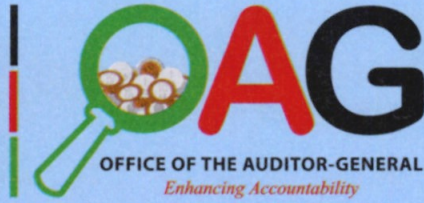


REPUBLIC OF KENYA



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279

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

PAPERS LAID	
DATE	19/2/2026
TABLED BY	Minority Cabinet
COMMITTEE	—
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HOMA BAY COUNTY

**NYANGIELA LEVEL 4 HOSPITAL
(Homa Bay County Government)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

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

Table of Contents

1. Acronyms & Glossary of Terms.....	ii
2. Key Entity Information and Management.....	iii
3. The Board of Management.....	vi
4. Key Management Team.....	viii
5. Chairman's Statement.....	ix
6. Report of the Medical Superintendent.....	x
7. Statement of Performance Against Predetermined Objectives.....	xii
8. Corporate Governance Statement.....	xv
9. Management Discussion and Analysis.....	xx
10. Environmental and Sustainability Reporting.....	xxi
11. Report of The Board of Management.....	xxiii
12. Statement of Board of Management's Responsibilities.....	xxiv
13. Report of the Independent Auditor on the financial statements of Nyangiela Level 4 Hospital.....	xxvi
14. Statement of Financial Performance for The Year Ended 30 June 2025.....	1
15. Statement of Financial Position as of 30 th June 2025.....	2
16. Statement of Changes in Net Asset for The Year Ended 30 June 2025.....	3
17. Statement of Cash Flows for The Year Ended 30 June 2025.....	4
18. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2025.....	5
19. Notes To the Financial Statements.....	6
20. Appendices.....	28

1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
PFMA	Public Financial Management Act
HAO	Health Administrative Officer
MED- SUP	Medical Superintendent
NO I/C	Nursing Officer In charge
UHC	Universal Healthcare
HMT	Health Management Team

2. Key Entity Information and Management

(a) Background information

NYANGIELA LEVEL 4 HOSPITAL is a level 4 hospital established under gazette notice No 786 4th February 2020 and is domiciled in Homabay County. The hospital is governed by a Hospital Management Committee

(b) Principal Activities

The principal activity/mission/ mandate of the *hospital* is to provide efficient and effective health care services to the community and any other client within and without Homabay county.

(c) Key Management

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

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

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Mr Prima Ogolla
2.	Health Administrative Officer	Mrs Francesca Akinyi
3.	Director Nursing Services (NO I/C)	Mrs Verah Ochumba

(c) Fiduciary oversight Arrangement

Increasingly, hospitals and health systems, along with the individuals serving in their committees and governing boards, are seeing the need for prudent oversight of their organizations. Due to a rising number of lawsuits, trustees need to ensure that their organizations are taking proactive steps to protect their organizations and themselves. Nyangiela Level 4 Hospital, being a government entity has formed various committees to ensure robust fiduciary oversight.

I. Curative Committee

The Curative committee is responsible for overseeing policies and procedures related to all aspects of medicines and other HPT use. Curative Committee is formed to improve diagnosis and treatment processes through proper dispensing of medicines. Its importance appears in different aspects such as drug selection process, cost-effectiveness, and control of drug losses.it has shown an important role in promoting, controlling and educating activities of rational drug use.

Members are:

- Medical Superintendent) – Chairperson
- Pharmacist) Pharmacy in charge– Secretary
- Clinical officer in charge
- Nursing Officer in charge
- Lab In charge
- Hospital Administrator
- Two Board Members

II. Infection and Prevention Committee

This committee looks into infection prevention on all departments

- Lab In charge –Chair
- One Clinician-Secretary
- Two Nurses

III. Catering Committee

This committee looks at nutrition for the patients

- Nutritionist –Chair
- Administrator-Secretary
- Nursing officer incharge

IV. Hospital finance Committee

Gives oversight on financial management.in the facility

- Two Board member nominated and one to chair
- Administrator
- Nursing Officer
- Accountant

Key Entity information and Management

(d) Entity Headquarters

Homabay County
P.O. Box 42-40222
Isolated Land
OYUGIS

(e) Entity Contacts

Telephone: 0722576521
E-mail: Nyangiela11@gmail.com

(f) Entity Bankers

KCB BANK
OYUGIS BRANCH
P.O. Box 42-40222
Kenya

(g) Independent Auditors

Auditor General
Office of Auditor General
Homabay County, Kenya




(h) Principal Legal Adviser

The Attorney General
State Law Office
Homabay County, Kenya

(k) County Attorney General

P.O Box
Homabay Kenya

3. The Board of Management

Ref	Directors	Details
1.	Phoebe Kamusi 	Board Chair Retired PI Teacher
2.	Mr Prima Ogola 	Medical Superintendent Diploma In Clinical Medicine
3.	Mr. Kibaki Amos 	Member of the Board representing people with disability
4.	Mr. Meshack ngare	Member of the board Theology

		Representing Faith Based Organization
5.	Warren Omollo 	Represents the Community Based Organization.
6.	Peres Oliech 	Member

4. Key Management Team

Name	Details of qualifications and experience
1. MR Prima Ogolla 	<ul style="list-style-type: none"> - Facility Incharge - Diploma in Clinical Medicine
2. MRS. Verah Ochumba 	<ul style="list-style-type: none"> -Senior nurse -Diploma in Nursing
3. MRS. Francesca Akinyi 	<ul style="list-style-type: none"> -Senior Administrator -Diploma in Finance Business -5 years' Experience as Hospital Administrator
4. MR.Mwonya Malachi 	<ul style="list-style-type: none"> -Accountant I -Bachelor of commerce accounting -Certified Public Accountant(CPA III) -10 year Experience

6. Report of the Medical Superintendent

The performance review for financial year 2024/2025 provides us another opportunity to reflect on the gains made and opportunities for improvement towards continuous provision of quality, timely and cost effective and patient-centred specialised healthcare services. Nyangiela level 4 C Hospital maintained steady growth throughout the year attributed to increased activity levels with a majority of the areas exceeding the targeted performance.

The Hospital has a robust financial management system that is based on the existing government financial management rules and regulations, Public Finance Management (PFM) act 2012, International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standard (IFRS).

I. PERFORMANCE OVER VIEW

The Hospital provides a comprehensive performance and contributions towards achieving the departmental programs objectives and at the end of the financial year it contribute highly to the achievement the Homabay county department of Health Vision.

Entity Main Objective.

The hospital is entrusted with the responsibility of ensuring the provision of quality healthcare services to its residents.

Sub Objectives

- Eliminating communicable conditions,
- Halting and reversing the rising burden of non-communicable conditions,
- Reducing the burden of violence and injuries.
- Providing essential health services,
- Minimizing exposure to health risk factors.
- Strengthening collaboration with private and other sectors.

