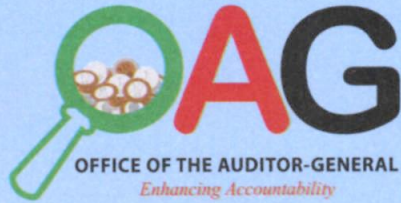


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

AHERO COUNTY HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

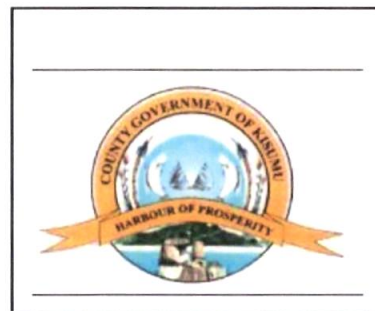
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COUNTY GOVERNMENT OF KISUMU

Revised 30th June 2025



OFFICE OF THE AUDITOR GENERAL
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P. O. BOX 1400, KISUMU



AHERO LEVEL 4 HOSPITAL (County Government of Kisumu)

AMENDED 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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Ahero Level 4 Hospital ;(County Government of Kisumu)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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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.
CDH	County Department of Health
FIFA	Facility Improvement Fund Act 2021
PPADA	Public Procurement and Disposal Act 2015
HMT	Hospital Management Team
HMB	Hospital Board of Management.

2. Key Entity Information and Management

(a) Background information

Ahero county Hospital is a level 4 hospital was established under gazette notice number 11041 and is domiciled in Kisumu County under the department of Medical Services, Public Health and Sanitation ,County government of Kisumu.

It was established in 1952 as a dispensary, elevated to a health Centre in 1980, a sub district hospital in 2005 and gazetted as a county hospital on 10th November 2017.

A Board of Management governs the hospital.

It has a bed capacity of 40 and attends to approximately 35,000 patients in a year.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to offer preventive, curative and rehabilitative health care services.

(a)-Vision

An effective and high quality health facility that is accessible, equitable and affordable for all.

(b)-Mission

To promote provision of integrity and high quality preventive, curative and rehabilitative health care services to all.

(c)-Core Objective

-To eliminate communicable diseases

-Half and reverse the burden of non-communicable diseases

-Enhance access to quality health care services

(c) Key Management

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

County department of Medical services, Public Health and Sanitation

Board of Management(BOM)

Accounting Officer/ Medical Superintendent

Health Management Team (HMT)

Head of Departments(HoDs)

(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:

Ahero Level 4 Hospital ;(County Government of Kisumu)
Annual Report and Financial Statements for The Year Ended 30th June 2025

No.	Designation	Name
1.	Medical Superintendent	Dr.Kevin O.Ochieng
2.	Health Administration Officer	Allan Duncan Omondi
3.	Director of Nursing services	Charles O.Otieno
4.	Head of supply chain	Philip Nyumba
5.	Hospital Accountant	CPA,CS John O.Oyoo

(e) Fiduciary Oversight Arrangements

Key fiduciary oversight arrangements for the hospital include the following

1-The County Assembly of Kisumu

According to the County Government Act 2012 under article 8(1),The County Government of Kisumu has fiduciary oversight role over the functions of the hospital which include approval of both recurrent and capital budgets for the hospital.The Assembly also plays key role in coming up with county finance bills that dictate the user fees to be charged at the hospital.

2-County Department of Health

The CDH has fiduciary oversight role over the hospital in its responsibility for all the staff placement and routine supervision of the hospitals in all matters in the management.

3-Internal Audit Department

The internal audit department routinely conducts the internal audits at the hospital and reports to the CDH and the county audit committee.

Key Entity Information and Management (continued)

(f) Entity Headquarters

Ahero County Hospital
P.O. Box 169-40101
AHERO
Kisumu Nairobi Highway
AHERO, KENYA

(g) Entity Contacts

Ahero Level 4 Hospital ;(County Government of Kisumu)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Telephone: (+254) 0796010045
E-mail: aheromedsup@yahoo.com
Website: www.kisumu.go.ke

(h) Entity Bankers

Commercial Banks.

Cooperative Bank-kisumu East branch
Account No. 01141495253000
Account Name .Ahero SDH Kisumu County

Kenya commercial Bank
Account No. 1156872839
Account Name.Ahero SDH Free maternity

(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

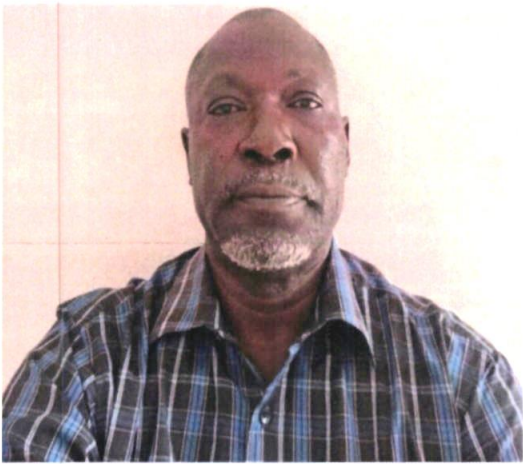
(k) County Attorney

P.O. Box. 2738-40100
Kisumu, Kenya

3. The Board of Management

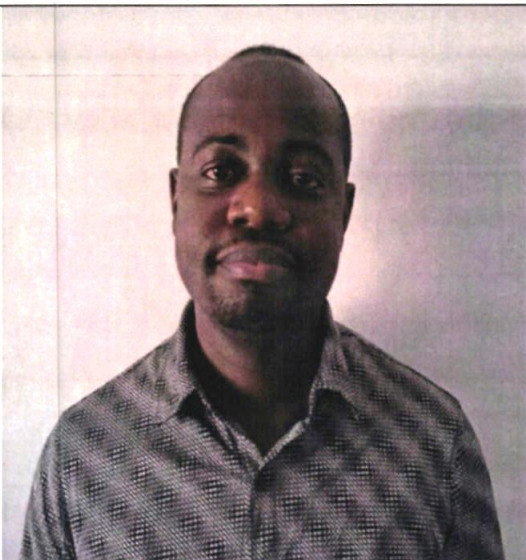
Ref	Directors	Details
1.	 HON. CLARKSON OTIENO KARAN – CHAIRMAN OF THE HOSPITAL MANAGEMENT BOARD	HON. CLARKSON OTIENO KARAN Hon. Clarkson Otieno Karan is an accomplished banker having worked with the Standard Chartered Bank and Bank of Credit and Commerce International where rose to the position of the branch manager for over 21 years. Hon. Karan has an impeccable public service record having served as an elected member of parliament for Nyando(1992-1997) , Member of East Africa Legislative Assembly and the Mayor of Kisumu City. He holds Diploma in banking from Pakistan
2.	Passport and name	Mr.Philip Omondi is an alumni of Israel University (Tel -Aviv) where he obtained a degree inand has vast work experience in different sectors as a teacher, insurer and as a manager with Kenya Breweries Limited where he served for over 30 years. Mr. Omondi is a Pastor with Voice of Salvation and Healing Ministry Church and represents the religious organisations in the board. He is also the Chair the Finance Subcommittee.

