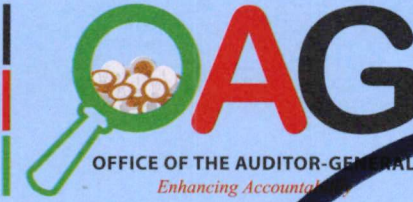
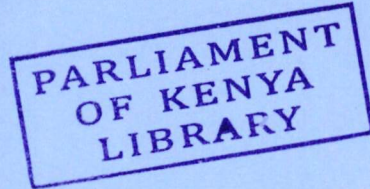


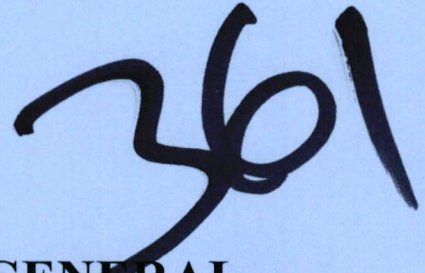
REPUBLIC OF KENYA



REPORT



OF



THE AUDITOR-GENERAL

ON

PAPERS LAID	
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IBACHO LEVEL 4 HOSPITAL

FOR THE YEAR ENDED  
30 JUNE, 2025

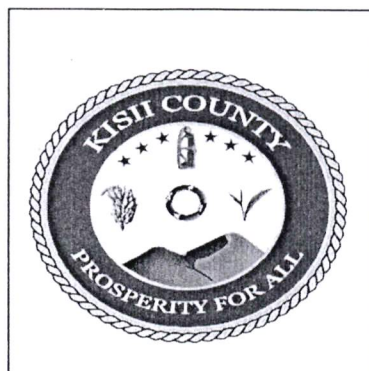
COUNTY GOVERNMENT OF KISII



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**IBACHO SUBCOUNTY HOSPITAL  
(KISII COUNTY GOVERNMENT)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025**

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

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**1. Acronyms & Glossary of Terms**

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

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

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

**2. Key Entity Information and Management**

**(a) Background information**

IBACHO County Referral Hospital is a level (4) hospital established under gazette notice number 4339 and is domiciled in Kisii County under the Health and Medical Services Department. The hospital is governed by a Board of Management.

**(b) Principal Activities**

The principal activity/mission/ mandate of the hospital is to offer patient care which includes treatment, and supporting operations which involve administrative tasks, managing facilities and staff support.

**(c) Key Management**

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

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

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Medical Superintendent	<b>Dr. Raphael Kiyondi</b>
2.	Head of finance	<b>Yvonne K Ndege</b>
3.	Head of supply chain	N/A
4.	Administrator	<b>Richard Ombiro</b>
5.	Pharmacist	<b>Stephen Owino</b>
6.	Nursing officer Incharge	<b>Mercy Omwenga</b>
7	Laboratory Incharge	<b>Wickliffe Opande</b>

*(Include all positions regarded as top management in your hospital).*

**(e) Fiduciary Oversight Arrangements**

*[Here, provide a high-level description of the key fiduciary oversight arrangements covering (say)]*

- Clinical Research and Standards Committee.
- Audit committee
- Risk Committee

- County Assembly
- Parliamentary committees
- Other oversight committees

**Key Entity Information and Management (continued)**

**(f) Entity Headquarters**

P.O. Box 90, Keroka  
Keroka- /Road/Highway  
KENYA

**(g) Entity Contacts**

Telephone:  
E-mail: [ibachosubcountyhospital@gmail.com](mailto:ibachosubcountyhospital@gmail.com)

**(h) Entity Bankers**

Commercial Banks *(include all your bankers)*  
*Kenya commercial Bank alc no. 1109472706*

**(i) Independent Auditors**

Auditor General  
Office of Auditor General  
Anniversary Towers, Institute Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya






**(j) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**(k) County Attorney**

P.O. Box. 45  
Kisii, Kenya

### 3. The Board of Management

Ref	Directors	Details
1.	<p>Abel morang'a Boraya</p> 	<p>TSC retiree , worked as a deputy headteacher, served as church elder , vice chairman (BOM) MObamba high school</p>
2.	<p>Silas Mobisa Ochwang</p> 	<p>currently working at Sasini Engineering department,shopsteeward leader,vice chairperson selfhelp group,previously Interim chairperson masaba south youth sacco and then vice chairman, field officer one acre fund,operated carpenter workshop business ibacho market.</p>
3.	<p>Trufena Nyakererio Isaac</p> 	<p>K.J.S.E examination. Commercial secretarial course at Makupa College Mombasa, Computer science at Vision Computer College at Keroka. I worked as secretary typist. I was appointed as treasurer of Kisii county for the blind, BOM member.</p>
4.	<p>Raphael Matundura Kiyondi</p> 	<p>Clinical officer Diploma in clinical medicine and surgery</p>
5.	<p>Florence Nyangeri</p> 	<p>Board Member</p>

**Management Team**

Ref	Management Key	Details
1.	Yvonne Ndege	Finance Officer
2.	Mercy Omwenga	Nurse manager
3.	Richard Ombiro	Administrator
4.	Wickliffe Opande	Lab manager
5.	Stephen Owino	Pharmacist
6.	N/A	Head Of Supply Chain

### **3. Chairman's Statement**

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

The hospital has made tremendous milestones in terms of increased range of services offered.

The hospital has improved in terms of service delivery which has been witnessed in the improved revenue streams through services offered to SHA clients. However, SHA has not paid pending claims.

The facility aspires to perform well in terms of offering wide range of services, improved service delivery and professionalism in handling of patients which will in return lead to reduced mortality rate in the community.

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

Kind regards

Abel Moranga

Hospital Chairman.




**Name** Abel Moranga

**Chairman to the Board**

#### **4. Report of the Medical Superintendent.**

It is my pleasure to present the Medical Superintendent's Report for the financial year ended 30th June 2025 of **Ibacho Level 4 Hospital**. The hospital continues to provide high-quality healthcare services despite economic challenges, rising operational costs, and increasing demand for services. The hospital maintained prudent cost management despite inflationary pressures. However, medical supply costs increased due to price adjustments. The hospital recorded a strong financial performance during the year under review. This demonstrates sound financial management and commitment to service excellence. Strategic investments in infrastructure and technology are expected to improve service delivery and sustainability in subsequent years. Throughout the financial year, we witnessed a steady increase in patient volumes across outpatient, inpatient. This growth reflects not only the trust placed in our hospital by the community but also the continued efforts by our staff to maintain high standards of care. The Health management team and the casual staffs are doing excellent work together to keep the hospital running smoothly. We have challenges like understaffing, non-working medical equipment, lack of running water, delay on claim reimbursement from Sha/Nhif, lack of enough rooms for admission and old structure that needs renovation especially outpatient among other challenges. Also the facility is experiencing hostile working environment from the community despite that I wish to express my sincere appreciation to the hospital management, clinical and non-clinical staff, and the Board for their continued support and commitment. I am confident that with prudent financial stewardship and collective effort, we will continue to improve health outcomes and build a stronger, more responsive health system and serving the people of Masaba Sub County.



.....  
**Name     Raphael Kiyondi**

**Secretary to the Board**

## **6. Statement of Performance Against Predetermined Objectives**

Kisii County Health Facilities Improvement fund does not have a strategic plan yet, however the fund develops its annual work plans based on the objectives and principles of the Fund. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The objectives of the fund include;

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

## **7. Corporate Governance Statement**

Commitment to good corporate governance is fundamental in ensuring sustainable stakeholder value and meeting their expectations. Our procedures and processes are anchored on accountability, transparency, responsibility, and fairness which are the tenets of good corporate governance. Through the board of management Kisii County Health Facilities Improvement fund is complying with statutory requirements.

