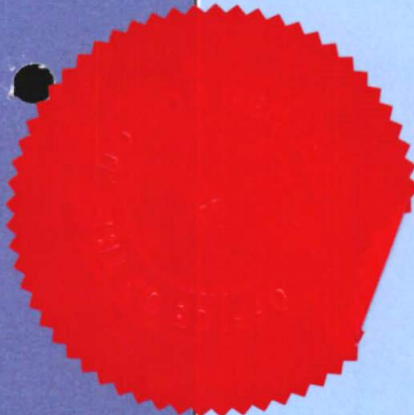


REPUBLIC OF KENYA



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REPORT

OF

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THE AUDITOR-GENERAL

ON

NDURU SUB - COUNTY REFERRAL

**FOR THE YEAR ENDED
30 JUNE, 2025**

COUNTY GOVERNMENT OF KISII

Set



01 DEC 2025



NDURU SUBCOUNTY REFERRAL HOSPITAL
(Kisii County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2025

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

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1. Acronyms & Glossary of Terms

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

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

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

2. Key Entity Information and Management

(a) Background information

Nduru Sub County Referral hospital established under gazette notice number 4339 and is domiciled in Kisii County under the Health Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to promote and participate in the provision of integrated and high quality promotive, preventive, curative and rehabilitative health care services to all people in South Mugirango

(c) Key Management

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

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

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Walter Mokamba
2.	Head of finance	CPA Dennis Isinta
3.	Head of supply chain	Stephen Obwoge
4.	Hospital Administrator	David Mosongoi
5.	Hospital Pharmacist	Dr. James Angima
6.	Nurse Manager	Everline Omenge

(e) Fiduciary Oversight Arrangements

- Clinical Research and Standards Committee.
- Audit committee
- Inspection Committee
- Disciplinary

- Expenditure Committee

Key Entity Information and Management (continued)

(f) Entity Headquarters

P.o Box ,27-40200, Nyamarambe

Nyamarambe –Etago Road
Kisii, KENYA

(g) Entity Contacts

E-mail: dmohguchasouth@gmail.com

(h) Entity Bankers

KENYA COMMERCIAL BANK
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

P.O. Box.4550
Kisii, Kenya

3. The Board of Management

Ref	Directors	Details
1.	 Charles Obutu Hospital Board Chairman	Bachelor of Community Community Health Development 35 years in community health
2	 Steve Omoga	O-level with 6years in management
3	 Esther Ochenge	O-level 3 years' experience in management
4	 Richard Sikweya	O-Level 3 years in management
5	 DR. WALTER MOKAMBA MED SUPPRITENDENT	Bachelor of Pharmacy With 16 years of experience in pharmacy and management.
6	 Mary Miruka	O-level 3years in management
7	 Simion Oino	O- Level 3 years in management

4. Key Management Team

Ref	Management	Details
1.	 <p>Dr. Walter Mokamba Bachelor of Pharmacy</p>	Medical Superintendent
2.	 <p>CPA Dennis Isinta Bachelor of Commerce – Finance, PA(K)</p>	Accountant
3.	 <p>Everline Omenge Bachelor of Science Nursing</p>	Nursing Officer Incharge
4.	 <p>David Mosongo Diploma in Early Childhood Education</p>	Health Administrative officer
5.	 <p>Dr. James Angima Masters in Pharmacy</p>	Hospital Pharmacist

(Note: The Med sup and the Entity Secretary will feature both under the 'Board' and 'Management'.)

5. Chairman's Statement

I Charles Obutu, the Board chairman of Nduru Sub County Referral Hospital is humbled and equally proud to commend the professional and general staff of the Nduru Sub county referral Hospital community. The professionalism and level of discipline exhibited by the staff, through hard work and attending to work at the required time is of high standard. The hospital management and the entire board would love to support the staff in their welfare and offer them a conducive environment for them to exploit their full potential. The management is working hard to ensure that the Hospital has adequate staffing and the staff is well facilitated through equipment and trainings.