Ahero Level 4 Hospital ;(County Government of Kisumu)
Annual Report and Financial Statements for The Year Ended 30th June 2025

3.	 MRS. CAREN AUMA HUNTER	MRS. CAREN AUMA HUNTER Mrs. Caren Hunter is an experienced Human Rights Activist and Community Health Volunteer with over ten years' experience in advocating for human rights and helping out the community in different dimensions to bring about positive developments and betterment of lifestyles in the community.
4.	 MR. CHRISTIAN ODHIAMBO	Mr. Christian Odhiambo has over 30 years of proven skills and experience in management, program development and policy making in Water, Sanitation and Hygiene (WASH) & Environmental Health in over 7 countries in Africa and elsewhere namely: Ethiopia, South Sudan, Somalia, Ghana, Eritrea, Nigeria, Kenya, Tanzania, Uganda,. Mr. Christian worked with and for the Government of Kenya and related statutory/parastatal bodies, various NGOs both local and international among them; Ministry of Health, Kenya and Netherlands Governments bi-lateral Programme (Rural Domestic Water Supply and Sanitation) of the Lake Basin Development Authority, CARE International-Kenya, WaterAid UK-Tanzania Programme, Alternative Programme Solutions-Humanitarian & Development Consultants; Simavi Netherlands-Kenya and Tanzania programmes; WaterCan-Canada;

		and most recently ending 2018, with WaterAid Canada CIDA/Global Aid Canada funded School & Community WASH programme as the Regional Program Advisor for East Africa (Kenya, Uganda and Ethiopia with the oversight role for technical advisory, implementation and management of 14 National NGOs in the three East Africa . Countries. Currently Christian is an active board member of a Community Based Organisation and a National Non-Governmental Organisation with an active role in development of sustainable frameworks. Mr.Odhiambo has a Diploma in Public Health (Environmental Health Sciences) from Kenya Medical Training College,Nairobi.He has also attended very many training locally and abroad.
5.		HON.JOSEPH ORWA OSANO Hon.Joseph Arwa Osano is a holder of a Diploma in Marketing Management from Kenya Institute of Management and is currently pursuing a degree in Management science and Project planning from the University of Nairobi. He previously worked as a research assistant with various organisations including Independent research and Dialogue Africa foundation. Hon.Osano has an impeccable public service record having served as an elected member

Ahero Level 4 Hospital ;(County Government of Kisumu)
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	HON. JOSEPH ORWA OSANO	of Kisumu County assembly representing Chemilil ward 2013 – 2017.
6.	 DR. KEVIN OCHIENG – MEDICAL SUPERINTENDENT/SECRETARY TO HOSPITAL MANAGEMENT BOARD	DR. KEVIN OCHIENG (MBChB-UON, FCS-ECSA) MEDICAL SUPERINTENDENT CONSULTANT GENERAL SURGEON Holds Fellowship degree in General Surgery from College of Surgeons of East, Central and Southern Africa in 2023. Attained Bachelors degree in Medicine and Surgery at the University of Nairobi in 2012. As Medical Superintendent, I am responsible for overseeing the clinical and administrative functions at Ahero County Hospital hospital while also serving as the facility's Consultant General Surgeon managing both emergency and elective surgical conditions

Ahero Level 4 Hospital ;(County Government of Kisumu)
Annual Report and Financial Statements for The Year Ended 30th June 2025

4. Key Management Team

Ref	Management	Details
1.		As Medical Superintendent, I am responsible for overseeing the clinical and administrative functions at Ahero County Hospital while also serving as the facility's Consultant General Surgeon managing both emergency and elective surgical conditions
2.	 ALLAN DUNCAN OMONDI – HOSPITAL ADMINISTRATOR Allan Duncan Omondi holds a Master of Commerce (Accounting) from Dr.B.R. Ambedkar University, India and Bachelor of commerce degree from the same University. He has previously worked in as the hospital administrator in charge of various government hospital across the country as hospital administrator in charge of Narok County referral hospital, Baringo County	Mr.Omondi is responsible for day to day running (non-medical) of the hospital. His duties entails; 1.Coordinating revenue collection in the facility, 2.Preparation and implementation of budget 3.overseeing requisition, utilization and management of stores and equipment 4.transport management 5.Human resource management 6.Secretary to Hospital Management Team

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	Referral hospital, Jaramogi Oginga Teaching and Referral hospital among others.	
3.	 MR. CHARLES OTIENO OPIYO – DIRECTOR NURSING SERVICES Mr. Charles Otieno Opiyo is a holder of Bachelor’s Degree of Science in Nursing and has certification in Advanced Cardiac Life Support(ACLS), Basic Life Support(BLS) and Basic Emergency Care(BEC) He has 12 years of experience in the nursing profession where he has worked as the Director of Nursing Services at Katito Sub County Hospital, Nursing Officer in charge of outpatient, casualty, medical, surgical and theatre departments at Kisumu County Referral Hospital for 5 years. He also served as the Clinical Nursing Officer in charge at Agha Khan Hospital Kisumu.	Director Nursing Services, is responsible for; • <u>Staff Management</u> – supervises and reviews nurses’ performance. • <u>Policy and Procedure Development:</u> Develops, implements, and updates nursing policies and procedures to improve patient care and operations. • <u>Quality Assurance and Patient Care:</u> Ensures high standards of care are maintained and that patient care plans are followed correctly. • <u>Compliance and Regulation:</u> Ensures the facility adheres to local, state, and federal regulations and guidelines. Participates in facility surveys and inspections by government agencies. • <u>Strategic Planning and Leadership:</u> Sets and tracks short- and long-term goals for the nursing department. • <u>Operational Oversight:</u> Leads the daily operations of the nursing department. Manages patient data and ensures the proper documentation of care. May participate in direct patient care or be involved in emergencies as needed.



**MR. PHILIP NYUMBA – SUPPLY CHAIN
MANAGEMENT OFFICER**

Mr. Philip Nyumba is a holder of Bachelor of Commerce degree in Supply Chain Management (procurement option) from the University of Nairobi and a diploma in Business Management from Kenyatta University and Diploma in Human Resource Management from Kenya Institute of Management.

Mr.Nyumba has over 15 years’ experience in Supply Chain Management having worked in that capacity in various departments in the County Government of Kisumu, World Vision and United Methodist Committee on Relief,UMCOR-South Sudan as a Program Officer.

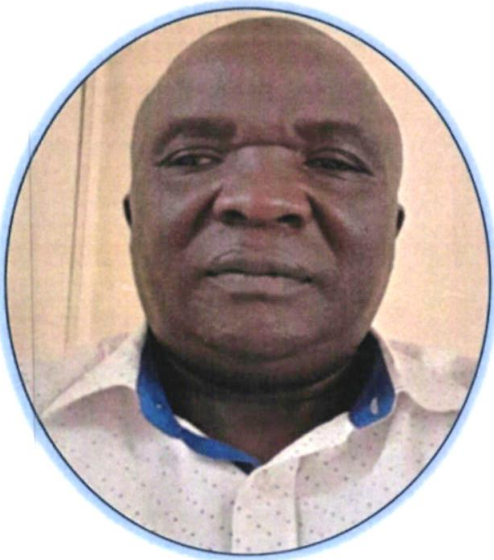
Management Officer is responsible for;

- Ensuring proper handling of Documents
- Preparing disposal schedules and disposing of dead files in accordance with relevant regulations.
- Consolidating departmental procurement needs to come up with the Board’s procurement plan
- Analysing request for quotations
- Ensuring that suppliers providing goods, works and services are prequalified and are on the register maintained by the County Director of Supply chain management.

Coordinating with relevant procurement committees to fast-track departmental procurement needs.

4.

Ahero Level 4 Hospital ;(County Government of Kisumu)
Annual Report and Financial Statements for The Year Ended 30th June 2025

5.		CPA, CS JOHN OTIENO OYOO Chief Accountant and Ag. Head of Finance and Administration Gender : Male Age : 52 Subcounty: Kadibo John Otieno Oyoo, is a Certified Public Accountant and Certified Secretaries Professional of Kenya who is an accomplished certified public accountant and certified secretaries with over 28 years of experience in Finance, Accounting, Revenue Administration, Auditing, Human Resource and Strategic Leadership. CPA,CS Oyoo holds a degree in Finance from Catholic University of Eastern Africa (CUEA) with vast knowledge in leadership, management, finance among others. He has served in various departments that is to say Finance, Energy, Industrialisation, Lands,housing, Physical Planning and Urban Development and City. Currently, CPA, CS Oyoo is serving as the Chief Accountant and Ag. Head of Finance and Administration at Health and Sanitation Department, Ahero County Hospital.
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5. Chairman's Statement

It is my privilege and pleasure to present the Annual Financial Report for Ahero County Hospital for the 2024-2025 financial year.

Ahero County Hospital has experienced significant development over the past year due to close collaboration and support from the County Government of Kisumu, the hospital management board, the hospital administration, hospital staff, and health partners.