### **Appointment and Induction of Board Members**

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

### **Role of the Board**

The responsibility of driving good corporate governance and stewardship of the fund is vested in the board of management. The board through its committees provide strategic direction, oversight, risk management, resource mobilization and stakeholder engagement. The medical superintendent officer is assisted by the Executive Management Committee who are accountable to the Board for implementation.

### **Conflict of interest**

Declaration of conflict of interest is a standing agenda in all meetings of the Board and its committees. A register maintained by the institution to record all potential conflict declared by board members and board members should re excuse themselves from discussion or decisions where they have vested interest

### **Board Remuneration**

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

## 7. Management Discussion and Analysis

### • Strengths:

- Excellent syphilis testing coverage (100% of ANC clients tested).
- Active ANC client enrollment.

### • Areas for Improvement:

- **4th ANC visit coverage** is relatively low.
- **Strong adult enrollment:** The facility has maintained care for a large number of adult clients, reflecting good program stability.
- **Maternal and newborn care quality appears strong**, with almost all deliveries resulting in live births and all babies discharged alive.
- **Low birth weight prevalence (4%)** is low — a positive indicator of effective antenatal interventions and maternal health.

### ANC COVERAGE AND HIV TESTING

Organisation unit name	1st ANC	ANC ATTENDANCE COVERAGE %	HIV TESTING	TESTING UPTAKE
Ibacho Sub County Hospital	750	95.01	580	97%

## **7.Environmental And Sustainability Reporting**

Kisii County Health Facilities Improvement Fund exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

### *i) Sustainability strategy and profile*

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

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

### *ii)*

#### *Environmental performance*

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

### *iii) Employee welfare*

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

### *iv) Corporate Social Responsibility / Community Engagements*

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

**iv) Market place practices-**

The organisation should outline its efforts to:

**a) Responsible competition practice.**

*Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition-open tendering and respect for competitors or outline how the entity ensures improved service delivery practices (e.g. Service charter information, Service automation-self-service, Anti-corruption-reporting, brand protection mechanism, cashless payment, public sensitization/outreach, etc.)*

**b) Responsible Supply chain and supplier relations**

*Explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts, respecting payment practices and allowing competitive procurement of services*

**c) Responsible marketing and advertisement or Responsible engagement with citizens**

*Outline efforts to maintain ethical marketing practices (e.g. avoiding false or exaggerated promises, avoiding anti-social advertisement, giving adequate information, respecting consumers) Or discuss how the entity's efforts in ensuring its outreach and sensitization practices are ethical and responsible (regular media, website briefs, holding consultative forums, avoiding false or exaggerated promises, giving adequate information, respecting diversity )*

**d) Product stewardship or Awareness Creation**

*Outline efforts to safeguard consumer rights and interests issues include protection of health and safety, providing adequate product information, dispute resolution and redress, consumer data and privacy protection) or how the entity safeguards citizens' rights and interests (Providing adequate service information e.g. NHIF, NSSF, application of licenses, ID, Passport, logbook, connection to power, water, right to representation when arrested/ bail, right to peaceful demonstration, dispute resolution and redress, whistle blowers rights, citizen data and privacy protection)*

X

### **Report of the Board of Management**

The board members submit their report together with the audited financial statements for the year that ended June 30, 2024, which show the state of *Ibacho level 4* affairs.

#### **Principal activities**

The principal activities of the entity are

- a) Sustainably operate, maintain, equip, rehabilitate health facilities and procure emergency medical supplies in funds and health facilities in the county
- b) Enhance participation of relevant stakeholders and host communities in the planning and management of health facilities and funds located in their jurisdiction
- c) Create incentives for funds and health facilities to sustainably generate resources.
- d) Provide funding for the day to day operations of funds and health facilities
- e) Provide for financing of preventive and promotional healthcare services
- f) Provide immediate funds for health related emergencies and disaster
- g) Ensure that the 85% of the funds is used for curative and 15% of the funds is used for preventive and promotive health care services respectively

#### **Results**

The results of the entity for the year ended June 30<sup>th</sup> 2025 are set out on pages 1 to 6.

