

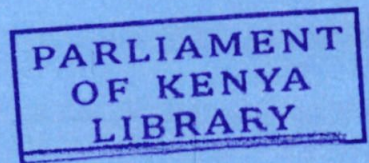
REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**



**THE AUDITOR-GENERAL**

**ON**

**KISII COUNTY HEALTH FACILITIES  
IMPROVEMENT FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

PAPERS LAID	
DATE	6/3/2025
TABLED BY	Dep Maj Whip
COMMITTEE	
CLERK AT THE TABLE	Maalim



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**KISII COUNTY  
HEALTH FACILITIES IMPROVEMENT FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2024**

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

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**1. ACRONYMS & GLOSSARY OF TERMS**

**CECM-** County Executive Committee Member

**CSR-** Corporate Social Responsibility

**ENT** – Ear Throat and Nose

**IPSAS** – International Public Sector Accounting Standards

**KCG** - Kisii County Government

**NHIF** – National Hospital Insurance FUND

**PFMA-**Public Financial Management Act

**SMOH-** Sub –County Medical officer of Health

**Glossary of Terms**

Fiduciary Management      The key management personnel who had financial responsibility

## 2. KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

The Kisii county health facilities improvement fund was established by and derives its authority and accountability from the Kisii county Health Facilities Improvement fund Act, 2020 on 18<sup>th</sup> of September 2020. The Fund is wholly owned by the County Government of Kisii and is domiciled in Kenya. The fund's objective 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.

### (b) Principal Activities

- i) Sustainably operate, maintain, equip, rehabilitate health facilities and procure emergency medical supplies in funds and health facilities in the county
- ii) Enhance participation of relevant stakeholders and host communities in the planning and management of health facilities and funds located in their jurisdiction
- iii) Create incentives for funds and health facilities to sustainably generate resources.
- iv) Provide funding for the day to day operations of funds and health facilities
- v) Provide for financing of preventive and promotional healthcare services
- vi) Provide immediate funds for health related emergencies and disaster
- vii) Ensure that the 70% of the funds is used for curative and 30% of the funds is used for preventive and promotive health care services respectively

### (c) Key Management

The fund'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 30<sup>th</sup> June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Chairman Of The Board	Mr. Ronald Nyakweba
2	Member	Dr. Jackline Nyaanga
3	Ag. Chief Officer Medical Services	Mrs. Caren Orori
4	Chief Officer Finance	Mr. Vincent Nyangwara
5	County Director For Public Health	Dr. Richard Onkware
6	County Nursing Officer	Mr. Benson Osoro
7	County Pharmacist	Dr. Kepha Mogere
8	Fund administrator	Mrs Gladys Aminga retired 30 <sup>th</sup> April 2024

**(e) Fiduciary Oversight Arrangements**

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

**(f) Entity Headquarters**

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

**(g) Entity Contacts**

Telephone: (254)111425996  
E-mail: [kisiicountyhealthcoordinator@gmail.com](mailto:kisiicountyhealthcoordinator@gmail.com)  
Website: [www.kisii.go.ke](http://www.kisii.go.ke)

**(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	Name	Details of Qualifications and Experience
1	<p><b>Mr. Ronald Gideon Nyakweba</b></p> 	<p>Mr. Ronald is the CECM-medical services. Prior to his appointment he served as the CECM for water,energy,natural resources and climate change.He holds a Bachelor of Education Arts and a Higher Diploma in strategic human resource management. He has over ten years experience in HRM in senior positions both in government and private sector.</p>
2	<p><b>Dr. Jackline Nyaanga</b></p> 	<p>Dr. Nyaanga is a medical officer at Kisii University. She has previously worked at Narok County Referral Fund; Transmara District Fund and Nakuru Provincial Fund. She holds a bachelor of medicine and surgery and currently pursuing a MSc. in Health System Management. She is a member of Kenya Medical Association.</p>
3	<p><b>Mrs. Caren Orori</b></p> 	<p>Previously she served at the department education,technical training and innovation</p> <p>She holds a Master in Education - Planning from Kisii University and a Bachelor of Education Degree in Special Needs from Kenyatta University.</p> <p>She has a broad experience in teaching for over 30 years having worked as an employee of Teachers Service Commission. She has worked in teacher leadership as a Woman Representative KNUT Kisii Central branch. A member of community selection committee, board Equity foundation wings to fly programme Kisii branch. More importantly a servant of God</p> <p>She is the current fund administrator with effect from 27<sup>th</sup> May 2024</p>

*Kisii County Health Facilities Improvement Fund*




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4	<p><b>Mr. Vincent Okioma Nyagw'ara</b></p> 	<p>Mr. Vincent - Chief Officer of Finance and Accounting services prior to that he served as the chief officer Infrastructure, Roads &amp; Public works in Kisii County Government. He also worked at the Parliamentary Service commission as a constituency manager for Dagoretti North Constituency. He Holds a Bachelors of Arts in International Relations from the Kenya Methodist University.</p> <p>Has a vast of skills in administration, community mobilization, Budget and financial management as well as Project management.</p> <p>Served As Acting Fund administrator between 1<sup>st</sup> May 2024 and 24<sup>th</sup> May 2024</p>
5	<p><b>Dr. Kephah Mogere Oeru</b></p> 	<p>Dr, Kephah Mogere Oeru is the county Pharmacist KCG. Previously he served as pharmacist at Kisii Teaching &amp; Referral Hospital (KTRH) and SMOH of Bonchari sub County.</p> <p>He Holds a Bachelors of Pharmacy from Dr MGR university in India.</p> <p>He is a member of pharmaceutical society of Kenya.</p>
6	<p><b>Dr. Richard onkware</b></p> 	<p>Dr. Onkware is the county director public Health, KCG. He has several working experience</p> <p>He holds MB.chB, MBA, MPH in public health.</p>
7	<p><b>Mr. Benson Osoro</b></p> 	<p>Mr. Benson osoro is the county nursing officer in the kisii county government.</p> <p>He has previously served as a nurse in Lamu sub county fund among other sub county funds in kisii county.</p> <p>He holds a masters and Bachelor's Degree in nursing from Kisii University</p>