Performance Highlights

The facility has experienced increased workload, which is largely attributed to improved services and the availability of consultants to attend to patients. There has also been a significant increase in revenue collection from KS _____ in the 2023/2024 financial year to KS _____ in 2024/2025. This substantial growth is largely due to reimbursements from the Social Health Authority, which has enabled the facility to receive a facelift and contract additional technical staff and casual employees to improve service delivery.

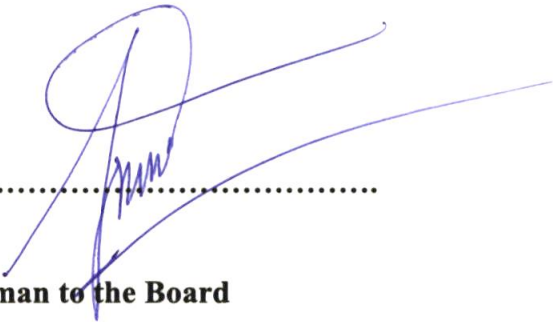
Future Plans

The Hospital Administration plans to procure an X-ray machine to provide radiology services, which have been lacking for years, and to boost revenue generation for the facility.

Key Challenges

The biggest challenges facing the facility are:

- Lack of adequate staff as per the established norms and standards for health facilities
- The stalled surgical ward, which has remained incomplete for over five years



.....

Chairman to the Board

6. Report of The Medical Superintendent

Let me take this earliest opportunity to mention that during this financial year ending 30th June 2025, there were changes in financial operation operations that took place. For one, the County Government of Kisumu operationalised and enacted the Kisumu FIF Act 2021. Under this Act, Hospitals were required to start retaining their income. The Act was enacted with effect from 1st April 2021, however, due to administrative processes, the Hospital received authorization from the Chief Officer in end of March 2022 to start banking in the Hospital account.

Secondly, the introduction of IPSAS reporting was introduced. This was a challenge for the Hospital since staff were not familiar with the reporting tool, hence it took time and even continued to delay our financial reporting.



DR OCHIAK KVIN

.....

Name

Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

Ahero County Level 4 Hospital has 3 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2024- FY 2025. These strategic pillars/ themes/ issues are as follows:

Pillar /theme/issue 1: Eliminate communicable diseases

Pillar/theme/issue 2: Half and reverse the burden of non-communicable diseases.

Pillar/theme/issue 3: Enhance access to quality health care services

Ahero County Hospital develops its annual work plans based on the above 3 pillars/Themes/Issues.

Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Ahero County Hospital achieved its performance targets set for the FY 2024/2025 period for its 3 strategic pillars, as indicated in the diagram below.

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1:				
Pillar/ theme/ issue 1:				

8. Corporate Governance Statement

In the year under review, the hospital had two structures of governance, i.e. .The Hospital Management Board (HMB) and The Hospital Management Team (HMT).The Board comprises of members who were gazetted by the Governor. The medical superintendent is the secretary to the board. While the Hospital administrative officer, Hospital Nursing Officer in- charge and Facility accountant were co-opted members of the board to facilitate smooth flow of information during board meetings.

The HMT comprises of all departmental heads where its chaired by the medical superintendent as the Hospital administrative officer is the secretary.

During the period under review the board held 5 meetings two of them being joint meetings with board members, while the management held a record of 8 meetings which came almost on monthly

basis for review of day to day operations.

The management board and management team also do coordinate with various partners in the health sector to facilitate other programmes in the Hospital and community at large.

9. Management Discussion and Analysis

Clinical/operational performance

- *Bed capacity of the hospital.(42)*
- *Overall patient attendance during the year for both inpatient and outpatient.*
- *Accident and Emergency attendance.*
- *Specialised clinic attendance.*
- *Average length of stay for in patient.*
- *Bed occupancy rate.*
- *Mortality rate.*
- *Surgical theatre utilisation (number of operations over a period of time)*
- *Sponsorships and partnerships*

Financial performance that includes: -

- *Revenue sources.*
- *Utilisation of funds etc.*

Financial performance that includes: -

- *Revenue sources,*
- *Utilisation of funds etc*

Signature.....

Medical Superintendent

10. Environmental And Sustainability Reporting

Ahero county level 4 Hospital exist to transform lives.

It is 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 policies and activities that promote sustainability.

i) Sustainability strategy and profile

Self-sustainability by use of business model where the facility generates its own revenue to finance

operations of the hospital. This is done on the platform of Facility Improvement Fund Act 2021 which was rolled to enable Health facilities to be self-dependent and manage themselves. However

this has met challenges in low population catchment areas and poor living standards where the residents/population not being able to afford cost of primary health care.

ii) Environmental performance

To effectively outline an environmental policy and its associated components for an organization, we can break down the response into several sections:

1. Environmental Policy Overview

****Policy Statement:****

The organization's environmental policy aims to minimize its environmental impact through sustainable practices, compliance with regulations, and continuous improvement. The policy outlines commitments to resource conservation, waste reduction, biodiversity protection, and sustainable product development.

****Evidence of the Policy:****

- *Documentation:** The policy is formally documented and accessible to all employees, demonstrating the organization's commitment to environmental stewardship.
- *Training Programs:** Regular training sessions for employees on sustainability practices and the importance of the policy.
- *Public Reporting:** Annual sustainability reports that include progress on environmental goals and policies.

Ahero County Level 4 Hospital (kisumu County Government)

Annual Report and Financial Statements for The Year Ended 30th June 2024

Ahero Level 4 Hospital ;(County Government of Kisumu)
Annual Report and Financial Statements for The Year Ended 30th June 2025

2. Successes

- **Reduction in Carbon Footprint:* Implementation of energy-efficient technologies has led to a significant reduction in greenhouse gas emissions.
- **Waste Diversion Rates:* Increased recycling programs have resulted in a higher percentage of waste being diverted from landfills.
- **Sustainable Sourcing:* Partnerships with suppliers who prioritize sustainability have enhanced the organization's supply chain.
- **Community Engagement:* Initiatives such as tree planting and environmental education programs have fostered community involvement and awareness.

3. Shortcomings

- **Limited Biodiversity Initiatives:* While there are efforts to protect local ecosystems, the organization may lack comprehensive biodiversity programs.
- **Inconsistent Waste Management Practices:* Some locations may not adhere to standardized waste management practices, leading to disparities in waste reduction efforts.
- **Product Lifecycle Considerations:* The organization may not fully assess the environmental impact of its products throughout their lifecycle, particularly in the disposal phase.

4. Efforts to Manage Biodiversity

- **Habitat Restoration Projects:* The organization engages in projects aimed at restoring local habitats affected by operations.
- **Biodiversity Assessments:* Regular assessments are conducted to understand the impact of operations on local ecosystems.
- **Collaboration with Conservation Groups:* Partnerships with environmental NGOs to support conservation efforts and promote biodiversity.

5. Waste Management Policy

xvAhero County Level 4 Hospital (kisumu County Government)

Annual Report and Financial Statements for The Year Ended 30th June 2024

- **Waste Reduction Goals:* The policy includes specific targets for reducing waste generation and increasing recycling rates.
- **Composting Programs:* Initiatives to compost organic waste in facilities.

- **E-Waste Management:* * Procedures for the responsible disposal and recycling of electronic waste.

6. *Efforts to Reduce Environmental Impact of Products*

- **Eco-friendly Product Design:* * Development of products using sustainable materials, minimizing

packaging, and enhancing recyclability.

- **Lifecycle Assessments:* * Evaluating the environmental impact of products from raw material extraction through to disposal.

- **Consumer Awareness Campaigns:* * Educating consumers about the environmental benefits of choosing sustainable products.

Conclusion

The organization's environmental policy provides a framework for sustainable operations, with both successes and shortcomings evident in its implementation. Ongoing efforts in biodiversity management, waste management, and product sustainability are crucial for enhancing overall environmental performance. Continuous evaluation and adaptation of the policy will help the organization align with best practices and meet its sustainability goals.

iii) Employee welfare

The hospital staff are employees of county government of Kisumu where their hiring is done through county public service board. The staff are deployed to the hospital through department of Medical Services, Public Health and Sanitation. Most human resource functions are conducted at the county headquarters apart from few supervision and management issues touching the hospital which are managed by the Hospital administrative officer and Hospital medical superintendent.

xvi Ahero County Level 4 Hospital (Kisumu County Government)

Annual Report and Financial Statements for The Year Ended 30th June 2025

The Hospital also has engaged casual workers who are directly supervised by head of department they are working under the Hospital administrative officer oversees their hiring, Remunerations, deployment and management.

iv) Market place practices

The organisation should outline its efforts to:

a) Responsible competition practice.