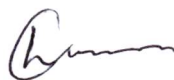
#### **Board of Management**

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

#### **Auditors**

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

By Order of the Board



.....  
Name **Dr. Raphael Kiyondi**

**Secretary to the Board**

## Statement of Board of Management's Responsibilities

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

The Board of Management is responsible for the preparation and presentation of the *Ibacho's* financial statements, which give a true and fair view of the state of affairs of Ibacho for and as at the end of the financial year (period) 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 *Ibacho*; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

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

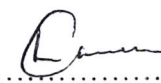
In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern and nothing has come to the attention of the Board of management to indicate that Ibacho level 4 hospital will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The Hospital's financial statements were approved by the Board on 23-09-25 and signed on its behalf by:

  
Name: ~~Abel Moranga~~

Chairperson  
Board of Management

  
Name: Dr. Raphael Kiyondi

Accounting Officer

# REPUBLIC OF KENYA



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

## **REPORT OF THE AUDITOR-GENERAL ON IBACHO LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE 2025 – COUNTY GOVERNMENT OF KISII**

---

### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Ibacho Level 4 Hospital - County Government of Kisii set out on pages 1 to 23, which comprise of the statement of financial

position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

## **Basis for Qualified Opinion**

### **1. Inaccuracies in Financial Statements**

#### **1.1 Inaccuracies in Statement of Financial Position**

The statement of financial position reflects an accumulated surplus balance of Kshs.21,697. However, the statement of financial performance reflects Nil surplus amount while the statement of changes in net assets reflects an accumulated surplus balance of Kshs.140,171 resulting in an unexplained variance of Kshs.118,474.

#### **1.2 Inaccuracies in Statement of Comparison of Budget and Actual Amounts**

The statement of comparison of budget and actual amounts reflects actual on comparable expenditure amount of Kshs.1,398,537 while the statement of financial performance reflects an amount of Kshs.1,211,534 resulting in an unexplained variance of Kshs.187,003.

#### **1.3 Inaccuracies in Receivables from Exchange Transactions**

The statement of financial position reflects a balance of Kshs.232,560 in respect of receivables from exchange transactions. However, there was no reference note to the financial statements. Further, Management did not provide a debt management policy for audit review to confirm the impairment of receivables from exchange transactions.

Further, review of medical claims reports to the Social Health Authority (SHA) revealed that claims amounting to Kshs.38,960 were rejected and returned to the hospital for amendments during the year under review. Management did not however provide further details on why the claims had been rejected by SHA.

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

## **2. Non-Disclosure of Non-Current Assets**

The statement of financial position reflects nil balance in respect of non-current assets. However, the Hospital did not disclose its assets despite being in a possession of various items which is a requirement before registration. Further, the Hospital did not maintain an asset register and the assets had not been valued. In addition, review of Hospital's records and physical verification conducted in the month of October, 2025 revealed various assets including land, buildings, furniture, computers and equipment which were not disclosed in the financial statements. Similarly, ownership documents of land was not provided for audit review.

In the circumstances, the accuracy, completeness, valuation and ownership of the non-current assets Nil balance could not be confirmed.

## **3. Non-Disclosure of Pharmaceutical and Non-Pharmaceutical Supplies**

The Management did not disclose in the financial statements pharmaceutical and non-pharmaceutical inventories. Review of Hospital records and physical verification conducted in the month of October, 2025 revealed that the Hospital had inventories which were pharmaceutical in nature such as drugs, laboratory reagents and non-pharmaceutical supplies which included gloves, cotton wool and feeding among others which were not disclosed in the financial statements. Further, Management did not provide stock take report as at 30 June, 2025 for audit review.

In the circumstances, the accuracy, completeness and existence current assets balance of Kshs.140,171 could not be confirmed.

## **4. Unsupported Trade and Other Payables**

The statement of financial position reflects a balance of Kshs.351,010 in respect of trade and other payables. However, the trade and other payables were not supported by names of the specific payables, invoice numbers, local purchase order numbers, delivery notes, inspection and acceptance and evidence of receipt into stores. Further, the trade and other payables balance date back to 2022/2023 financial year carried forward to the subsequent years. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that debt service payments shall be a first charge on the county revenue fund and the accounting Officer shall ensure this is done to the extent possible that the County Government does not default on debt obligations.