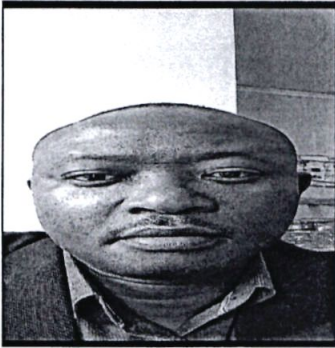


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8		<p>Dr. Matiko is currently the Ag. County Director of Medical Services of the Kisii County Health Facilities Improvement fund. He is A Physician by profession Previously served as Ag. Head of Clinical Services and Head of Quality Assurance and Research at the KTRH.</p>
9		<p>Mrs, Gladys was the chief officer Medical services, Public Health and Sanitation. Prior to her appointment she served as the county Head of Clinical Services in Kisii. She was served as a board member in various secondary schools. She holds a BSC of science in clinical Medical and surgery from Kisii University. Served as Fund administrator until 30<sup>th</sup> April 2024</p>

**4. KEY MANAGEMENT TEAM**

REF	Name	Details of Qualifications and Experience
1	<p><b>Mr. Ronald Gideon Nyakweba</b></p> 	<p>Mr. Ronald is the CECM-medical services. Prior to his appointment he served as the CECM for water,energy,natural resources and climate change.He holds a Bachelor of Education Arts and a Higher Diploma in strategic human resource management. He has over ten years experience in HRM in senior positions both in government and private sector.</p>
2	<p><b>Mrs. Caren Orori</b></p> 	<p>Previously she served at the department education,technical training and innovation</p> <p>She holds a Master in Education - Planning from Kisii University and a Bachelor of Education Degree in Special Needs from Kenyatta University.</p> <p>She has a broad experience in teaching for over 30 years having worked as an employee of Teachers Service Commission. She has worked in teacher leadership as a Woman Representative KNUT Kisii Central branch. A member of community selection committee, board Equity foundation wings to fly programme Kisii branch. More importantly a servant of God</p> <p>She is the current fund administrator with effect from 27<sup>th</sup> May 2024</p>
3	<p><b>Mr.Vincent Okioma Nyagw'ara</b></p> 	<p>Mr. Vincent - Chief Officer of Finance and Accounting services prior to that he served as the chief offcier Infrastrcture,Roads &amp; Public works in Kisii County Government. He also worked at the Parllimentary Service commision as a consistency manager for Dagoretti North Constituency. He Holds a Bachelors of Arts in International Relatons from the Kenya Methodist University.</p> <p>Has a vast of skills in administration,community mobilization,Budget and financial management as well as Project management.</p> <p>Served As Acting Fund administrator between 1<sup>st</sup> May 2024 and 24<sup>th</sup> May 2024</p>

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<p>4</p>	<p><b>Dr. Kephah Mogere Oeru</b></p> 	<p>Dr, Kephah Mogere Oeru is the county Pharmacist KCG. Previously he served as pharmacist at Kisii Teaching &amp; Refferal Hospital (KTRH) and SMOH of Bonchari sub County. He Holds a Bachelors of Pharmacy from Dr MGR university in India. He is a member of pharmaceutical society of Kenya.</p>
<p>5</p>	<p><b>Dr. Richard onkware</b></p> 	<p>Dr. Onkware is the county director public Health, KCG. He has several working experience  He holds MB.chB,MBA,MPH in public health.</p>
<p>6</p>	<p><b>Mr. Benson Osoro</b></p> 	<p><b>County Nursing Officer</b></p> <p>Mr. Benson osoro is the county nursing officer in the kisii county government.  He has previously served as a nurse in Lamu sub county fund among other sub county funds in kisii county.  He holds a masters and Bachelor’s Degree in nursing from Kisii University</p>
<p>7</p>	<p><b>Dr. Matiko Giabe</b></p> 	<p>Dr. Matiko is currently the Ag. County Director of Medical Services of the Kisii County Health Facilities Improvement fund. He is A Physician by profession Previously served as Ag. Head of Clinical Services and Head of Quality Assurance and Research at the KTRH.</p>

**5. CHAIRMAN’S STATEMENT**

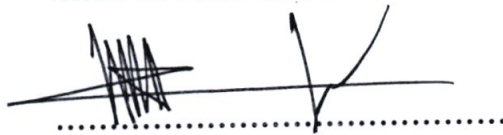
It is my privilege to present the Chairman’s Report for the Kisii County Health Facilities Improvement Fund for the financial year 2023-2024. Over the past year, the fund has remained steadfast in its mission to sustainably operate, maintain, equip, and rehabilitate health facilities within Kisii County, as well as procure vital emergency medical supplies. These efforts have been crucial in ensuring that our health facilities continue to provide essential services to the people of Kisii County.

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 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 a number of our facilities. 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.

As we look ahead, I am confident that the Kisii County Health Facilities Improvement Fund will continue to make significant strides in improving healthcare services. Our goal remains clear: to provide world-class healthcare services to the residents of Kisii County. We will invest in state-of-the-art medical equipment, rehabilitate more facilities, and continue to ensure the timely procurement of medical supplies. By doing so, we aim to build a healthcare system that meets the highest standards of quality and accessibility.

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.





**Mr. Ronald Nyakweba**

**Chairman to the Board**

**Date: 23-10-2024**

**Kisii County Health Facilities Improvement Fund  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024**

<p>8</p>	<p><b>Mrs Gladys Aminga</b></p> 	<p>Mrs, Gladys was the chief officer Medical services, Public Health and Sanitation. Prior to her appointment she served as the county Head of Clinical Services in Kisii. She was served as a board member in various secondary schools. She holds a BSC of science in clinical Medical and surgery from Kisii University. Served as Fund administrator until 30<sup>th</sup> April 2024</p>
<p>9</p>	<p><b>CPA Kevin Oribu</b></p> 	<p><b>Fund Accountant.</b> CPA Kevin Oribu is the head of Accounts and Finance. He has over 10 years working experience with extensive insight on financial records, budgeting, risk assessment and business strategy review. He holds a Master of Science in Finance from Jomo Kenyatta University of Agriculture and Technology, A bachelor's of Commerce Degree in Banking and Finance. He's a member of the institute of certified Public Accountants of Kenya (ICPAK).</p>

## 6. REPORT OF THE FUND ADMINISTRATOR

I am pleased to present the Fund Administrator's Report for the Kisii County Health Facilities Improvement Fund for the financial year 2023-2024. Over the past year, the fund has made considerable progress in fulfilling its mandate of improving healthcare delivery across the county.

For the financial year ended 30th June 2024, the fund recorded a total income of Ksh 149,463,393. This represents an increase of 7.3% compared to the previous financial period, during which we reported Ksh 139,262,197. The improved financial performance is attributable to enhanced revenue collection from health facilities, which benefited from strengthened financial controls and increased utilization of services.

A key driver of the fund'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.