The hospital has an anti-corruption committee which has mandate to oversee good practice

and ethics both financial and social pertaining service provision.

The hospital also ensures that there is fair competition to the suppliers and service providers to the hospital. Service provision to both client and staff is also based on equality.

The hospital management has a good structural approach to political involvement in the community through the area ward administrator, CA and board members who some come from the community.

b) Responsible Supply chain and supplier relations

The hospital has a structured procurement and supplies management system through the departments of Medical services, Public Health and Sanitation and that one of Finance and Economic planning (Director of procurement and supply chain management). This has been centralised and the prequalification of suppliers and service providers done centrally for all health facilities in the county based on Frameworks, open tenders and special groups.

An accountant and procurement officer have been deployed to the hospital to ensure all the procedures and documentations pertaining sourcing, procurement and payment to the suppliers is done procedurally.

c) Responsible marketing and advertisement

d) Product stewardship

v) Corporate Social Responsibility / Community Engagements

11. Report of The Board of Management

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

Principal activities

The principal activities of the entity are to provide quality and affordable preventive, promotive and rehabilitative and curative healthcare services to the public.

Results

The results of the entity for the year ended June 30 2025 are set out on pages to

Board of Management

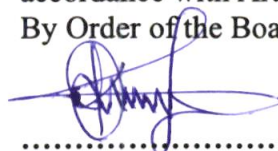
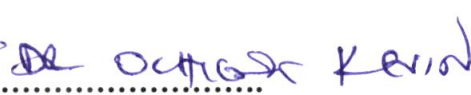
The members of the Board who served during the year are shown on page xxx. During the year, xxx

director(s) retired/ resigned, and xxx director (s) was appointed with effect from xxxx date.

Auditors

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

By Order of the Board

.....
Name

Secretary to the Board

12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 and Kisumu county Facility Improvement Fund Act 2021 requires the Board of Management to prepare financial statements in respect of that *Ahero County level 4 Hospital*, which give a true and fair view of the state of affairs of the *Hospital* at the end of the financial year/p and the operating results of the *Hospital* for that year. The Board of Management is also required to ensure that the *Hospital* keeps proper accounting records that disclose with reasonable accuracy the financial position of the *Hospital*. The council members are also responsible for safeguarding the assets of the *Hospital*.

The Board of Management is responsible for the preparation and presentation of the *Hospitals* financial statements, which give a true and fair view of the state of affairs of the *Hospital* for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the *Hospital*; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the *Hospital's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kisumu County Facility Improvement Fund Act 2021. The Board members are of the opinion that the *Hospital's* financial statements give a true and fair view of the state of *Hospital's* transactions during the financial year ended June 30, 2025, and of the *Hospital's* financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the *Hospital*, which have been relied upon in the preparation of the *Ahero County Level 4 Hospital* financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements.

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 19/11/2025 and signed on its behalf by:

.....
Name:
Chairperson
Board of Management

DR OCHIAK
Name:
Accounting Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON AHERO COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF KISUMU

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 Ahero County Hospital set out on pages 26 to 92, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

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 Ahero County Hospital 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 County Governments Act, 2012, the Kisumu County Health Services Act, 2019 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

1.1. Medical/Clinical Costs

The statement of financial performance and as disclosed in Note 15 to the financial statements reflects medical/clinical costs of Kshs.22,048,117. Review of supporting schedule provided reflects amount of Kshs.13,410,314 resulting to unreconciled variance of Kshs.8,637,803.

In the circumstances, the accuracy and completeness of the medical costs of Kshs.22,048,117 could not be confirmed.

1.2. Repairs and Maintenance

The statement of financial performance reflects repairs and maintenance costs of Ksh.5,969,435, which differs with the disclosure Note 19 to the financial statements which reflects amount of Ksh.7,669,435, resulting to unsupported variance of Kshs.1,700,000. Further, the supporting schedule reflects amount of Ksh.3,181,235 leading to unexplained variance of Kshs.2,786,200.

In the circumstances, the accuracy and completeness of the repairs and maintenance of Kshs.5,969,435 could not be confirmed.

1.3. General Expenses

The statement of financial performance and as disclosed in Note 21 to the financial statements reflects general expenses costs of Ksh.8,616,710. Review of supporting schedule provided reflects amount of Kshs.6,938,119 resulting to unreconciled variance of Kshs.1,678,591.

In the circumstances, the accuracy and completeness of the general expenses of Kshs.8,616,119 could not be confirmed.

2 Rendering of Services Income – Medical Service Income

The statement of financial performance reflects an amount of Kshs.51,232,964 in respect of revenue from rendering services – medical service income, while schedules provided for audit reflects an amount of Kshs.38,949,396, which resulted to

unreconciled variance of Kshs.12,283,568 between the ledgers and the financial statements. In addition, the Receiver of Revenue reported an amount of Kshs.37,818,870, which resulted to a variance of Kshs.13,414,094 that was not reconciled.

In the circumstances, the completeness and accuracy of the reported rendering of services income – medical service income could not be confirmed.

3 Statement of Cash Flows

The statement of cash flows reflects cash and cash equivalent balance of Kshs.18,257,988. However, recasting of the cash flows reveals a balance of Kshs.20,905,436 leading to a variance of Ksh.2,647,488. Further, the balance of Kshs.2,647,488 does not agree with cash and cash equivalent of Kshs.18,257,988 leading to unexplained variance of Kshs.2,647,400.

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

4 Unsupported Accounts Payable

The statement of financial position and as disclosed in Note 36 to the financial statements reflects trade and other payables amount of Kshs.15,348,970. Review of supporting schedule revealed that accounts payable amount of Kshs.1,453,113 arose from commitments after 31 May, and the commitments are not supported by the written approval of the Accounting Officer, as required by regulation 51(1). Further, Trade payable ledger reflects a balance of Kshs.17,048,970 resulting to unexplained variance of Kshs.1,700,000.

In the circumstances, the accuracy and completeness of the accounts payable could not be confirmed.

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

Emphasis of Matter

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.45,000,000 and Kshs.38,949,396.00 respectively resulting to under collection of Kshs.6,050,604.00 or 16% of the budget. Similarly, the Hospital spent Kshs.25,459,918 against an actual receipt of Kshs.38,949,396 resulting to an under-expenditure of Kshs.13,489,478 or 34% of the actual receipts. The actual receipt disclosed in the statement of comparison of budget and actual amounts differs with the amount disclosed in the financial performance of Kshs.51,323,964.

The performance indicates that Management does not consider previous year performance when setting future budget expectations as they seem to be unrealistic. My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the College in 2024/2025 revealed that the following matters remained unresolved as detailed below:

	Financial Year	Audit Issue
1	2023/2024	Unreconciled Transfers from County Government
2	2023/2024	Unsupported from County Government
3	2023/2024	Unsupported Income from Rendering of Services
4	2023/2024	Unsupported Medical/Clinic Income
	2023/2024	Unsupported Employee Costs
5	2023/2024	Unsupported Board Expenses
6	2023/2024	Unsupported Repairs and Maintenance
7	2023/2024	Unsupported Cash and Cash Equivalent
8	2023/2024	Unsupported Receivables from Exchange Transactions
9	2023/2024	Unconfirmed Inventories' Balances
10	2023/2024	Unsupported Trade and Other Payables
11	2023/2024	Non-Disclosure of Property, Plant and Equipment
12	2023/2024	Deficiencies in Implementation of Universal Health Coverage

Other Information

The Management is responsible for the Other Information set out on page iii to xxiv 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 and Report of the Board of Management Statement of Board of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Hospital's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this Other Information and I am required to report that fact. Based on the audit procedures performed and the matters described in my Basis for Qualified Opinion, I confirm that Other Information is not materially inconsistent with the financial statements.

