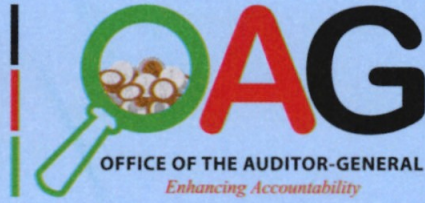


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REPORT

OF

THE AUDITOR GENERAL

ON

KANDIEGE LEVEL 4 HOSPITAL

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FOR THE YEAR ENDED

30 JUNE, 2025

HOMA BAY COUNTY GOVERNMENT

F&Y



Kandiege Level 4 HOSPITAL (Homabay 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

| | |
|----------------------|---|
| Accrual Basis | Accounting method where revenues and expenses are recorded when they are earned or incurred, not when cash is exchanged |
| BOM | Board of Management |
| Budget Execution | The process of implementing the approved budget through expenditures and revenue collection |
| CSR | Corporate Social Responsibility |
| F.I. F | Facility Improvement Fund |
| Fiduciary Management | Key management personnel who have financial responsibility in the entity. |
| HMT | Hospital Management Team |
| IFRS | International Financial Reporting Standards |
| IPSAS | International Public Sector Accounting Standards |
| MED SUP | Medical Superintendent |
| MoF | Ministry of Finance |
| NHIF | National Hospital Insurance Fund |
| NSSF | National Social Security Fund |
| OSHA | Occupational Safety and Health Act |
| PFMA | Public Financial Management Act |
| PPE | Property, Plant, and Equipment |
| MED SUP | Medical Superintendent |
| SHA | Social Health Authority |
| SHIF | Social Health Insurance Fund |

2. Key Entity Information and Management

(a) Background information

Kandiego Level 4 Hospital is a level 4 hospital established under gazette notice number 13505 and is domiciled in Homa Bay County under the County Department of Public Health and Medical Services. The hospital is governed by a Board of Management.

(b) Principal Activities

The Mission of the hospital is to provide sustainable, technologically driven, evidenced-based and client-centered healthcare services.

The principal activities of the hospital are:

- i. To provide affordable and accessible universal health coverage;
- ii. To modernize infrastructure, machinery and medical equipment;
- iii. To attain financial sustainability;
- iv. To strengthen human resource capability; and
- v. To develop facility health management information system.

(c) Key Management

Kandiego Level 4 Hospital’s management is under the following key organs:

- i. County department of health
- ii. Board of Management
- iii. Accounting Officer/ Medical Superintendent
- iv. Hospital Management Team

(d) Fiduciary Management

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

| No. | Designation | Name |
|-----|-------------------------------|-----------------|
| 1. | Medical Superintendent | Dynamight Adede |
| 2. | Head of finance | Lilian Oreje |
| 3. | Health Administrative Officer | Vivian Amadi |

(e) Fiduciary Oversight Arrangements

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

i. Quality Improvement Team

Quality Improvement Team (QIT) is a team taking lead to implement quality improvement activities. Group of multi skilled employee charged with responsibilities of improving processes or services. The team include top and middle management members to coordinate initial planning and implementation.

The members include;

- i. Mr Dynamight Adede (RCO I/C)- Chairperson
- ii. Mr Collins Kisakwa (Laboratory Manager)- Secretary
- iii. Mrs Stella Moraa (Nursing Officer In Charge)
- iv. Mr Lilian Rapemo (Pharm Tech)
- v. Mr Okuthe Aneya (Deputy Administrator)
- vi. Mr Adidi Benard - (Nutritionist)
- vii. Mr Allan Odhiambo (Medical Social worker)

ii. Emergency Response Team

Hospital Emergency Response Teams (HERT) is comprised of multi disciplines and specialties that activate and respond during emergencies. The team is responsible for Security of the hospital facility and grounds. Registration, patient tracking, triage, treatment, decontamination, detection & monitoring and movement of patients into the facility or on to other definitive medical care. The members are;

- i. Mr Dynamight Adede (RCO I/C) – Chairperson
- ii. Mrs Stella Moraa (DNS) – Secretary
- iii. Mrs Lilian Rapemo (Pharm tech)

- iv. Mrs Everylin Marire (Nurse)
- v. Mrs Vivian Amadi (Hospital Administrator)
- vi. Mr Joseph Abich (Triage assistant)

iii. Medicines and Therapeutic Committee

The Medicines and Therapeutics Committee (MTC) is a multidisciplinary committee responsible for overseeing policies and procedures related to all aspects of medicines and other HPT use. Medicines and therapeutics committees (MTCs) is formed in the hospital to improve prescribing and dispensing processes of medicines. Its importance appears in different aspects such as drug selection process, cost-effectiveness, and control of drug losses. Altogether, MTCs have shown an important role in promoting, controlling and educating activities of rational drug use. This is mostly manifested in demonstrating how the presence of MTCs in hospitals would improve patient's health outcomes and decrease overall drug expenditures. The members are,

- i. Mr Dynamight Adede (RCO I/C) – Chairperson
- ii. Mrs Lilian Rapemo (Pharm Tech) – Secretary
- iii. Mrs Stella Moraa (Nursing Officer in Charge)
- iv. Mrs Lilian Oreje (Accountant)
- v. Mr Kisakwa Okinyi (Lab Manager)
- vi. Mrs Vivian Amadi (Hospital Administrator)

iv. Billing and Waiver Committee

The billing and waiver committee is responsible for tracking patient bills to ensure that correct bills are paid and those unable to pay are waived in line with the government policy. The members are;

- i. Mrs Stella Moraa (Nursing Officer) – Chairperson
- ii. Mr Allan Odhiambo (Medical social worker) – Secretary
- iii. Mr Okuthe Aneya (Deputy Administrator)- member
- iv. Ms. Lilian Oreje (Accountant)- member

v. Maternal and Perinatal Death and Surveillance Response (MPDSR)

MPDSR is a committee that ensures that deaths of mothers or babies during pregnancy, childbirth and post-natal period are notified, information is collected, causes reviewed and responses identified to prevent unnecessary deaths in future. The members are;

- i. Mr Dynamight Adede (RCO I/C) – Chairperson
- ii. Mrs Stella Moraa (Nursing Officer In-Charge) – Secretary
- iii. Mrs Lydia Mogaka (Nurse)
- iv. Mr Charles Amolo (HRIO)
- v. Mr Okinyi Kisakwa (Lab Manager)
- vi. Mrs Rollin Okumu (Nurse)
- vii. Mrs Lilian Rapemo (Pharm Tech)

vi. Hospital Management Committee

Oversight roles and resource mobilization to the facility

vii. Hospital Management Team

Runs the facility through ensuring that all procedures are adhered to through monthly HMT meetings.

viii. Hospital finance Committee

The Hospital Finance Committee reviews departmental budget proposals to ensure allocations are made appropriately, considering the hospital's overall financial health and strategic goals. The committee ensures that resources are distributed efficiently and equitably across departments, aligning with the hospital's mission and objectives. Additionally, the committee monitors financial performance, implements internal controls, and provides oversight to maintain fiscal responsibility and transparency.

Key Entity Information and Management (continued)

(f) Entity Headquarters

Kandiego Level 4 Hospital,
P.O. Box 4-40304,
Kandiego Level 4 Hospital Building,
Kadel, Off Homa Bay-Kisumu Road
Kandiego, KENYA

(g) Entity Contacts

Telephone: (+254) 781107472
E-mail: kandiegehosp@gmail.com
Website: www.homabay.go.ke

(h) Entity Bankers

Kenya Commercial Bank
P.O Box 66827, 00800
Nairobi, Kenya

(i) Independent Auditors

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




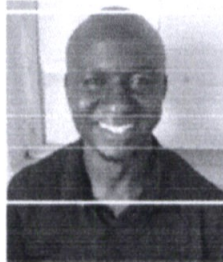
(j) Principal Legal Adviser

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




(k) County Attorney

Homa Bay County Attorney,
P.O. Box. 469
Homa Bay, Kenya






3. The Board of Management

| Ref | Directors | Details |
|-----|--|--|
| 1. |  Dr. Salmon Obiero | Age: 64 Qualifications: PHD. Divinity Work experience: 37 years |
| 2. |  Adede Dynamight | Age: 47 Qualifications: Diploma in Clinical Medicine and Surgery Work experience: 8 years |
| 3. |  Philip Odhiambo Okeyo | Age: 49 years Experience: 23 years Qualifications: Bachelor of Science in Agricultural Extension; Ward Administrator |
| 4. |  Steve Odiembo | Age 42yrs County Revenue Clerk 5years Experience Academic qualification: Diploma in Finance and Accounts |
| 5 | | Age 41 years Qualifications: O – level |





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| | | |
|----|---|--|
| |  Beatrice Alele | Experience: ECDE teacher; also a community health promoter. BOM member Kotonje mixed sec school, |
| 6. |  Philemon Adams Owiti | Age: 68 years Experience: Irrigation Scheme Education: Form 3 |
| 7. |  Benard Ouma | Age: 48 years Experience: Businessman Education: Diploma in Business Administration |




4. Key Management Team

| Ref | Management | Details |
|-----|--|--|
| 1. |  Mr. Dynamight Adede [Diploma in Clinical Medicine and Surgery] | Facility In charge and Clinical Officer In charge |
| 2. |  Mrs Vivian Amadi (Diploma in Business Management) | Health Administrative Officer |
| 3. |  Mrs Stella Moraa [Bachelors of Science Nursing] | Director Nursing |
| 4. |  Mrs Lilian Rapemo [Diploma in Pharmaceutical Technology] | Pharmacist |
| 5. |  Mr Benard Adidi [Bachelor of Science in Nutrion & Dietetics] | Nutritionist |

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| | | |
|----|---|-------------------------|
| 6. |  Mr Collince Okinyi Kisakwa [Bachelor of Science in Medical Laboratory Science with IT] | Lab Technologist |
| 7. |  Lilian Oreje [Bachelor of Commerce (Accounting)] | Accountant |
| 8. |  Frankline Asindi [KCSE] | Senior Clerical Officer |
| 9. |  Allan Odhiambo [Bachelor of Social Work] | Social Welfare Officer |

Kandiego Level Four Hospital (Homabay County Government)
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| | | |
|-----|---|------------------------------------|
| 10. |  Charles Olal | Health Records Information Officer |
| 11. |  Naftali Aneya (Bachelor of Arts) | Assistant HAO |
| 12. |  Charline Adhiambo Okello (Diploma in Environmental Health Sciences) | Public Health Officer |

5. Chairman's Statement

It gives me great pleasure, on behalf of the Board of Management, to present this Chairman's Report for the year ended 30th June 2025. The year under review was one of significant transition for Kandiego Level 4 Hospital, marked by notable achievements, persistent challenges, and renewed determination to strengthen our role as a trusted healthcare provider within Homa Bay County. In the face of limited resources, rising demand for services, and a constantly evolving health environment, the hospital made remarkable strides in fulfilling its mandate of delivering accessible, affordable, and high-quality healthcare to the communities it serves.