The hospital has made tremendous milestones in terms of increased range of services offered. Recently, the hospital resumed theatre, radiology and dental services. This will go a long way to improve service delivery and reduce the cost of the local community seeking services elsewhere, which is far.

The hospital has improved in terms of service delivery which has been witnessed in the improved revenue streams through services offered to SHA clients. However, SHA has not paid pending claims. The facility aspires to perform well in terms of offering wide range of services, improved service delivery and professionalism in handling of patients which will in return lead to reduced mortality rate in the community.

The hospital management will like to extend its gratitude to all who were involved in making sure the hospital performed well in the financial year 2024/2025 and looks forward to more cooperation from all the stakeholders in future.

Kind regards,

Charles Obutu



.....
Name

Chairman to the Board

6. Report of The Medical Superintendent

It is my pleasure to present Nduru Sub County Referral Hospital financial report for the year ended 30th June 2025.

This year has been one of growth, recovery, and renewed focus on delivering quality healthcare services to our community. Despite external pressures such as rising operational costs and increased patient demand, the hospital has remained steadfast in its mission to provide accessible, efficient, and compassionate care to all.


Throughout the financial year, we witnessed a steady increase in patient volumes across outpatient, inpatient. This growth reflects not only the trust placed in our hospital by the community but also the continued efforts by our staff to maintain high standards of care.

The hospital also expanded its specialty services and improved patient flow during special clinics day. These improvements have had a measurable impact on service delivery, patient outcomes, and overall satisfaction.

The 2024/2025 financial year marked a period of solid progress. As we look ahead, our priorities remain centered on strengthening emergency services, enhancing maternal and child health and improving infrastructure resilience.

I wish to express my sincere appreciation to the hospital management, clinical and non-clinical staff, and the Board for their continued support and commitment. I am confident that with prudent financial stewardship and collective effort, we will continue to improve health outcomes and build a stronger, more responsive health system and serving the people of South Mugirango Sub County.

Dr. Walter Mokamba



.....

Name

Secretary to the Board

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
7. Ensure that the 70% of the funds is used for curative and 30% of the funds is used for preventive

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.

I. 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.

II. 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, oversight, risk management, resource mobilization and stakeholder engagement. The medical superintendent officer is assisted by the Executive Management Committee who are accountable to the Board for implementation.

III. 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 potential conflict declared by board members and board members should re excuse themselves from discussion or decisions where they have vested interest

IV Board Remuneration

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

9. Management Discussion and Analysis

ANC COVERAGE AND HIV TESTING

Organization unit name	1st ANC	ANC ATTENDANCE COVERAGE %	HIV TESTING	TESTING UPTAKE
Nduru Sub County Referral Hospital	686	95.01	667	97%

The board approved the financial statements on 28th August 2025

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, 2025, which show the state of the Nduru Sub County Referral Hospital facility'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 sustainable 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 85% of the funds is used for curative and 15% of the funds is used for preventive and promotive health care services respectively

Results

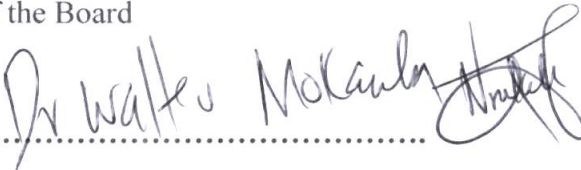
The results of the entity for the year ended June 30 2024 are set out on pages 1 to 6

Board of Management

The members of the Board who served during the year are shown on page vi. During the year, a new board was appointed as from 4th April 2025. **Auditors**

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

By Order of the Board


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Name

Secretary to the Board

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON NDURU SUB-COUNTY REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF KISII

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nduru Sub - County Referral Hospital – County Government of Kisii set out on pages 1 to 9, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial

Report of the Auditor-General on Nduru Sub County Referral Hospital for the year ended 30 June, 2025 – County Government of Kisii