These Objectives are well highlighted in Kenya's epidemiological profile

Summary of Achievements:

This report gives most significant achievements in Nyangiela Hospital during the fiscal year with milestones such as:

- a) **Availability of Health Commodities for healthcare services:** This has been achieved by ensuring constant Procurement of drugs, Non-pharmaceuticals, Lab Reagents, Sanitary items balanced patient Ration to the patients seeking healthcare services in the hospital.
- b) **Promoted healthy behaviours** The department has launched several initiatives to promote healthy behaviours in the community, including a campaign to discouraging gender based Violence, VCT Services, effects of alcohol addiction, regular exercise and healthy eating, and providing friendly environment for youth friendly and MAPS service uptake areas within the hospital to encourage them to come to the facility for uptake of the services, to achieve this goal, the hospital has constantly engaged CHVs for mobilization and community dialog and encouraging community to enroll on NHIF.

- c) **Improved maternal and child health:** This is achieved by encouraging mothers through CHVs to take advantage of LINDA MAMA, increase attendance of MCH services and increase of immunization rate. And also renovating maternity ward and paediatric ward.
- d) **Strengthened partnerships:** The Hospital has fostered strong partnerships with partners, and local organization to improve health outcomes and reduce health disparities especially in the area of malaria, HIV and TB control and treatment.

Challenges and Mitigation Measures:

- a) Low uptake of health services due to poor health seeking behaviour in community; 1
- b) Low uptake of NHIF/insurance in the catchment
- c) Investment towards curative and rehabilitative services at the expense of preventive and promotive services.
- d) Lack of infrastructure and personnel like nurses, medical doctors and lab technologists which affect services deliveries.

Mitigation Measures:

To address these challenges, the following measures are put in place

- a) Community outreaches and sensitization on the availability of telemedicine services for children in the facility, this is to be done by CHVs and the facility to facilitate
- b) Encouraged use of home-based care services.
- c) Strengthening of community-based care services especially in schools, churches, or community centres; adoption of integrated care models for patients who have chronic conditions or require ongoing rehabilitation; ensuring patient education and empowerment.
- d) Employing technical staff on contract/locum basis to address acute shortage of nurses and lab technologies.

I take this opportunity to acknowledge the support of The Homabay County Government, and Development partners. Many thanks to the chairman and Members of the Board for their strategic guidance and support. I wish to also register my appreciation to all stakeholders.



Mr Prima Ogola

Medical Superintendent



7. Statement of Performance Against Predetermined Objectives

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County Government entity’s performance against predetermined objectives.

Nyangiela Hospital has Five Objectives within the current CIDP of the Homa Bay County Government they are as follows;

OBJECTIVES

1. To strengthen the human resource capacity
2. To offer quality healthcare services under one roof in a most effective and efficient for the satisfaction of the customer.
3. Modernize infrastructure machinery and equipment.
4. To attain financial sustainability
5. To develop the facility health management information system.

Nyangiela Hospital develops its annual work plans based on the above 5 objectives. Assessment of the Board’s performance against its annual work plan done on a quarterly basis. The County Hospital achieved its performance targets set for the FY 2024/2025 period for its strategic pillars, as indicated in the table below:

Pillar- To Provide Integrated Accessible and Quality Healthcare Services Through Effective and Efficient Infrastructure, Training Research and Partnership.	1. To offer quality Health Services under one roof in a most effective and efficient to the satisfaction of the customer.	-To reduce referrals to other facilities. -To offer diversity in services offered by MSCH. -To fast-track efficiency and staff satisfaction with modern facility.	-Establish quality healthcare standards. (accreditation) -Strengthen client follow up mechanism and systems (Referral clinics established). -Strengthen partnership	-Improved quality of healthcare. -Expanded client base. -Improved facility reputation. -Strengthened partnership with communities, public and private sector.
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			with communities, public and private sectors. -Initiate provider driven insurance.	
	2. Modernise infrastructure, machinery and equipment	-To develop an infrastructure master plan. - Fully equip the facility.	-To develop a master plan. -Obtain equipment and maintain through the MESS program.	-All our clients are able to receive services irrespective of mode of healthcare financing.
	3. To attain financial sustainability	-Cost-benefit analysis. -Enhance internal control systems. - Diversification of revenue generation streams.	-Conduct market survey for costing of commodities -Incorporating various modes of revenue generation cash ,N.H.I.F and SHA -Upgrade	-Improved service delivery. -Improved staff retention.

			health management system to improve internal control and hence revenue collection.	
	4. To strengthen the human resource capacity.	<p>-Full potential and optimal utilization of staff.</p> <p>-To enhance Hospital performance by training and motivation of staff.</p> <p>-Upscale leadership and management for increased performances.</p> <p>-Focus on partnership with other Health Service Providers for technical</p>	<p>Keep staff informed of any development in the hospital through circulars and holding regular meetings. Holding weekly continuous medical education.</p>	<p>-Efficient data collection, management and dissemination.</p> <p>-Improved diagnosis and treatment.</p> <p>-Improved access to relevant health infrastructure and data.</p>

		support.		
	5. To develop facility Health Management Information System.	-Up scaling quick and efficient service delivery. -ICT systems in place. -Build staff ICT capacity. -Improve access to ICT materials.	-Upgrade ICT systems. -Build staff ICT capacity by training. -Improve access to IEC materials.	

8. Corporate Governance Statement

The Hospital of management have responsibilities, Functions, structures and ethical conduct. In addition to this, their major priority is ensuring excellent service delivery to patients.

Role of the Board

The responsibility of driving good corporate governance and stewardship of the Hospital is vested in the board. The board through its committees provide strategic direction while the Medical Superintendent assisted by the Executive Management Committee is accountable to the Board for implementing the strategy.

I. Management Discussion and Analysis

Clinical performance

During the financial year ending 30th June 2025, Nyangiela Level 4 Hospital continued to offer specialized medical care by attending to over 10,000 patients..

Reproductive Health

A total of 200 deliveries were conducted during the year under review. This is attributed mainly to increased referrals from sub counties and nearby counties, in need of specialized maternity services and the support from the Government of Kenya through the Linda Mama Scheme, which has allowed mothers to deliver at Nyangiela Hospital without having to personally incur any cost.

I. Environmental and Sustainability Reporting

The Hospital exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

As a Sub county hospital, we recognize that we must conduct our operations in a manner that considers the environmental and social impact to ensure that success and longevity of the business. We are committed to being transparent, candid, and open about our operations.

At Nyangiela Hospital we have a pragmatic approach to sustainability; we focus on identifying and putting into practice initiatives and programs that deliver real world and lasting benefits to all our stakeholders.

Engaging with our stakeholders informs our decision making, strengthened our relationship and helps us deliver our commitments and success as an entity. In order to achieve these goals, we recognize that we must work in partnership with other interested stakeholders in who share our commitment and have a stake in our entity.