From a financial perspective, the hospital registered an impressive turnaround. Whereas the previous financial year closed with a deficit, the current year recorded a net surplus of Kshs. 28.38 million. This performance was largely attributable to increased revenue from miscellaneous receipts, prudent management of expenditure, and consistent in-kind contributions from the County Government, which provided much-needed medical supplies and equipment. The strong financial performance is further reflected in the hospital's asset base, which grew from Kshs. 13.82 million in the previous year to Kshs. 42.37 million, and in the expansion of net assets to Kshs. 38.86 million. This marked improvement underscores the hospital's strengthened fiscal position and provides a foundation for further investment in infrastructure and service delivery.

The operational statistics of the hospital reveal both the scale of demand and the commitment of staff in meeting it. With a bed capacity of forty-two, the hospital registered a high occupancy rate of eighty-three percent, an indicator of the heavy reliance placed on the facility by the surrounding community. During the year, more than ten thousand patients were attended to across inpatient and outpatient departments. Specialized clinics recorded 5,856 attendances, while accident and emergency services catered for nineteen urgent cases. The average length of stay for inpatients remained at seven days, which is in line with comparable national standards, while the mortality rate was contained at two percent, an outcome that reflects both clinical diligence and effective referral mechanisms. Despite these achievements, theatre utilization remained at zero, drawing attention to the urgent need for enhanced surgical capacity and specialized personnel.

The hospital also benefitted from external collaborations, with two sponsorships and partnerships that provided both technical and financial support. These engagements not only supplemented limited

internal resources but also contributed to the diversification of services and the strengthening of community health outreach. They further highlight the importance of nurturing networks with both governmental and non-governmental partners in order to secure sustainability.

Despite the progress recorded, the year was not without challenges. Key among these was the inadequacy of surgical facilities. The absence of active theatre operations highlights the constraints of both equipment and skilled personnel, limiting the hospital's ability to provide comprehensive care. Financially, the sharp rise in expenditure on grants and subsidies, amounting to Kshs. 44.06 million against a budget of Kshs. 15.36 million, strained operational budgets and underscored the volatility of hospital financing in contexts heavily reliant on transfers and external support. Staffing gaps in critical areas also persisted, placing pressure on existing staff and occasionally affecting service delivery. Moreover, the strain on physical infrastructure became increasingly evident as rising patient numbers outpaced the hospital's existing capacity. External shocks such as disease outbreaks and periodic environmental hazards like flooding further complicated service delivery, exposing gaps in disaster preparedness and resilience.

Nevertheless, the Board of Management is encouraged by the resilience demonstrated by the hospital's staff and leadership. Their ability to innovate, adapt, and continue providing services under difficult circumstances is commendable. The lessons learned from these challenges provide a clear pathway for strategic action in the coming years. The hospital's outlook is one of cautious optimism, guided by both the achievements of the past year and the recognition of areas requiring urgent intervention.

Looking forward, the Board envisions a hospital that not only sustains its financial gains but also expands its clinical capacity to meet growing demand. Priority will be given to enhancing surgical services through investment in modern theatre equipment and the recruitment of specialized personnel. Parallel to this, the hospital will strengthen its resource mobilization strategies by deepening partnerships with donors, private stakeholders, and development agencies. The integration of digital health systems, including electronic medical records and hospital management platforms, is also on the agenda as a means of improving efficiency, accountability, and service coordination. The expansion of infrastructure, particularly inpatient wards and diagnostic facilities, will be pursued to alleviate congestion and improve patient outcomes.

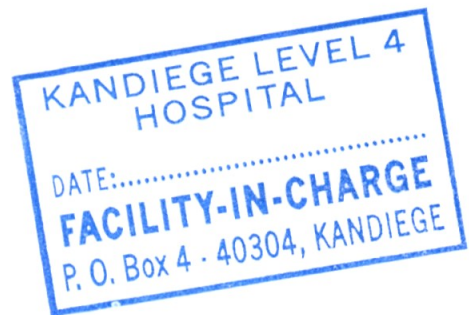
In addition, the hospital recognises the importance of building human capital as the foundation of service delivery. Continuous professional development for staff will be prioritized in order to enhance clinical expertise, management capacity, and public health responsiveness. Preventive and promotive healthcare will also receive greater emphasis, as the hospital seeks to reduce the burden of curative care by addressing health issues at the community level before they escalate into medical emergencies. These initiatives align with the broader county and national objectives of achieving universal health coverage and ensuring the long-term sustainability of the healthcare system.

As I conclude, I wish to extend my deepest appreciation to the County Government of Homa Bay for its consistent support, to our partners and sponsors for their invaluable contributions, and to the hospital's management and staff for their unwavering dedication to service. I also acknowledge the communities we serve, whose trust and cooperation remain central to the hospital's progress. The successes of the past year are a testament to collective effort, and the challenges we face provide an opportunity for renewed commitment to our shared vision.

Kandiego Level 4 Hospital remains dedicated to its mission of providing accessible and quality healthcare. With the continued support of all stakeholders, the hospital is poised to grow stronger, expand its impact, and contribute more effectively to the health and well-being of the people of Homa Bay County.



.....
Name **DR SALMON OBIERO**
Chairman to the Board



6. Report of The Medical Superintendent

It is with a deep sense of responsibility and commitment that I present the Medical Superintendent's Report for the financial year ending 30th June 2025. The period under review has been a defining chapter in the journey of Kandiego Level 4 Hospital, characterized by increased demand for services, operational challenges, and significant progress in strengthening the delivery of essential health care. This report reflects on the clinical performance of the hospital, the outcomes achieved in patient care, and the strategic priorities required to advance our mandate within the framework of county and national health objectives.

The hospital continued to serve as a key referral centre within Homa Bay County, catering to the needs of a diverse population with a wide spectrum of health conditions. A total of 10,109 patients were attended to during the year, spanning both outpatient and inpatient departments. This figure represents a reaffirmation of the community's trust in our services and demonstrates the hospital's expanding role in health service delivery. Specialized clinics attracted 5,856 attendances, offering crucial services in maternal and child health, management of non-communicable diseases, and HIV care. The accident and emergency department handled 19 cases, while the inpatient department maintained an average length of stay of seven days. With a bed occupancy rate of 83 percent, the hospital operated near optimal capacity, a clear indication of the pressure exerted on existing facilities.

The clinical outcomes recorded are broadly consistent with expectations for a facility of our size and mandate. The mortality rate of 2 percent remained within acceptable levels, though it underscores the continuous need to improve emergency preparedness, diagnostic capacity, and post-discharge follow-up. The absence of surgical theatre utilization during the year highlighted one of the most pressing clinical limitations of the hospital. Despite the dedication of our medical team, the lack of functional surgical facilities and specialized staff restricted the scope of services we could offer, forcing some patients to be referred elsewhere. This remains a critical gap that must be addressed in the near future if the hospital is to deliver truly comprehensive care.

Our response to public health threats also formed an important part of our clinical performance. During the year, the hospital supported the county's cholera response through provision of treatment, distribution of water purification chemicals, and conducting community awareness

campaigns. Staff members were trained in outbreak management to ensure timely detection and control of communicable diseases. These interventions reinforced our dual role as both a curative and preventive health facility. In addition, the hospital partnered with local organizations in nutrition and health promotion programs aimed at reducing the burden of preventable diseases.

The year's achievements were made possible through the dedication of our staff and the support of key stakeholders. The hospital's human resource base remains one of its greatest assets. Nurses, clinicians, laboratory technologists, and administrative staff demonstrated resilience, often working under difficult conditions characterized by staff shortages and high patient loads. Their commitment ensured that patients continued to receive care of acceptable quality. Equally important was the support extended by the County Government of Homa Bay, which supplied in-kind contributions valued at Kshs. 6.83 million, and our development partners, whose sponsorships provided both financial and material support. Such partnerships will remain vital to bridging resource gaps and sustaining hospital operations.


However, challenges persist, and they must be acknowledged with candour. The mismatch between demand and available capacity remains evident in overcrowding, overworked staff, and strained diagnostic services. Critical staffing gaps, especially in specialized areas such as surgery, anaesthesia, and radiology, constrain the breadth of services that can be offered. The limitations in physical infrastructure, including wards, theatre, and diagnostic laboratories, continue to compromise service efficiency. Financially, the hospital experienced volatility in expenditure, most notably in grants and subsidies, which rose to Kshs. 44.06 million, far above the budgeted provision. This underscored the vulnerability of relying on external transfers and the necessity of stronger financial planning and accountability mechanisms.

Looking ahead, the hospital has set clear clinical and operational priorities. Paramount among them is the establishment of a functional surgical theatre, complete with modern equipment and specialized staff. This will not only expand our clinical services but also reduce the burden of referrals to other facilities. In parallel, investment in diagnostic services — particularly imaging and laboratory infrastructure — is critical to improving patient outcomes through timely and accurate diagnosis. Equally, the expansion of bed capacity and inpatient facilities will help alleviate congestion and improve patient comfort.

The hospital will also pursue a more integrated approach to healthcare, emphasizing preventive and promotive services to complement curative care. This involves strengthening community outreach, expanding health education programs, and enhancing collaboration with local community health units. The introduction of digital health solutions, including electronic medical records, is anticipated to improve clinical efficiency, data accuracy, and patient tracking. Furthermore, staff development through continuous professional education and targeted training will remain a cornerstone of our strategy, ensuring that our workforce remains motivated, competent, and responsive to evolving health needs.

In closing, I wish to record my appreciation to the Board of Management for its leadership and strategic oversight, to the County Government for its steadfast support, and to our development partners for their invaluable contributions. Most importantly, I commend the staff of Kandiego Level 4 Hospital for their selfless service and dedication to patient care. Their resilience under challenging circumstances has been the backbone of the hospital's success. To the communities we serve, I extend gratitude for their trust and partnership.

Kandiego Level 4 Hospital remains committed to its mission of providing quality and affordable healthcare to all. While challenges remain, the achievements of the past year demonstrate that with continued support, prudent management, and unwavering dedication, the hospital is well-positioned to build a healthier future for the people of Homa Bay County.

