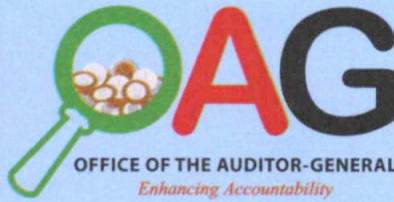


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REPORT

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THE AUDITOR-GENERAL

ON

GESUSU LEVEL 4 HOSPITAL

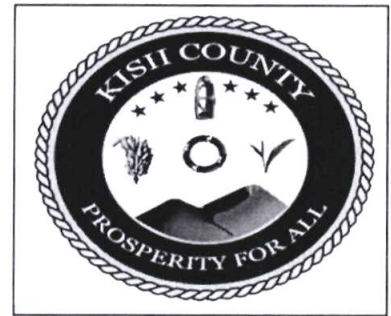
FOR THE YEAR ENDED 30 JUNE, 2025

COUNTY GOVERNMENT OF KISII

971



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GESUSU LEVEL 4 HOSPITAL (Kisii County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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1. Acronyms & Glossary of Terms.

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.
SHA	Social Health Authority
CHP	Community Health Promoter
HMT	Hospital Management Team
SRC	Salaries and Remuneration Commission
MCA	Member of County Assembly

2. Key Entity Information and Management

(a)Background information

Gesusu Sub-County Referral Hospital is a level 4 hospital, established in Nyaribari Masaba Sub-County within Kisii County, under the health department. The hospital is governed by a Board of Management. The hospital originated as a sub-district hospital under the previous constitution, prior to devolution and the establishment of county governments. The hospital is located in Gesusu town along the Keroka-Nyangusu road in Kisii county.

Under the Kenya Gazette vol CXVII – No. 129 page 4339 published on 21st October 2016, the hospital was renamed from Gesusu district hospital to Gesusu sub-county referral hospital.

The hospital’s vision is to be a leading healthcare services provider in Kisii county.

The hospital’s mission is to offer healthcare services to the local and surrounding communities that are affordable, acceptable and of good quality.

(b)Principal Activities

The principal activity/mission/ mandate of the hospital is to offer primary and secondary healthcare to the catchment population. The hospital also offers preventive and promotive health services through outreaches in the surrounding villages.

(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:

Designation		
1.	Medical Superintendent	Dr George K Kang’ethe
2.	Head of finance	Edward Otachi Marigi
3.	Head of supply chain	Joy Murungi
4.	Hospital administrator	Kefa Anthony Onchong’a
5.	Hospital Pharmacist	Dr Edward Nyagisera
6.	Nurse Manager	Risper Monene

(e)Fiduciary Oversight Arrangements

The facility has various committees that oversight the various activities of the hospital to ensure that the laid down protocols are followed.

These committees include:

- Procurement committee. This team ensures that the necessary supplies are planned for and the right suppliers are identified by going through the provided list of pre-qualified suppliers. It is comprised of the hospital management team.
- Inspection committee. This team inspects supplies received from suppliers and ensures that they are the right supplies and also of good quality. It is comprised of the hospital management team.
- Executive expenditure committee. This team oversight the budget of the facility making sure that it aligns with the laid down protocols. It is comprised of the facility in charge, the accountant, the procurement officer, the hospital administrator and the hospital nursing manager.
- The hospital management team. This team makes the quarterly hospital budget and ensures that the budget is well balanced. It also ensures that unnecessary debts are not accumulated.