However, despite this positive financial performance, the fund faced several challenges during the year. The most significant was the delayed reimbursement of claims from the National Hospital Insurance Fund (NHIF). The delays had a direct impact on the cash flow of health facilities, affecting their ability to settle supplier payments and meet operational costs in a timely manner. We have since engaged the NHIF on this matter, and negotiations are ongoing to streamline the reimbursement process, ensuring that delays do not disrupt the fund's operations in the future.

Furthermore, the industrial action by medical personnel during the year disrupted the delivery of health services, affecting revenue generation at some facilities. The fund, however, remains committed to supporting healthcare workers and addressing these issues in collaboration with the relevant authorities to minimize future disruptions.

Our primary goal remains the improvement of healthcare services for the residents of Kisii County. To achieve this, the fund will continue to invest in upgrading health facilities, ensuring that they are well-equipped to provide quality services. We are also committed to maintaining financial transparency and accountability in the management of the fund's resources.

In conclusion, the Kisii County Health Facilities Improvement Fund has demonstrated resilience and growth during the financial year 2023-2024, despite the challenges faced. I would like to thank the County Government, the Department of Health, and all stakeholders for their continued support. I also extend my appreciation to the healthcare workers and facility managers who have worked diligently to improve service delivery.

  
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**Caren Orori**

**Secretary to the Board**

**Date : 23/10/2024**  
.....

**7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES**

Kisii County Health Facilities Improvement fund does not have a strategic plan yet, however the fund develops its annual work plans based on the objectives and principles of the Fund. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The objectives of the fund 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
- g) Ensure that the 70% of the funds is used for curative and 30% of the funds is used for preventive and promotive health care services respectively

## 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 Kisii County Health Facilities Improvement fund 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 Governor appoints the board members.

### Role of the Board

The responsibility of driving good corporate governance and stewardship of the fund is vested in the board of management. The board through its committees provide strategic direction while the Chief Executive Officer assisted by the Executive 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.

### Board Meetings Attendance

The almnac of meetings for period is as shown below

	No of meetings			
	Q1	Q2	Q3	Q4
Full Board	<b>3 Meetings held.</b> Meeting 1 – 14 members in attendance. Meeting 2 – 14 members in attendance Meeting 3 – 16members in attendance.	1 meeting held – 8 members in attendance		1 meeting held – 13 members in attendance

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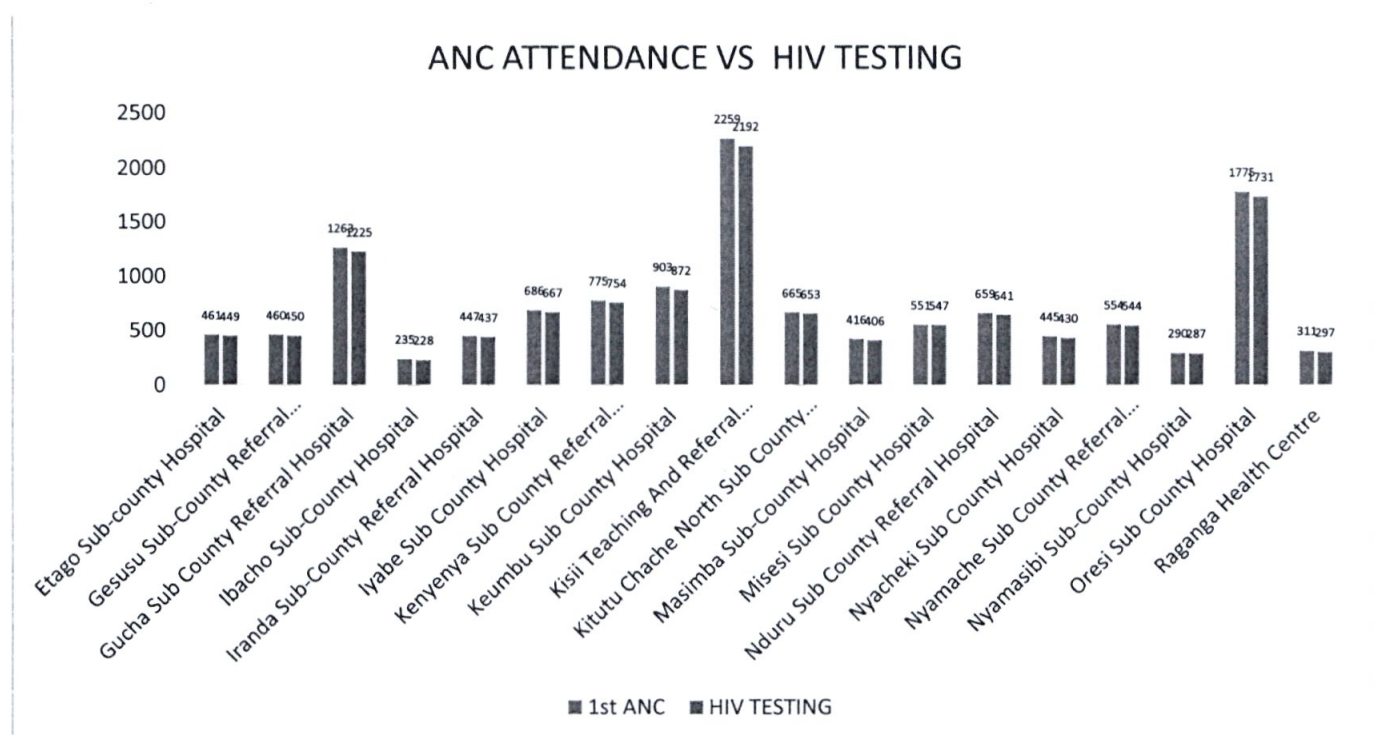
Finance Committee	1 meeting held – 8 members in attendance	1 meeting held – 10 members in attendance	1 meeting held – 10 members in attendance	1 meeting held – 10 members in attendance
Service Delivery	1 meeting held– 14 members in attendance	1 meeting held – 12members in attendance	1 meeting held – 14 members in attendance	
Research, leadership, human resource and planning	1 meeting held- 12 members in attendance	2 meetings held Meeting 1– 11 members in attendance. Meeting 2 – 10 members in attendance	1 meeting held – 9 members in attendance	
<b>Total</b>	<b>6 meetings held</b>	<b>5 meetings held</b>	<b>3 meetings held</b>	<b>2 meetings held</b>