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

ii) Environmental performance

In our offices and clinical areas, we continue encouraging employees to help reduce energy consumption by switching of their computers and lights at the end of the day.

As part of adopting energy efficient technology, we have a microwave incinerator that helps with waste management.

In packaging of medicine, we use environmentally friendly bags. In medical waste we are using bags which are clearly marked for clinical waste, bottles, leftover food, staffs are also provided with personal protective equipment

iii) Employee welfare

The Hospital staff are employed and remunerated by the Homabay County Government. With recruitment policy of at least a third is not of more than one gender.

Policy guiding hiring process

Every department prepares Human Resource Plans to support achievement of goals and objectives in their strategic plans. The plans are based on comprehensive job analysis and are reviewed every year to address emerging issues and staffing needs.

On the basis of these Human resource plans, departments develop annual recruitment plans which are forwarded to the County Public Service Board at the beginning of each financial year to enable it plan to fill vacancies.

Departments through the County Public Service Board will advertise all vacant posts in a manner that reaches the widest pool of potential applicants.

Recruitment is undertaken on the basis of fair competition and merit, representation of Kenyans diverse communities, adequate and equal opportunities to all gender, youth, members of all ethnic groups, persons with disabilities and minorities.

Efforts made in improving skills and managing careers

Training and capacity building in the County's Public Service is key towards improving skills and managing career progression.

Training Needs Assessment is a performance audit that generates and provides information to assess the inadequacy of knowledge and skills which inhibits an organisation from attaining its objectives.

Training in the County's Public Service is based on Training Needs Assessment which are conducted in each department.

Departments are required to prepare training projections based on Training Needs Assessment to guide in the nomination of officers for training.

Selection of trainees for all training programmes are based on identified needs and normally emphasises on training for performance improvement.

Training programmes comprise both short- and long-term courses in specific professions that are intended to impart required knowledge, skills and attitudes to enhance staff performance.

The County continually develops its employee's professional knowledge and skills and encourage them to join relevant professional bodies. The County establishes mechanisms for supporting employees where the career guidelines require them to be members of a professional body.

For new staff who have joined the County, Induction Training is expected to help them familiarise with the work environment and requirements. Departments are expected to conduct induction training within three (3) months for newly recruited officers and those joining the departments on transfers, promotions and re-designation.

Appraisal and reward system

Staff Performance Appraisal System is predicated upon the principles of work planning, setting of agreed performance targets, feedback and reporting. Appraisal systems are also linked to other human resource systems and processes including staff development, career progression, placement, rewards and sanctions.

Prior to the beginning of the performance appraisal period, departments prepare work plans based on their strategic plans. The departments work plans includes the departmental priorities objectives from which individual performance targets will be derived.

Employee's individual work plans will be derived from the departmental work plans and officers job description.

The appraisals period covers one (1) year starting 1st July to 30th June of the following year. The performance appraisal reflects the summation of the year's performance including quarterly and mid-year reviews.

Reward System

Exemplary performance is rewarded through incentives, promotions, recognition of major improvements, training.

Policy on safety and compliance with occupational safety and health Act of 2007, (OSHA)

Employees are protected from accidents and occupational hazards arising at the work place. Measures to prevent and mitigate against accidents at work place, explosions, fire, floods, earthquakes, both threats. Through provision of First aid kits, fire protection, fire fighting and demonstration, providing fire assembly areas, emergency preparedness in such events.

- Fire protection and protection in buildings
- No hazardous or highly inflammable materials should be stored in buildings
- Fire fighting equipment should be placed in strategic places
- Provision of protective equipment and clothing
- Medical examination
- Compensation of officers in case of injury at work

iv) **Market place practices-**

Responsible Supply chain and supplier relations

Nyangiela has suppliers that supply goods and services. We manage contracts and engage multiple service providers for our operations. Our own reputation as service providers is always a top priority. For that reason, we are focused on ensuring our suppliers comply with best practices and adhere to our contract agreement for all services and goods offered.

v) **Corporate Social Responsibility Statement**

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

9. Management Discussion and Analysis

The management used tables to make the information user friendly. The information does not show a comparison with the previous years because it is the first time the Hospital management is preparing financial statements under the accrual system.

Clinical Performance

Nyangiela Level 4 Hospital provides a wide range of highly specialized healthcare services to Kenyans, patients from Homabay County and across the neighboring counties. Specialized services include, special outpatient clinics, inpatient care, day care procedures for surgery, ophthalmology, dental amongst other services. The hospital also provides clinical support services that include laboratory and pharmacy.

Average Length of Stay

The average length of stay (ALOS) is an indicator of efficiency in the provision of inpatient health care in the hospital. Generally, the average length of stay in the hospital has been falling

Mortality Rate

During the period under review, the death rate averaged 5%. This is attributed to the critically ill patients referred to and managed in the hospital.



Mr Prima Ogola

Medical Superintendent



10. Environmental and Sustainability Reporting

Nyangiela Level 4 Hospital exists to transform lives of human beings and their environment. This 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's policies and activities that promote sustainability.

Sustainability strategy and profile

The top management especially the accounting officer refers to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

vi) Environmental performance

The organization has environmental policy in the county environment department guiding the organisation. The hospital also manages its waste within the facility through public health in collaboration with department of environment. During the year the facility has done maintenance for the existing incinerator.

vii) Employee welfare

The hospital implements policies guiding the hiring process and whether they take into account the gender ratio, stakeholder engagements and how often they are improved. It also ensures that employees are supported in improving skills and managing knowledge at work. The organisation has in place a policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

viii) Market place practices-

a) Responsible competition practice.

The organisation ensures responsible competition practices with fair competition, and respect for competitors by competitively awarding contract.

b) Responsible Supply chain and supplier relations

The management maintains good business practices, and treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement

The hospital maintains ethical marketing practices.

iv) Corporate Social Responsibility / Community Engagements

The hospital management has from time to time provided waivers and exemptions to patients who are not able to pay hospital bills based on investigations and report done by social services department as stated in the waiver policy. The hospital has ongoing patient follow ups within the community plus community sensitization on environmental issues through its arm of public health.

11. Report of The Board of Management

The Board of Management 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.

a) Principal activities

The principal activities of the Hospital are:

- i. Provide financial resources for medical supplies, rehabilitation and medical equipment for health facilities in the Hospital.
- ii. Support capacity building in the management of the Hospital
- iii. To give decision making autonomy to the Hospital management committees, to plan and manage the resources within their control
- iv. To improve the quality of health care services in the Hospital

b) Results

The results of the Hospital for the year ended June 30, 2025, are set out on page 1

c) Auditors

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

By Order of the Board



Prima Ogola
Secretary to the Board

Date

2-12-2025



12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of Nyangiela Level 4 Hospital, which gives a true and fair view of the state of affairs of the hospital at the end of the financial year and the operating results of the hospital for that year. The Board of Management is also required to ensure that Nyangiela Level 4 Hospital keeps proper accounting records, which disclose with reasonable accuracy the financial position of the hospital. The board members are also responsible for safeguarding the assets of the hospital.