In the circumstances, the accuracy and regularity of trade and other payables balance of Kshs.351,010 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Ibacho Level 4 Hospital - County

Government of Kisii Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

### **Other Information**

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

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

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **Conclusion**

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

## **Basis for Conclusion**

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

Review of revenue records obtained from the Ibacho Sub-County Hospital revealed total collection of Kshs.1,211,617 towards the health facilities improvement. Out of this amount, a total of Kshs.1,201,345 was transferred to County Health Facilities Improvement Fund Board account. However, the amount reimbursed by the Board to the facilities could not be ascertained. This is because the Board made payments on behalf of Ibacho Sub-County Hospital without disclosing the amount for the expenditures incurred. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing account. In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

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

### **2. Late Submission of Financial Statements**

The financial statements were submitted on 24 September, 2025, instead of 31 August, 2025. This was contrary to The National Treasury Circular No:AG.3/88 Vol. VII (41) which requires all public sector entities to prepare and submit their annual financial statements by 31 August, 2025.

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

### **3. Lack of an Approved Budget, Annual Procurement Plan and Operational Plans**

Management did not provide for audit review, the approved budget for 2024/2025 financial year. Effectively, review of performance against the approved budget was impeded. Further, Management did not provide approved annual procurement plan that was aligned to the budget and annual operational plans for audit review. This was contrary to Section 53(2) of Public Procurement and Asset Disposal Act, 2015.

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

### **4. Non-Compliance on Medical Waste Management**

The Hospital operated without an incinerator and that non-sensitive Hospital waste was accumulated at the burning corner next to the washrooms for months due to lack of fuel. Further, the sensitive biomedical waste was accumulated and transported to Keroka Level 4 Hospital for disposal. However, there was no evidence that Management had complied with Regulation, 2006 of National Environmental Authority (NEMA) on

biomedical waste management by 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.

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

#### **5. Shortfalls in Administrative Staff at the Hospital**

Review of the Hospital's operations and records revealed that the Hospital operated below the set standards as per Section 14 of the Facilities Improvement Financing Act, 2023 and KMPDC Checklist for level 4 hospitals. The hospital lacked a procurement officer, human resource officer, account assistant, and two (2) ICT officers.

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

#### **6. Operating without a License**

Management did not provide for audit review a valid registration certificate. The registration certificate was not displayed in a conspicuous place at the Hospital as required by Section 15(7) of the Medical Practitioners and Dentists Act, 2019. Further, no Inspection report from Kenya Medical Practitioner's and Dentist's Council (KMPDC) was provided for audit review casting doubt if the facility had been licensed to operate as a level 4 hospital.

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

#### **7. Non-Compliance with the Prescribed Financial Reporting Framework**

Audit review of the annual report and financial statements presented for audit revealed the following non-compliance with the prescribed financial reporting framework:

- i. Page iii to the financial statements provide Key Entity Information and Management. However, the section contains notes meant for guidance and the management did not edit the section;
- ii. Page viii to the financial statements provide the report of the medical superintendent which requires the medical superintendent to highlight issues similar to those of the chairperson but in a more detailed way. However, the medical superintendent in charge did not provide a two to three pages report;
- iii. The section on Key management Team should include key management passport-size photo and name, and key profession/academic qualifications;
- iv. There is a blank page between page vi and vii, page xiii and xiv;

- v. Page ix on the statement of performance against predetermined objectives discusses the objectives of Kisii County Health Facilities Improvement fund which is a different entity from the auditee, hence, misleading.
- vi. The section on environmental and sustainability reporting and report of the board of management have not edited and contain notes which guides in the preparation of the financial statements;
- vii. Page xv to the financial statements should be reserved for the report of the Independent Auditor. However, the same was omitted;
- viii. The section of notes forming the integral part of the financial statements in the statement of financial performance was not numbered ;
- ix. The statement of financial position reflects receivables from exchange transactions and trade and other payables with no corresponding notes indicated. Further, as per the notes to the financial performance, the correct referencing should be note 6 and 7 respectively.