## 9. MANAGEMENT DISCUSSION AND ANALYSIS

### ANC COVERAGE AND HIV TESTING

<b>organisationunitname</b>	<b>1st ANC</b>	<b>ANC ATTENDANCE COVERAGE %</b>	<b>HIV TESTING</b>	<b>TESTING UPTAKE</b>
Etago Sub-county Hospital	461	72.04	449	97%
Gesusu Sub-County Referral Hospital	460	105.54	450	98%
Gucha Sub County Referral Hospital	1,263	116.27	1,225	97%
Ibacho Sub-County Hospital	235	96.12	228	97%
Iranda Sub-County Referral Hospital	447	123.08	437	98%
Iyabe Sub County Hospital	686	95.01	667	97%
Kenya Sub County Referral Hospital	775	78.18	754	97%
Keumbu Sub County Hospital	903	88.67	872	97%
Kisii Teaching And Referral Hospital (Level 6)	2,259	130.4	2,192	97%
Kitutu Chache North Sub County Referral Hospital	665	81.02	653	98%
Masimba Sub-County Hospital	416	99.34	406	98%
Misesi Sub County Hospital	551	125.2	547	99%
Nduru Sub County Referral Hospital	659	91.08	641	97%
Nyacheki Sub County Hospital	445	70.32	430	97%
Nyamache Sub County Referral Hospital	554	58.05	544	98%
Nyamasibi Sub-County Hospital	290	113.74	287	99%
Oresi Sub County Hospital	1,775	152.18	1,731	98%
Raganga Health Centre	311	244.29	297	95%

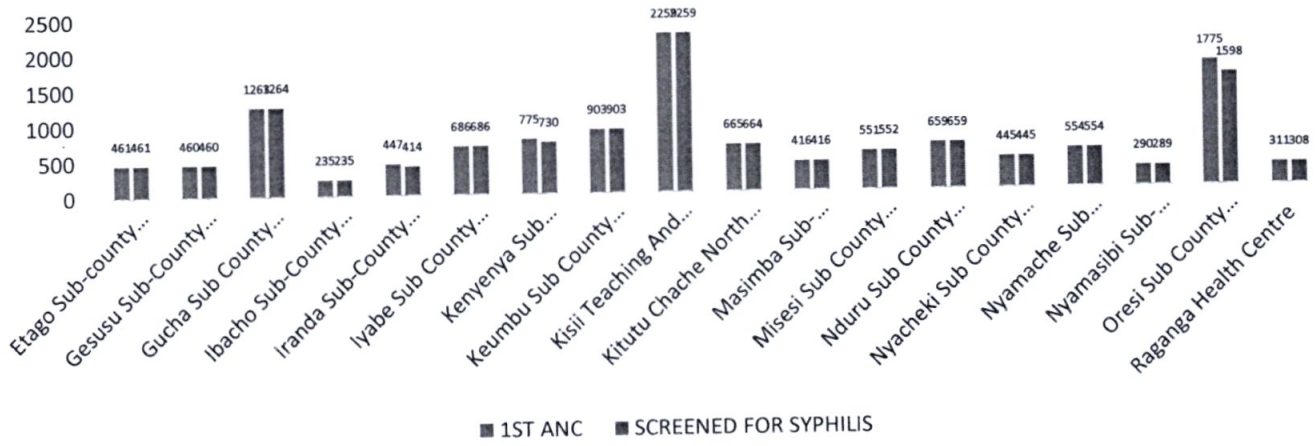
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**SYPHILIS SCREENING AND TREATMENT 2023/2024**

FACILITY	1ST ANC	SCREENED FOR SYPHILIS	POSITIVE	TREATED
Etago Sub-county Hospital	461	461	3	3
Gesusu Sub-County Referral Hospital	460	460	3	3
Gucha Sub County Referral Hospital	1,263	1,264	0	0
Ibacho Sub-County Hospital	235	235	0	0
Iranda Sub-County Referral Hospital	447	414	13	13
Iyabe Sub County Hospital	686	686	4	4
Kenya Sub County Referral Hospital	775	730	8	8
Keumbu Sub County Hospital	903	903	6	6
Kisii Teaching And Referral Hospital (Level 6)	2,259	2,259	0	0
Kitutu Chache North Sub County Referral Hospital	665	664	4	4
Masimba Sub-County Hospital	416	416	3	3
Misesi Sub County Hospital	551	552	4	4
Nduru Sub County Referral Hospital	659	659	7	7
Nyacheki Sub County Hospital	445	445	7	7
Nyamache Sub County Referral Hospital	554	554	2	2
Nyamasibi Sub-County Hospital	290	289	2	2
Oresi Sub County Hospital	1,775	1,598	12	12
Raganga Health Centre	311	308	1	1

**SYPHILIS SCREENING AT ANC**



**10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

Kisii County Health Facilities Improvement Fund 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 fund 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, staff 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 Audited Financial Statements for the year ended June 30, 2024, which show the state of the Facility improvement funds's affairs.

### **Principal activities**

The principal activities of the entity continue to be

- 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
- g) Ensure that the 70% of the funds is used for curative and 30% of the funds is used for preventive and promotive health care services respectively

### **Results**

The results of the entity for the year ended June 30 2024 are set out on pages 1 to 6


### **Board of Management**

The members of the Board who served during the year are shown on page vi . During the year, 1 director(s) resigned, and 1 director (s)was appointed with effect from 20<sup>th</sup> May 2024

### **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

  
.....

**Caren Orori**

**Date:** 23/10/2024  
.....

**12. STATEMENT OF BOARD OF MANAGEMENT’S RESPONSIBILITIES**

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

The Board of Management is responsible for the preparation and presentation of the *entity’s* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the *entity*; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the *entity’s* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*– entities should quote applicable legislation as indicated under*). The Board members are of the opinion that the *entity’s* financial statements give a true and fair view of the state of *entity’s* transactions during the financial year ended June 30, 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.

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

**Approval of the financial statements**

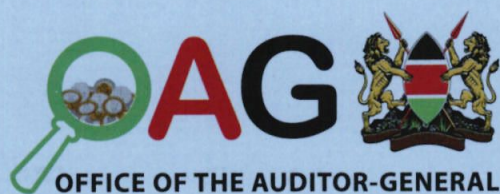
The Hospital’s financial statements were approved by the Board on 23/10/2024 and signed on its behalf by:

.....  
**Name: Mr. Ronald Nyakweba**  
**Chairperson**  
**Board of Management**

  
.....  
**Name: Caren Orori**  
**Accounting Officer**

# REPUBLIC OF KENYA

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*Enhancing Accountability*

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KISII COUNTY HEALTH FACILITIES IMPROVEMENT FUND FOR THE YEAR ENDED 30 JUNE, 2024**

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

An adverse opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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**

#### **Adverse Opinion**

I have audited the accompanying financial statements for Kisii County Health Facilities Improvement Fund set out on pages 1 to 28, which comprise of the statement of financial position as at 30 June, 2024, and the statement of financial performance, statement of cash flows, statement of changes in net assets 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kisii County Health facilities Improvement Fund as at 30 June, 2024, 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 do not comply with the Public Finance Management Act, 2012.