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 Comply with Climate Change and Financing Requirements

The Hospital did not establish mandatory climate change policies required by the Climate Change Act, 2016, and constitutional provisions under Articles 42 of the Constitution of Kenya, 2010. Further, no evidence was provided to confirm whether the entity have established structured procedures to regularly evaluate environmental effects and maintain compliance with environmental requirements.

In addition, there was no evidence that the institution had undertaken public awareness and conducted public consultations as required by Section 24 of the climate change act 2016(1).

In the circumstances, Management was in breach of the law

2. Failure to Deduct 0.03% on Procurement of Goods and Services

Public Procurement Regulatory Authority (PPRA) gave guidelines to all procuring entities to deduct 0.03% levy on all contracts entered into after September, 2024 as well as any contract extensions, renewals and/or variations made from 1st September, 2024; Review of payment vouchers and procurement files revealed that three (3) contractors were paid amount of Kshs.1,463,113 for various supplies. However, Management did not deduct and remit capacity building levy amounting to Kshs.436 as tabulated below contrary to Paragraph 3(1) of the Public Procurement Capacity Building Levy Order, 2023.

In the circumstance the entity was in breach of the Public Procurement Capacity Building Levy order, 2023.

3. Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of Hospital records and verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by 63 staff requirements or 62% of the authorized establishment. Details are in the tables below:

Table 2: Deficiencies in Implementation of Universal Health

Staff requirements	Level 4 Standard	Number in Hospital	Variance	Percentage %
MEDICAL OFFICERS	16	2	14	88%
ANESTHESIOLOGISTS	2	0	2	100%
GENERAL SURGEONS	2	1	1	50%
GYNECOLOGISTS	2	1	1	50%
PEDISTRICIANS	2	0	2	100%
RADIOLOGISTS	2	0	2	100%
REGISTERED COMMUNITY HEALTH NURSES	75	34	41	55%
Total	101	38	63	62%

In addition, the hospital lacked the necessary equipment and machines outlined in the Health Policy Guidelines as detailed below;

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
BED CAPACITY	150	45	105	70%
INCUBATORS (NEWBORN)	5	4	1	20%
COTS	5		5	100%
Functional ICU Beds	6	0	6	100%
HDU Beds	6	0	6	100%
Renal unit with dialysis machines	5	0	5	100%

SERVICES OFFERED	Status
SURGICAL SERVICES	Available
PEDIATRIC SERVICES	Available
GYNECOLOGY SERVICES	Available
RADIOLOGY SERVICES	Not available
RENAL SERVICES	Not available
TUBERCULOSIS SERVICES	Available

These deficiencies contravene the First Schedule of Health Act, 2017 and imply that accessing the highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

In the circumstances, the Hospital will not be able to deliver on its mandate.

4. Failure to Provide Proof of Submission of Mandatory Requirements Reports to Public Procurement Regulatory Authority (PPRA)

The PPRA requires all procuring entities to submit reports to them as guided by PPRA Circular No 01/2016. Management of Ahero Level 4 Hospital did not provide the following copies of submitted reports to PPRA as required.

- i. Terminations of Procurement and Asset Disposal Proceedings
- ii. Direct procurements of a value exceeding Kshs.500,000/=.
- iii. Disposal of public asset(s) to employee
- iv. Quarterly reports on contracts awards
- v. Quarterly reports on contracts amendments and variations
- vi. Report on seeking approval for use of Alternative Selection Method other than QCBS for Consultancy services
- vii. Six (6) Months report on Preferences and Reservation of contracts awarded to Youth, Women and Persons with Disability.

In the circumstances, the hospital was in breach of the PPRA Circular no 01/2016.

5. Non-Compliance with the Procurement Requirements on the Role of Board of Governance

The annual procurement plan for the Ahero Level 4 Hospital was signed/approved by the Accounting Officer only. However, the minutes for Board of management for approval of the procurement plan were not availed for audit review. Further, there was no evidence that the Quarterly reports on implementation of procurement plan by the hospital were prepared and submitted to the Board of Management for discussion and adoption.

As such, Ahero County Hospital does not comply with the requirement on oversight of procurement processes in the College, as provided for by the PPRA Regulations, as well as per the guidance by PPRA through the Circular No 06 of 2023.

In the circumstances, Management was in breach of law.

6. Inadequate Reporting on Implementation of the Procurement Plan

The Accounting officer did not prepare Quarterly reports on the implementation of the procurement plan. This is in contravention of regulation 40(6) which mandates the accounting officer to prepare the reports and submit them to the Board.

In the circumstances, Management of Ahero County Hospital was in breach of this regulation.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Ineffective Internal Audit Function

Review of the internal auditor's report for Ahero County Hospital for the year under review revealed that, the internal audit function only did one Audit for the entire financial year yet internal audit is a continuous function.

In the circumstances, the effectiveness of the Internal Audit function is doubtful.

2. Long Outstanding Payables

The statement of financial position and as disclosed in Note 36 to the financial statements reflects accounts payable balance of Kshs.15,034.564, which include a balance of Kshs.2,017,950 that relate to years before 2024/2025 financial year, which did not form first charge in the financial year 2024/2025.

Failure to pay creditors in the year they were incurred affects the budgeting for the succeeding year.

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 the Management and those Charged with Governance

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 County Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 December, 2025

Ahero Level 4 Hospital ;(County Government of Kisumu)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Statement of Financial Performance for The Year Ended 30 June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	-	6,768,494.
In- kind contributions from the County Government	7	-	-
Grants from donors and development partners	8	-	-
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
Sub -Total		-	6,768,494
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	51,323,964	8,341,639
Revenue from rent of facilities	12	-	-
Finance /Interest Income	13	-	-
Miscellaneous Income	14	-	-
Revenue from exchange transactions		51,323,964	8,341,639
Total revenue		51,323,964	15,110,133
Expenses			
Medical/Clinical costs	15	22,048,117	5,385,973.
Employee costs	16	4,028,246.	3,586,421.
Board of Management Expenses	17	179,000.	96,000
Depreciation and amortization expense	18	-	-
Repairs and maintenance	19	5,969,435	981,190.00

Ahero County Hospital (County Government Of Kisumu)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Grants and subsidies	20	-	-
General expenses	21	8,616,710	7,461,319.00
Finance costs	22	-	-
Total expenses		40,841,508	17,510,903.00
Other gains/(losses)		-	-
Gain/Loss on disposal of non-Current assets	23	-	-
Unrealized gain on fair value of investments	24	-	-
Medical services contracts Gains/Losses	25	-	-
Impairment loss	26	-	-
Gain on foreign exchange transactions		-	-
Total other gains/(losses)		-	-
Net Surplus / (Deficit) for the year		10,482,456	(2,400,770.00)

The Hospital's financial statements were approved by the Board on 19/11/2025 and signed on its behalf by:

.....
Chairman
Board of Management

.....
Head of Finance
ICPAK No:12669

.....
Medical Superintendent

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	27	18,257,988	1,386,544.00
Prepayments	28		
Receivables from exchange transactions	29	1,795,040	6,768,494.00
Receivables from non-exchange transactions	30	-	-
Inventories	31	10,579,528	3,903,890.00
Total Current Assets		30,632.286	12,058,928.00
Non-current assets			
Property, plant, and equipment	32	-	-
Intangible assets	33	-	-
Investment property	34	-	-
Biological Assets	35		
Total Non-current Assets		-	-
Total assets (A)		30,632,286	12,058,928.00
Liabilities			
Current liabilities			
Trade and other payables	36	15,348,970	3,650,700.00
Refundable deposits from Patients/Prepayments	37		-
Provisions	38		-

Ahero County Hospital (County Government Of Kisumu)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Finance lease obligation	39		-
Current portion of deferred income	40		-
Current portion of borrowings	41		-
Total Current Liabilities			3,650,700.00
Non-current liabilities			
Provisions	38		-
Non-Current Finance lease obligation	39		-
Non-Current portion of deferred income	40		-
Non - Current portion of borrowings	41		-
Service concession Arrangements	42		-
Total non-current liabilities			-
Total Liabilities (B)		15,348,970	8,408,228.00
Net assets (A-B)		15,283,316	8,408,228.00
Represented by:			
Reserve		4,800,860	2,400,770.00
Accumulated surplus/Deficit		10,482,456	6,007,458.00
Capital Fund		-	-
Net Assets		15,283,316	8,408,228.00

(The Hospital has plant, property and equipment that have not been evaluated. The facility also sit on a parcel of land that the title deed acquisition is in progress, however the valuation is yet to done)

The Hospital's financial statements were approved by the Board on 19/11/2026 and signed on its behalf by:

.....