BOGDE DYNAMUKI
.....
Name 
Secretary to the Board



7. Statement of Performance Against Predetermined Objectives

Kandiego Level 4 Hospital has several strategic pillars and objectives within the current Strategic Plan for the FY 2024-2025. These strategic pillars are as follows:

1. Enhance Patient Care Quality
2. Expand Healthcare Access
3. Ensure Regulatory Compliance
4. Strengthen Financial Stability
5. Implement Strategic Initiatives
6. Improve Infrastructure and Technology
7. Promote Quality Improvement

These pillars guide the hospital’s efforts to provide high-quality, accessible, and efficient healthcare services to the community.

Kandiego Level 4 Hospital develops its annual work plans based on the following seven strategic pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2024-2025 period for its seven strategic pillars, as indicated in the table below:

| Strategic Pillar | Objective | Key Performance Indicators | Activities | Achievements |
|--|--|---|--|---|
| Pillar 1: Enhance Patient Care Quality | Improve clinical outcomes and patient safety | Mortality rate; Bed occupancy rate; Average length of stay; Patient satisfaction levels | Review clinical protocols; Train staff on patient safety; Implement quality care standards | Mortality rate reduced to 2%; Bed occupancy rate at 83%; Average length of stay maintained at 7 days; Overall patient attendance (inpatient and |

Kandiege Level Four Hospital (Homabay County Government)
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| | | | | |
|--|---|---|---|---|
| | | | | outpatient) reached 10.10% |
| Pillar 2: Expand Healthcare Access | Increase access to healthcare services within the catchment area | Number of specialised clinic visits; Outreach coverage; Accident & Emergency attendance | Expand specialised clinics; Conduct outreach; Strengthen referral linkages | Specialised clinic attendance reached 5,856; 19 Accident & Emergency cases attended; Outreach programmes conducted with community health volunteers |
| Pillar 3: Ensure Regulatory Compliance | Maintain compliance with healthcare laws and professional standards | Compliance audit reports; Licensing status; Staff certification levels | Conduct internal audits; Train staff on regulatory updates; Renew facility licenses | All statutory and regulatory requirements met; Licensing maintained, Staff trained on ethics and compliance |
| Pillar 4: Strengthen Financial Stability | Improve revenue generation and resource mobilization | Revenue growth; Number of sponsorships/partnerships; Budget variance | Improve billing efficiency; Engage partners; Enhance cost control | Two sponsorships and partnerships secured; Revenue collection improved; |

| | | | | |
|---|---|--|---|---|
| | | | | Financial reporting aligned to PSASB Standards |
| Pillar 5: Implement Strategic Initiatives | Execute programmes in line with performance contracts | Number of strategic projects implemented; Health indicators improved | Conduct community screenings; Health promotion campaigns; Preventive care interventions | Screening for hypertension, diabetes, and cervical cancer carried out; Health education campaigns increased community Awareness |
| Pillar 6: Improve Infrastructure and Technology | Upgrade hospital facilities and equipment | Bed capacity; Theatre utilization rate; Equipment functionality | Maintain and repair facilities; Procure new equipment; Assess surgical theatre capacity | Bed capacity maintained at 42; Infrastructure upgrades in maternity and outpatient blocks; Surgical theatre utilisation at 0 due to lack of service, with Feasibility |

Kandiego Level Four Hospital (Homabay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

| | | | | |
|---------------------------------------|--|---|--|--|
| | | | | studies ongoing |
| Pillar 7: Promote Quality Improvement | Foster a culture of continuous quality improvement | Number of CPD sessions; Audit recommendations implemented | Conduct CPD training; Strengthen monitoring and evaluation; Implement quality assurance activities | Regular CPD sessions conducted; Quality monitoring systems enhanced; Patient care audits implemented |

8. Corporate Governance Statement

At Kandiege Level 4 Hospital, we are unwavering in our commitment to upholding the highest standards of corporate governance. Our governance framework is designed to ensure accountability, transparency, and integrity in all our operations, aligning with both national and international best practices. This statement outlines the key elements of our governance structure and practices, reflecting our dedication to excellence in healthcare delivery.

Board of Management

The Board of Management is the cornerstone of our governance framework. It is responsible for setting the strategic direction of the hospital, overseeing its implementation, and ensuring that the hospital meets its objectives. The Board comprises a diverse group of individuals with expertise in healthcare, finance, law, and community service. This diversity ensures a well-rounded approach to governance and decision-making, enabling us to address the complex challenges of the healthcare sector effectively.

Governance Practices

1. **Strategic Oversight:** The Board is actively involved in setting and reviewing the hospital's strategic goals. This includes approving the strategic plan and monitoring its progress to ensure alignment with our mission and vision. The strategic plan is developed through a comprehensive process that involves input from various stakeholders, including patients, staff, and community representatives. This collaborative approach ensures that our strategic goals are relevant and responsive to the needs of the community we serve.
2. **Quality and Safety:** Ensuring the highest standards of patient care is a top priority for Kandiege Level 4 Hospital. The Board oversees the implementation of quality and safety measures, regularly reviews performance metrics, and supports continuous improvement initiatives. We have established robust quality assurance processes, including regular audits, patient feedback mechanisms, and staff training programs. These measures help us maintain high standards of care and address any issues promptly.
3. **Financial Management:** The Board provides oversight of the hospital's financial health, including budgeting, financial reporting, and auditing. This ensures that resources are used efficiently and effectively to support our healthcare services. We adhere to stringent financial management practices, including regular financial reviews, risk assessments, and

compliance with relevant accounting standards. Our financial transparency is further enhanced by the publication of annual financial statements, which provide a clear and comprehensive overview of our financial performance.

4. **Executive Performance:** The Board sets performance objectives for the Medical Superintendent and other senior executives, conducts regular evaluations, and ensures appropriate succession planning. Performance evaluations are based on a range of criteria, including leadership effectiveness, operational performance, and alignment with strategic goals. Succession planning is a critical aspect of our governance framework, ensuring that we have a pipeline of capable leaders ready to step into key roles as needed.
5. **Compliance and Risk Management:** The Board ensures that the hospital complies with all relevant laws, regulations, and standards. It also oversees risk management processes to identify, assess, and mitigate potential risks. Our compliance framework includes regular reviews of legal and regulatory requirements, staff training on compliance issues, and the establishment of internal controls to prevent and detect non-compliance. Risk management is integrated into our strategic planning process, enabling us to proactively address potential challenges and opportunities.

Committees

To support its governance role, the Board has established several committees, each with specific responsibilities:

- **Finance and Audit Committee:** This committee oversees financial reporting, internal controls, and audit processes. It ensures that our financial practices are transparent, accountable, and aligned with best practices. The committee also reviews and approves the annual budget, monitors financial performance, and liaises with external auditors to ensure the integrity of our financial statements.
- **Quality and Safety Committee:** This committee focuses on patient care standards, safety protocols, and quality improvement initiatives. It reviews clinical performance data, patient feedback, and incident reports to identify areas for improvement. The committee also oversees the implementation of quality improvement projects and ensures that staff are trained in best practices for patient care and safety.

- **Governance and Nominations Committee:** This committee manages Board appointments, governance policies, and Board evaluations. It ensures that the Board has the right mix of skills, experience, and diversity to effectively govern the hospital. The committee also oversees the development and implementation of governance policies, including conflict of interest policies, Board member training, and performance evaluations.

Stakeholder Engagement

We recognize the importance of engaging with our stakeholders, including patients, staff, government bodies, and the community. The Board actively seeks input from these groups to inform decision-making and ensure that the hospital's services meet the needs of the community. Stakeholder engagement is facilitated through various channels, including public forums, patient surveys, staff meetings, and partnerships with community organizations. This engagement helps us build trust, foster collaboration, and ensure that our services are responsive to the needs of those we serve.

Transparency and Accountability

Transparency is a cornerstone of our governance practices. We are committed to open communication and regularly publish reports on our performance, financial status, and strategic initiatives. This ensures that our stakeholders are well-informed and can hold us accountable for our actions. Our commitment to transparency is reflected in our regular publication of annual reports, financial statements, and performance metrics. We also maintain an open-door policy, encouraging stakeholders to provide feedback and raise concerns.

Conclusion

Kandiego Level 4 Hospital is dedicated to maintaining robust corporate governance practices that support our mission to provide high-quality, accessible healthcare. The Board of Management remains committed to continuous improvement and excellence in all aspects of our operations. As we move forward, we will continue to uphold the principles of accountability, transparency, and integrity, ensuring that we meet the needs of our patients and the community. We believe that our strong governance framework is essential to achieving our strategic goals and delivering on our commitment to provide exceptional healthcare services.

9. Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) for the financial year ended 30th June 2025 presents a comprehensive review of Kandiego Level Four Hospital's operational and financial performance, significant projects undertaken, compliance status, major risks, and the strategic outlook. This section aims to provide stakeholders with a clear understanding of the hospital's achievements, challenges, and plans, while linking outcomes to the strategic pillars that guide our service delivery.

Throughout the year, the hospital's performance was monitored against its annual work plan, which is directly aligned to the strategic plan and performance contract targets. The seven strategic pillars — enhancing patient care quality, expanding healthcare access, ensuring regulatory compliance, strengthening financial stability, implementing strategic initiatives, improving infrastructure and technology, and promoting quality improvement — provided the framework for both operational and financial decision-making.

From a service delivery perspective, the hospital maintained a bed capacity of 42 and recorded an overall patient attendance of 10,109 across both inpatient and outpatient services, an increase from 9,450 in FY 2023/24. This steady growth reflects both improved community awareness of our services and increased trust in the quality of care delivered. The hospital's specialised clinics, which include maternal health, diabetes management, and other chronic disease services, registered 5,856 patient visits, up from 5,412 in the previous year. This growth demonstrates the hospital's capacity to meet evolving health needs, particularly for long-term conditions that require sustained follow-up.

Accident and emergency attendance rose from 15 to 19 cases, signaling greater readiness and capacity to handle urgent and life-threatening situations, albeit the overall volume remains relatively low. The average length of stay for inpatients increased from 6.5 days to 7 days, largely reflecting the complexity of cases handled and the need for extended observation in certain conditions. The bed occupancy rate improved from 80% to 83%, indicating an optimal balance between capacity utilisation and patient flow. Importantly, the mortality rate decreased from 2.2% to 2.0%, underscoring the hospital's commitment to evidence-based clinical practice, robust patient monitoring, and effective post-treatment follow-up.