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nduru Sub County Referral Hospital – County Government of Kisii as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and comply with the Facility Improvement Financing Act, 2023 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Presentation of Financial Statements

A review of the financial statements and the Public Sector Accounting Standards Board PSASB prescribed reporting template issued in June 2025, revealed the following;

- i. The financial statements were submitted on 5 September 2025, after the prescribed 29 August 2025 deadline.
- ii. In the statement of performance against predetermined objectives the management did not outline the strategic Pillars, activities towards their achievement, and outputs under each strategic pillar.
- iii. The corporate Governance Statement did not include the Number of Board meetings held and the attendance at those meetings by members, the Succession plan, the Policy to manage conflicts of interest, the Communication policy, the Process of appointment and removal of directors, the size, diversity, and demographics of the Board and the Existence of the Board charter
- iv. The report of the independent auditor had not been included in the financial statements.
- v. The statement of changes in net assets reflected Kshs.3,739,243 as the accumulated surplus. However, the statement of financial position reflects accumulated deficit balance of Kshs.1,755,949 leading into an unexplained variance of Kshs.5,495,192.
- vi. Under the statement of Comparison of Budget and actual amounts, the budget reconciliation between Actual deficit Amounts as per the statement of Budget and the Closing Cash and Cash Equivalent as per the statement of Cash flows was not prepared.

vii. The notes to the financial statements for receivables from exchange transactions and trade and other payables do not have aging analyses as required by the prescribed template.

In the circumstances, the financial statements do not comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board.

2. Unexplained Amounts in the Statements of Financial Performance

The statement of financial performance reflects Kshs.48,662 in respect to general expenses whereas the corresponding Note 8 to the financial statements relates to events after reporting period. Similarly, the statement of financial performance reflects Kshs.6,941,226 in respect to transfer to other entities whereas the corresponding Note 7 to the financial statements relates to trade and other payables.

In the circumstances, the accuracy and completeness of the reported general expenses and transfers to other entities amounts could not be confirmed.

3. Lack of Disclosure Property, Plant and Equipment and Ownership Documents

The statement of financial position reflects total assets balance of Kshs.3,739,243 which does not include property, plant and equipment balance. However, review of records revealed that the Hospital occupied a parcel of land whose size and boundaries were not documented, and the title deed was not provided for audit review to confirm legal ownership of the land. Further, the Hospital was also in possession of six (6) motor vehicles and eighteen (18) motor cycles whose ownership could not be confirmed as their logbooks were also not provided for audit review.

Further, audit verification of property plant and equipment revealed that the Hospital had permanent buildings, furniture and fittings, computers and accessories, machines, equipment and civil works within its premises. However, the value of these assets could not be confirmed as no valuation was undertaken during the year under review.

In the circumstances, the accuracy, completeness and fair presentation of the total assets balance of Kshs.3,739,243 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget of Kshs.14,840,000 against actual revenue of Kshs.6,826,210, resulting in under-funding of Kshs.2,102,805, or 54% of the budget.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

The Management is responsible for the Other Information set out on pages iii to xiii, which comprises of Key Entity Information and Management, The Board of Management, Key Management Team, Chairman`s Statement, Report of the Medical Superintendent, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management and Statement of Board of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Retain Revenue Raised by the Facility

The statement of financial performance and as disclosed under Note 1 to the financial statements reflects Kshs.10,378,450 in respect to the rendering of services - medical service income. Audit review of the revenue cashbook and bank statement of account

number 1102030139 domiciled in Kenya Commercial Bank (KCB) established that the facility's collected a total of Kshs.6,941,246 from rendering of services and transferred the entire amount to the Health Facility Improvement Fund (FIF) on different occasions within the financial year. However, the amount reimbursed by the Board to the Referral Hospital could not be confirmed. This is because the Board made payments on behalf of the Referral Hospital without disclosing the amount for the expenditures incurred. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing account. In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

In the circumstances, Management of the County Facilities Improvement Funds (FIF) was in breach of the law.

2. Failure to Approve the Budget

The statement of comparison of budget and actual amounts reflects revenue and expenditure budget amounts of Kshs.14,840,000 and Kshs.14,864,000 respectively. However, minutes of the Board of Management deliberating and approving the 2024/2025 financial year budget were not provided for audit verification. This was contrary to Section 15 (a) of the Facilities Improvement Financing Act, 2023, which states that a Hospital Management Team shall , in relation to facility improvement financing, prepare and present the annual hospital work plan and budget.

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

3. Failure to Prepare and Submit Quarterly Revenue Returns

The statement of financial performance, and as disclosed in Note 1 to the financial statements, reflects Kshs.10,378,450 in respect to Rendering of services - medical service income. However, review of records revealed that the Hospital did not prepare and submit quarterly revenue collection reports, contrary to Regulations 64(1) the Public Finance Management (County Governments) Regulations, 2015, which stipulates that the Accounting Officer or receiver of revenue or collector of revenue shall prepare a quarterly report not later than the 15th day after the end of the quarter.

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

4. Non-Compliance with Universal Health Coverage – Personnel Resources and Equipment for Level 4 Hospital

Review of the Hospital's records and operations for the year revealed that the Hospital operated below the minimum staffing levels required under the Kenya Quality Model for Health Checklist for Level 4 hospitals (KQMH). The following deficiencies in staffing were noted:

Personnel	Recommended as per KQMH	In Place (No.)	Variance
Medical Officers	20	3	17
Anaesthesiologists	3	0	3
General Surgeons	3	0	3
Gynaecologists	3	0	3
Paediatricians	3	0	3
Radiologists	2	0	2
Kenya Registered Community Health Nurses	151	18	133
Total	185	21	164

Further review of the Hospital's operations revealed that the Hospital did not meet the minimum equipment and infrastructure standards prescribed under the KQMH for Level 4 hospitals, as shown below:

Equipment	Standard	Observed	Variance
Wards Bed Capacity	300	85	215
Functioning ICU Beds	6	0	6
Functioning HDU Beds	6	0	6
Operational Theatres	4	1	3
New Born Unit – Incubators	6	7	-1
TOTAL	322	93	229

The deficiencies contravene the First Schedule of Health Act, 2017 and implies that accessing highest attainable standards of health, which includes the right to health care services including reproductive health care as required by Article 43(1) of the Constitution of Kenya 2010 may not be achieved. Further, this contravenes the Kenya Quality Model for Health Policy Guidelines may have hindered the achievement of the Government program on Universal Health Coverage (UHC).

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

5. Long Outstanding Trade and Other Payables

The statement of financial position, and as disclosed in Note 7 to the financial statement, reflects Kshs.5,495,192 in respect to Trade and other Payables. Analysis of the trade and other payables ageing analysis revealed 50 creditors, with balances totaling Kshs.3,760,842 that had remained unpaid over several years. This was contrary to Regulation 41 (2) of the Public Finance Management (County Governments) Regulations, 2015, which states that, debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county government does not default on debt obligations. Further, failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

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

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

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

Conclusion

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

Basis for Conclusion

1. Lack of Autonomy in Operations

Audit review established that despite facility being designated as an autonomous service delivery unit, its key operational functions remain centralized at the Kisii County Executive (Department of Medical Services, Public Health and Sanitation). It was noted that the Hospital's operations in terms of procurement of good and services was still centralized at the County Headquarters. Once the goods are supplied and services provided, the Hospital submits the necessary documents to the County's Department of Health and Medical Services for onward payment thereby denying the hospital operational autonomy in terms of procurement and may lead to delay in provision of services to the residents. Further, The County Executive continues to manage recruitment, promotions, salary payments, including both permanent and casual staff and payments of allowances to staff. The Hospital has no authority over staffing needs or approval of compensation. The Hospital only maintains a revenue bank account, with all collections transferred to the Kisii County Ministry of Health Facility Improvement Fund (FIF) Account for expenditure decisions centrally rendering the facility a revenue collection point rather than an autonomous service-delivery unit as legally required.

In the circumstances, the effectiveness of the Hospital in discharging its mandate could not be confirmed.

2. Weaknesses in Internal Audit Function

The internal audit reports for the Hospital were not provided for review and it was therefore not possible to confirm whether the internal audit function had given an assurance on the state of the risk management, internal control and governance within

the Hospital. Further, Management did not provide the Audit Committee minutes for audit review.

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

3. Lack of Approved Key Policy Documents

Audit review revealed that the Hospital did not have key policy documents, including staff establishment manual, human resource manual, ICT manual, risk management and fire management strategy manuals and strategic plan.

In the circumstances, the effectiveness of internal controls, human resource management, ICT governance, risk management, and overall organizational strategic direction could not be confirmed.

4. Weak Controls on Inventories – Pharmaceuticals

A review of records revealed that the Hospital receives pharmaceutical and non-pharmaceutical products and records them manually on stock control cards. The inventory management system has not been automated. Further, examination of records revealed there were no annual stock takes taken to confirm the balances and the usability of the Medicines in stock and other items in stock as at 30 June, 2025. In the circumstances, the effectiveness of the management of inventories could not be confirmed.

5. Ineffective Board of Management

The statement of financial performance reflects nil expenditure in respect of Board expenses. Examination of the governance structure of the Hospital revealed that the Hospital had seven (7) Board members in the year under review. However, no evidence, such as board meeting minutes, attendance registers, or resolutions, was provided to confirm that the Board met during the year under review.

In the circumstances, the effectiveness of governance in the Hospital could not be confirmed.

6. Grounded Motor Vehicle and Moto Cycles

Review of fixed assets register revealed that a motor vehicle and seventeen (17) motorcycles had been classified as grounded and unserviceable. However, no supporting records such as work tickets, maintenance logs, inspection reports, or documentation indicating the last date the units were operational were provided for audit review. In addition, evidence of efforts made to repair, dispose of, or otherwise account for the equipment was not provided review.


In the circumstances, the effectiveness of the management of Hospital's assets could not be confirmed.

will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 December, 2025

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

Responsibilities of Management and Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs

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will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


05 December, 2025

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


Description	Note	2024/2025
		Kshs
Revenue from exchange transactions		
Rendering of services- Medical Service Income	2	10,378,450
Revenue from exchange transactions		10,378,450
Total revenue		10,378,450
Expenses		
Transfer to other Government Entities	3	6,941,226
General expenses	4	48,662
Total expenses		6,989,888
Net Surplus / (Deficit) for the year		3,388,562

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

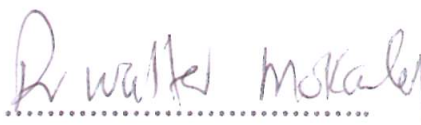
The Hospital's financial statements were approved by the Board on 28/08/2025 and signed on its behalf by: 09/09/2025




 CHARLES Ombui
 Chairman
 Board of Management



 Dennis Ombasa
 Head of Finance
 ICPAK No: 31130





 R. Walker Mwakaly
 Medical Superintendent


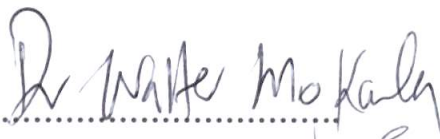
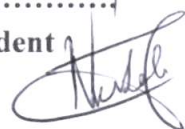
14. Statement of Financial Position as at 30th June 2025

Description	Note	2024/2025
Assets		
Current assets		
Cash and cash equivalents	5	187,003
Receivables from exchange transactions	6	3,552,240.00
Total Current Assets		3,739,243
Non-current assets		
Total Non-current Assets		0
Total assets		3,739,243
Liabilities		
Current liabilities		
Trade and other payables	7	5,495,192.00
Total Current Liabilities		5,495,192.00
Net assets		-1,755,949
Represented By:		
Accumulated surplus/Deficit		-1,755,949
Total Net Assets and Liabilities		3,739,243

The Hospital's financial statements were approved by the Board on 28/08/2025 and signed on its behalf by: 09/09/2025


CHARLES OMBUI
 Chairman
 Board of Management


Dennis Ombasa
 Head of Finance
 ICPAK No: 31130


Dr. White M. Karah
 Medical Superintendent


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

Description	Accumulated surplus/Deficit	Capital	Total
		Fund	
At July 1, 2024	350,681	0	350,681
Surplus/(deficit) for the year	3,388,562	0	3,388,562
Capital/Development grants	-		
At June 30, 2025	3,739,243	0	3,739,243

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

Description	Note	2024/2025	
		Kshs	
Cash flows from operating activities			
Receipts			
Rendering of services- Medical Service Income	2	6826210	
Total Receipts		6,826,210	
Payments			
Transfer to other Government Entities	3	6,941,226	
General expenses	4	48,662	
Total Payments		6,989,888	
Net cash flows from operating activities		-163,678	
Net increase/(decrease) in cash and cash equivalents		-163,678	
Cash and cash equivalents as at 1 July, 2024		350,681	
Cash and cash equivalents as at 30 June, 2025	5	187,003	

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Rendering of services- Medical Service Income	14,840,000.00	-	14,840,000.00	6,826,210.00	8,013,790.00	46.00%
Total income	14,840,000.00	-	14,840,000.00	6,826,210.00	8,013,790.00	46.00%
Expenses						
Transfers From Other Government Entities	14,840,000.00	-	14,840,000.00	6,941,226.00	7,898,774.00	46.77%
Total Expenses	-	-	14,840,000.00	6,941,226.00	7,898,774.00	46.77%
Surplus for the period	-	-	-	(115,016.00)	115,016.00	

Budget notes

1. Provide an explanation of differences between actual and budgeted amounts (any over/ 90% under) IPSAS 24.14
2. Provide an explanation of changes between the original and final budget, indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	(115,016)
1	Services offered but not paid for as receivables not able to meet revenue targets	3,552,240

***Nduru Sub-County Referral Hospital (Kisii County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025***

2	Under expenditure due to setting high expenditure budgets	7,898,774
3	Reason for differences(not able to meet revenue targets due to industrial health workers strikes)	4,346,534
	Closing Cash and Cash Equivalent as per the statement of Cash flows	187,003

18. Notes to the Financial Statements

1. General Information

Nduru Sub County Hospital is established by and derives its authority and accountability from Kisii County FIF Act 2020. The entity is wholly owned by the Kisii County Government and is domiciled in Kisii County in Kenya. The entity’s principal activity is provision of promotive, preventive, and rehabilitative health care services to all people in South Mugirango.

Notes to Financial Statements Continued

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

Description	2024-2025
User Fee	2,690,776
SHA/NHIF	4,135,434
SHA Receivable	3,552,240
Total	10,378,450

3. Transfers to other Government entities

Description	2024 - 2025
	KShs
Transfer to FIF A/C	6,941,226
Total	6,941,226

4. General Expenses

Description	2024-2025
-------------	-----------

	KShs
Bank Charges	48,662
	48,662

5. Cash and Cash Equivalents

Description	2024-2025
	KShs
Current accounts	187,003
Total cash and cash equivalents	187,003

6. Receivables from Exchange Transactions

Description	2024- 2025
	KShs
Medical services receivables-NHIF	3,552,240
Total receivables	3,552,240

7. Trade and Other payables

Description	2023 - 2024
	KShs
Monies owed to suppliers	5,495,192
	5,495,192

8. Events after the Reporting Period

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

9. Ultimate and Holding Entity

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

10. Currency

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