Chairman
Board of Management

.....

Head of Finance
ICPAK No:12669

.....

Medical Superintendent

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2024	-	8,408,228	-	8,408,228
Revaluation gain/prior year adj	-	(1,999,608)	-	(1,999,608)
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
As at June 30, 2024	-	4,800,860	-	4,800,860
	-		-	
At July 1, 2025	-	10,482,456	-	10,482,456
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
At June 30, 2025	-	15,383,316	-	15,383,316

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		-	6,768,494
Grants from donors and development partners		-	-
Transfers from other Government entities		-	-
Public contributions and donations		-	-
Rendering of services- Medical Service Income		38,949,396	8,341,639
Revenue from rent of facilities		-	-
Finance / interest income		-	-
Miscellaneous receipts(<i>specify</i>)		-	-
Total Receipts		38,949,396	15,110,133
Payments			
Medical/Clinical costs	15	13,410,314	5,385,973.
Employee costs	16	3,713,840.	3,586,421
Board of Management Expenses	17	179,000	96,000.
Depreciation and amortization expense	18	-	981,190
Repairs and maintenance	19	2,943,035	-
Grants and subsidies	20	-	7,461,319
General expenses	21	5,213,729	-
Finance costs	22	-	-
Total Payments		25,459,918	17,510,903
Net cash flows from operating activities		13,489,478	(2,400,770)'

Ahero County Hospital (County Government Of Kisumu)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Cash flows from investing activities			
Purchase of property, plant, equipment		(-)	(-)
Purchase of intangible assets		(-)	(-)
Proceeds from the sale of PPE		(-)	(-)
Acquisition of investments		(-)	(-)
Net cash flows used in investing activities		(-)	(-)
Cash flows from financing activities			
Proceeds from borrowings		(-)	(-)
Repayment of borrowings		(-)	(-)
Capital grants received		-	-
Net cash flows used in financing activities		(-)	(-)
Net increase/(decrease) in cash and cash equivalents		13,489,478	(2,400,770)
Cash and cash equivalents as at 1 July 2024	27	7,415,958	
Cash and cash equivalents as at 30 June 2025	27	18,257,988	7,415,958

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 utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	-	-	-	-	-	%
Receipts						
Transfers from the County Government	-	-	-	-	-	%
Grants from donors and development partners	-	-	-	-	-	%
Transfers from other Government entities	-	-	-	-	-	%
Public contributions and donations	-	-	-	-	-	%
Rendering of services- Medical Service Income	45,000,000	-	45,000,000	38,949,396	6,050,604	87%
Revenue from rent of facilities	-	-	-	-	-	%
Finance / interest income	-	-	-	-	-	%
Miscellaneous receipts (<i>specify</i>)	-	-	-	-	-	%
Total receipts	45,000,000	-	45,000,000	38,949,396	6,050,604	87%
Payments						
Medical/Clinical costs	19,520,000	-	19,520,000	13,410,314	6,109,686	69%
Employee costs	4,500,000	-	4,500,000	3,713,840	786,160	83%
Remuneration of directors	200,000	-	200,000	179,000	21,000	90%

Ahero County Hospital (County Government Of Kisumu)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Grants and subsidies	-	-	-		-	%
General expenses	13,180,000	-	13,180,000	5,213,729	7,966,271	40%
			0			
Finance costs	-	-	-	-	-	-
Refunds	-	-	-	-	-	-
Total Operational Expenditure paid	45,000 000	-	42,400,000	25,459,918	16,940,082	60%
			0			
Capital Expenditure		-		-	-	%
Surplus	-	-	-	13,489,478	-	%

:

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	A
1	Reason for differences	
2	Reason for differences	
3	Reason for differences	
4	Reason for differences	
	Closing Cash and Cash Equivalent as per the statement of Cash flows	

18. Notes to the Financial Statements

1. General Information

xxx entity is established by and derives its authority and accountability from xxx Act. The entity is wholly owned by the xxx County Government and is domiciled in xxx County in Kenya. The entity's principal activity is xxx.

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

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

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

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

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, 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: 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.
IPSAS 45- Property Plant and Equipment	<i>Applicable 1st January 2025</i> 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

Standard	Effective date and impact:
	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.
IPSAS 46 Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i> 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.
IPSAS 48- Transfer	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer

Standard	Effective date and impact:
Expenses	provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

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 *Entity* 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 xxx was approved by Board on ~~xxxx~~. 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. Accordingly, the *entity* recorded additional appropriations of ~~xxxx~~ on the FY xxx budget following the Board's approval. The *entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

c. Taxes

Sales tax/ Value Added Tax

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

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

taxation authority is included as part of receivables or payables in the statement of financial position.

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Biological Assets

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

i. Research and development costs

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

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

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

j. Financial instruments

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

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Financial liabilities

Classification

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

k. Inventories

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

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

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

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

l. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

Notes to the Financial Statements (Continued)

m. Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

n. Contingent liabilities

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

o. Contingent assets

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

p. Nature and purpose of reserves

The entity creates and maintains reserves in terms of specific requirements. (*Entity to state the reserves maintained and appropriate policies adopted.*)

q. 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)

r. Employee benefits

Retirement benefit plans

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

s. Foreign currency transactions

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

t. Borrowing costs

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

construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

u. Related parties

The 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.

v. 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.

w. Cash and cash equivalents

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

x. Comparative figures

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

y. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 20XX.

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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	2024-2025	2023-2024
	KShs	KShs
Unconditional grants		
Operational grant		
Level 4/5 grants		
Unconditional development grants		
Other grants (<i>specify</i>)		
Conditional grants		
User fee forgone		
Transforming health services for Universal care project (THUCP)		
DANIDA		
Wards Development grant		
Paediatric block grant		
Administration block grant		
Laboratory grant		
Total government grants and subsidies		

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
			KShs	KShs	KShs
xx County Government					
Total					

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	2024-2025	2023-2024
	KShs	KShs
Salaries and wages		
Medical supplies-Drawings Rights (KEMSA)		
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)		
Utility bills		
Total grants in kind		

8. Grants From Donors and Development Partners

Description	2024-2025	2023-2024
	KShs	KShs
Cancer Centre grant- DANIDA		
World Bank grants		
Paediatric ward grant- JICA		
Research grants		
Other grants (<i>specify</i>)		
Total grants from development partners		

8 (a) Grants from donors and development partners (Classification)

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA					
JICA					
World Bank					
Total					

Notes to Financial Statements Continued

9. Transfers From Other Government Entities

Description	2024-2025	2023-2024
	KShs	KShs
Transfer from National Government (Ministry of Health)		
Transfer from National Hospital		
Transfer from Institute		
Total Transfers		

10. Public Contributions and Donations

Description	2024-2025	2023-2024
	KShs	KShs
Public donations		
Donations from local leadership		
Donations from religious institutions		
Donations from other international organisations and individuals		
Other donations(<i>specify</i>)		
Donations in kind-amortised		
Total donations and sponsorships		

10 (a)Reconciliations of amortised grants

Description	2024-2025	2023-2024
	Kshs	Kshs
Balance unspent at beginning of year		
Current year receipts		
Amortised and transferred to revenue		
Conditions to be met – remain liabilities		

