act, 2012 requires each accounting officer for a County Government entity to prepare estimates of expenditure of the entity in conformity with the strategic plan and submit the estimates of an entity, which is not a county corporation, to the County Executive Committee member for finance.

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

13. Failure to Submit Financial Statements

The Hospital's financial statements were submitted for audit on 19 September, 2025, instead of 31 August 2025. This was contrary to the requirements of National Treasury Circular No. AG.3/88 Vol. VII (41), which mandates all public sector entities to prepare and submit their annual financial statements by 31 August, 2025.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of an Approved Hospital Strategic Plan and Organizational Structure

The Hospital did not have an approved Strategic Plan in place, contrary to Section 149(2)(g) of Public Finance Management Act, 2012, requires the Accounting Officer to prepare a strategic plan for the entity in conformity with the medium-term fiscal framework and financial objectives of the county government.

In the circumstances, the absence of an approved Strategic Plan undermines the Hospital's ability to align its operations with the county government's medium-term fiscal framework and financial objectives, limiting effective planning, resource allocation, and performance monitoring.

2. Lack of Fraud and Risk Management Strategies

During the year under review, Nyacheki Level 4 Hospital did not have a Fraud Management Policy in place to assist in detecting and preventing fraud. Further, management did not have a Risk Management Policy or strategy, and therefore lacked approved processes and guidelines for mitigating operational, legal, and financial risks. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires the Accounting Officer to ensure that a county government entity develops risk management strategies, including fraud prevention mechanisms, and establishes a system of risk management and internal control to support robust business operations.

In addition, management did not maintain a risk register to document identified risks, nor were formal risk assessments conducted during the financial year under review. The absence of a risk register, which serves as a central repository for identified risks and their corresponding management actions, implies that the facility may not be effectively tracking or addressing its overall risk profile.

In the circumstances, the Hospital lacks adequate systems to detect, prevent, and mitigate operational, legal, and financial risks, exposing it to potential losses, inefficiencies, and non-compliance with regulatory requirements.

3. Weak Internal Audit Function

Review of documents revealed that Nyacheki Level 4 Hospital relies on the Internal Audit function of the County Executive of Kisii. However, no internal audit reports for the Hospital were provided on the state of risk management, control, and governance for the financial year ended 30 June 2025. Further, the Hospital did not have an approved internal audit work plan or internal audit charter.

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

4. Lack of a Functional Audit Committee

During the audit, it was noted that Nyacheki Level IV Hospital did not have a functional Audit Committee. This was contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015, which requires each County Government entity to establish an Audit Committee. The Accounting Officer of the entity is also required to ensure that the Audit Committee is adequately funded and supported.

In the circumstances, the hospital has weakness in oversight and governance, exposing it to increased risk of financial mismanagement, non-compliance, and inadequate monitoring of internal controls.

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

Responsibilities of Management and Board of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis)] and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements 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

04 December, 2025

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

Description	Note	2024/2025
		Kshs
Revenue from exchange transactions		
Rendering of services- Medical Service Income	6	6,912,042
Revenue from exchange transactions		
Total revenue		6,912,042
Expenses		
Transfer to Kisii FIF Account	7	740,000
Bank charges	8	13,804
Transfers due to FIF	11	2,745,300
Total expenses		3,499,104
Net Surplus for the year		3,412,938

The Hospital's financial statements were approved by the Board on _____ and

signed on its behalf by:

..... 

Moses kimaiga
Chairman Board of
Management

Kevin Oribu
Head of Finance


ICPAK No:


Wycliff Mokuia
Facility in charge

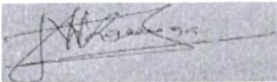
15. Statement of Financial Position As At 30th June 2025

Description	Note	2024/2025
Assets		
Current assets		
Cash and cash equivalents	9	4,113,286
Receivables from exchange transactions	10	2,745,300
Total Current Assets		6,858,586
Non-current assets		
Total Non-current Assets		
Total assets		6,858,586
Liabilities		
Current liabilities		-
Trade and other payables		-
Total Current Liabilities		-
Net assets		6,858,586
Represented By:		
Accumulated surplus/Deficit		6,858,586
Total Net Assets and Liabilities		6,858,586

The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by:

.....

Moses Kimaiga
 Chairman;
 Board of Management

.....

Kevin Oribu
 Head of Finance
 ICPAK No:

.....

Wycliff Mokuia
 Medical Superintendent

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

Description	Accumulated surplus/Deficit	Capital	Total
		Fund	
At July 1, 2024	700,348	0	700,348
Surplus for the year	3,412,938	0	3,412,938
Capital/Development grants	-		
At June 30, 2025	4,113,286	0	4,113,286

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

Description	Note	2024/2025
		Kshs
Cash flows from operating activities		
Receipts		
Rendering of services- Medical Service Income	6	4,166,741
Total Receipts		4,166,741
Payments		
Transfer to Kisii FIF Acc	7	740,000
Bank Charges	8	13,804
Total Payments		753,804
Net cash flows from operating activities		3,412,938
Net increase/(decrease) in cash and cash equivalents		3,412,938
Cash and cash equivalents as at 1 July, 2024		700,348
Cash and cash equivalents as at 30 June. 2025	9	4,113,286

Nyacheki Level iv Hospital (Kisii County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Rendering of services- Medical Service Income	10,070,000	-	10,070,000	6,912,041.85	3,157,958.15	68.64%
Total receipts	10,070,000	0	10,070,000	7,311,653.85	2,758,346.15	72.61%
Payments						
Transfers to Kisii FIF Acc	10,000,000	0	10,000,000	740,000	9,260,000	7.40%
Bank charges	70,000	0	70,000	13,804	56,196	19.72%
Capital Expenditure paid	10,070,000		10,070,000	753,804	9,316,196	
Surplus				6,557,849.85	(6,557,849.85)	

Notes:

The facility anticipated to collect kshs. 10,070,000 but due to low workload and delayed reimbursement from SHA resulted to lower revenues of 6,912,041, hence deficit of 31%

Under -utilization of transfers to Kisii FIF Account of 92% was due delay in transfers to Kisii FIF account.

Under -utilization of Bank charges by 81% was due to lower than expected costs in bank charges.

1. Notes to the Financial Statements General Information

Nyacheki level iv Hospital is established by and derives its authority and accountability from the Kisii County Health Facilities Improvement Fund Act. The entity is wholly owned by the Kisii County Government and is domiciled in Kenya. The entity's principal activity is to provide for the additional funding for the management of health systems and public facilities improvement in the county, to enable sustainable operations of health facilities and for connected purposes.

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 fund's accounting policies.

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

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

Notes to the Financial Statements (Continued)

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, 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</p>

Standard	Effective date and impact:
	<p>standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard</p>

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

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

Standard	Effective date and impact
	position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	Applicable 1st January 2025 The Standard requires: - i. 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: ii. 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.

iii. Early adoption of standards

The fund did not early -- adopt any new or amended standards in the year 2024/2025

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 fund and can be measured reliably.

a) Revenue from exchange transactions

i) Rendering of services

The fund 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.

b. Budget information

The original budget for FY 2024/2025 was approved by Board .No *Subsequent* revisions or additional appropriations were made to the approved budget .The fund's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under Budgetary notes to these financial statements.

c. Related parties

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

d. 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.

e. Comparative figures

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

f. 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 Fund'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.

Notes to Financial Statements Continued

6. Rendering of Services-Medical Service Income

Description	2024-2025
User Fee	1,053,111
SHA/NHIF	3,113,631
SHA Receivables	2,745,300
Total	6,912,042

7. Transfers to Kisii FIF Account

Description	2024 - 2025
	KShs
Transfer to FIF A/C	740,000
Total	740,000

8. Bank charges

Description	2024-2025
	KShs
Bank Charges	13,804
Total	13,804

9. (a) Cash And Cash Equivalentents

Description	2024-2025
	KShs
Current accounts	4,113,286
Total cash and cash equivalents	4,113,286

9. (b) Detailed Analysis of Cash and Cash Equivalents

Description		2024-2025
Financial institution	Account number	KShs
a) Current account		
Kenya Commerical Bank	1102026204	4,113,286
Sub- total		4,113,286
Grand total		4,113,286

10. Receivables From non- exchange transactions

Description	2024- 2025
	KShs
Medical services receivables-NHIF	2,745,300
Total receivables	2,745,300

11. Receivables Due To FIF

Description	2024- 2025
	KShs
Medical services receivables-NHIF	2,745,300
Total receivables	2,745,300

12. 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.

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

- i) The County Government;

- ii) Board of Directors;
- iii) Key Management
- iv) Department of health
- v) **Events after the Reporting Period**

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

vi) Ultimate and Holding Entity

The entity is a Semi- Autonomous Government Agency under the Department of Health. Its ultimate parent is the County Government of Kisii.

vii) Currency

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

13. 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)

The health facility is being audited for the first time



.....
Accounting Officer