In the circumstances, the presentation and disclosures of the financial statements do not comply with the financial reporting framework as prescribed by the Public Sector Accounting Standards Board.

#### **8. Non-Compliance with Requirements on Universal Health Care (UHC)**

Review of the of Ibacho level IV Hospitals' operations and records revealed that the Hospital operated below the set standards as per the Kenya Quality Assurance Model for Health Checklist for level 4 hospitals. The following deficiencies in implementation of Universal Health Care programme were observed: -

<b>Item</b>	<b>Level 4 Standard</b>	<b>No. in Hospital</b>
Medical officers	16	0
Anesthesiologists	2	0
General surgeons	2	0
Gynecologists	2	0
Pediatrics	2	0
Radiologists	2	0
Kenya Registered Community Health nurses	75	6
Surgical Services	Should be in place	No surgical services
Pediatric services	Should be in place	No Pediatrician services
Gynecological services	Should be in place	Not in place
In-patients' services	Should be in place	Yes

Item	Level 4 Standard	No. in Hospital
Radiology services	Should be in place	Not in place
Renal dialysis services	Should be in place	Not in place
Tuberculosis management	Should be in place	YES
Mortuary and autopsy services.	Should be in place	Not in place
Advanced life support	Should be in place	Not in place
Caesarian sections and surgical operations	Should be in place	Not in place
Laboratory services	Should be in place	YES
Beds	150	28
Resuscitaire (2 in Labour ward and one in theatre)	3	1 in Labour ward only
New Born Unit - Incubators incubators and five (5) cots	5	2
New Born Unit cots	5	4
Functional intensive care unit – Beds	6	0
High dependency Unit - Beds	6	0
Renal unit with at least 5 dialysis machines	5	0
Two functional operating theaters for maternity and general.	2	0

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

In the circumstances, the effectiveness of the medical services offered and the universal coverage programme could not be confirmed.

#### **9. Non- Compliance with the Facilities Improvement Financing Act, 2023**

During the year under review, the Hospital transferred an amount of Kshs.1,201,345 to the Kisii County Facility Improvement Fund Account. However, the existing arrangements of remitting funds so collected was contrary Section 5(1) to the Facilities Improvement Financing Act, 2023 which require such amounts to be expended at the facility level.

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

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Lack of Risk Management Policy**

During the year under review, the Hospital operated without a documented risk management policy framework. Further, there was no evidence of risk identification, risk assessment and evaluation of likelihood of risk occurrence and its impact on the hospital's operations to have been undertaken at the facility contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the Accounting Officer to ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism; and develop a system of risk management and internal controls that builds robust business operations.

In the circumstances, the effectiveness of risk management system at the Hospital could not be confirmed.

#### **2. Weaknesses in Revenue Collection System**

The statement of financial performance and as disclosed under Note 1 to the financial statements reflects an amount of Kshs.1,211,534 in respect of rendering of services-medical services income. However, review of Hospital's revenue collection revealed that the revenue disclosed was not supported by the detailed revenue billing reports indicating the revenue generated from each patient. Further, although the patients pay for services rendered through pay bill number, they are not provided with official receipt upon payment for services. In addition, the Hospital has no revenue collection system in place that is integrated to the different departments including the laboratory, pharmacy among others and is using manual system for operations such as receipting of revenue, billing and generating reports which is prone to manipulation.