## **Basis for Adverse Opinion**

### **1.0 Inaccuracy of the Statement of Changes in Net Assets**

The statement of changes in net assets reflects accumulated surplus of Kshs.14,153,548 as at 30 June 2024. However, the statement includes an accumulated deficit brought forward of Kshs.10,627,676 as at 30 June 2023. However, the audited financial statements for 2022-2023 reflected an accumulated surplus of Kshs.14,622,059. The resultant variance of Kshs.3,994,383 has not been explained.

In the circumstances the accuracy of the statement of changes in net assets for the year ended 30 June 2024 could not be confirmed.

### **2.0 Unbalanced Statement of Financial Position**

The statement of financial position as at 30 June 2024 reflects Kshs.14,153,548 in respect to accumulated surplus. However, the actual re-computed accumulated surplus is Kshs.39,403,283 derived from an accumulated surplus brought forward of Kshs.14,622,059 and Kshs.24,781,224 reported surplus for the year ended 30 June 2024.

In the circumstances, the accuracy of the Kshs.14,153,548 net assets as at 30 June 2024 could not be confirmed.

### **3.0 Inaccuracy of the Statement of Cash Flows**

The statement of cash flows reflects Kshs.72,168,569 In respect to general expenses. However, the statement of financial performance reflects Kshs.72,131,646 on the same item resulting to a variance of Kshs.36,923 whose reconciliation provided at note 10 to the financial statements was not supported.

In the circumstances the statement of cash flows for the year ended 30 June 2024.

#### **4.0 Irregular Contracted Services-Casual Wages**

The statement of financial performance and as disclosed in note 5 to the financial statements reflects Kshs.72,131,646 in respect to general expenses which further includes Kshs.24,086,199 relating to contracted staff-casual wages.

Review of the expenditure revealed the casual employees engaged at the level four facilities were paid varied rates ranging between Kshs.6,000 to Kshs.7,500 while contractual staff were paid Kshs.16,000 per month. However, management did not provide for review a breakdown of payment per each level four hospital in respect to casual wages and payment for contractual staff in order to arrive at the Kshs.24,086,199.

Further, the department failed to provide written authority from the County Public Service Board to engage these casual employees as required by the County Public Service Human Resource Manual Section B.16(1). In addition, the department of Health engaged casuals on temporary basis on a three months' renewable contract and they served the department for a continuous period of more than one year. However, the terms of employment were not converted, contrary to Section 37 of the Employment Act, 2007. Payment to casual workers was also below the minimum wage rate of Kshs.13,572.90 for the general casuals as per the minimum wage guidelines. This was therefore contrary to Regulation E.21 (2) of 2006 Revised Regulations which states that casual workers should be hired on piece rated or time rated jobs and should be paid in accordance with the minimum wage guidelines issued by the Government from time to time.

In the circumstances, the accuracy of the Kshs.24,086,199 in respect to casual wages could not be confirmed. In addition, management was in breach of the law.

#### **5.0 Unsupported Expenditure on Dressings and Pharmaceuticals**

The statement of financial performance and as disclosed in note 2 to the financial statements reflects Kshs.50,476,994 in respect to medical/ clinical costs which further includes Kshs.13,989,178 in respect to dressings and non- pharmaceuticals. However, the regularity and validity of Kshs.1,899,020 relating to dressings and non-pharmaceuticals could not be confirmed as payment vouchers and supporting procurement records were not provided for audit review.

In the circumstances, the validity and regularity of Kshs. 1,899,020 in respect to dressings and pharmaceuticals during the year under review could not be confirmed.

#### **6.0 Unsupported Expenditure on Domestic Travel**

The statement of financial performance and as disclosed in note 5 to the financial statements reflects Kshs.72,131,646 in respect to general expenses which further includes Kshs.8,015,800 relating to domestic travel. However, out of the Kshs.8,015,800 expenditures, management did not provide payment vouchers and supporting documentation including requisition for travel, evidence of actual travel and surrender of funds so advanced for Kshs.2,834,500.

In the circumstances, the accuracy and regularity of the Kshs.2,834,500 in respect to domestic travel could not be confirmed.

### **7.0 Unsupported Repair and Maintenance Costs**

The statement of financial performance and as disclosed in Note 4 to the financial statement reflect a balance of Kshs.2,647,724 in respect of repair and maintenance. However, management did not provide payment vouchers and supporting documents for Kshs.323,275 expenditures.

In the circumstances, the accuracy and regularity of the Kshs 323,275 in respect to repairs and maintenance could not be confirmed.

### **8.0 Inaccuracy of Cash and Cash Equivalents**

The statement of financial position as at 30 June 2024 reflects cash and cash equivalents balance of Kshs.19,323,816 being amount held in the cashbook for Kenya Commercial Bank Account No. 1282543164 as at 30 June 2024. Review of bank reconciliation statement as at 30 June 2024 reflected unrepresented cheques totaling to Kshs.22,763,955. However, out of this amount, Kshs.5,361,281.00 were stale cheques and ought to have been reversed in the cash book but had not been reversed as at 30 June 2024 and therefore misstating the cash book balance as at 30 June 2024.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.19,323,816 as at 30 June, 2024 could not be confirmed.

### **9.0 Receivables from Exchange Transactions**

The statement of financial position as at 30 June 2024 reflects receivables from exchange transactions balance of Kshs.61,265,409. This includes medical services receivables and June revenue from level 4 facilities of Kshs.6,775,104 whose breakdown was not provided for audit review. Further, the management did not provide the aging analysis demonstrating the duration such receivables have been outstanding and evidence showing that the entity had used all means possible to recover its debts or any other strategy to recover the debts. In addition, management did not provide plausible evidence on why June revenue from level 4 facilities could be treated as receivables while all the facilities have standing order instructions with the bank authorizing transfer of funds to the main account (KCB-1282543164).

In the circumstances, the accuracy and completeness of the receivables from exchange transaction balance of Kshs.61,265,409 as at 30 June, 2024 could not be confirmed.