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Description	2024-2025	2023-2024
	Kshs	Kshs
Pharmaceuticals	7,436,696	939,986
Non-Pharmaceuticals	6,809,411	126,799
Laboratory	6,091,390	154,602
Radiology	1,268,848	304,546
Orthopedic and Trauma Technology	300,648	66,250
Theatre	8,680,889	38,250
Accident and Emergency Service	957,678	232,121
Anesthesia Service	585,457	-
Ear Nose and Throat service	70,985	-
Nutrition service	9,162,363	1,338,197
Cancer centre service	-	-
Dental services	140,390	125,696
Reproductive health	180,566	7,720
Paediatrics services	7,460,304	-
Farewell home services	738,360	1,127,500
Ambulance services	-	10,000
Other medical services income (<i>Health Records</i>)	1,339,979	8,341,640
Other medical services income (<i>Tikko</i>)	100,000	
Total revenue from the rendering of services	51,323,964	14,205,631

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	2024-2025	2023-2024
	Kshs	Kshs
Residential property		
Commercial property		
Total Revenue from rent of facilities		

13. Finance /Interest Income

Description	2024-2025	2023-2024
	Kshs	Kshs
Interest income from Cash investments and fixed deposits		
Interest income from short- term/ current deposits		
Interest income from Treasury Bills		
Interest income from Treasury Bonds		
Interest from outstanding debtors		
Total finance income		

(Provide brief explanation for this revenue)

14. Miscellaneous Income

Description	2024-2025	2023-2024
	KShs	KShs
Insurance recoveries		
Income from sale of tender		
Services concession income		
Sale of goods (water, publications, containers etc)		
Write backs (Deposits, payments in advance etc)		
Bad debts recovered		
<i>Others (Specify)</i>		
Total Miscellaneous income		

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Dental costs/ materials	53,600	156,200
Laboratory chemicals and reagents	5,081,634	1,404,720
Public health activities	405,955	957,,340
Food and Ration	4,248,182	1,810,390
Uniform, clothing, and linen	143,165	273,000
Dressing and Non-Pharmaceuticals	5,518,251	3,240,830
Pharmaceutical supplies	4,875,875	2,391,480
Health information stationery	-	1,923,710
Reproductive health materials	-	83,210
Sanitary and cleansing Materials	1,689,455	430,960
Purchase of Medical gases	32,000	127,320
X-Ray/Radiology supplies	-	
Other medical related clinical costs (<i>specify</i>)	-	
Total medical/ clinical costs	22,048,117	12,766,160

16. Employee Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Salaries, wages, and allowances	3,150,670	2,719,560
Contributions to pension schemes	877,576	105,600
Service gratuity	0	
Performance and other bonuses	0	
Staff medical expenses and Insurance cover	0	91,200
Group personal accident insurance and WIBA	0	
Social contribution	0	
Other employee costs (<i>specify</i>)	0	
Employee costs	4,028,246	2,916,360

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	2024-2025	2023-2024
	Kshs	
Chairman's Honoraria	-	
Sitting allowance	130,000	96,000
Mileage	-	
Insurance expenses	-	
Induction and training	-	
Travel and accommodation allowance	49,000	
Airtime allowances	-	
Total	179,000	96,000

18. Depreciation and Amortization Expense

Description	2024-2025	2023-2024
	Kshs	Kshs
Property, plant and equipment		
Intangible assets		
Investment property carried at cost		
Total depreciation and amortization		

19. Repairs And Maintenance

Description	2024-2025	2023-2024
	Kshs	Kshs
Property- Buildings	3,945,898	135,920
Medical equipment	1,653,577	
Office equipment	-	
Furniture and fittings	617,000	6,230
Computers and accessories	566,140	98,700
Motor vehicle expenses	886,820	430,210
Maintenance of civil works	-	150,300
Total repairs and maintenance	7,669,435	821,360

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Description	2024-2025	2023-2024
	Kshs	Kshs
Community development and social work		
Education initiatives and programs		
Free/ subsidised medical camp		
Disability programs		
Free cancer screening		
Social benefit expenses		
Other grants and subsidies(<i>specify</i>)		
Total grants and subsidies		

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42.

21. General Expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Advertising and publicity expenses	586,217	-
Catering expenses	259,000	43,000
Waste management expenses		253,240
Insecticides and rodenticides		247,300
Audit fees		-
Bank charges	53,594.25	-
Conferences and delegations		230,000
Consultancy fees		-
Contracted services	1,124,200	864,000
Electricity expenses	515,000	620,000
Fuel and Lubricants	1,217,124	2,520,000
Insurance		-
Research and development expenses		-
Travel and accommodation allowance	691,945	780,000
Legal expenses		-
Licenses and permits		-
Courier and postal services		-
Printing and stationery	2,721,712	1,080,400
Hire charges		
Rent expenses		
Water and sewerage costs		180,000

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Description	2024-2025	2023-2024
	Kshs	Kshs
Skills development levies		
Telephone and mobile phone services	166,400	420,000
Internet expenses	1,281,518	
Staff training and development	-	
Total General Expenses	8,616,710	4,969,940

22. Finance Costs

Description	2024-2025	2023-2024
	KShs	KShs
Borrowings (amortized cost) *		
Finance leases (amortized cost)		
Interest on Bank overdrafts/Guarantees		
Interest on loans from commercial banks		
Total finance costs		

23. Gain/Loss on Disposal of Non-Current Assets

Description	2024-2025	2023-2024
	KShs	KShs
Property, plant, and equipment		
Intangible assets		
Other assets not capitalised (<i>specify</i>)		
Total gain on sale of assets		

24. Unrealized Gain On Fair Value Investments

Description	2024-2025	2023-2024
	KShs	KShs
Investments at fair value		
Total gain		

Notes to the Financial Statements (Continued)

25. Medical Services Contracts Gains /Losses

Description	2024-2025	2023-2024
	KShs	KShs
Comprehensive care contracts with NHIF/SHA		
Non- Comprehensive contracts care with NHIF/SHA		
Linda Mama Program		
Waivers and Exemptions		
Total Gain/Loss		

26. Impairment Loss

Description	2024-2025	2023-2024
	KShs	KShs
Property, plant, and equipment		
Intangible assets		
Investments		
Total impairment loss		

27. Cash And Cash Equivalents

Description	2024-2025	2023-2024
	KShs	KShs
Current accounts	17,730,302	7,415,957.90
On - call deposits	-	
Fixed deposits accounts	-	
Cash in hand	-	
Others(<i>specify</i>)- Mobile money	527,686.00	
Total cash and cash equivalents	18,257,988	7,415,957.90

Notes to the Financial Statements (Continued)

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

Description		2024-2025	2023-2024
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1156872839	17,361,592	6,029,413
Cooperative bank of Kenya	011414495253000	368,710	1,386,544.90
Sub- total		17,730,302	7,415,957.90
b) On - call deposits		-	
Kenya Commercial bank		-	
Equity Bank – etc		-	
Sub- total		-	
c) Fixed deposits account		-	
Bank Name		-	
Sub- total		-	
d) Others(specify)		-	
cash in hand		-	
Mobile money- Mpesa, Airtel money	4089661	527,686	
Sub- total		527,686	
Grand total		18,257,988	7,415,957.90

28. Prepayments

Description	2024-2025	2023-2024
	Kshs	Kshs
Insurance		
Rent		
Water		
Internet		
Others specify		
Total		

29. Receivables From Exchange Transactions

Description	2024-2025	2023-2024
	KShs	KShs
Medical services receivables		
Rent receivables		
Other debtors (Social Health Insurance Fund- SHIF)	1,795,040	6,768,494
Less: impairment allowance		
Total receivables	1,795,040	6,768,494

Analysis of Receivables From Exchange Transactions

Description	2024-2025		2023-2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	1,795,040	100%	3,000,000	40%
Between 1- 2 years		%	3,768,494	60%
Between 2-3 years		%		%
Over 3 years		%		%
Total (a+b)	1,795,040	100%	6768494	%

30. Receivables From Non-Exchange Transactions

Description	2024-2025	2023-2024
	KShs	KShs
Transfers from the County Government		1,934,000
Undisbursed donor funds		
Other debtors (<i>non-exchange transactions</i>)		
Less: impairment allowance		
Total		1,934,000