In the circumstances, the effectiveness of revenue collection system at the Hospital 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 the Management and those Charged with Governance**

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

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

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

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

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the

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

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

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

05 December, 2025

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

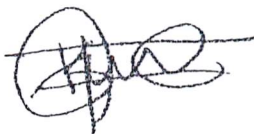
Description	Note	2024/2025
		Kshs
<b>Revenue from exchange transactions</b>		
Rendering of services- Medical Service Income	1	1,211,534
<b>Revenue from exchange transactions</b>		<b>1,211,534</b>
<b>Total revenue</b>		<b>1,211,534</b>
<b>Expenses</b>		
Transfer to other Government Entities	2	1,201,345
General expenses	3	10,189
<b>Total expenses</b>		<b>1,211,534</b>
<b>Net Surplus / (Deficit) for the year</b>		<b>0</b>

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

The Hospital's financial statements were approved by the Board on 23/09/2025 and signed on its behalf by:



**Abel Moranga.**  
**Chairman**  
**Board of Management**



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



**Raphael Kiyondi**  
**Medical Superintendent**

***Ibacho sub county Hospital (Kisii County Government)***  
***Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025***

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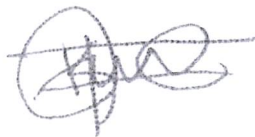
**1. Statement of Financial Position As At 30<sup>th</sup> June 2025**

Description	Note	2024/2025
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	4	140,171
Receivables from exchange transactions		232,560
<b>Total Current Assets</b>		<b>372,707</b>
<b>Non-current assets</b>		
<b>Total Non-current Assets</b>		<b>0</b>
<b>Total assets</b>		<b>372,707</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables		351,010.00
<b>Total Current Liabilities</b>		<b>351,010.00</b>
<b>Net assets</b>		<b>21697</b>
<b>Represented By:</b>		
Accumulated surplus/Deficit		21697
<b>Total Net Assets and Liabilities</b>		<b>394,404</b>

The Hospital's financial statements were approved by the Board on 23/09/25 and signed on its behalf by:



**Abel Moranga.**  
**Chairman**  
**Board of Management**



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



**Raphael Kiyondi**  
**Medical Superintendent**

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

Description	Accumulated surplus/Deficit	Capital	Total
		Fund	
At July 1, 2024	143,801	0	143,801
Surplus/(deficit) for the year	21,697	0	21,697
Capital/Development grants	-		
At June 30, 2025	140,171	0	140,171

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

Description	Note	2024/2025
		Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Rendering of services- Medical Service Income		1211533.7
<b>Total Receipts</b>		<b>1,211,534</b>
<b>Payments</b>		
Transfer to other Government Entites		1,201,345
General expenses		10,189
<b>Total Payments</b>		<b>1,211,534</b>
<b>Net cash flows from operating activities</b>		<b>0</b>
<b>Net increase/(decrease) in cash and cash equivalentents</b>		<b>0</b>
Cash and cash equivalentents as at 1 July, 2024		143,801
<b>Cash and cash equivalentents as at 30 June. 2025</b>	4	<b>140,171</b>

## 11. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 June 2025

### Budget Reconciliation

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Rendering of services- Medical Service Income	3,429,565.00	1,211,534.00	4,641,099.00	1,211,534.00	3,429,565.00	26.10%
<b>Total income</b>	<b>3,429,565.00</b>	<b>1,211,534.00</b>	<b>4,641,099.00</b>	<b>1,211,534.00</b>	<b>3,429,565.00</b>	<b>26.10%</b>
<b>Expenses</b>						
Transfers From Other Government Entities	3,429,565.00	1,388,348.00	4,817,913.00	1,388,348.00	3,429,565.00	28.82%
General expenses	-	10,189.00	10,189.00	10,189.00	-	100.00%
<b>Total Expenses</b>	<b>-</b>	<b>-</b>	<b>4,828,102.00</b>	<b>1,398,537.00</b>	<b>3,429,565.00</b>	
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(187,003.00)</b>	<b>187,003.00</b>	
<b>Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 12. Notes to the Financial Statements

### 1. General Information

Ibacho subcounty entity is established by and derives its authority and accountability from FIF Act. The entity is wholly owned by the Kisii County Government and is domiciled in Kisii County in Kenya. The entity's principal activity is medical services.