### **10.0 Unconfirmed Trade Payables Balance**

The statement of financial position as at 30 June 2024 reflects trade and other payables balance of Kshs.66,435,677 whose supporting schedule lacked crucial details such as local purchase order numbers and the specific dates they were contracted. In addition, supporting documents for the trade and other payables including invoices, procurement

records and contract documents were not provided for review. Management also did not provide a plausible explanation as to why Kshs.45,863,156 relating to payables outstanding over a year were not paid in the period they occurred but carried forward to 2023-2024.

In the circumstances, the existence and accuracy of the Kshs.66,435,677 trade and other payables as at 30 June 2024 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kisii County Health facilities Improvement Fund Management in accordance with ISSAI 130 on 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 adverse opinion.

### **Emphasis of Matter**

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

The statement of comparison of budget and actual amount for the year ended 30 June 2024 reflects total budgeted receipts of Kshs.276,087,827 against actual receipts of Kshs.156,464,211 resulting to under realization of Kshs.119,623,616 (24%). Similarly, the fund made actual payments of Kshs.131,682,987 against budgeted amount of Kshs.276,083,827 resulting to under-funding of Kshs.144,400,840 or (48%).

In the circumstances, the under realization may have affected the planned activities and impacted negatively on service delivery to the public.

My opinion is however not modified in respect of this matter.

#### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

#### **Other Matter**

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

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular reference No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

# REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

## **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1.0 Failure to Develop Fund Operation Guidelines**

As reported in the prior year and contrary to Section 6(1)(i) and (l) of the Kisii County Health Facilities Improvement Fund Act, 2020, the Fund's Board had not developed the operation guidelines for the implementation of the Fund and had not written an annual report on the operations and performance of the Fund.

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

### **2.0 Non-Compliance with the Financial Reporting Requirements**

The financial statements presented for audit revealed various presentation and disclosure anomalies, contrary to Section 164(1) of the Public Finance Management Act, 2012, which requires accounting officer of a county government entity to prepare financial statements of the entity in format to be prescribed by the Accounting Standards Board. The statement of board of management responsibilities at page xxii is not signed by the Chairperson of the Board of management, the pagination of the financial statements does not form a sequential format as page xi is missing in the financial statements and the reporting template issued by the PSASB require that the statement of comparison of budget and actual amounts have explanation of significant variances of + or – 10% be disclosed in the financial statements and which has not been disclosed.

In the circumstances, the financial statements do not comply with the reporting format prescribed by the Public Sector Accounting Standards Board.

### **3.0 Lack of Competitive Sourcing for the Supply of Drugs**

The statement of financial performance and as disclosed in Note 2 to the financial statements reflects Kshs.50,476,994 in respect to medical /clinical costs which further includes Kshs.6,998,223 in respect to pharmaceutical supplies. Review of the expenditure revealed that the level four facilities sourced supply of pharmaceutical products directly from various pharmacies during the year. However, evidence of competitive sourcing for the supplies was not provided casting doubt on the fairness of the procurement process.

In the circumstances, the regularity of the Kshs.6,998,223 in respect to supply of drugs could not be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires 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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, and based on the audit procedures performed except for the matter described in the Basis for Conclusion, 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

#### Weak Controls over Revenue Management System

The statement of financial performance and as disclosed in note 1 to the financial statements reflects Kshs.156,464,211 in respect of revenue from exchange transactions. This includes medical services income during the year and increase in the receivables. However, the audit revealed that different health facilities use different systems for their operations. These systems were not integrated to the centralized point hence challenge to manage or track the operations of all the health facilities. Further, it was revealed that different facilities use different pricing for services offered to patients. Management did not confirm the criteria used to arrive at different charges being applied in a non-standardized way.

In the absence of a centralized and standardized system of managing revenue, the fund is exposed to potential risk of revenue collection.

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

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

The 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 the 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, the Management is responsible for assessing the Kisii County Emergency Fund ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to cease operations.

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

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


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires 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 IFPP 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 also 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/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

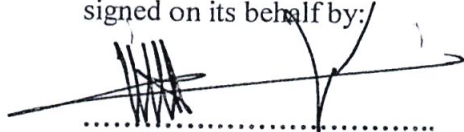
20 December 2024

*Kisii County Health Facilities Improvement Fund  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024**

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>Revenue from exchange transactions</b>			
Medical Service Income	1	156,464,211	139,262,197
<b>Revenue from exchange transactions</b>			
<b>Total revenue</b>		<b>156,464,211</b>	<b>139,262,197</b>
<b>Expenses</b>			
Medical/Clinical costs	2	50,476,994	61,959,264
Board of Management Expenses	3	2,431,300	5,597,290
Repairs and maintenance	4	6,643,047	12,412,687
General expenses	5	72,131,646	79,100,170
<b>Total expenses</b>		<b>131,682,987</b>	<b>159,069,411</b>
<b>Net Surplus / (Deficit) for the year</b>		<b>24,781,224</b>	<b>(19,807,214)</b>

The Hospital's financial statements were approved by the Board on 23/10/2024 and signed on its behalf by:



.....  
**Ronald Nyakweba**  
 Chairman  
 Board of Management



.....  
**CPA Kevin Oribu**  
 Head of Finance  
 ICPAK No: 22784



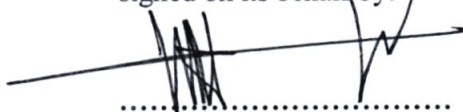
.....  
**Caren Orori**  
 Fund Administrator

**Kisii County Health Facilities Improvement Fund  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024**

**14. Statement of Financial Position As At 30<sup>th</sup> June 2024**

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	19,323,816	10,182,441
Receivables from exchange transactions	7	61,265,409	48,116,140
<b>Total Current Assets</b>		<b>80,589,225</b>	<b>58,298,581</b>
<b>Total assets (A)</b>		<b>80,589,225</b>	<b>58,298,581</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	66,435,677	72,920,640
<b>Total Current Liabilities</b>		<b>66,435,677</b>	<b>72,920,640</b>
<b>Total Liabilities (B)</b>		<b>66,435,677</b>	<b>72,920,640</b>
<b>Net assets (A-B)</b>		<b>14,153,548</b>	<b>(14,622,059)</b>
<b>Represented by:</b>			
Accumulated surplus/Deficit		14,153,548	(20,106,774)
<b>Net Assets</b>		<b>14,153,548</b>	<b>(20,106,774)</b>

The Hospital's financial statements were approved by the Board on 23/10/2024 and signed on its behalf by:



Ronald Nyakweba  
Chairman  
Board of Management



CPA Kevin Oribu  
Head of Finance  
ICPAK No: 22784



Caren Orori  
Fund Administrator

*Kisii County Health Facilities Improvement Fund*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

**15. STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED  
 30 JUNE 2024**

Description	Revaluation	Accumulated surplus/Deficit	Capital	Total
	Reserve		Fund	
<b>As at July 1, 2022</b>	-	<b>9,479,098</b>	-	<b>9,479,098</b>
Surplus/(deficit) for the year		(20,106,774)		(20,106,774)
<b>As at June 30, 2023</b>	-	<b>(10,627,676)</b>	-	<b>(10,627,676)</b>
<b>At July 1, 2023</b>		<b>(10,627,676)</b>	-	<b>(10,627,676)</b>
Surplus/(deficit) for the year	-	24,781,224	-	24,781,224
<b>At June 30, 2024</b>	-	<b>14,153,548</b>	-	<b>14,153,548</b>

*Kisii County Health Facilities Improvement Fund  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

**16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE  
2024**

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Rendering of services- Medical Service Income		143,314,002	139,262,197
<b>Total Receipts</b>		<b>143,314,002</b>	<b>139,262,197</b>
<b>Payments</b>			
Medical/Clinical costs		53,259,964	61,959,264
Board of Management Expenses		2,581,300	5,597,290
Repairs and maintenance		6,162,794	12,412,687
General expenses		72,168,569	79,100,170
<b>Total Payments</b>		<b>134,172,627</b>	<b>159,069,411</b>
<b>Adjusted for :</b>			
Change in Receivables		-	(2,174,264)
Change in Payables		-	25,539,273
<b>Net cash flows from operating activities</b>		<b>9,141,375</b>	<b>3,557,795</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>9,141,375</b>	<b>3,557,795</b>
Cash and cash equivalents as at 1 July		10,182,441	6,924,207
<b>Cash and cash equivalents as at 30 June</b>		<b>19,323,816</b>	<b>10,182,441</b>

*Kisii County Health Facilities Improvement Fund*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2024*

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR YEAR ENDED 30 JUNE 2024**

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	
<b>Revenue</b>						
Rendering of services- Medical Service Income	276,087,827	-	276,087,827	156,464,211	119,623,616	56.67
<b>Total income</b>	<b>276,087,827</b>	<b>-</b>	<b>276,087,827</b>	<b>156,464,211</b>	<b>119,623,616</b>	<b>56.67</b>
<b>Expenses</b>					-	
Medical/Clinical costs	79,598,870	-	79,598,870	50,476,994	29,121,876	63.41
Remuneration of directors	29,157,648	-	29,157,648	2,431,300	26,726,348	8.34
Repairs and maintenance	48,054,700	-	48,054,700	6,643,047	41,411,653	13.82
General expenses	119,272,609	-	119,272,609	72,131,646	47,140,963	60.48
<b>Total Expenses</b>	<b>276,083,827</b>	<b>-</b>	<b>276,083,827</b>	<b>131,682,987</b>	<b>144,400,840</b>	<b>47.70</b>
<b>Surplus for the period</b>				<b>24,781,224</b>		
<b>Capital expenditure</b>	<b>-</b>		<b>-</b>	<b>-</b>		

## **18. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

Kisii County Health Facilities Improvement Fund entity 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 Kisii county government'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 The financial statements have been prepared and presented in Kenya Shillings, which is the official functional and reporting currency. 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.

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

***i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024***

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 2024.***

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

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Standard	Effective date and impact:
	<p>satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></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>IPSAS 47- Revenue</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></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 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><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</p>

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<b>Standard</b>	<b>Effective date and impact:</b>
	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 1<sup>st</sup> 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.

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

The Entity did not early – adopt any new or amended standards in the financial year .

**4. Summary of Significant Accounting Policies**

**a. Revenue recognition**

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

**Transfers from other Government entities**

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

**ii) Revenue from exchange transactions**

**Rendering of services**

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

**Sale of goods**

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

**Interest income**

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

**Rental income**

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

*Notes to the Financial Statements (Continued)*

**b. Budget information**

The original budget for FY 2024 was approved by Board 18<sup>th</sup> December 2023 . Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The FIF,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.

**c. 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. 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.

**d. Property, plant and equipment**

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

**e. 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.

**f. Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange.

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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)*

**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.

**Financial liabilities**

**Classification**

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

*Notes to the Financial Statements (Continued)*

**g. 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

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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.

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

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

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

**i. Related parties**

The Entity 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 *Entity*, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO/principal and senior managers.

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

**j. Service concession arrangements**

The Entity 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 *Entity* 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 *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**k. 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

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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.

**i. Comparative figures**

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

**m. 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, 2024.

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

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

### **Estimates and assumptions.**

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

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

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

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

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**Notes to Financial Statements Continued**

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

Description	2023-2024	2022-2023
	Kshs	Kshs
user fee	156,464,211	118,230,998
nhif	-	23,205,463
<b>Total</b>	<b>156,464,211</b>	<b>141,436,461</b>

**2. Medical/ Clinical Costs**

Description	2023-2024	2022-2023
	Kshs	Kshs
Laboratory chemicals and reagents	7,984,207	8,668,230
Food and Ration	11,734,730	13,281,636
Dressing and Non-Pharmaceuticals	13,989,178	14,815,835
Pharmaceutical supplies	6,998,223	13,655,950
Health information stationery/medical records	3,686,648	3,292,018
Sanitary and cleansing Materials	3,341,334	5,417,275
Purchase of Industrial gases	432,454	-
Purchase of oxygen	275,850	696,650
X-Ray/Radiology supplies	779,718	1,938,470
Anti Jigger Chemicals	-	193,200
Suppliments and theraputic foods	321,600	-
Linen	505,750	-
Medical and dental	427,302	-
<b>Total medical/ clinical costs</b>	<b>50,476,994</b>	<b>61,959,264</b>

**3. Board of Management Expenses**

Description	2023-2024	2022-2023
	Kshs	Kshs
Sitting allowance	2,431,300	4,023,390
Induction and training	-	1,573,900
<b>Total</b>	<b>2,431,300</b>	<b>5,597,290</b>

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**4. Repairs And Maintenance**

Description	2023-2024	2022-2023
	Kshs	Kshs
Plant and Machinery	-	1,679,018
Medical equipment	9,725	3,536,061
Computers and Software	157,500	60,200
Motor vehicle expenses	999,030	4,586,439
Civil Works	524,276	-
Buildings and Stations	4,952,516	2,550,969
<b>Total repairs and maintenance</b>	<b>6,643,047</b>	<b>12,712,247</b>

**5. General Expenses**

Description	2023-2024	2022-2023
	Ksh	Kshs
Catering expenses	824,778	968,528
Household Items	264,505	360,862
Bank charges	71,137	86,997
Computer Accessories	1,616,065	2,157,677
Contracted services-Casual wages	24,086,199	30,763,772
Contracted Security	6,019,360	-
Contacted Professionals	174,000	-
Electricity expenses	11,150,587	11,402,654
Purchase of computers	323,410	1,594,000
Domestic Travel	8,015,800	7,073,705
Travel Costs	429,650	-
Daily susistence Allowance	423,742	-
Field Allowance	24,000	-
Purchase of Furniture	-	590,450
Printing	431,028	1,582,498
Advertising	398,700	-
Stationery	4,137,168	5,189,428
Other gas fuel	2,127,930	2,144,580
Water and sewerage costs	1,114,180	972,776
Courier and Postal	-	112,725
Telephone and mobile phone services	3,420,794	3,361,541
Workshop tools & Materials	259,160	-
Broadcasting and information services	75,200	-
Refined Fuel	5,605,776	6,553,753
Staff training and development	1,138,477	4,184,224
<b>Total General Expenses</b>	<b>72,131,646</b>	<b>79,100,170</b>

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**6. Cash And Cash Equivalents**

7.

Description	2023-2024	2022-2023
	KShs	KShs
Current account	5,547,894	10,182,441
Level 4 Facilities	13,775,922	-
Others( <i>specify</i> )- Mobile money	-	-
<b>Total cash and cash equivalents</b>	<b>19,323,816</b>	<b>10,182,441</b>

**7 (a). Detailed Analysis of Cash and Cash Equivalents**

Description		2023/24	2022/23
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
Kenya Commercial bank – Fund Account	1282543164	5,547,894	10,182,441
<b>Sub- total</b>			
GUCHA SOUTH DISTRICT	1102030139	350,681.00	
ISECHA SUB COUNTY HOSP.	1209771365	157,263.00	
GESUSU SUB DISTRICT HOSP	1102016942	255,511.00	
GUCHA DISTRICT H/C SERVICES	1102228249	1,984,951.00	
KIOGORO SUB COUNTY HOSP.	1225471176	36,254.00	
KISII DISTRICT PUBLIC HEALTH	1102012165	1,516.00	
IRANDA HOSPITAL	115746959	59,906.00	
KEUMBU SUB DISTRICT HOSP.	1106481070	453,486.00	
MARANI DISTRICT HOSP	01141017903101	4,744,633.50	

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ETAGO SUB DISTRICT HOSP	1124844163	158,550.00	
NYAMACHE H/C SERVICES	1102024392	399,612.00	
IBACHO SDH COST SHARING	1109472706	143,801.00	
IYABE DISTRICT HOSP	011017379300	3,285,297.00	
NYAMASIBI H/C	1240297147101	549,893.50	
ORESI HEALTH CENTRE	1113168633	213,866.00	
NYACHEKI SUB DISTRICT HOSP	1102026204	700,348.25	
NYAMAGUNDO SUB COUNTY HOSP	1211189279	23,026.00	
KENYENYA SUB DISTRICT HOSP	1102026093	155,035.00	
IBENO SUB DIST HOSP.	1117448010	17,786.00	
MOH-MASIMBA	1102022888	84,506.00	
<b>Sub- total</b>		<b>13,775,922</b>	<b>10,182,441</b>
<b>Grand total</b>		<b>19,323,816</b>	<b>10,182,441</b>

**8. Receivables From Exchange Transactions**

Description	2023-2024	2022-2023
	KShs	KShs
Medical services receivables	61,265,409	48,116,140

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**Analysis of Receivables From Exchange Transactions**

Description	2023/24		2022/23	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	61,265,409	100%		%
Between 1- 2 years	-	-		%
Between 2-3 years	-	-		%
Over 3 years	-	-		%
<b>Total (a+b)</b>	<b>61,265,409</b>	<b>100%</b>	<b>48,116,140</b>	<b>%</b>

**9. Trade and other Payables**

Description	2023/24		2022/23	
	KShs		KShs	
Trade payables	66,435,677		72,920,640	
<b>Total trade and other payables</b>	<b>66,435,677</b>		<b>72,920,640</b>	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the total
Under one year	20,572,521	31%		%
1-2 years	19,744,129	30%		%
2-3 years	10,616,778	16%		%
Over 3 years	15,502,249	23%		%
<b>Total</b>	<b>66,435,677</b>	<b>100%</b>	<b>72,920,640</b>	<b>100%</b>

**10. Reconciliation between amounts shown in the cashflow statement and statement of financial performance**

Description	Amount
Revenue	
Statement of financial performance	156,464,211
Change in receivable	(13,149,269)
Revenue for statement of cashflow	<b>143,314,942</b>
Medical costs	
Statement of financial performance	50,470,994

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<i>Previous years payables paid in current year</i>	2,782,970
Medical costs Per Cashflow statement	<b>53,253,964</b>
<b>Board of Management</b>	
financial performance	2,431,300.00
<i>Previous years payables paid in current year</i>	150,000
Total per statement of cashflow	<b>2,581,300</b>
<b>General expenses</b>	
Statement of Financial Performance	72,131,646.00
<i>previous years payables paid in current year</i>	36,923
Total per casflow statement	<b>72,168,569</b>

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

**11. Financial Risk Management**

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

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

**(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:

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.

**(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.

**(iii) Market risk**

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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.

**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.

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

**Sensitivity analysis**

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as 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:

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

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

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

**13. Events after the Reporting Period**

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

**14. Ultimate and Holding Entity**

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

**15. Currency**

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

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**19. 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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1.0	Inaccuracies in the financial statements	The issue is being Adressed	Not resolved	30 <sup>th</sup> March 2025
2.0	Unsupported Revenue Amounts and anomalies in Management of Revenue	The issue is being Adressed	Not resolved	30 <sup>th</sup> March 2025
3.0	Unsupported cash and cash equivaivalents	The issue is being Adressed	Not resolved	30 <sup>th</sup> March 2025
4.0	Unconfirmed Trade Payables Balance	The issue is being Adressed	Not resolved	30 <sup>th</sup> March 2025
5.0	Non-compliance with thee Financial Reporting Requirements	The issue is being Adressed	Not resolved	30 <sup>th</sup> March 2025
	Budgetary control and performance	The issue is being Adressed	Not resolved	30 <sup>th</sup> March 2025
	Unresolved prior year matters	Recivables adressed	Partially resolved	30 <sup>th</sup> March 2025



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**Accounting Officer**

*XX Hospital (XX County Government)  
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