The Board of Management is responsible for the preparation and presentation of the hospital 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
- (iv) 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. The Board members are of the opinion that the hospital's financial statements give a true and fair view of the state of Nyangiela Level 4 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 hospital's financial statements as well as the adequacy of the systems of internal financial control.

Nyangiela Level 4 Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Nothing has come to the attention of the Board of management to indicate that the 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 2-12-2025 and signed on its behalf by:

Chairperson

Mrs Phoebe Kamusi

Board of Management

P. A. K.



Secretary BOM

Mr. Prima Ogola

Medical Superintendent

[Handwritten signature]

REPUBLIC OF KENYA



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Website: www.oagkenya.go.ke

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

REPORT OF THE AUDITOR-GENERAL ON NYANGIELA LEVEL 4 HOSPITAL OR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF HOMA BAY

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 Nyangiela Level 4 Hospital - County Government of Homa Bay set out on pages 1 to 28, which comprise of the statement of financial position, as at 30 June, 2025 and the statement of statement of financial performance, statement of changes in of net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in

accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nyangiela Level 4 Hospital - Government of Homa Bay as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Inaccuracies in the Financial Statements

The statement of financial position reflects net assets balance of Kshs.32,260,200 which is represented entirely by accumulated surplus. However, in the statement of changes in net assets, the balance consists of accumulated surplus of Kshs.21,108,025 and capital fund balance of Kshs.11,152,175. No explanation was provided for this anomaly.

Further, the statement of changes in net assets reflects nil balances as ta 1 July, 2023 in respect of accumulated surplus and capital fund. However, the audited statement for the previous year indicates corresponding balances of negative Kshs.678,535 and Kshs.4,423,916, resulting in variances of the same amounts.

The statement of cash flows does not reconcile cash flows from operating activities in the notes to the financial statements, as required by the PSASB Financial Statement Reporting Template, 2025.

The statement of comparison of budget and actual amounts does not disclose carryovers represented by the opening cash balance of Kshs.734,897.

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

1. Inaccurate Trial Balance

The trial balance provided for audit verification did not disclose the property, plant, and equipment balance of Kshs.7,857,920.

In the circumstances, the accuracy and completeness of Property, plant and equipment balance could not be confirmed.

2. Unsupported and Unconfirmed Receivables from Exchange Transactions

The statement of financial position, and as disclosed in Note 11 to the financial statements, reflects receivables from exchange transactions balance of

Kshs.26,956,670 which differs with the supporting schedules balance of Kshs.18,652,332, resulting in an unreconciled variance of Kshs.8,304,338. Further, there was no evidence of efforts made to recover the outstanding amounts.

In addition, out of the balance of Kshs.26,956,670 Kshs.16,764,092 represents irrecoverable rejected claims from SHA that the Hospital classified as receivables.

In these circumstances, the accuracy, completeness, and recoverability of the reported receivables from exchange transactions could not be confirmed.

3. Misclassified Expenses

The statement of financial performance and as disclosed in note 6 to the financial statements reflects general expenditure amounting to Kshs.8,299,956. However, expenditure amounting to Kshs.1,050,000 for office furniture and household was incorrectly classified under general expenditure instead of property, plant and equipment.

Further, the Statement of Financial Performance as disclosed in Note 3 reflects medical/clinical expenses amounting to Kshs.22,244,410. Review of sampled expenditure totaling Kshs.11,781,000 revealed that the payments were not supported by key procurement documents such as advertisements, bids, tender evaluations, professional opinions, award letters, or signed contracts. The suppliers were single-sourced without evidence of a fair, equitable, transparent, and competitive procurement process. The facility also failed to provide a register of registered suppliers or evidence of an appointed inspection and acceptance committee. As a result, the regularity, accuracy, and completeness of the expenditure could not be confirmed.

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

4. Unsupported Revenue from Exchange Transactions

The statement of financial performance reflects revenue from exchange transaction amounting to Kshs.68,761,372, which, as disclosed in Note 1 and 2 to the financial statements. This includes rendering of services amounting to Kshs.433,445, National Health Insurance Fund (NHIF) amounting to Kshs.11,522,667 and Social Health Authority (SHA) claims amounting to Kshs.56,795,260.

However, the ledger schedule supporting revenue from rendering services amounting to Kshs.433,445 was not accompanied by detailed billing reports indicating the revenue generated from each patient.

The Hospital also lacked an integrated revenue collection system that links various departments, including the laboratory and pharmacy. Instead, it relies on a manual system for operations such as receipting, billing, and report generation, which cannot be interlinked.

In the circumstances, the accuracy and completeness of the revenue from exchange transaction amounting to Kshs.68,761,372 could not be confirmed.

5. Unsupported Inventory of Pharmaceutical and Non-Pharmaceutical Supplies

The Statement of financial position reflects Inventory balance amounting to Kshs.1,387,905 as disclosed in Note 10 to the financial statements. However, the inventory and stock taking report for the year under review was not provided, contrary to Section 162(2) of the Public Procurement and Asset Disposal Act, 2015 which requires the Head of Procurement Function to arrange for occasional visits of inspection to the stores, at least quarterly in each calendar year, and conduct quarterly and annual inventory and stock taking in order to ensure compliance with all respective governing laws and submit the report to the Accounting Officer.

In addition, the facility management did not provide the updated inventory register as at 30 June, 2025.

In the circumstances, the existence, completeness, and accuracy of the inventory balance of Kshs.1,387,905 could not be confirmed.

6. Unreconciled Revenue from Exchange Transactions

The statement of financial performance shows revenue from exchange transaction-NHIF receipt totaling Kshs.68,317,927, as disclosed in Note 2 to the financial statements. This includes revenue of Kshs.56,795,260 from the Social Health Authority (SHA).

However, the facility SHA portal shows that the facility submitted claims totaling Kshs.58,010,552 during the year under review, out of which claims amounting to Kshs.16,755,200 were rejected due to the submission of incorrect documentation, indicating negligence on the part of facility management.

As at 30 June, 2025, the facility's SHA claims schedule reflected a total of Kshs.56,681,460, whereas the SHA portal showed submitted claims amounting to Kshs.58,010,552, resulting in an unreconciled variance of Kshs.1,329,092.

Further, although the facility received SHA payments amounting to Kshs.4,644,449 as reflected in its bank statements, it had made claims worth Kshs.9,618,810 as per the SHA system, resulting in an underpayment of Kshs.4,974,361.