### 2. Statement of Compliance and Basis of Preparation

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

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

*(When an IPSAS becomes effective on 1<sup>st</sup> January 20xx, it is applicable in Kenya from 1<sup>st</sup> July 20xx)*

***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.***

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

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

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

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

*iii) Early adoption of standards*

**4. Summary of Significant Accounting Policies**

**a. Revenue recognition**

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

**Transfers from other Government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is

free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *Entity* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

**ii) Revenue from exchange transactions**

**Rendering of services**

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

**Sale of goods**

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

**Interest income**

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

**Rental income**

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

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

**b. Budget information**

The original budget for FY 24/25 was approved by Board on **2025**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *entity* recorded additional appropriations of **xxxx** on the FY 24/25 budget following the Board's approval. The *entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification

based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

### **c. Taxes**

#### **Sales tax/ Value Added Tax**

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

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

*Notes to the Financial Statements (Continued)*

**d. Investment property**

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

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

**e. Property, plant and equipment**

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

*Notes to the Financial Statements (Continued)*

**f. Leases**

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

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

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

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

**g. Intangible assets**

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

*Notes to the Financial Statements (Continued)*

**h. Biological Assets**

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

**i. Research and development costs**

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

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

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

**j. Financial instruments**

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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial

asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

## **Financial assets**

### **Classification of financial assets**

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

### **Subsequent measurement**

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

### **Amortized cost**

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

### **Fair value through net assets/ equity**

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

#### **Fair value through surplus or deficit**

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

#### **Trade and other receivables**

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

#### **Impairment**

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

## **Financial liabilities**

### **Classification**

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

#### **k. Inventories**

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

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

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

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

#### **l. Provisions**

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

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

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

*Notes to the Financial Statements (Continued)*

**r. Social Benefits**

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

**n. Contingent liabilities**

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

**o. Contingent assets**

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

**p. Nature and purpose of reserves**

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

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

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

*Notes to the Financial Statements (Continued)*

**r. Employee benefits**

**Retirement benefit plans**

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

**s. Foreign currency transactions**

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

**t. Borrowing costs**

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

**u. Related parties**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the *Entity*, or vice versa. Members of key

management are regarded as related parties and comprise the directors, the CEO/principal and senior managers.

**v. Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Entity* recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**w. Cash and cash equivalents**

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

**x. Comparative figures**

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

**y. Subsequent events**

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

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

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### **Estimates and assumptions.**

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

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

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

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

### **Provisions**

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

*(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).*

Notes to Financial Statements Continue

1. Rendering of Services-Medical Service Income

Description	2024-2025
User Fee	436,110
SHAN/NHIF	775,424
SHAN Receivable	-
<b>Total</b>	<b>1,211,534</b>

2. Transfers to other government entities

Description	2024 - 2025
	KShs
Transfer to FIF A/C	1201345
<b>Total</b>	<b>1201345</b>

3. General Expenses

Description	2024-2025
	KShs
Bank Charges	10,189
<b>Total</b>	<b>10,189</b>

4. Cash And Cash Equivalents

Description	2024-2025
	KShs
Current accounts	140,171
<b>Total cash and cash equivalents</b>	<b>140,171</b>

4. Detailed Analysis of Cash and Cash Equivalents

Description		2024-2025
Financial institution	Account number	KShs
a) Current account		
Kenya Commerical Bank	1109472706	140,171.00
<b>Sub- total</b>		<b>140,171</b>
<b>Grand total</b>		<b>140,171</b>

5. Receivables From Exchange Transactions

Description	2024- 2025
	KShs
Medical services receivables- NHIF	0 232,560
<b>Total receivables</b>	<b>232,560</b> <sup>0</sup>

6. Trade And Other Payables

Description	2023 - 2024
	KShs
Amounts owed to suppliers	351,010
	<b>351,010</b>

X

**Notes to Financial Statements Continue**

**Events after the Reporting Period**

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

**1. Ultimate and Holding Entity**

The entity is a County Corporation Government Agency under the Department of Kisii County ministry of Health. Its ultimate parent is the County Government of Kisii

**2. Currency**

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