Key Entity Information and Management (continued)

Key Entity Information and Management (continued)

(a) Entity Headquarters

Gesusu Sub County Referral Hospital
P.O. BOX 168 40201 Gesusu
Gesusu town
Keroka-Nyangusu road
Kisii county

(b) Entity Contacts

Telephone: (+254) 0705450827
E-mail: gesususubcountyhospital2024@gmail.com

(c) Entity Bankers

Commercial Banks – Kenya Commercial Bank




(d) Independent Auditors




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

(e) Principal Legal Adviser

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






3. The Board of Management

<p>1.</p>	<p>Chairman of the board/Board member 1</p>  <p>Laban Obachi Machoka Post graduate diploma in education</p>	<p>62 years old Has worked as a teacher for 35 years Has retired He is the chairman of the board at the hospital</p>
<p>2.</p>	 <p>Mary Nyarieko Primary teacher's certificate Early childhood development and education teachers' diploma</p>	<p>49 years old Has practised as a teacher for 26 years Is one of the board members of the hospital</p>
<p>3.</p>	 <p>Caven Omwoyo Bachelor's degree in information and technology</p>	<p>Is one of the board members</p>

4.		46 years old Has worked as a teacher for 16 years Board member
5.	 Milka Kerubo Onyangi East African certificate of education	
6.	 Dr George K Kang'ethe Bachelor of Medicine and Bachelor of Surgery	41 years old 10 years of experience as a medical officer Is the medsup of the facility and also the secretary of the hospital board of management

Gesusu Level iv Hospital (Kisii County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

4. Key Management Team

1.	<p>Manager I</p>  <p>Dr George K Kang'ethe Bachelor of Medicine and Bachelor of Surgery</p>	Medical Superintendent
2.	 <p>Edward Otachi Marigi Bachelor of commerce-accounting option</p>	Accountant
3.	 <p>Risper Monene Kenya registered community health nurse</p>	Nursing officer in charge
4.	 <p>Kefa Anthony Orchong'a Diploma in business administration</p>	Hospital Administrator
5.	 <p>Joy Wanja Murungi Degree in supply chain management</p>	Hospital supply chain management officer

5. Chairman's Statement

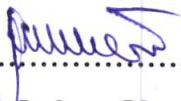
Greetings. I am appreciative of the opportunity to give my remarks on the state of the hospital. Together with my other board members, we were inaugurated as the new board in June, 2025. As such, we were not involved in the running of the hospital in the 2024/2025 financial year.

However, once we came into office, we were able to go around the hospital as a board to do a baseline assessment of the state of the hospital. After that we sat and discussed what we had seen as areas that were doing well versus the areas that needed improvement. Below is what we found.

- Patient workload was low. This was explained by the hospital medical superintendent to be because of frequent healthcare workers strikes in that financial year. It was resolved that the situation would be monitored and outreaches and health talks would be done to help improve the workload.
- The facility was a bit unkempt with some areas being unfenced. It was agreed that the medical superintendent would plan for fencing of the facility and continuous cleaning of the same.
- The facility had not been renovated for a long time and the roof was leaking and the paint was peeling. It was agreed that the chairman of the board would approach the area MCA to assist with a budget to renovate the hospital.
- It was also noted that hospital FIF collections were low. It was agreed that the medical superintendent would sit with his HMT and find ways to improve this and report back to the board during the next meeting.

The board of management thus came up with the above plan with an aim to review the action points during the next meeting.

As the chairman of the board of the facility, I believe the hospital has immense potential to serve the population in Gesusu and the surrounding areas.



.....
Name Laban Obachi Machoka

Chairman to the Board

(6) Report of The Medical Superintendent

As the medical superintendent of the facility, I started my job at the hospital in August 2024. I did an initial assessment of the facility to see where the facility was at in all aspects including financially, infrastructure, and mood including other aspects.

In terms of financial standing, the pending debts in August 2024 were at around 6 million Kenya shillings, and the available revenue was around 1.5 million Kenya shillings.

As for the infrastructure, my findings were similar to what the new board members deciphered in June 2025. The capacity of the wards was also not sufficient compared to the catchment population.

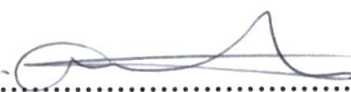
Evaluation of the staff numbers revealed a moderate shortage of healthcare workers especially for medical officers, clinical officers and nurses. I planned to raise this issue with the county administration.

During my entry into the facility, SHA was almost coming into effect. It is important to note that the facility still had revenue owed and unpaid by NHIF. I was able to ensure that the facility was empanelled into SHA. This was part of my effort, together with the HMT, to increase revenue and hopefully manage the pending bills.

Together with the HMT, we planned to reduce our pending bills by increasing revenue and minimizing expenditure to only essential commodities. This has worked noting that pending bills have stagnated at around 5 million Kenya shillings even though revenue generation has been erratic due to repeated strikes by healthcare workers in the year 2024/2025.

The facility had a problem with erratic electricity which negatively affected the delivery of services in the hospital. However, this was addressed by the county government management who installed a solar power system that now works to stabilise electricity deficiencies. The hospital also has a generator which works in tandem with the KPLC electricity and the solar power energy to ensure that electricity is available around the clock.

Together with the HMT, we decided to look for other partners who can support us in terms of infrastructure. They could help us build or renovate already existing structures. This plan is ongoing.


.....

Name: Dr. George Kangethe

Secretary to the Board

7.Statement of Performance Against Predetermined Objectives

The strategic issues that were of foremost importance to the facility had been discussed as below. It is important to note that there was the transition from NHIF to SHA in year 2024 that had an impact on the key issues to be addressed.

Strategic Pillar/ theme/ issue	Objective	Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1:	Improvement of financial situation of hospital	SHA reimbursements Cash collections	Improve quality of claims to SHA Ensure all patient visits to the hospital are captured under SHA Dedicate staff to SHA claims Dedicate an Mpesa paybill number for cash collections	Performance is seen in the table summarizing collections over the different quarters of year 2024/2025
Pillar/ theme/ issue 1:	Improvement of quality of services in the hospital	Number of patient admissions Number of outpatient clients	Ensure cleanliness of the facility Retrain staff on good client etiquette Do outreaches to direct community to the facility	Performance is seen in the table summarizing hospital attendance in the different quarters in the year 2024/2025

1. 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 CECM health appoints the board members.

Role of the Board

The responsibility of driving good corporate governance and stewardship of Gesusu level iv is vested in the board of management. The board through its committees provide strategic direction while the Management Committee is accountable to the Board for implementing the strategy.

Conflict of interest

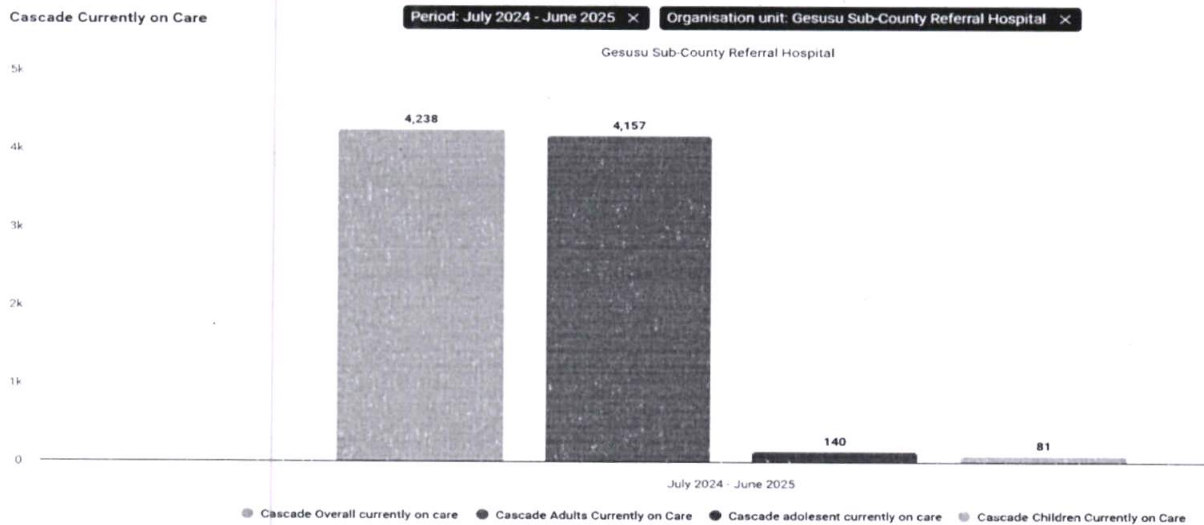
Declaration of conflict of interest is a standing agenda in all meetings of the Board and its committees. A register maintained by the institution to record all declarations made by board members.

Board Remuneration

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

2. Management Discussion and Analysis

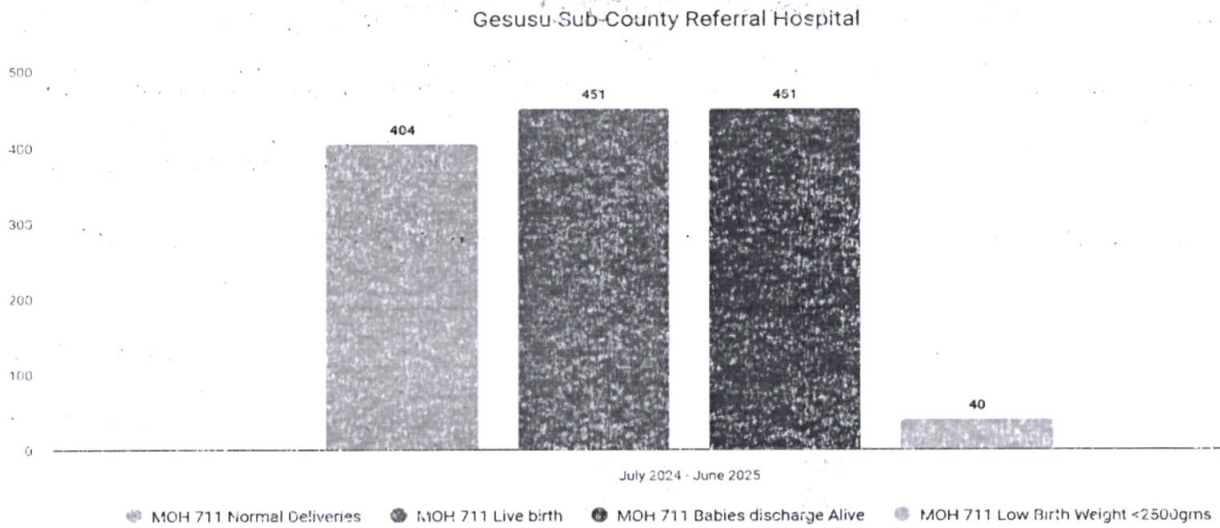
HIV CASCADE



- **Adults dominate the treatment cohort**, which is typical for chronic disease care systems.
- **Adolescents and children represent small but important segments**, often requiring specialized psychosocial and adherence support.
- The total number (4,238) aligns with the sum of the three categories:
 - 4,157 adults
 - 140 adolescents
 - 81 children
 - **Total = 4,378**, but the chart lists **4,238** overall

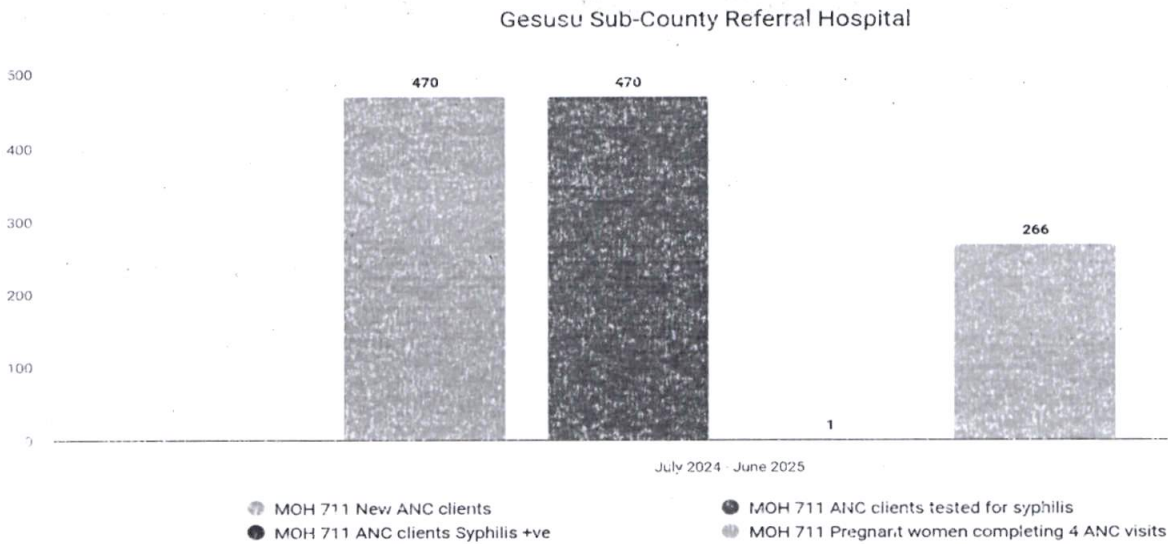
MATERNITY CASCADE

Gesusu Level iv Hospital (Kisii County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025



- **High survival rate:** All live births were discharged alive.
- **Delivery mix:** More total births than normal deliveries suggests the hospital manages high-risk or complex deliveries.
- **Low birth weight:** While not alarming, it indicates an area for maternal health strengthening

ANC CASCADE



- **Excellent syphilis testing coverage (100%) and low syphilis positivity.**
- **ANC retention is a concern:** only 57% of clients reached ANC 4+.
- Improving early ANC initiation and continuity of care could further enhance maternal-child outcomes.

3.Environmental And Sustainability Reporting

Gesusu level iv Hospital 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 Hospital 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) 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.

4. Report of The Board of Management

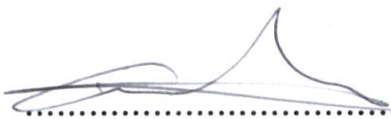
The board members submit their report together with the financial statements for the year that ended June 30, 2025, which show the state of the *hospital's* affairs.

Principal activities

Auditors

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

By Order of the Board



.....

Name Dr George Kangethe

Secretary to the Board

5. 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 Gesusu Level iv hospital, which give a true and fair view of the state of affairs of Gesusu Level iv hospital at the end of the financial year/period and the operating results of Gesusu Level iv hospital for that year/period. The Board of Management is also required to ensure that Gesusu Level iv hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of Gesusu Level iv hospital. The council members are also responsible for safeguarding the assets of the Gesusu Level iv hospital.

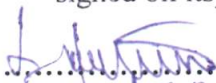
The Board of Management is responsible for the preparation and presentation of the Gesusu Level iv hospital's financial statements, which give a true and fair view of the state of affairs of Gucha Level iv hospital for and as at the end of the financial year ended on June 30, 2025. This responsibility 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 Gesusu Level iv hospital;(v) selecting and applying appropriate accounting policies, and (vi)Making accounting estimates that are reasonable in the circumstances.


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

In preparing the financial statements, the Directors have assessed the hospital's ability to continue as a going concern and nothing has come to the attention of the Board of management to indicate that Gesusu Level iv 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 07/07/2025 and signed on its behalf by:


.....
Name: LABAN OBACHI MACHORA
Chairperson


.....
Name: Dr George kangethe
Accounting Officer

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 GESUSU 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 Gesusu Level 4 Hospital - County Government of Kisii set out on pages 1 to 14, 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 Gesusu Level 4 Hospital - County Government of Kisii as at 30 June 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1. Non-disclosure and Doubtful Ownership of Property, Plant and Equipment

The Hospital did not disclose property, plant and equipment in the financial statements despite owning various assets which include land and buildings, specialized and non-specialized medical equipment, furniture and fittings, motor vehicles and ICT equipment. Further, Management did not maintain fixed assets registers of the buildings, motor vehicles, office equipment, furniture and fittings and other assets owned by the Hospitals, contrary to National Treasury Circular No 5 of 2020, which require an asset register to be maintained.

In the circumstances, the accuracy and fair presentation of the financial statements and the ownership, security and valuation of the Hospital's existing assets could not be confirmed.

2. Failure to Disclose Pharmaceutical and Non-Pharmaceutical Supplies

Review of the financial statements revealed that the Hospital did not disclose pharmaceutical and non-pharmaceutical supplies in the form of inventories in the financial statements submitted for audit. The Hospital had inventories, which included pharmaceutical items such as drugs and laboratory reagents, as well as non-pharmaceutical supplies, including gloves, cotton wool, and feeding supplies, among others. In addition, a detailed report on stock taking conducted on 30 June, 2025 provided for audit review revealed that there were stocks in stores worth Kshs.1,761,729. However, these were not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the statement of financial position could not be confirmed.

4. Inaccuracy and Failure to Disclose Trade and Other Payable Balance

Included in the statement of financial position is Nil balance in respect of trade and other payables. However, documents provided for audit review revealed pending bills relating to suppliers totaling Kshs.5,412,623 which was however not disclosed in the financial statements. Further, the amount was also not supported with payment vouchers, invoices, LPOs, LSOs and contract agreements. In addition, out of the Kshs.5,412,623, Kshs.3,537,843 related to the prior year but were not paid and instead carried forward in the current year under review.

In the circumstances, the completeness and accuracy of the reported trade and other payables could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.16,400,000 and Kshs.9,235,785 respectively, resulting in underfunding of Kshs.7,164,215 or 44 % of the budget.

The underfunding affected planned activities and may have impacted negatively on service delivery by the Hospital.

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 effects 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 iii to xvii 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 Gesusu Sub - County Referral Hospital revealed total collection of Kshs.9,235,785.25 towards the health facilities improvement. Out of this amount, a total of Kshs.9,061,782.20 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 Gesusu Sub - County Referral Hospital without disclosing the amount of 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 provided for audit review were submitted on 12 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 was in breach of the law.

3. Non-compliance on Biomedical Waste Management

Review of the operations at the Hospital revealed that the facility operated without an incinerator and that non-sensitive Hospital waste materials were being accumulated before being burnt. The sensitive biomedical waste was accumulated for a longer period before was transported to Kisii Teaching and Referral Hospital for disposal. However, there was no evidence that Management had complied with National Environmental

Authority (NEMA) Waste Management Regulations, 2006 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.

4. Deficiencies in Implementation of Universal Health Coverage

Review of Hospital records and interviews with Hospital management on verification of services offered, equipment used and medical specialist in the Hospital at the time of audit reveal significant shortage in specialists as per staff establishment and outlined in the health policy as detailed below:

Staff Requirements	Level IV Standard	Number in Hospital	Variance	%
Medical Officers	16	2	14	12.5
Anesthesiologists	2	2	0	100%
General Surgeons	2	0	2	-100%
Gynecologists	2	0	2	-100%
Pediatrics	2	0	2	-100%
Radiologists	2	0	2	-100%
Kenya Registered Community Health Nurses	75	25	50	-67%

In addition, the hospital lacked the necessary equipment and machines outlined in the health policy as detailed below:

Service	Level IV Standard	Number in Hospital	Variance	%
Beds	150	70	80	53
Resuscitaire in theatre	2	1	1	50
New Born Unit Incubators	5	0	5	-100%
New born Unit Cots	5	0	5	-100%
Functional ICU Beds	6	0	6	-100%
High Dependency Unit HDU	6	0	6	-100%
Renal Unit with at least dialysis machines	5	0	5	-100%
Two Functional Operational theatres- Maternity & General	2	0	2	-100%

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 and may have hindered the achievement of the Government program on Universal Health Coverage (UHC).

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

5. Establishment of the Health Facility Management Team

Review of documents provided for audit review revealed that Gesusu level 4 Hospital had not established a Health Facility Management Team which should have been disclosed in page (V) as a disclosure of the audited financial statements. In addition, the Management has not provided the gazette of Facility Management Team.

In the circumstances the management was in breach of Health Facility Financing Act, 2023 which require a health facility management team to be in place.

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. Failure to Establish Audit Committee and Operational Internal Audit Unit

During the year under review, the Hospital had not established an audit committee. Further, no evidence to confirm that the Hospital had been audited by the Internal Audit Unit from the County Executive of Kisii was provided for audit review. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires each County Government entity to establish an Audit Committee.

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

2. Lack of Integration to the Taifa care V19.2.1 and KenyaEMR 3.X Facility

The Hospital information systems of System Enhancements, Billing, Clinical Forms and Reporting were not integrated/linked to the KenyaEMR and (Taifa Care). The Hospital's information systems/data of the patients were done manually where patients were registered at the out-patient department (OPD), went to the triage, moves with the physical receipts to the pharmacy or laboratory as a confirmation of payment, then the dispensed drugs were also manually recorded in a book.

In the circumstances, the effectiveness of the Hospital's information 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 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

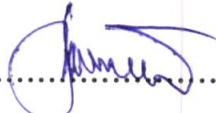
Nairobi

03 December, 2025

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

Description	Note	2024/2025
		Kshs
Revenue from exchange transactions		
Rendering of services- Medical Service Income	1	10,912,385
Revenue from exchange transactions		10,912,385
Total revenue		10,912,385
Expenses		
Transfer to other Government Entities	2	9,061,782
General expenses	3	15,923
Total expenses		9,077,705
Net Surplus / (Deficit) for the year		1,834,680

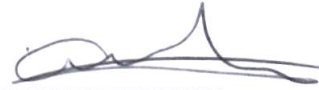
The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by:



 Chairman **KABAN ODACHI**
MACHOKA
 Board of Management



Kevin Oribu
 Head of Finance
 ICPAK No:



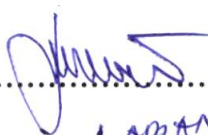
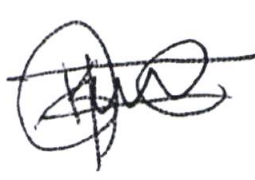

Dr George Kangethe
 Medical Superintendent

Gesusu Level iv Hospital (Kisii County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Note	2024/2025
Assets		
Current assets		
Cash and cash equivalents	4	413,591.00
Receivables from exchange transactions	5	1,676,600.00
Total Current Assets		2,090,191.00
Non-current assets		
Total Non-current Assets		-
Total assets		2,090,191.00
Liabilities		
Current liabilities		-
Trade and other payables		-
Total Current Liabilities		-
Net assets		2,090,191.00
Represented By:		
Accumulated surplus/Deficit		2,090,191.00
Total Net Assets and Liabilities		2,090,191.00

The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by:

 LADIAN ODACHI Chairman Board of Management	 Kevin Oribu Head of Finance ICPAK No:	 Dr. George Kangethe Medical Superintendent
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9. Statement of Changes in Net Assets for The Year Ended 30 June 2025

Description	Accumulated surplus/Deficit	Capital	Total
		Fund	
At July 1, 2024	255,511	0	255,511
Surplus/(deficit) for the year	1,834,680	0	1,834,680
Capital/Development grants	-		
At June 30, 2025	2,090,191	0	2,090,191

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

Description	Note	2024/2025
		Kshs
Cash flows from operating activities		
Receipts		
Rendering of services- Medical Service Income	1	9,235,785.25
Total Receipts		9,235,785.25
Payments		
Transfer to other Government Entities	2	9,061,782.20
General expenses	3	15,923.00
Total Payments		9,077,705.20
Net cash flows from operating activities		158,080.05
Net increase/(decrease) in cash and cash equivalents		158,080.05
Cash and cash equivalents as at 1 July, 2024		255,511.00
Cash and cash equivalents as at 30 June. 2025	4	413,591.05

Gesusu Level iv Hospital (Kisii County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Rendering of services- Medical Service Income	16,400,000	-	16,400,000	9,235,785.25	7,164,214.75	56.32%
Total receipts	16,400,000	0	16,400,000	9,235,785.25	7,164,214.75	56.32%
Payments						
Transfers to other Government Entities	16,300,000	0	16,300,000	9,061,782.20	7,288,217.80	55.42%
General expenses	100,000	0	100,000	15,923.00	84,077	15.92%
Capital Expenditure paid	16,400,000		16,400,000	9,077,705.2	7,372,294.8	%
Surplus				158,080.05	(158,080.05)	%

1. Notes to the Financial Statements General Information

Gesusu level iv Hospital is established by and derives its authority and accountability from the Kisii County Health Facilities Improvement Fund Act. The entity is wholly owned by the Kisii County Government and is domiciled in Kenya. The entity's principal activity is to provide for the additional funding for the management of health systems and public facilities improvement in the county, to enable sustainable operations of health facilities and for connected purposes.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the fund's accounting policies.

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 Covid 19. 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)

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

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 criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The</p>

	standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol 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>
IPSAS 47- Revenue	<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>
IPSAS 48- Transfer Expenses	<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 statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard</p>

	for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact
IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial

Standard	Effective date and impact
	position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires: - <ul style="list-style-type: none"> <li data-bbox="459 539 1370 674">i. 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: <li data-bbox="459 696 1370 875">ii. 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.

iii. Early adoption of standards

The fund did not early – adopt any new or amended standards in the year 2024/2025

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 fund and can be measured reliably.

a) Revenue from exchange transactions

i) Rendering of services

The fund 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.

b. Budget information

The original budget for FY 2024/2025 was approved by Board .No *Subsequent* revisions or additional appropriations were made to the approved budget .The fund'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 financial performance has been presented under Budgetary notes to these financial statements.

c. Related parties

The Fund regards a related party as a person or a fund with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO/principal and senior managers.

d. 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.

e. Comparative figures

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

f. 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 Fund'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.

Notes to Financial Statements Continued

1. Rendering of Services-Medical Service Income

Description	2024-2025
User Fee	2,974,039
SHA/NHIF	6,261,746
SHA Receivable	1,676,600
Total	10,912,385

2. Transfers to other Government entities

Description	2024 - 2025
	KShs
Transfer to FIF A/C	9,061,782
Total	9,061,782

3. Bank charges

Description	2024-2025
	KShs
Bank Charges	15,923
	15,923

4. (a) Cash And Cash Equivalents

Description	2024-2025
	KShs
Current accounts	413,591
Total cash and cash equivalents	413,591

4 (b) Detailed Analysis of Cash and Cash Equivalents

Description		2024-2025
Financial institution	Account number	KShs
a) Current account		
Kenya Commerical Bank	1102016942	413,591
Sub- total		413,591
Grand total		413,591

5. Receivables From Exchange Transactions

Description	2024- 2025
	KShs
Medical services receivables-NHIF	1,676,600
Total receivables	1,676,600

7. Related Party Balances

Nature of related party relationships

Entities and other parties related to the entity include those parties who have the ability to exercise control or exercise significant influence over its operating and financial decisions.

Related parties include management personnel, their associates, and close family members.

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

- i) The County Government;
- ii) Board of Directors;
- iii) Key Management
- iv) Department of health
- v) **Events after the Reporting Period**

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

vi) Ultimate and Holding Entity

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

vii) Currency

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


8. 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.



The health facility is being audited for the first time


.....
Accounting Officer

Dr. GEORGE KARATHI