One persistent gap in the hospital's service offering is the absence of surgical theatre utilisation, which remained at zero operations for both FY 2023/24 and FY 2024/25. This limitation restricts the hospital's capacity to handle certain procedures internally and necessitates referrals to other facilities. Recognising this, a feasibility assessment for the introduction of surgical services was initiated during the year, with the aim of establishing the required infrastructure, staffing, and equipment within the medium term.

The hospital's operational success was supported by strategic partnerships and sponsorships, which doubled from one in the previous year to two in FY 2024/25. These partnerships have provided both technical and financial resources to support targeted programmes, including community health outreach and procurement of essential supplies.

Financially, FY 2024/25 was a year of exceptional growth. Total revenue increased more than fourfold, from Kshs 22.75 million in FY 2023/24 to Kshs 94.38 million in FY 2024/25. This performance was primarily driven by a significant rise in miscellaneous income, which grew from Kshs 14.36 million to Kshs 73.16 million, representing 80.94% of total revenue. In-kind contributions from the County Government remained a stable source of support, totalling Kshs 6.83 million, while medical service income rose modestly from Kshs 901,470 to Kshs 14.38 million. This financial performance reflects the hospital's ability to mobilize resources beyond its traditional income streams and demonstrates effective engagement with stakeholders and partners.

Total expenditure for the year was Kshs 65.995 million, compared to Kshs 22.97 million in the previous year. The largest single expense was grants and subsidies, which amounted to Kshs 44.06 million. These funds supported expanded community health initiatives, outreach services, and targeted interventions aimed at addressing the healthcare needs of underserved populations. Medical and clinical costs totaled Kshs 13,183,857, reflecting increased patient volumes and the procurement of essential medicines and consumables. Employee costs rose to Kshs 1.52 million as a result of targeted recruitment in specialist areas, including obstetrics and gynaecology, internal medicine, and paediatrics. Depreciation and amortisation expenses decreased from Kshs 1.81 million to Kshs 1.497 million due to derecognition of an asset, while repairs and maintenance costs reduced from Kshs 1.97 million to Kshs 1.60 million, indicating more efficient asset management.

General expenses stood at Kshs 4.04 million. The hospital closed the year with a surplus of Kshs 28.38 million, a significant turnaround from the prior year's deficit of Kshs 221,014.

In terms of infrastructure and technology, the hospital implemented several capital improvements. Renovations were carried out in the maternity ward and outpatient block to enhance patient comfort, streamline workflow, and improve infection prevention measures. Additional patient beds, diagnostic tools, and patient monitors were procured to expand service capacity. Maintenance of core equipment was prioritized to ensure consistent functionality, particularly in diagnostic imaging and laboratory services.

The year also saw an expansion of community outreach activities, in line with the hospital's preventive health strategy. Health education campaigns focused on hypertension, diabetes, and cervical cancer screening, with the aim of early detection and intervention. These initiatives were implemented in collaboration with community health volunteers, ensuring that information and services reached the most vulnerable populations.

The hospital maintained full compliance with all statutory and regulatory requirements. This included timely remittance of PAYE, NHIF, and NSSF contributions, adherence to public procurement laws, and maintenance of all required operational licences. Regular internal and external audits were conducted, with no adverse findings recorded.

Nonetheless, the hospital faced several operational risks. The most pressing was the occasional delay in funding disbursements from the County Government, which created temporary cash flow constraints and affected procurement timelines for critical supplies. The rising patient load relative to infrastructure capacity posed an ongoing challenge, while the lack of surgical services limited the scope of care the hospital could provide internally. These risks are being mitigated through strengthened cash flow forecasting, phased infrastructure expansion plans, and ongoing surgical service planning.

Looking forward, the hospital's strategic priorities include the establishment of surgical services, the acquisition of advanced diagnostic equipment, the introduction of an electronic medical records system to improve efficiency and data management, and the scaling up of preventive health

programmes. The hospital will also continue to strengthen partnerships with both governmental and non-governmental stakeholders to diversify funding sources and enhance resilience.

The achievements of FY 2024/25 reflect the combined efforts of our dedicated staff, the strategic oversight of the Board of Management, and the support of the County Government and our partners. With sustained focus on quality, access, and efficiency, Kandiego Level Four Hospital is well-positioned to build on these successes and continue delivering high-quality healthcare to the communities we serve.

10. Environmental And Sustainability Reporting

i) Sustainability Strategy and Profile

Kandiego Level 4 Hospital is committed to providing high-quality healthcare services to the citizens of Homa Bay County. Our sustainability strategy focuses on maintaining and enhancing our service delivery over the long term. This involves integrating sustainable practices into our operations, ensuring that we can continue to meet the healthcare needs of our community while minimizing our environmental impact.

Our top management, led by the accounting officer, is dedicated to sustainable efforts that align with international best practices. We recognize the broad trends in political and macroeconomic environments that affect our sustainability priorities. Key achievements include the successful implementation of energy-efficient systems and waste reduction initiatives. However, we acknowledge challenges such as resource constraints and the need for continuous improvement in our sustainability practices.

ii) Environmental Performance

Environmental Policy

Kandiego Level 4 Hospital is guided by a comprehensive environmental policy that emphasizes sustainability and environmental stewardship. This policy includes guidelines for waste management, energy conservation, and biodiversity protection. Evidence of our policy can be seen in our waste segregation practices and energy-efficient lighting systems.

Successes and Shortcomings

- **Successes:** Implementation of a waste management system that includes recycling and proper disposal of medical waste.
- **Shortcomings:** Limited resources for large-scale environmental projects and occasional lapses in policy enforcement.

Efforts to Manage Biodiversity

We have undertaken initiatives to maintain the biodiversity around our hospital premises. This includes planting native trees and maintaining green spaces to support local wildlife.

Waste Management Policy

Our waste management policy focuses on reducing, reusing, and recycling waste. We have established protocols for the safe disposal of hazardous medical waste and have partnered with local waste management companies to ensure compliance with environmental regulations.

Efforts to Reduce Environmental Impact

Efforts to reduce our environmental impact include the use of energy-efficient appliances, water conservation measures, and promoting the use of electronic records to reduce paper usage.

iii) Employee Welfare

Hiring Policies

Our hiring policies are designed to promote diversity and inclusion. We ensure a balanced gender ratio and engage stakeholders in the hiring process. These policies are reviewed and improved regularly to align with best practices.

Skills Improvement and Career Management

We invest in the continuous professional development of our staff through training programs and workshops. Our appraisal and reward systems are designed to recognize and incentivize high performance.

Safety and Compliance

We adhere to the Occupational Safety and Health Act of 2007 (OSHA) to ensure a safe working environment for our employees. Regular safety audits and training sessions are conducted to maintain compliance and promote a culture of safety.

iv) Marketplace Practices

Responsible Competition Practice

Kandiege Level 4 Hospital is committed to fair competition practices. We have policies in place to prevent corruption, ensure responsible political involvement, and respect our competitors. Our anti-corruption measures include regular audits and a whistleblower policy.

Responsible Supply Chain and Supplier Relations

We maintain good business practices by honoring contracts and respecting payment terms with our suppliers. Our procurement process is transparent and aims to build long-term, mutually beneficial relationships with our suppliers.

Responsible Marketing and Advertisement

Our marketing practices are ethical and transparent. We ensure that all promotional materials are accurate and do not mislead our patients or the public.

Product Stewardship

We are committed to safeguarding consumer rights and interests. This includes ensuring the safety and efficacy of the medical products and services we provide.

v) Corporate Social Responsibility / Community Engagements

CSR Activities

Kandiego Level 4 Hospital actively engages in Corporate Social Responsibility (CSR) activities. This year, we conducted several health camps, provided free medical check-ups, and donated medical supplies to underserved communities. Our CSR initiatives aim to improve the overall health and well-being of the community.

Community Engagement

We engage with the community through various programs, including health education workshops and partnerships with local organizations. Our efforts in charitable giving and corporate social investment have had a positive impact on the society, fostering goodwill and trust within the community.

11. Report of The Board of Management

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

Principal activities

The principal activities of the hospital are:

- i. To provide affordable and accessible universal health coverage;
- ii. To modernize infrastructure, machinery and medical equipment;
- iii. To attain financial sustainability;
- iv. To strengthen human resource capability; and
- v. To develop facility health management information system.

Results

The results of the entity for the year ended June 30 2025 are set out on pages 1 to 7.


Board of Management

The members of the Board who served during the year are shown on page v. During the year, no director(s) retired/ resigned, and no director (s)was appointed.

Auditors

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

By Order of the Board



.....
Name: Mr. Adede Dynamight
Secretary to the Board



12. Statement of Board of Management's Responsibilities

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

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

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


In preparing the financial statements, the Board of Management have assessed the entity's ability to continue as a going concern. Nothing has come to the attention of the Board of Management to

Kandiego Level Four Hospital (Homabay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

indicate that the entity 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 25/08/2025 and signed on its behalf by:



.....
Name: **DR SALMON OBIERO**
Chairperson
Board of Management



.....
Name: **ADEDE**
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 KANDIEGE LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - HOMA BAY COUNTY GOVERNMENT

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 for Kandiege Level 4 Hospital - Homa Bay County Government set out on pages 1 to 46, which comprise of the statement

Report of the Auditor-General on Kandiege Level 4 Hospital for the year ended 30 June, 2025 - Homa Bay County Government

of financial position as at 30 June, 2025, and the statement of financial performance, statement of cash flows, statement of changes in net assets 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 respect, the financial position of Kandiege 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 Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Grants and Subsidies

The statement of financial performance reflects grants and subsidies of Kshs.44,063,158 as disclosed in note 15 to the financial statements. However, the supporting schedules and supporting documents were not provided for review. Contrary to Regulation 104(1) of Public Finance Management (County Government) Regulation 2015, that states that all receipts and payments vouchers of public moneys shall be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.

In the circumstances, the propriety, accuracy and completeness of the Kshs.44,063,158 on grants and subsidies could not be confirmed.

2. Understatement of Receivables

The statement of financial position reflects total current assets balance of Kshs.32,921,399 out of which Kshs.14,576,000 relates to receivables from non-exchange transactions as disclosed under Note 20 to the financial statements. The audit of the cash book and bank statement revealed that the Hospital collected and remitted to the Special Purpose Account (SPA) a total of Kshs.73,796,193.50 and received back Kshs.16,521,802.90, resulting to outstanding receivables from the special purpose account amount of Kshs.42,515,152 which should be recognized as receivables from FIF Board (Special Purpose Account) in the financial statements.

In the circumstance, receivables from non-exchange transactions is understated by Kshs.42,515,152 and could not be confirmed.

3. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivable from exchange transaction of Kshs.17,873,530 as disclosed under Note 19 to the financial statement of which

Kshs.4,460,059 relates to receivables due for over one year from the defunct NHIF. Management did not demonstrate deliberate action in trying to recover these outstanding amounts.

In the circumstances, the recoverability of long outstanding receivables from exchange transactions of Kshs.4,460,059 could not be confirmed.

4. Unconfirmed Property, Plant and Equipment Balance

The statement of financial position reflects property plant and equipment balance of Kshs.9,447,999. However, the audit established that the hospital had various buildings which were not in the financial statements casting doubt on the accuracy and completeness on the balance of property, plant and equipment. Further, the facility was constructed on a parcel of land measuring 1.3 hectare whose ownership was in contention and part of it encroached by private citizens. Management presented a consent letter dated 15, November 2023, for sub-division and change of reserved user name and titling of the land but no action has taken place since. Management did not give a plausible explanation for the delay of change of name.

In the circumstances, the accuracy and completeness of the balance of property plant and equipment Kshs.9,447,999 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.83,850,000 and Kshs.80,966,192 respectively resulting in an underfunding of Kshs.2,883,808 of 3% of the budget. Similarly, the Hospital expenditure amounted to Kshs.66,666,152 against the realized receipts of Kshs.80,966,192 resulting in an underutilization of Kshs.14,300,040 or 18% of the actual receipts. Further, the Hospital capital expenditure amounted to Kshs.2,535,765 against approved budget of Kshs.46,421,230 resulting in an under expenditure of Kshs.43,885,465 or 5% of the budget.

In the circumstances, the under-funding and under-utilization may have impacted negatively on services delivery to the public.

My opinion is not modified in respect of these matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Hospital in 2024/2025 revealed that the following fifteen (15) issues remain unresolved:

| S/No | Financial Year | Audit Issue |
|------|----------------|---|
| 1 | 2023/2024 | Unsupported Property, Plant and Equipment |
| 2 | 2023/2024 | Unconfirmed in-Kind Contribution from the County Government |
| 3 | 2023/2024 | Budgetary Control and Performance |
| 4 | 2023/2024 | Non-Compliance with the Prescribed Reporting Framework |
| 5 | 2023/2024 | Failure to Transfer Revenue to the County Revenue |
| 6 | 2023/2024 | Lack of Quarterly Revenue Report |
| 7 | 2023/2024 | Deficiencies in Implementation of Universal Health Coverage (UHC) |
| 8 | 2023/2024 | Irregular Engagement of Casual Workers |
| 9 | 2023/2024 | Unsupported Inventories Balance |
| 10 | 2023/2024 | Unsupported Receivables |
| 11 | 2023/2024 | Unconfirmed Cash and Cash Equivalents |
| 12 | 2023/2024 | Failure to maintain Fixed Asset Register |
| 13 | 2023/2024 | Intangible Assets- Software |
| 14 | 2023/2024 | Lack of Audit Committee and Internal Audit Unit |
| 15 | 2023/2024 | Lack of Risk Management Policy |

Other Information

The Management is responsible for the Other Information set out on pages iii to xxxv which comprises, the Key Entity Information and Management, The Board of Management, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance Against Objectives, Corporate Governance Statement, Management

Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management and Statement of Board of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Retain Revenue Raised by the Facility

Review of revenue records obtained from the Kandiege Level IV Hospital revealed total collection of Kshs.74,133,941 towards the health facilities improvement. Out of this amount, a total of Kshs.73,796,193.50 was transferred to Special Purpose Account at the health department. However, Special Purpose Account reimbursed a total of Kshs. 15,156,955.40 to the health facilities resulting in a deficit of Kshs.58,639,238.10. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing account. In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

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

2. Irregular Engagement of Casual Workers

The statement of financial performance reflects employee costs of Kshs.1,520,190. However, during the year under review, the Hospital engaged nine (9) casuals,

management engaged casual workers for twelve months contrary to the Section B.16 of the County Public Service Human Resource Manual, May 2013 which states that Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board. Casual workers shall not be engaged for more than three months, as stipulated in the Employment Act, 2007.

In circumstances, Management was in breach of Law.

3. Failure to Open Facility and Improvement Bank Account

Review, of the bank account documents revealed that management has only one operations account and has not opened a facility improvement bank account as required by the law, contrary Section 20 (1) of Facility Improvement Finance Act 2023, that states, there shall be opened and operated a bank account for every entity into which all monies received by and on behalf of the entities for the facility improvement financing shall be paid into

In circumstances, management is in breach of the law

4. Non-Compliance with Universal Health Coverage (UHC) Requirement for Level 4 Hospitals

Review of Kandiege Level 4 Hospital operations and records during the year under review revealed that it 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 program were observed:

4.1 Inadequate Staffing Requirements

The Hospital did not meet the necessary requirements for staffing outline as shown below:

| Staff Requirements | Level 4 Std | No. in Hospital | Variance |
|---------------------------|--------------------|------------------------|-----------------|
| Medical officers | 16 | 0 | 16 |
| Anesthesiologists | 2 | 0 | 2 |
| General Surgeons | 2 | 0 | 2 |
| Pediatricians | 2 | 0 | 2 |
| Radiologists | 2 | 0 | 2 |
| Registered nurses | 75 | 5 | 70 |

4.2 Inadequate Level 4 Hospital Equipment

The hospital lacked or had shortage of the necessary equipment and machines outlined in the Health Policy Guidelines as detailed below:

| Staff Requirements | Level 4 Std | No. in Hospital | Variance |
|-------------------------------------|--------------------|------------------------|-----------------|
| Resuscitative | 3 | 0 | 3 |
| New born unit incubators | 5 | 0 | 5 |
| New born unit cots | 5 | 0 | 5 |
| ICU beds | 6 | 0 | 6 |
| HDU beds | 6 | 0 | 6 |
| Renal unit with 5 dialysis machines | 5 | 0 | 5 |
| Functional operation theatres | 2 | 0 | 2 |
| Beds | 150 | 50 | 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 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 Health Coverage programme could not be confirmed

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 are in compliance, 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. Weakness in Inventory Management.

The physical verification of the Hospital stores for pharmaceuticals and non-pharmaceutical products, revealed that the Hospital does not have adequate storage

space for pharmaceutical and non-medical products. Further, review of the bin cards revealed that there was no segregation of duties in the stores, one staff receives supplies, records in the bin cards and issues out to the end users. There was no senior independent officer assigned duties of periodically checking the accuracy and completeness of the store's registers and the bin cards.

In circumstances, the internal control over inventory management of the hospital could not be confirmed.

2. Competency of the Board

The audit revealed that the board held a meeting on 4 February, 2025 and constituted finance, quality of service and audit committee committees with three members each. Review of records provided for audit established that these sub-committees did not meet during the year under review to strengthen the controls of management, casting doubt on the competency of the board.

In circumstances, the effectiveness of the sub-committees in discharging their mandate and assurance on governance could not be confirmed.

3. Lack of Key Management Policies and Procedures

During the period under Audit review, the Management did not institute policies and procedures to guide key financial and managerial processes and controls for management such as risk management policy and risk management framework and has not developed a risk register, disaster recovery plan or business continuity plan and fire and emergency preparedness policy to guide the operations in the areas of revenue, expenditure, inventory, liabilities to enable effective and efficient running of the institution, and to cushion and/or guarantee business continuity, contrary to Regulation 165 (1) of the Public Finance Management Regulations, 2015 states that the Accounting Officer shall ensure that the national government entity develops— (a) risk management strategies, which include fraud prevention mechanism; and (b) a system of risk management and internal control that builds robust business operations.

In circumstances, the existence of effective internal control, risk management and governance systems could not be confirmed.

4. Ineffective Audit Function and Audit Committee

The audit established that the entity had not been audited for the period under review as there was no audit report by the internal audit unit of the Homa Bay County Executive. Similarly, review of documents revealed that there was an audit committee that was formed during the year. However, the committee never held a meeting for review of the hospitals risk profile, internal controls nor discussed the report of the internal audit or the external audit.

In circumstances, the effectiveness of the internal audit unit and the audit committee in discharging their mandate and assurance 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 the Board of Management

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

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

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

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

The Board of Management is responsible for overseeing the Hospital's financial reporting process, reviewing the effectiveness of how the 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

01 December, 2025

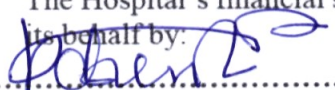
Kandiego Level Four Hospital (Homabay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

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

| Description | Note | FY 2024-2025 | FY 2023-2024 |
|--|------|-------------------|-------------------|
| | | Kshs | Kshs |
| Revenue from non-exchange transactions | | | |
| In-kind contributions from the County Government | 6 | 6,832,251 | 7,488,796 |
| | | 6,832,251 | 7,488,796 |
| Revenue from exchange transactions | | | |
| Rendering of services- Medical Service Income | 8 | 14,383,293 | 901,470 |
| Miscellaneous Income | 9 | 73,164,119 | 14,363,018 |
| Revenue from exchange transactions | | 87,547,412 | 15,264,488 |
| Total revenue | | 94,379,663 | 22,753,283 |
| Expenses | | | |
| Medical/Clinical costs | 10 | 13,183,857 | 14,310,554 |
| Employee costs | 11 | 1,520,190 | 1,181,342 |
| Board of Management Expenses | 12 | 90,000 | 65,700 |
| Depreciation and amortization expense | 13 | 1,497,583 | 1,814,787 |
| Repairs and maintenance | 14 | 1,604,160 | 1,965,731 |
| Grants and subsidies | 15 | 44,063,158 | |
| General expenses | 16 | 4,036,573 | 3,636,183 |
| Total expenses | | 65,995,521 | 22,974,297 |
| Net Surplus / (Deficit) for the year | | 28,384,142 | (221,014) |

(The notes set out on pages 7 to 42 form an integral part of the Annual Financial Statements.)

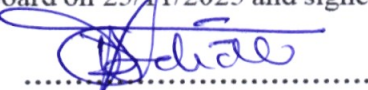
The Hospital's financial statements were approved by the Board on 25/11/2025 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No:



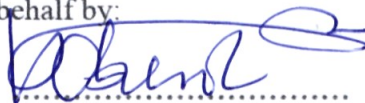
Medical Superintendent



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

| Description | Note | FY 2024-2025 | FY 2023-2024 |
|--|------|-------------------|-------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 18 | 25,292 | |
| Receivables from exchange transactions | 19 | 17,873,530 | 3,839,850 |
| Receivables from non-exchange transactions | 20 | 14,576,000 | |
| Inventories | 21 | 446,577 | 1,968,607 |
| Total Current Assets | | 32,921,399 | 5,808,457 |
| Non-current assets | | | |
| Property, plant, and equipment | 22 | 9,447,999 | 8,015,052 |
| Total Non-current Assets | | 9,447,999 | 8,015,052 |
| Total assets (A) | | 42,369,398 | 13,823,509 |
| | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 24 | 3,511,739 | 2,749,424 |
| Bank Overdraft | | | |
| Total Current Liabilities | | 3,511,739 | 2,759,292 |
| | | | |
| Total Liabilities (B) | | 3,511,739 | 2,759,292 |
| | | | |
| Net assets (A-B) | | 38,857,659 | 11,064,217 |
| | | | |
| Represented by: | | | |
| Accumulated surplus/Deficit | | 27,644,345 | (352,097) |
| Capital Fund | | 11,213,314 | 11,416,314 |
| Net Assets | | 38,857,659 | 11,064,217 |

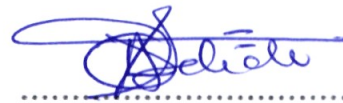
(The notes set out on pages 7 to 42 form an integral part of the Annual Financial Statements.)
 The Hospital's financial statements were approved by the Board on 25/11/2025 and signed on its behalf by:



Chairman
Board of Management



Head of Finance
ICPAK No:



Medical Superintendent



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

| Description | Accumulated surplus/Deficit | Capital Fund | Total |
|--------------------------------|-----------------------------|-------------------|-------------------|
| As at July 1, 2023 | (131,083) | 4,577,525 | 4,446,442 |
| Surplus/(deficit) for the year | (221,014) | | (221,014) |
| Capital/Development grants | - | 6,838,789 | 6,838,789 |
| As at June 30, 2024 | (352,097) | 11,416,314 | 11,064,217 |
| | | | |
| At July 1, 2024 | (739,797) | 11,416,314 | 11,064,217 |
| Surplus/(deficit) for the year | 28,384,142 | - | 28,384,142 |
| Capital/Development grants | - | - | - |
| Adjustments for PPE Purchased | | (203,000) | (203,000) |
| At June 30, 2025 | 27,644,345 | 11,213,314 | 39,245,359 |

(Note:

1. Capital / Development Grants represent funds received from the County Government earmarked for the acquisition or improvement of long-term assets.
2. Adjustments for PPE Purchased relate to the acquisition of property, plant, and equipment funded internally, reducing the accumulated surplus in line with IPSAS asset recognition principles.
3. Comparative balances for prior years have been restated where necessary to reflect accurate opening positions, in line with IPSAS 3 – Accounting Policies, Changes in Accounting Estimates and Errors.
4. The significant increase in accumulated surplus in FY 2024/25 was primarily driven by a surplus of Kshs 27.68 million, resulting from higher miscellaneous income and prudent expenditure control.)

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

| Description | Note | LY 2024-2025 | LY 2023-2024 |
|---|------|--------------------|-------------------|
| | | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfers from the County Government | | 311,120 | |
| Rendering of services- Medical Service Income | | 969,822 | 901,470 |
| Miscellaneous receipts(<i>specify</i>) | | 73,164,119 | 9,950,583 |
| Total Receipts | | 74,445,061 | 10,852,053 |
| Payments | | | |
| Medical/Clinical costs | | 6,202,790 | 5,247,616 |
| Employee costs | | 1,252,390 | 1,032,922 |
| Board of Management Expenses | | 90,000 | 65,700 |
| Repairs and maintenance | | 1,814,531 | 1,328,669 |
| Grants and subsidies | | 44,063,158 | |
| General expenses | | 3,875,267 | 3,246,383 |
| Transfer to County Revenue Special Purpose Account | | 14,576,000 | |
| Total Payments | | 71,874,136 | 10,921,290 |
| Net cash flows from operating activities | 25 | 2,570,925 | (69,238) |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment | | (2,535,765) | |
| Net cash flows used in investing activities | | (2,535,765) | |
| Cash flows from financing activities | | | |
| Net cash flows used in financing activities | | | |
| Net increase/(decrease) in cash and cash equivalents | | 35,160 | (69,238) |
| Cash and cash equivalents as at 1 July | 18 | (9,868) | 59,370 |
| Cash and cash equivalents as at 30 June | 18 | 25,292 | (9,868) |

**Kandee Level Four Hospital (Homabay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025**

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

| Description | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % of utilisation |
|---|-------------------|-------------|-------------------|----------------------------|------------------------|------------------|
| | a | b | c=(a+b) | D | e=(c-d) | f=d/c % |
| | Kshs | Kshs | Kshs | Kshs | Kshs | |
| Budget carryovers from the previous year | - | - | - | - | - | |
| Receipts | | | | | | |
| Inkind contributions | 7,050,000 | - | 7,050,000 | 6,832,251 | 217,749 | 97% |
| Rendering of services- Medical Service Income | 1,800,000 | - | 1,800,000 | 969,822 | 830,178 | 54% |
| Miscellaneous receipts (<i>specify</i>) | 75,000,000 | - | 75,000,000 | 73,164,119 | 1,835,881 | 98% |
| Total receipts | 83,850,000 | - | 83,850,000 | 80,966,192 | 2,883,808 | 97% |
| Payments | | | | | | |
| Medical/Clinical costs | 13,856,879 | - | 13,856,879 | 13,035,041 | 821,838 | 94% |
| Employee costs | 1,668,610 | - | 1,668,610 | 1,252,390 | 416,220 | 75% |
| Remuneration of Board Members | 114,000 | - | 114,000 | 90,000 | 24,000 | 79% |
| Repairs and maintenance | 2,257,561 | - | 2,257,561 | 1,814,531 | 443,030 | 80% |
| Grants and subsidies | 15,360,000 | - | 15,360,000 | 44,063,158 | (28,703,158) | 287% |
| General expenses | 4,136,560 | - | 4,136,560 | 3,875,267 | 261,293 | 94% |
| Total Operational Expenditure paid | 37,393,610 | - | 37,393,610 | 64,130,387 | (26,736,777) | |

Landiege Level Four Hospital (Homabay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2024

| | | | | | | |
|---------------------------------|---------------|---|---------------|-------------------|---------------------|----|
| Capital Expenditure paid | 46,421,230 | - | 46,421,230 | 2,535,765 | 43,885,465 | 5% |
| Surplus | 35,160 | - | 35,160 | 14,300,040 | (14,264,880) | |

Budget Reconciliation

| | Description of Particulars | Amount in Kshs |
|---|---|----------------|
| | Actual Surplus Amounts as per the statement of Budget | 14,300,040 |
| 1 | Cash Transfers to Special Purpose Account | (14,576,000) |
| 2 | Cash received from SPA-Previous year | 311,120 |
| | Closing Cash and Cash Equivalent as per the statement of Cash flows | 35,160 |

19. Notes to the Financial Statements

1. General Information

Kandiego Level 4 Hospital is established by and derives its authority and accountability from the Health Act of 2016. The hospital is wholly owned by the Homa Bay County Government and is domiciled in Homa Bay County, Kenya. The hospital's principal activity is providing high-quality, integrated medical care services to the residents of Homa Bay County.

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 hospital's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity. The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

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

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

| Standard | Effective date and impact: |
|--|--|
| IPSAS 43 | <p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The Entity expects minimal impact as it currently has no material lease arrangements; however, any future leases will be accounted for in compliance with IPSAS 43.</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> <p>No significant impact anticipated, as the Entity does not currently hold assets for sale or operate discontinued segments.</p> |

| Standard | Effective date and impact: |
|---|--|
| <p>IPSAS 45- Property Plant and Equipment</p> | <p>Applicable 1st January 2025</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 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>The Entity expects improved classification and disclosure for infrastructure assets; no material changes to carrying amounts is anticipated.</p> |
| <p>IPSAS 46 Measurement</p> | <p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>May influence valuation methodologies for certain non-financial assets, particularly operational facilities.</p> |
| <p>IPSAS 47- Revenue</p> | <p>Applicable 1st January 2026</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</p> |

| Standard | Effective date and impact: |
|--|--|
| | <p>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>May require changes to revenue recognition policies for government transfers and service income.</p> |
| <p>IPSAS 48- Transfer Expenses</p> | <p>Applicable 1st January 2026</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 for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>No material impact expected, as the Entity is primarily a recipient rather than a provider of transfer payments.</p> |
| <p>IPSAS 49- Retirement Benefit Plans</p> | <p>Applicable 1st January 2026</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>No direct impact expected, as the Entity does not administer retirement benefit plans.</p> |
| <p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p> | <p>Applicable 1st January 2027</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"> 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 |

| Standard | Effective date and impact: |
|----------|--|
| | <p>understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</p> <p>No impact expected, as the Entity is not engaged in mineral resource exploration or evaluation activities.</p> |

iii) Early adoption of standards

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

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 hospital 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 2024/25 was approved by Board on 21st May, 2024. 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 50 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 hospital. 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 hospital 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 hospital. 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 derecognition of financial assets and financial liabilities, and introduces a new impairment model for financial assets. The hospital does not have any hedge relationships, and therefore the hedge accounting provisions of IPSAS 41 have no impact on these financial statements.

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is

recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

k. Inventories

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

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

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

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

l. Provisions

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

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

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

Notes to the Financial Statements (Continued)

m. Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognizes a social benefit as an expense for the social benefit scheme at the same time that it recognizes 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 hospital does not maintain any reserves as at 30 June 2025. All surpluses generated are retained within accumulated surplus for reinvestment in service delivery and operational requirements.

q. Changes in accounting policies and estimates

The hospital 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 hospital does not operate any defined benefit pension schemes.

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 hospital 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 hospital, 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 hospital 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 hospital 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 hospital 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, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions.

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

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

The hospital did not have any provisions as at 30 June 2025. Management did not identify any obligations requiring recognition in accordance with IPSAS 19 – *Provisions, Contingent Liabilities and Contingent Assets*.

Notes to Financial Statements Continued

6. In Kind Contributions from The County Government

| Description | FY 2024-2025 | FY 2023-2024 |
|---|------------------|------------------|
| | KShs | KShs |
| Medical supplies-Drawings Rights (KEMSA) | 2,122,918 | 2,597,389 |
| Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers) | 4,709,333 | 4,891,407 |
| Total grants in kind | 6,832,251 | 7,488,796 |

7. Transfers From Other Government Entities

| Description | FY 2024-2025 | FY 2023-2024 |
|--|----------------|----------------|
| | KShs | KShs |
| Transfer from National Government (Ministry of Health) | 311,120 | 437,355 |
| Total Transfers | 311,120 | 437,355 |

8. Rendering of Services-Medical Service Income

| Description | FY 2024-2025 | FY 2023-2024 |
|---|----------------|----------------|
| | Kshs | Kshs |
| Pharmaceuticals | 475,709 | 521,611 |
| Laboratory | 273,207 | 226,689 |
| Outpatient Services | 46,072 | 22,595 |
| Inpatient Services | 109,410 | 94,475 |
| Theatre | - | |
| Maternity | - | |
| Health Records | 65,425 | 36,100 |
| Total revenue from the rendering of services | 969,822 | 901,470 |

Notes to the Financial Statements (Continued)

9. Insurance Income

| Description | FY 2024-2025 | FY 2023-2024 |
|-----------------------------------|-------------------|-------------------|
| | KShs | KShs |
| Insurance recoveries | 73,164,119 | 10,523,168 |
| Total Miscellaneous income | 73,164,119 | 14,363,018 |

10. Medical/ Clinical Costs

| Description | FY 2024-2025 | FY 2023-2024 |
|--------------------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| Laboratory chemicals and reagents | 2,820,418 | 3,280,727 |
| Public health activities | | |
| Food and Ration | 1,553,406 | 1,520,754 |
| Beddings and linen | 210,000 | |
| Dressing and non-pharmaceuticals | 948,450 | 1,136,290 |
| Pharmaceutical supplies | 6,196,333 | 6,689,063 |
| Health information stationery | 762,360 | 1,299,420 |
| Sanitary and cleansing Materials | 572,890 | 346,800 |
| Purchase of Optical Supplies | | 37,500 |
| Purchase of Patient Uniforms | 120,000 | |
| Total medical/ clinical costs | 13,183,857 | 14,310,554 |

11. Employee Costs

| Description | FY 2024-2025 | FY 2023-2024 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Salaries, wages, and allowances | 1,520,190 | 1,181,342 |
| Contributions to pension schemes | | |
| Service gratuity | | |
| Staff medical expenses and Insurance cover | | |
| Employee costs | 1,520,190 | 1,181,342 |

Notes to the Financial Statements (Continued)

12. Board of Management Expenses

| Description | FY 2024-2025 | FY 2023-2024 |
|------------------------------------|---------------|---------------|
| | Kshs | Kshs |
| Chairman's Honoraria | | |
| Sitting allowance | 90,000 | 65,700 |
| Induction and training | | |
| Travel and accommodation allowance | | |
| Airtime allowances | | |
| Total | 90,000 | 65,700 |

13. Depreciation and Amortization Expense

| Description | FY 2024-2025 | FY 2023-2024 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Property, plant and equipment | 1,497,583 | 1,814,787 |
| Total depreciation and amortization | 1,497,583 | 1,814,787 |

14. Repairs And Maintenance

| Description | FY 2024-2025 | FY 2023-2024 |
|--------------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Property- Buildings | 595,717 | 1,345,336 |
| Medical equipment | 218,340 | |
| Office equipment | | |
| Furniture and fittings | 25,000 | |
| Computers and accessories | 292,320 | 103,000 |
| Motor vehicle expenses | 472,783 | 517,395 |
| Maintenance of civil works | | |
| Total repairs and maintenance | 1,604,160 | 1,965,731 |

Notes to the Financial Statements (Continued)

15. Grants And Subsidies

| Description | FY 2024-2025 | FY 2023-2024 |
|--|-------------------|----------------|
| | Kshs | Kshs |
| Other grants and subsidies(<i>specify</i>) | 44,063,158 | 698,820 |
| Total grants and subsidies | 44,063,158 | 698,820 |

16. General Expenses

| Description | FY 2024-2025 | FY 2023-2024 |
|-------------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Advertising and publicity expenses | | |
| Catering expenses | 435,000 | 300,000 |
| Waste management expenses | | |
| Insecticides and rodenticides | 365,564 | 298,280 |
| Bank charges | 28,175 | 94,864 |
| Electricity expenses | 447,278 | 170,000 |
| Fuel and Lubricants | 881,311 | 730,100 |
| Travel and accommodation allowance | 128,300 | 217,660 |
| Daily Subsistence Allowance | | 115,000 |
| Licenses and permits | | |
| Courier and postal services | 795 | |
| Printing and stationery | 994,454 | 923,454 |
| Water and sewerage costs | 40,000 | 200,000 |
| Telephone and mobile phone services | 223,000 | 143,825 |
| Internet expenses | 53,500 | 212,200 |
| Staff training and development | | |
| Other Fuels | 269,196 | 230,800 |
| Hospital Committee Expenses | | |
| Staff Uniforms | | |
| Purchase of Households | 170,000 | |
| Total General Expenses | 4,036,573 | 3,636,183 |

Notes to the Financial Statements (Continued)

i7. Impairment Loss

| Description | FY 2023-2024 | FY 2023-2024 |
|------------------------------|--------------|--------------|
| | KShs | KShs |
| Total impairment loss | 0 | 0 |

18. Cash And Cash Equivalents

| Description | FY 2024-2025 | FY 2023-2024 |
|--|---------------|----------------|
| | KShs | KShs |
| Current accounts | 25,292 | (9,868) |
| Cash in hand | | |
| Others(<i>specify</i>)- Mobile money | | |
| Total cash and cash equivalents | 25,292 | (9,868) |

Notes to the Financial Statements (Continued)

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

| Description Financial institution | Account number | FY 2024-2025 | FY 2023-2024 |
|---|----------------|---------------|----------------|
| | | KShs | KShs |
| a) Current account | | | |
| Kenya Commercial bank | 1163401668 | 25,292 | (9,868) |
| Sub- total | | 25,292 | (9,868) |
| b) Others(specify) | | | |
| cash in hand | | | |
| Sub- total | | | |
| Grand total | | 25,292 | (9,868) |

19. Receivables From Exchange Transactions

| Description | FY 2024-2025 | FY 2023-2024 |
|------------------------------|-------------------|------------------|
| | KShs | KShs |
| Medical services receivables | 13,413,471 | |
| NHIF receivables | 4,460,059 | 3,839,850 |
| Less: impairment allowance | | |
| Total receivables | 17,873,530 | 3,839,850 |

Analysis of Receivables From Exchange Transactions

| Description | FY 2024-2025 | | FY 2023-2024 | |
|--------------------|-------------------|-------------------|------------------|----------------------|
| | Kshs | | Kshs | |
| | FY 2024-2025 | % of the total | FY 2023-2024 | % of the total |
| Less than 1 year | 13,413,471 | 75% | 3,839,850 | % |
| Between 1- 2 years | 4,460,059 | 25% | | % |
| Between 2-3 years | | % | | % |
| Over 3 years | | % | | % |
| Total (a+b) | 17,873,530 | 100% | 3,839,850 | % |

20. Receivables From Non Exchange Transactions

| Description | FY 2024-2025 | FY 2023-2024 |
|--------------------------------------|-------------------|----------------|
| | KShs | KShs |
| Transfers from the County Government | 14,576,000 | 311,120 |
| Less: impairment allowance | | - |
| Total | 14,576,000 | 311,120 |

Analysis of Receivables From Non-Exchange Transactions

| Description | FY 2024-2025 | | FY 2023-2024 | |
|--------------------|-------------------|----------------|----------------|----------------|
| | Kshs | | Kshs | |
| | FY 2024-2025 | % of the total | FY 2023-2024 | % of the total |
| Less than 1 year | 14,576,000 | 100% | 311,120 | 100% |
| Between 1- 2 years | | % | | % |
| Between 2-3 years | | % | | % |
| Over 3 years | | % | | % |
| Total (a+b) | 14,576,000 | 100% | 311,120 | 100% |

21. Inventories

| Description | FY 2024-2025 | FY 2023-2024 |
|--|----------------|------------------|
| | KShs | KShs |
| Pharmaceutical supplies | 66,067 | 1,665,255 |
| Laboratory Supplies | 124,741 | 66,800 |
| Food supplies | 157,719 | 141,549 |
| Non-Pharmaceuticals | 3,500 | 54,203 |
| Cleaning materials supplies | 19,750 | 25,500 |
| Health information stationery | 74,800 | |
| Office Stationery | | 15,300 |
| Less: provision for impairment of stocks | | |
| Total | 446,577 | 1,968,607 |

Detailed disclosure on inventories

| | FY 2024-2025 | FY 2023-2024 |
|----------------------------------|----------------|------------------|
| Opening balance | 1,968,607 | 839,044 |
| Additional Inventory in the year | 13,140,052 | 14,310,554 |
| Inventory expensed in the year | 14,662,082 | 13,180,991 |
| Write-downs in the year | | |
| Others specify | | |
| Closing balance | 446,577 | 1,968,607 |

Kandage Level Four Hospital (Homabay County Government)
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Notes to the Financial Statements (Continued)

22. Property, Plant and Equipment

| Description | Land Ksh | Buildings and Civil works Ksh | Mo or vehicles Ksh | Furniture, fittings, and office equipment Ksh | Computer & ICT Ksh | Plant and medical equipment Ksh | Total Ksh |
|--|-------------|--|-----------------------|--|-----------------------|---------------------------------------|--------------|
| Cost | | | | | | | |
| At 1 July 2023: | - | 2% | 25.0% | 12.5% | 3.0% | 12.5% | 6,164,000 |
| Additions | - | - | 2,380,000 | - | 2,962,714 | 821,286 | - |
| Disposals | - | - | - | - | - | - | - |
| Adjustments for unrecognised assets | - | - | - | 1,047,800 | - | 4,204,514 | 5,252,314 |
| Revaluation Adjustments | - | - | - | - | - | - | - |
| At 30th Jun 2024 | - | - | 2,380,000 | 1,047,800 | 2,962,714 | 5,025,800 | 11,416,314 |
| At 1 July 2024 | - | - | 2,380,000 | 1,047,800 | 2,962,714 | 5,025,800 | 11,416,314 |
| Additions | - | 2,800,230 | - | 1,8,800 | 11,500 | - | 2,930,530 |
| Disposals | - | - | - | - | - | - | - |
| Transfer/adjustment s to Capital Fund | - | - | - | - | - | - | - |
| Revaluation Adjustments | - | - | - | - | - | - | - |
| At 30th Jun 2025 | - | 2,800,230 | 2,380,000 | 1,166,600 | 2,974,214 | 5,025,800 | 14,346,844 |
| Depreciation and impairment | | | | | | | |
| At 1 July 2023: | - | - | 595,000 | - | 888,814 | 102,661 | 1,586,475 |
| Depreciation for the year | - | - | 446,250 | 130,975 | 622,170 | 615,392 | 1,814,787 |

Karidige Level Four Hospital (Hombay County Government)
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| Description | Land Ksh | Buildings and Civil works Ksh | Motor vehicles Ksh | Furniture, fittings, and office equipment Ksh | Computer & ICT Ksh | Plant and medical equipment Ksh | Total Ksh |
|-------------------------------------|-------------|-------------------------------------|--------------------------|--|-----------------------|---------------------------------------|------------------|
| Disposals | | | | | | | - |
| Impairment | | | | | | | - |
| At 30 June 2024 | | | 1,041,250 | 130,975 | 1,510,984 | 718,053 | 3,401,262 |
| At July 2024 | | | 1,041,250 | 130,975 | 1,510,984 | 718,053 | 3,401,262 |
| Depreciation | | 56,005 | 334,688 | 129,453 | 433,969 | 538,468 | 1,497,563 |
| Disposals | | | | | | | - |
| Impairment | | | | | | | - |
| Transfer/adjustment | | | | 0 | | | - |
| At 30th June 2025 | | 56,005 | 1,375,938 | 260,428 | 1,949,953 | 1,256,522 | 4,898,845 |
| Net book values | | | | | | | |
| At 30 th Jun 2024 | - | - | 1,338,750 | 916,825 | 1,451,730 | 4,307,747 | 8,015,052 |
| At 30 th Jun 2025 | - | 2,744,225 | 1,004,063 | 906,172 | 1,024,261 | 3,769,278 | 9,447,999 |

Kandiego Level Four Hospital (Homabay County Government)
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Notes to the Financial Statements (Continued)

23. Intangible Assets-Software

| Description | FY 2024-2025 | FY 2023-2024 |
|------------------------------------|--------------|--------------|
| | KShs | KShs |
| Cost | | |
| At beginning of the year | | |
| Additions | | |
| Additions-Internal development | | |
| Disposal | | |
| At end of the year | | |
| Amortization and impairment | | |
| At beginning of the year | | |
| Amortization for the period | | |
| Impairment loss | | |
| At end of the year | | |
| NBV | 0 | 0 |

24. Trade and other Payables

| Description | FY 2024-2025 | | FY 2023-2024 | |
|---|---------------------|-----------------------|---------------------|-----------------------|
| | KShs | | KShs | |
| Trade payables | 3,094,879 | | 2,601,004 | |
| Employee dues | 416,860 | | 148,420 | |
| Third-party payments (e.g. unremitted payroll deductions) | | | 9,868 | |
| Total trade and other payables | 3,511,739 | | 2,759,292 | |
| Ageing analysis: | FY 2024-2025 | % of the Total | FY 2023-2024 | % of the total |
| Under one year | 2,595,543 | 38% | 2,759,292 | 100% |
| 1-2 years | 916,196 | 13% | | 0% |
| 2-3 years | | 0% | | 0% |
| Over 3 years | | 0% | | 0% |
| Total | 3,511,739 | 51% | 2,759,292 | 100% |

Notes to the Financial Statements (Continued)

25. Cash Generated from Operations

| Description | FY 2024-2025 | FY 2023-2024 |
|--|------------------|-----------------|
| | KShs | KShs |
| Surplus for the year before tax | 28,504,142 | (221,014) |
| Adjusted for: | | |
| Depreciation | 1,497,583 | 1,814,787 |
| Non-cash grants received | | |
| Impairment | | |
| Working Capital adjustments | | |
| | 1,522,030 | 471,544 |
| Increase in inventory | (14,497,680) | (2,990,350) |
| Increase in receivables | (15,187,597) | |
| Increase in payables | 752,447 | 855,795 |
| | | |
| Net cash flow from operating Activities | 2,570,925 | (69,238) |

26. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The hospital's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The hospital does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

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

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| Description | Total amount | Fully performing | Past due | Impaired |
|---|-------------------|------------------|----------|----------|
| | Kshs | Kshs | Kshs | Kshs |
| At 30 June 2024 | | | | |
| Receivables from exchange transactions | 17,873,530 | - | - | 0 |
| Receivables from –non-exchange transactions | 14,576,000 | - | - | 0 |
| Bank balances | (9,868) | - | - | 0 |
| Total | 14,566,132 | - | - | 0 |
| At 30 June 2025 | | | | |
| Receivables from exchange transactions | - | - | - | 0 |
| Receivables from –non-exchange transactions | - | - | - | 0 |
| Bank balances | 25,292 | - | - | 0 |
| Total | 25,292 | - | - | 0 |

Notes to the Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal, and the allowance for uncollectible amounts recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The hospital does not have any significant concentration of credit risk with any individual customer or counterparty. The Board of Management sets the hospital's credit policies and objectives and establishes parameters for credit risk management.

(ii) Liquidity risk management

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

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

| Description | Less than 1 month | Between 1-3 months | Over 5 months | Total |
|-----------------------------|-------------------|--------------------|------------------|------------------|
| | Kshs | Kshs | Kshs | Kshs |
| At 30 June 2024 | | | | |
| Trade payables | | | 2,610,872 | 2,610,872 |
| Employee benefit obligation | | 148,420 | - | 148,420 |
| Total | - | 148,420 | 2,610,872 | 2,759,292 |
| At 30 June 2025 | | | | |
| Trade payables | | 299,996 | 2,794,883 | 3,094,879 |
| Employee benefit obligation | | 416,860 | | 416,860 |
| Total | - | 716,856 | 2,794,883 | 3,511,739 |

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

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

Notes to the Financial Statements (Continued)

Foreign currency sensitivity analysis

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

b) Interest rate risk

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

Management of interest rate risk

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

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Notes to the Financial Statements (Continued)

Sensitivity analysis

The hospital analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

The hospital is not exposed to interest rate risk as it does not have any borrowings or interest-bearing financial instruments with variable rates. Consequently, no sensitivity analysis for interest rate movements has been presented.

iii) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Hospital's ability to continue as a going concern. The entity capital structure comprises of the following funds:

| Description | FY 2024-2025 | FY 2023-2024 |
|---|-------------------|-------------------|
| | Kshs | Kshs |
| Revaluation reserve | - | - |
| Retained earnings | 27,764,345 | (352,097) |
| Capital reserve | 11,213,314 | 11,416,314 |
| Total funds | 38,977,659 | 11,064,217 |
| Total borrowings | - | - |
| Less: cash and bank balances | 25,292 | (9,868) |
| Net debt/ (<i>excess cash and cash equivalents</i>) | (25,292) | 9,868 |
| Gearing | (0) | 0 |

Notes to the Financial Statements (Continued)

27. Related Party Balances

Nature of related party relationships

Entities and other parties related to the entity include those parties who have the ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates, and close family members.

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

- i) The National Government;
- ii) The County Government;
- iii) Board of Directors;
- iv) Key Management

28. Events after the Reporting Period

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

29. Ultimate and Holding Entity

The entity is a County Corporation/ or a Semi- Autonomous Government Agency under the Department of Public Health and Medical Services. Its ultimate parent is the County Government of Homabay

30. Currency

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

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|--|-----------------------------------|--|
| OAG/HBRO/KANDIEGE L4H/2023/2024 (11) | Shortage in Bed Capacity & Inadequate Hospital Equipment and Machines | According to the audit report letter, the facility has 50 bed capacity and lacks requisite machines and equipment. This negatively impacts delivery of services. However, this is a core function of the county government to ensure that the hospital complies with the Kenya Quality Model for Health checklist. | Not Resolved | June 2027 |
| | Failure to Maintain updated Fixed Asset Register | The statement of financial position reflects balances of Ksh. 11,416,314 in respect to Property, Plant and Equipment as disclosed in Note 17 of the amended financial statement. In | Resolved | - |

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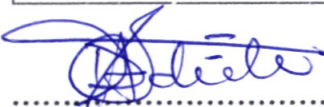
| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---|-----------------------------------|--|
| | | accordance with Regulation 136(1) of the Public Finance Management (County Government) Regulations, 2015 the hospital maintains updated fixed asset register | | |
| | Lack of Risk Management Policy | The management has taken note and is in the process of developing a comprehensive Risk Management policy covering all the areas of concern according to the Public Finance Management regulations 2015 section 158 (1) to ensure robust business operations and continuity in subsequent years. | Not Resolved | June 2027 |
| | Unsupported property, plant and equipment | Management in cooperation with Homa Bay County Government will take necessary steps to value all PPEs | Not Resolved | June 2027 |
| | Unconfirmed in-kind contribution from the County Government | Inspection and Acceptance committee report on actual receipt of the items is available for review. | Resolved | - |
| | Budgetary Control and Performance | The management has moved from an under-absorption of 40% to an under-absorption of 5% which is within the acceptable limits of +/-10%. | Resolved | - |

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| | | | | |
|--|---|--|--------------|-----------|
| | Non-compliance with the prescribed reporting framework | Amended financial statements reflect all the issues raised. The same was carried to the current financial year's report. | Resolved | |
| | Failure to transfer revenue to the County Revenue Fund | The management was in compliant with the County FIF Act and transferred 100% revenues to the FIF Special Purpose Account. | Resolved | |
| | Lack of quarterly revenue report | The management has been compliant from FY 2024/25 | Resolved | |
| | Deficiencies in Implementation of Universal Health Coverage (UHC) | Management is in communication with the County Government to upscale the staffing and medical equipment requirement for UHC | Not resolved | June 2028 |
| | Irregular engagement of casual worker | Management is committed to engage the casual workers quarterly. | Not resolved | June 2026 |
| | Unsupported inventories balance | Stock taking was done and inventory balanced were duly updated | Resolved | |
| | Unsupported receivables | Data migrated to SHA portal reflects all the information that was lacking in NHIF portal | Resolved | |
| | Unsupported cash and cash equivalents | Bank statement was provided and the overdraft facility arising from bank charges for printing bank statement was duly supported. | Resolved | |

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| | | | | |
|--|---|---|----------|--|
| | Intangible assets- software | The software malfunctioned and was subsequently derecognized from the financial statement. | Resolved | |
| | Lack of audit committee and internal audit unit | Board audit subcommittee is functional effected FY 2024/25 Internal audit unit is a function of the County Directorate of Internal Audit and the internal auditors from the directorate have been undertaking continuous and compliance audit. | Resolved | |



Accounting Officer

**KANDIEGE LEVEL 4
 HOSPITAL**
 DATE:.....
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