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

In the circumstances, the accuracy and completeness of the reported NHIF/SHA revenue of Kshs.68,317,927 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects revenue budget and actual on comparable basis amounts of Kshs.81,526,940 and Kshs.68,761,372. Resulting in underfunding of Kshs.12,765,568, or 16% of the budget. Similarly, the statement reflects actual receipts of Kshs.68,761,372 out of which, the Hospital spent Kshs.44,979,051, resulting in underutilization Kshs.23,782,321 of Kshs.30,474,181 or 35% of actual receipts.

The underfunding and underutilization constrained execution of planned activities and delivery of medical services to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

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

Other Information

The Management is responsible for the Other Information set out on page i to xxv which comprise of Key Entity Information and Management, The Board of management, Key Management Team, Chairman's Statement, Report of the Medical Superintendent, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the of Board of Management and Statement of management's responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

Review of revenue records obtained from the Nyangiela Level IV Hospital revealed total collection of Kshs.42,549,460 towards the health facilities improvement. Out of this amount, a total of Kshs.32,729,300 was transferred to Special Purpose Account at the health department. However, Special Purpose Account reimbursed a total of Kshs.26,183,440 to the health facilities resulting in a deficit of Kshs.6,545,860. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing account. In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

In the circumstances, Management of the County Special Purpose Account (SPA) was in breach of the law.

2. Irregular issuance of Hospital Registration certificate

Review of documents revealed that Nyangiela Level 4 Hospital was issued with certificate of registration number GK-013881 without meeting the requirements of a level 4 hospital contrary to Rule 16(2)(a)(b)(c) and (d) of the Medical Practitioners and Dentists (Inspections and Licensing) Rules 2022 which states that the application shall be accompanied by proof of the institution indemnity cover, current list and licensure of health professionals, name of medical director, and evidence of a submitted inspections checklist.

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

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

Review of staff biodata and discussions with management revealed that the hospital had not employed any persons with disabilities, representing 0% of its 40 staff and which is below the legally required minimum of 5%. In addition, persons with disabilities were not represented in committees and leadership structures of the hospital.

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

4. Irregular General Expenditure

The statement of financial performance as disclosed in Note 6 reflects general expenditure amounting to Kshs.8,299,956. Review of sampled expenditure totaling Kshs.5,250,000 revealed that the payments were not supported by key procurement documents such as advertisements, bids, tender evaluations, professional opinions, award letters, or signed contracts. The suppliers were single-sourced without evidence of a fair, equitable, transparent, and competitive procurement process. The facility also failed to provide a register of prequalified suppliers or evidence of an appointed inspection and acceptance committee.

In the circumstances, the value for money realized from the expenditure of Kshs.8,299,956 could not be confirmed.

5. Failure To Appoint a Facility in Charge and Accounting Officer

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

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

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

6. Lack of Quarterly Revenue Reports

The statement of financial performance reflects an amount of Kshs.68,761,372 under the Revenue from Exchange Transactions which includes rendering of services, NHIF receipts, as disclosed in Note 1 and 2 to the financial statements. However, the Hospital did not provide evidence to confirm that quarterly revenue reports were prepared and submitted to the County Treasury, with a copy to the Auditor-General, as required by Regulation 64(1) of the Public Finance Management (County Governments) Regulations, 2015. The Regulation requires the Accounting Officer,

receiver of revenue, or collector of revenue to prepare a quarterly revenue report not later than the 15th day after the end of each quarter.

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

7. Unregistered Facility's Pharmacy

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

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

8. Irregular Opening and Operation of Bank Account

An audit review established that Nyangiela Level 4 Hospital operated a bank account at a commercial bank. However, management did not provide evidence of authorization from the County Treasury for the opening of the account, nor minutes of the Board confirming the appointment of the account signatories.

This was contrary to Regulation 82(3) and (4) of the Public Finance Management (County Governments) Regulations, 2015, which stipulate that, except with the prior authority of the County Treasury, no Accounting Officer may open a bank account for the deposit, custody, or withdrawal of public funds, or for any other official banking business. In addition, the authority of the County Treasury must be conveyed in writing to the responsible Accounting Officer, with copies submitted to the Controller of Budget and the Auditor-General.

9. Non-Compliance on Medical Waste Management

Review of the operations at the hospital revealed that the facility operated without an incinerator and during the time audit non pharmaceutical Hospital waste was accumulated at the entrance of the burning chamber next to the washrooms. The sensitive biomedical and pharmaceutical waste is accumulated and transported to Rachuonyo Sub County Hospital for disposal. However, there was no evidence that Management had complied with NEMA Waste Management Regulations, 2006 on biomedical waste management on taking all practical steps to ensure that waste is managed in a manner which will protect human health and the environment against the adverse effects which may result from the waste.

Further, there was no evidence that the management segregates waste at source contrary to Section 20 of the Sustainable Waste Management Act, 2022 (Cap. 387C) which provides that a person who generates waste shall segregate it at source and dispose of it only via licensed waste service providers.

The health facility did not have a waste management plan contrary to Section 17 of the Sustainable Waste Management Act, 2022 (Cap. 387C) which obliges each county

government to prepare a waste-management plan, maintain data on waste service provision, and ensure waste recovery and disposal facilities.

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

10. Compliance with Law and Effectiveness of Upgrade of Hospital -Compliance with Minimum Required Criteria for Level 4 Hospital

Review of documents and physical inspection revealed that Nyangiela Level 4 Hospital faces significant staffing and service gaps required under Kenya Gazette Notice No. 786 of 4 February 2020. The Hospital had 23 staff members against the required 101, resulting in a shortage of 78 staff. In addition, key services such as renal, surgical, pediatric, gynecology, radiology, and tuberculosis care were not offered. The Hospital also lacked essential equipment and infrastructure expected in Level 4 hospitals, including incubators for newborns, COTS, resuscitaires in the theatre and labour ward, functional ICU and HDU beds, a renal unit with dialysis machines, and functional operating theatres for both maternity and general services.

The Hospital also faced physical and administrative challenges. It owned only 1.5 acres of land against the required 5 acres, resulting in a 3.5-acre deficit. While a Hospital Management Committee was established, the appointment letters, qualifications, and gazette notice confirming the members' appointments were not provided for audit review.

The Hospital had not automated its operations and processes, limiting integration with national health information systems and hindering effective data sharing. Further, no formal systems exist for collecting patient feedback, assessing satisfaction, or supporting continuous quality improvement.

Operational limitations further affected service delivery. The laboratory was inadequate as it lacked a bleeding area, a separate room for high-risk tests such as TB, and a biosafety cabinet for specimen handling. The laboratory store was also insufficient, lacking adequate space, a refrigerator, and an appropriate cooling system. Similarly, the pharmacy store is small and inadequate for safe storage.

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

11. Lack of an Approved Budget

The statement of comparison of budget and actual amounts indicates final revenue and expenditure budget of Kshs.70,500,000 and Kshs.29,449,300. However, an approved budget was not provided contrary to Section 149 (2) (h) and (i) of the Public Finance Management Act, 2012 requires each accounting officer for a County Government entity to prepare estimates of expenditure of the entity in conformity with the strategic plan and submit the estimates of an entity, which is not a county corporation, to the County Executive Committee member for finance.

Further, the budget was not balanced contrary to regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 which states that unless provided otherwise in the Act, these Regulations or any other guidelines developed in furtherance of the Act or these Regulations, budget revenue and expenditure appropriations shall be balanced.

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

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

Review of staff biodata records revealed that the Hospital had a total of forty (40) staff members, comprising thirty-one (31) employees appointed by the Government and nine (9) engaged by Partner, a non-governmental organization. Further review indicated that out of the forty (40) staff, thirty-seven (37), representing approximately 93% of the total workforce, were drawn from a single dominant ethnic community. This was contrary to section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

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

Review of staff biodata and discussions with management revealed that the Hospital had not employed any persons with disabilities, representing 0% of its 40 staff and which is below the legally required minimum of 5%. In addition, persons with disabilities were not represented in committees and leadership structures of the Hospital.

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

14. Irregular Engagement of Casual Employees

The statement of financial performance indicates casual employees amount of Kshs.734,000 being casual wages paid to 10 casual employees which was not supported with a payroll, an approved staff establishment showing deficiency of staff to be filled by the casuals nor formal requests done by the user departments on the need for engaging casuals. There was no authorization by the County Public Services Board to the departments to recruit casual employees, contrary to Section 74 of the County Governments Act, 2012 which states that the County Public Service Board shall regulate the engagement of persons on contract, volunteer and casual workers in its public bodies and offices.

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

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

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

7. Irregular General Expenses

The Statement of Financial Performance as disclosed in Note 6 reflects general expenditure amount of Kshs.8,299,956. Review of sampled expenditure totaling Kshs.5,250,000 revealed that the payments were not supported by key procurement

documents such as advertisements, bids, tender evaluations, professional opinions, award letters, or signed contracts. The suppliers were single-sourced without evidence of a fair, equitable, transparent, and competitive procurement process. The facility also failed to provide a register of registered suppliers or evidence of an appointed inspection and acceptance committee. As a result, the regularity, accuracy, and completeness of the expenditure could not be confirmed.

In the circumstances, the expenditure of Kshs.8,299,956 was non-compliant with the Public Procurement and Asset Disposal Act, 2015.

8. Failure To Maintain an Asset Register and Ownership Documents

The statement of financial position as disclosed in note 12 discloses property, plant and equipment amount of Kshs.7,857,920. Included in this balance is additions to furniture, fittings, and office equipment amounting to Kshs.1,106,000 that were not supported by procurement documents such as advertisements, bids, tender evaluation records, professional opinions, award letters, or signed contract agreements.

Further, ownership documents for the land valued at Kshs.2,200,000 on which the Hospital is situated were not provided for audit review. The Hospital has also not maintained an up-to-date fixed asset register with complete details, including proper classifications, asset tags, serial or logbook numbers, locations, opening balances, additions, disposals, depreciation, accumulated depreciation, and net book values.

In addition, Note 12 to the financial statements indicates opening balance of Kshs.7,975,373 which differs with the audited balance of Kshs.7,274,116 resulting in unreconciled variance of Kshs.701,257. Similarly, the additions to property, plant and equipment amount of Kshs.1,106,000 is not reported in the statement of cashflow.

In the circumstances, regularity and ownership of property, plant, and equipment balance of Kshs.Kshs.7,857,920 could not be confirmed.

9. Lack of Fraud and Risk Management Strategies

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

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

10. Weak Internal Audit Function

Review of documents revealed that Nyangiela Level IV Hospital relies on the Internal Audit function of the County Executive of Homa Bay. However, no internal audit reports for the Hospital were provided on the state of risk management, control, and governance for the financial year ended 30 June 2025.

Further, the Hospital did not have an approved Internal Audit Work Plan or Internal Audit Charter.

11. Lack of a Functional Audit Committee

During the audit, it was noted that Nyangiela Level IV Hospital Board which was appointed in 2 February, 2024 did not appoint audit committee. This was contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015, which requires each County Government entity to establish an Audit Committee. The Accounting Officer of the entity is also required to ensure that the Audit Committee is adequately funded and supported.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

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

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

2. Lack of Approved Staff Establishment

An audit of the Nyangiela Level 4 Hospital staff complement data revealed that the Hospital does not have an approved staff establishment. The lack of an approved staff establishment implies that the Hospital has yet to determine the optimal staffing levels and skills required, and how to deploy its workforce to achieve its goals and objectives.

In the circumstances, the absence of an approved staff establishment limits the Hospital's capacity to determine appropriate staffing levels, deploy personnel effectively, and achieve its operational goals and objectives.

3. Undisclosed Revenue in Kind Received from The County Executive of Homa Bay

Reported in the statement of financial performance is total revenue of Kshs.68,761,372 which excludes pay to 40 staff members, out of which 31 are appointed and paid for by the county government and 9 are appointed and paid for partners a non-governmental organization. However, the employee costs for all 40 staff members were not disclosed in the financial statements and were not supported by an approved payroll.

In the circumstances, the completeness of revenue amount of Kshs.68,761,372 reported in the statement of financial performance could not be confirmed.

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

Responsibilities of Management and Board of Management

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

08 December, 2025

APPENDICES

Appendix 1: Unresolved Prior Year Matters

No.	Financial Year	Audit Issue
1	2023/2024	Unsupported Property, Plant and Equipment
2	2023/2024	Inaccuracies in the Financial Statement
3	2023/2024	Budgetary Control and Performance
4	2023/2024	Non-Compliance with the Prescribed Reporting Framework
5	2023/2024	Identification, Collection and Accounting for Own Generated Revenue Irregular Transfer of Hospital Funds
6	2023/2024	Underpayment of Staff
7	2023/2024	Uncompetitive Procurement of Goods
8	2023/2024	Inadequate Staffing and Health Facilities
9	2023/2024	Unsupported Capital Fund Balance
10	2023/2024	Ineffective Internal Audit Function
11	2023/2024	Lack of a Risk Management Policy
12	2023/2024	Lack of Approved Strategic Plan
13	2023/2024	Weakness in the Cash and Bank Management Controls
14	2023/2024	Failure to Maintain an Imprest Register
15	2023/2024	Lack of Approved Staff Establishment
16	2023/2024	Failure to Submit a Trial Balance

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

	Note	2024-2025	2023-2024
		KShs	KShs
		-	
Revenue from exchange transactions			
Rendering of Services	1	443,445	304,526
Rendering services from NHIF & SHA Claims	2	68,317,927	9,128,292
		68,761,372	9,432,818
Total revenue		68,761,372	9,432,818
Expenses			
Medical/Clinical Costs	3	22,390,410	5,443,471
Employee Cost	4	734,000	791,500
Repairs & Maintenance	5	6,848,825	1,013,710
General Expenditure	6	8,299,956	1,501,510
Boards, committees allowances & seminars	7	160,000	63,500
Depreciation and Amortization	12	1,223,453	1,259,970
20% Retention in Special Purpose account	8	6,545,860	810,000
Total expenses		46,202,504	10,883,661
Accumulated Surplus/Deficit		22,558,868	(1,450,843)

Mrs Phoebe Kamusi
Chairperson
Board of Management

P.A.K

Mr. Mwonya Malachi
Accountant
ICPAK No:

B.M.

Mr. Prima Ogola
Medical Superintendent

P.O.



15. Statement of Financial Position as of 30th June 2025

	Note	2024-2025	2023-2024
		KShs	Ksha
Assets			
Current assets			
Cash and cash equivalents	9	113,130	734,897
Inventories	10	1,387,905	302,289
Receivables from Exchange Transactions	11	26,956,670	2,750,000
Total Current Assets		28,457,705	
Non-Current Assets			
Property, Plant and Equipment	12	7,857,920	6,014,146
TOTAL ASSETS(A)		<u>36,315,625</u>	<u>9,801,332</u>
Liabilities			
Trade Payables	13	4,055,425	100,000
TOTAL LIABILITY(B)		<u>4,055,425</u>	<u>100,000</u>
NET ASSETS AND LIABILITY(A-B)		<u>32,260,200</u>	<u>9,701,332</u>
Represented By:			
Accumulated Surplus/Deficit		32,260,200	(1,450,843)
Capital Fund			11,152,175
Total net assets and liabilities		32,260,200	9,701,332

(The notes set out on pages 1 to 31 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 2/12/2025 and signed on its behalf by:

Mrs Phoebe Kamusi
Chairperson
Board of Management

P. A. K.

Mr. Mwonya Malachi
Accountant
ICPAK No:

[Signature]

Mr. Prima Ogola
Medical Superintendent

[Signature]



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

	Accumulated Surplus	Capital Fund	Total
	KShs		KShs
Balance as at 1 July 2023			
Surplus/(deficit) for the period	(1,450,843)		(1,450,843)
Capital Fund		11,152,175	11,152,175
Balance as at 30 June 2024	(1,450,843)	11,152,175	9,701,332
Balance as at 1 July 2024	(1,450,843)	11,152,175	9,701,332
Surplus/(deficit) for the period	22,558,868		22,558,868
Capital Fund			
Balance as at 30 June 2025	21,108,025	11,152,175	32,260,200

(The notes set out on pages 1 to 31 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 2-12-2025 and signed on its behalf by:

Mrs Phoebe Kamusi
Chairperson
Board of Management

P.A.K

Mr. Mwonya Malachi
Accountant
ICPAK No:

Mwonya Malachi

Mr. Prima Ogola
Medical Superintendent

Prima Ogola



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

	Note	2024-2025	2023-2024
		KShs	Kshs
Cash flows from operating activities			
Revenue from exchange transactions			
Rendering of Services		443,445	304,526
Rendering of services from SHA and NHIF		42,106,015	9,128,292
Total Receipts		42,549,460	9,432,818
Payments			
Medical/Clinical Costs		20,808,846	5,443,471
Employee Cost		734,000	791,500
Repairs & Maintenance		6,848,825	1,013,710
General Expenditure		8,299,956	1,401,510
Boards, committees' allowances & seminars		160,000	63,500
Transfer Contribution To Special Purpose Account		6,545,860	
Total Payments		43,397,487	8,713,691
Cash flows from operating activities		(848,027)	719,127
Net increase/(decrease) in cash and cash equivalents		(848,027)	719,127
Cash and cash equivalents at 1 JULY		734,897	15,770
Cash and cash equivalents at 30 JUNE	9	113,130	734,897

The notes set out on pages 1 to 31 form an integral part of the Annual Financial Statements.
 The Hospital's financial statements were approved by the Board on 2-12-2025 and signed on its behalf by

Mrs Phoebe Kamusi
 Chairperson
 Board of Management

P.K.K

Mr. Mwonya Malachi
 Accountant
 ICPAK No:

[Signature]

Mr. Prima Ogola
 Medical Superintendent

[Signature]



18.Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025
Revenue	KShs	KShs	KShs	KShs	KShs	
Rendering of Services FIF	500,000		500,000	443,445	56,555	89%
Rendering Services from SHA and NHIF	81,026,940		81,026,940	68,317,927	12,709,013	84%
Total income	81,526,940	-	81,526,940	68,761,372	12,765,568	84%
					-	
Expenses						
Medical/Clinical Costs	47,784,682	-	47,784,682	22,390,410	25,394,272	47%
Repairs & Maintenance	850,000		850,000	734,000	116,000	86%
General Expenditure	9,051,700		9,051,700	6,848,825	2,202,875	76%
Employee Cost	9,540,558		9,540,558	8,299,956	1,240,602	87%
20% retain in SPA	14,100,000		14,100,000	6,545,860	7,554,140	46%
Board Management	200,000		200,000	160,000	40,000	80%
Total expenditure	81,526,940	-	81,526,940	44,979,051	38,753,277	55%
Deficit for the period		-		23,782,321		

The Hospital's financial statements were approved by the Board on 2-12-2025 and signed on its behalf by:

Mrs Phoebe Kamusi
Chairperson
Board of Management

P. A. K

Mr. Mwonya Malachi
Accountant
ICPAK No:

[Signature]

Mr. Prima Ogola
Medical Superintendent

[Signature]



19. Notes To the Financial Statements

1. General Information

Nyangiela Level 4 Hospital entity is established by and derives its authority and accountability from County Government Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide affordable and accessible universal health coverage.

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 and, 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, complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the notes. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity.

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

Notes to the Financial Statements (Continued)

4. Adoption of New and Revised Standards

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

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

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

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

Standard	Effective date and impact:
	<p>criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial</p>

Nyangiela Level 4 (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Standard	Effective date and impact:
	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	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

iii) Early adoption of standards

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

Notes to the Financial Statements (Continued)

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

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)

a) Budget information

Board approved the original budget for FY 2024/25. 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 reallocation of funds on the FY 2025 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 actual as per the statement of financial performance has been presented under section of xvii these financial statements.

Notes to the Financial Statements (Continued)

b) 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.

c) Investment property

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

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

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in

surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

It's important to **note** that Plant, Property and Equipment recognized in this financial report include estimated values of the old buildings and actual cost of two buildings constructed in the recent past, depreciated at 2.5% and a photocopier acquired during the year at 33.3% The values of other equipment including land could not be ascertained, therefore not included in the Financial statements. This is because most of the equipment were donated/ transferred by National Government. The management need time and other resources to carry out valuation of the other equipment, land and buildings.

e) Leases

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

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

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

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

Notes to the Financial Statements (Continued)

f) 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.

g) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Notes to the Financial Statements (Continued)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Notes to the Financial Statements (Continued)

Loans and borrowing

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

i) 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.

j) 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.

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.

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.

k) 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.)*

l) 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.

m) 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.

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) 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.

p) 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.

q) 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.

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and 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.

s) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. This is the first time the management is preparing financial statements therefore there are no comparative figures for the previous year

t) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the 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). Note that the values of old buildings included in these financial statements are estimated and correct values will be adjusted accordingly upon property valuation is done.

Notes to the Financial Statements (Continued)

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

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.

No provision has been made in these financial stat

*Nyangiela Level 4 (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025*

Notes to Financial Statements Continued

1	Rendering of Services	2024-2025	2023-2024
		KShs	KShs
	Laboratory	155,205	99,547
	Pharmacy	199,550	76,620
	Outpatient	88,690	46,824
	Health Record		22,930
	Inpatient		58,605
	TOTAL	<u>443,445</u>	<u>304,526</u>

2	Rendering of services from SHA AND NHIF Description	2024-2025	2023-2024
		KShs	Kshs
	Total Claims From NHIF	12,178,095	9,128,292
	Total Claims From SHA	56,139,832	
	TOTAL	<u>68,761,372</u>	

3	Medical/Clinical Costs	2024-2025	2023-2024
	Sanitary & Cleaning Materials	3,226,370	519,000
	Medical Records	1,571,000	377,000
	Laboratory chemicals & reagents	3,028,000	1,370,600
	Food and Ration	4,733,000	768,000
	Non-pharmaceuticals	3,741,462	953,204
	Purchase of Medical Equipment	1,831,745	100,000
	Pharmaceutical supplies (Drugs)	4,258,833	1,355,667
	TOTAL	<u>22,390,410</u>	<u>5,443,471</u>

4	Employee Cost	2024-2025	2023-2024
		KShs	Kshs
	Casual Salaries	734,000	791,500
	TOTAL	<u>734,000</u>	<u>791,500</u>

5	Repairs & Maintenance	2024-2025	2023-2024
		Kshs	Kshs
	Maintenance of Building	6,023,010	657,000
	Motor Vehicle repairs	825,815	357,710
	TOTAL	<u>6,848,825</u>	<u>1,014,710</u>

Nyangiela Level 4 (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

6	General Expenditure	2024-2025	2023-2024
		KShs	Kshs
	Electricity	605,000	135,500
	Domestic Travel Allowance	94,000	
	Computer Assesory	821,400	143,600
	Other Fuel	77,000	117,370
	Staff uniform	35,000	
	Office Furniture And Household	1,160,000	
	General office supplies	3,211,305	
	Refined fuel & lubricants-for transport & Other Fuel	620,000	255,000
	Bank Charges	50,251	58,040
	Printing and Publishing	1,606,000	310,000
	Water	20,000	
	Accrued Expense		100,000
	TOTAL	<u>8,299,956</u>	<u>1,501,510</u>

7	Boards, committees allowances & seminars	2024-2025	2023-2024
		KShs	Kshs
	Board Allowance	160,000	63,500
	TOTAL	<u>160,000</u>	<u>63,500</u>

9	Cash and cash equivalents	2024-2025	2023-2024
	Description	KShs	Kshs
	Current Account	113,130	734,897
	Cash in Hand		
	Total cash and cash equivalents	<u>113,130</u>	<u>734,897</u>

10	Inventories	2024-2025	2023-2024
	Pharmaceutical supplies	909,105	208,289
	Food supplies	20,000	
	Lab Reagents	94,000	94,000
	Non-pharmaceuticals	350,800	
	Cleaning material	14,000	
	TOTAL	<u>1,387,905</u>	<u>302,289</u>

Nyangiela Level 4 (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

11	Receivables from Exchange Transactions	2024-2025	2023-2024
	Current Receivables	Kshs	Kshs
	TOTAL NHIF	10,192,578	2,750,000
	TOTAL SHA	16,764,092	
	Total Current Receivables	<u>26,956,670</u>	<u>2,750,000</u>

Nyangiela Level 4 (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

12. Property, Plant and Equipment

Description	Land	Buildings and Civil Work	Motor Vehicles	ICT Equipment	Plant & Medical Equipment	Furniture Fittings & Office Equipment	Total
	Kshs	Kshs		Kshs	Kshs	Kshs	Kshs
Cost		0.25	0.250	20%	13%	13%	
At 30 th June 2024	2,200,000	1,125,000	2,625,000	1,968,750	44,591.75	12,031.25	7,075,373
At 1 st July 2024	2,200,000	1,125,000	2,625,000	1,968,750	44,591.75	12,031.25	7,975,373
Additions						1,106,000	1,106,000
Disposal							
Transfers/adjustments							
At 30 th June 2025	2,200,000	1,125,000	2,625,000	1,968,750	44,592	1,118,031	9,081,373
Depreciation and impairment		28,125.00	656,250	393,750	5,573.97	139,753.91	1,223,452.88
Net book Value							
At 30 th June 2025	<u>2,200,000</u>	<u>1,096,875.00</u>	<u>1,968,750</u>	<u>1,968,750</u>	<u>39,018</u>	<u>978,277</u>	<u>7,857,920</u>

The costs used are estimated cost with straight-line depreciation methods applied.

Notes to the Financial Statements (Continued)

13. Trade And Other Payables

Description	2024-2025	2023-2024
	KShs	Kshs
Medical and Cleaning Services	3,765,295	
General Expense	295,000	100,000
Total trade and other payables	4,055,425	100,000

Notes to the Financial Statements (Continued)

40. 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 company'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 company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

(iii) Market risk

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 company'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 no foreign transactional currency exposures, because it does not use foreign currency in purchases of goods and services.

Interest rate risk

Interest rate risk is not there since the institution is not borrowing from commercial institution..

41. 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.

County Government of Homabay

The County Government of Homabay is the principal shareholder of the all, holding 100% of the *entity's* equity interest. The County Government of Homabay has provided full guarantees

42. Events After The Reporting Period

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

43. Ultimate And Holding Entity

The entity is a Semi- Autonomous Government Agency under the Department of health its ultimate parent is the Government of Kenya.

44. Currency

The financial statements are presented in Kenya Shillings (Kshs).

1. 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)
	Staffing and Specialised services	County Government is looking into it, as staffing function rest with county Government	Not Resolved	Not specific
	Risk policy and other policy issues	To start developing the policies specific to Nyangiela Hospital and they have to be in line with national policies documents, in the meantime the facility uses National policy documents on Risk and Disasters	Work in progress	2025-2026 Financial year 30 th June 2026



Medical Superintended