Analysis of Receivables From Non-Exchange Transactions

Description	2024-2025		2023-2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year		%	1,934,000	%
Between 1- 2 years		%		%
Between 2-3 years		%		%
Over 3 years		%		%
Total (a+b)		%	1,934,000	%

31. Inventories

Description	2024-2025	2023-2024
	KShs	KShs
Pharmaceutical supplies	814,518	1,091,795
Maintenance supplies	-	-
Food supplies	393,840	-
Non Pharmaceuticals	6,099,135	
Laboratory chemicals and reagents	2,426,585	2,661,240
Linen and clothing supplies	-	-
Cleaning materials supplies	753,380	-
General supplies	91,800	150,855
Less: provision for impairment of stocks	-	-
Pharmaceutical supplies	814,518	-
Total	10,579,258	3,903,890

Detailed disclosure on inventories

	2024-2025	2023-2024
Opening balance	3,903,890	
Additional Inventory in the year	14,186,707	
Inventory expensed in the year	7,511,339	
Write-downs in the year		
Others specify		
Closing balance	10,579,258	

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Notes to the Financial Statements (Continued)

32. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (specify)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
Cost									
At 1 July 2024(previous year)									
Additions									
Disposals									
Transfers/adjustments									
Revaluation Adjustments									
At 30th Jun 2025									
At 1 July 2024(current year)									
Additions									
Disposals									
Transfer/adjustments									
Revaluation Adjustments									
At 30th Jun 2025									
Depreciation and impairment									
At 1 July 2024 (previous year)									
Depreciation for the year									
Disposals									

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (specify)	Capital Work in progress	Total
Impairment									
At 30 June 2024									
At July 2024 (current year)									
Depreciation									
Disposals									
Impairment									
Transfer/adjustment									
At 30th June 2025									
Net book values									
At 30 th Jun 2024 (previous)									
At 30 th Jun 2025(current)									

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Notes to the Financial Statements (Continued)

33. Intangible Assets-Software

Description	2024-2025	2023-2024
	KShs	KShs
Cost		
At beginning of the year		
Additions		
Additions–Internal development		
Disposal		
At end of the year		
Amortization and impairment		
At beginning of the year		
Amortization for the period		
Impairment loss		
At end of the year		
NBV		

34. Investment Property

Description	2024-2025	2023-2024
	KShs	KShs
At beginning of the year		
Additions		
Disposals during the year		

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Fair value gain		
Depreciation (<i>where investment property is at cost</i>)		
Impairment		
At end of the year		

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Notes to the Financial Statements (Continued)

35. Biological Assets

Description	2024-2025	2023-2024
	Kshs	Kshs
Trees in a plantation forest		
Animals: Dairy Cattle, Pigs, Sheep		
Others specify		
Total		

36. Trade and other Payables

Description	2024-2025		2023-2024	
	KShs		KShs	
Trade payables	15,034,564			
Employee dues	-			
Third-party payments (<i>e.g. unremitted payroll deductions- NSSF</i>)	314,406			
Audit fee	-			
Doctors' fee	-			
Total trade and other payables	15,348,970			
Ageing analysis:	Current FY	% of the Total	Compa rative FY	% of the total
Under one year	13,331,020	88%		%
1-2 years	533,805	3%		%
2-3 years	648,075	4%		%

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Description	2024-2025		2023-2024	
	KShs		KShs	
Over 3 years	836,070	5%		%
Total	15,348,970	100%		%

37. Refundable Deposits from Customers/Patients

Description	2024-2025		2023-2024	
	KShs		KShs	
Medical fees paid in advance				
Credit facility deposit				
Rent deposits				
Others (<i>specify</i>)				
Total deposits				
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year		%		%
1-2 years		%		%
2-3 years		%		%
Over 3 years		%		%
Total		%		%

38. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
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	KShs	KShs	KShs	KShs
Balance at the beginning of the year				
Additional Provisions				
Provision utilised				
Change due to discount & time value for money				
Total provisions				
Current Provisions				
Non-Current Provisions				
Total Provisions				

39. Finance Lease Obligation

Description	2024-2025	2023-2024
	Kshs	Kshs
Current Lease obligation		
Long term lease obligation		
Total		

40. Deferred Income

Description	2024-2025	2023-2024
	KShs	KShs
Current Portion		
Non-Current Portion		
Total		

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Notes to the Financial Statements (Continued)

40 (a) The deferred income movement is as follows:

Description	National government	International funders/ donors	Public contributions and donations	Total
Balance b/f				
Additions during the year				
Transfers to Capital fund				
Transfers to statement of financial performance				
Other transfers (<i>Specify</i>)				
Balance C/F				

41. Borrowings

Description	Insert Current FY	Insert Comparative FY
	KShs	KShs
Balance at beginning of the period		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the year		
Repayments of domestic borrowings during the year		
Balance at end of the period		

41. (a) Breakdown of Long- and Short-Term Borrowings

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Description	2024-2025	2023-2024
	KShs	KShs
Current Obligation		
Non-Current Obligation		
Total		

Notes to the Financial Statements (Continued)

42. Service Concession Arrangements

Description	2024-2025	2023-2024
	KShs	KShs
Fair value of service concession assets recognized under PPE		
Accumulated depreciation to date		
Net carrying amount		
Service concession liability at beginning of the year		
Service concession revenue recognized		
Service concession liability at end of the year		

43. Cash Generated from Operations

Description	2024-2025	2023-2024
	KShs	KShs
Surplus for the year before tax		
Adjusted for:		
Depreciation		
Non-cash grants received		
Impairment		
Gains and losses on disposal of assets		
Contribution to provisions		
Contribution to impairment allowance		
Working Capital adjustments		
Increase in inventory		
Increase in receivables		

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Increase in deferred income		
Increase in payables		
Increase in payments received in advance		
Net cash flow from operating activities		

Notes to the Financial Statements (Continued)

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024 (previous year)				
Receivables from exchange transactions				

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Receivables from –non-exchange transactions				
Bank balances				
Total				
At 30 June 2025 (current year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				

Notes to the Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from xxxx. The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				

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At 30 June 2025				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2025			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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.

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Notes to the Financial Statements (Continued)

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2025			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2024 (previous year)			
Euro	10%		
USD	10%		
2025 (current year)			
Euro	10%		
USD	10%		

b) Interest rate risk

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

Management of interest rate risk

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

Notes to the Financial Statements (Continued)

Sensitivity analysis

The entity 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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (20xx: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs xxx (20xx – KShs xxx).

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:

Description	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve		
Retained earnings		
Capital reserve		
Total funds		
Total borrowings		
Less: cash and bank balances		
Net debt/ (excess cash and cash equivalents)		

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Gearing		
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Notes to the Financial Statements (Continued)

45. 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.

xxx 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

Description	2024-2025	2023-2024
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to xxx		
Sales of services to xxx		
Total		

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Description	2024-2025	2023-2024
	Kshs	Kshs
b) Grants from the Government		
Grants from County Government		
Grants from the National Government Entities		
Donations in kind		
Total		
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees		
Payments for goods and services for xxx		
Total		
d) Key management compensation		
Directors' emoluments		
Compensation to the medical Sup		
Compensation to key management		
Total		

46. Segment Information

47. Contingent Liabilities

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Contingent liabilities	2024-2025	2023-2024
	Kshs	Kshs
Court case xxx against the hospital		
Bank guarantees in favour of subsidiary		
Total		

(Give details)

48. Capital Commitments

Capital Commitments	2024-2025	2023-2024
	Kshs	Kshs
Authorised For		
Authorised And Contracted For		
Total		

49. Events after the Reporting Period

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

50. Ultimate and Holding Entity

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

51. Currency

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

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.

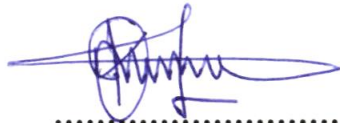
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from the final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the time frame with the appointed Focal Point persons within your entity responsible for the implementation of each issue.

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(iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



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Accounting Officer

Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

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Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30th June (Current FY)

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity:

Name Sign Date

Head of Accounts Department - Beneficiary Entity:

Name Sign Date.....

Renditures

[illegible]

Appendix V: Disaster Expenditure Reporting Template

Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments