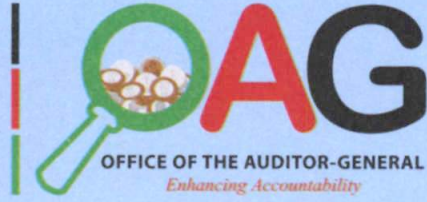


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MIGORI COUNTY REFERRAL HOSPITAL

FOR THE YEAR ENDED  
30 JUNE, 2025

MIGORI COUNTY GOVERNMENT

24



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**MIGORI COUNTY REFERRAL HOSPITAL  
MIGORI COUNTY GOVERNMENT**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

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**Migori County Referral Hospital (Migori County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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**1. Acronyms & Glossary of Terms**

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

## **2. Key Entity Information and Management**

### **(a) Background information**

Migori County Referral Hospital is a level 4 hospital established under gazette notice number GK-010399 and is domiciled in Migori County under the Medical Health Department. The hospital is governed by a Board of Management.

### **(b) Principal Activities**

The Vision of the hospital is to have a national and international Competitive, Productive and Healthy County.

Mission: To provide integrated, responsive and high-quality client –centred promotive, preventive, curative and rehabilitative health care services that is evidence based and technologically driven to the people of Migori County

### **(c) Key Management**

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

Medical Superintendent

Hospital departmental Heads

### **(d) Fiduciary Management**

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

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Medical Superintendent	Dr Dolcie Nyagilo
3.	Procurement Officer	Kenas Odongo
4.	Hospital Administrator	Musa Olwalo

### **(e) Fiduciary Oversight Arrangements**

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

## **Key Entity Information and Management**

**Migori County Referral Hospital (Migori County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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- Parliamentary committees
- Other oversight committees

**(f) Entity Headquarters**

P.O. Box 202 -40400  
MCRH Administration Building  
Migori DC's Office Road  
MIGORI KENYA

**(g) Entity Contacts**

Telephone: (+254) 733 343480  
E-mail: migoricountyreferralhsp@gmail.com  
Website: www.go.ke

**(h) Entity Bankers**

Kenya Commercial Bank  
A/C No, 1318278120

**(i) Independent Auditors**

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






**(j) Principal Legal Adviser**

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



**(k) County Attorney**

P.O. Box. 202  
MIGORI, Kenya






**3. The Board of Management**

Ref	Directors	Details
1.		<p><b>Mark Ouma Mwango-Chair</b>                      Age: 58 years                      Academic Qualification: Master of Business Administration                      Work Experience: Manager Risk, Quality Assurance and Compliance at Lake Victoria South Water Works Development Agency                      Independent Director and Chairman to the Board</p>
2.		<p><b>Dr. Nyagilo Dolcie -Medical Superintendent and Secretary</b>                      Academic Qualification: Bachelor of Dental surgery                      Work Experience: Medical superintendent. Executive Director                      Non-Member of ICS</p>
3.		<p><b>Jackson Mwita-Member</b>                      Age:75 years                      Academic Qualification: Artisan grade iii                      Work Experience: Several years in public works.                      Independent Director</p>
4.		<p><b>Bernard Abong'o-Member</b>                      Age:39 years                      Academic Qualification: Diploma in Business Administration                      Work Experience: Operations manager at Rachuonyo Electricals company                      Independent Director                      Quality Assurance Committee Chair</p>
5.		<p><b>Pius Anumu Amara-Member</b>                      Age:64 years                      Academic Qualification: E.A.C.E form Four.                      Work Experience: Office of the president-provincial administration for 24 years.                      Independent Director                      Chair of Finance and Audit Committee</p>

**Migori County Referral Hospital (Migori County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

6.		<p><b>Duncan Odhiambo Osera-Member</b>  Age:46 years  Academic Qualification: Diploma in Pharmaceutical Technology.  Work Experience: Managing director Dancuns Chemists  Independent Director</p>
7.		<p>Jackline Akinyi Ojwang  52 Years  Diploma in Teacher Training. Ongoing Bachelor in Theology  Proprietor of Alpha School  Independent Director</p>

**4. Key Management Team**

Ref	Management	Details
1.	<p>Medical Superintendent -Dolcie Nyagilo</p>  <p>Bachelor of Dental surgery</p>	<ul style="list-style-type: none"> <li>- Co-Ordinate the general Function of the Hospital</li> <li>- Clinical, nursing, medical and referral Functions</li> <li>- Procurement and Accounting</li> <li>- Diagnostic Functions</li> <li>- Staff relations and Disciplines</li> <li>- Patients Welfare</li> </ul>
2.	<p>Hospital Admin- Musa Olwalo</p> 	<ul style="list-style-type: none"> <li>- Co-ordinate administration issues in conjunction with Med sup</li> <li>- In charge of Non-Medical Staff</li> <li>- Ensuring that the utility Vehicles and Ambulances are serviced and operational</li> <li>- Secretary to then HMT</li> </ul>
3.	<p>Mr, Stephen Oduma - Lab in charge</p>  <p>Bsc. Medical Laboratory Science</p>	<ul style="list-style-type: none"> <li>- Coordinate all laboratory services within the facility</li> <li>- Ensures quality sample taking, networking/testing and timely results</li> <li>- Manages laboratory commodities by timely quantification, ordering, storage and appropriate use.</li> </ul>
4.	<p>Dr. Phaustin Adhiambo - Pharmacy in charge.</p>  <p>Masters in clinical pharmacy</p>	<ul style="list-style-type: none"> <li>- Supervising pharmaceutical supply chain, pharmaceutical care and pharmacy management.</li> <li>- Secretary to medicine and therapeutic committee</li> </ul>
5.	<p>Pamela Ogala - Nursing in charge</p>  <p>Degree in clinical nursing</p>	<ul style="list-style-type: none"> <li>- Coordinates all the nursing activities within the facility.</li> <li>- Oversees support staffs.</li> <li>- Assists the office of the medical superintendent on delegated functions</li> </ul>

### **5. Chairman's Statement**

On behalf of the Board of Management, I am pleased to present the Annual Report and Financial Statement of Migori County Hospital for the year 2025 under review. This report reflects our collective efforts to strengthen healthcare delivery, promote accountability, and ensure prudent use of resources in fulfilling our mandate to serve the people of Migori County and beyond.

The Board has continued to provide strategic leadership and oversight in line with national health policy, vision 2030 and county priorities. We remain committed to transparency, ethical management and stakeholder engagement as key pillars of sustainable growth.

During the reporting year, the hospital recorded significant progress in expanding access to quality healthcare. Patient attendance grew steadily, with improvements noted in maternal and child health services, surgical capacity, and specialized clinics. Our focus on efficiency and patient-centered care has helped reduce waiting times and improve treatment outcomes.

Prudent financial management has been our top priority. We have strengthened internal controls, enhanced revenue collection systems, and aligned expenditure to priority areas. While challenges persist in terms of funding gaps and delayed disbursements, we have maintained strict accountability in resource utilization, ensuring that every shilling works towards better service delivery.

Significant strides have been made in upgrading critical infrastructure, modernization of diagnostic equipment, and improvement of ICT systems to support data-driven healthcare management. These investments will continue to improve service quality and efficiency.

Our staff remain the backbone of the hospital. Continuous professional development, training programs, and staff welfare initiatives have been prioritized to boost morale and enhance performance. We acknowledge the dedication and resilience of our healthcare workers who serve under demanding conditions.

The hospital has strengthened partnerships with the County Government, the Ministry of Health, development partners, and the community. These collaborations have enabled us to expand resources, improve specialized services, and advance public health programs.

Going forward we will continue to pursue innovations in healthcare delivery, enhance financial sustainability, and deepen community engagement. Our strategic priorities include embracing digital health systems, strengthening referral networks and driving research and innovation.

In conclusion, I extend my sincere appreciation to our staff, partners, Migori County Government and our stakeholders for their continued support and commitment. Together, we will build a stronger, more

**Migori County Referral Hospital (Migori County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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resilient Migori County Referral Hospital that delivers accessible, affordable, and quality healthcare for



A handwritten signature in black ink, consisting of several loops and a central scribble, positioned above the printed name.

Mr. Mark Ouma Mwango  
Chairman

## **6. Report of The Medical Superintendent**

It's my pleasure to present Annual Report and financial statement of Migori County Referral Hospital for the year ended 30<sup>th</sup> June 2025. The distinctive discipline of our Referral facility does not matter but rather team work plays a vital role in making our facility a center of excellence in patients care.

The report highlights clinical and operational achievements, major improvements in infrastructure and staffing and overview of our financial performance.

A notable improvement in revenue collection by in co-operating other private insurances: AAR, AON MINET other than Social Health Insurance Fund (SHIF)

Our aim also is to reduce maternal and neonatal deaths in the region being a referral facility that serves not only Migori residents but also its environ, in the month of June we recorded zero maternal death which is a notable milestone we achieved.

Hospital board members play a crucial role in overseeing and performing the below listed

- Governance and policy making
- Financial oversight
- Representing the community interests in resource allocation and planning with the hospital
- Health promotion agents to the hospital catchments population on behalf of the hospital
- Articulate and represent local community interests on health matters in local development forums
- Facilitate feedback process to the community pertaining to the operations and management of the hospital
- Mobilize community resources towards the development of health services within the hospital.

For the past one year we have expanded our outreaches and medical camps and through our partners most patients have been able to receive utmost care. Some of the medical camps that were successfully conducted and carried out by the facility are; Fistula Camps, Eye, medical camps, among many others.

As the secretary and medical superintendent of the hospital, am tasked to ensure that the recently launched health digitalization of patients records across all departments is actualized. Together with the board of management we remain committed to strengthening clinical governance, deepening community partnership and ensuring the hospital is sustainable in the long run.

**Migori County Referral Hospital (Migori County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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I extend my gratitude to the County Government of Migori through His Excellency Dr. Ochilo Ayacko, our partners and the entire Migori County Referral Hospital for their dedication and support.



.....  
**Dr. Dolcie Nyagilo**  
**Secretary to the Board**

**Migori County Referral Hospital (Migori County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

**7. Statement of Performance Against Predetermined Objectives**

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

MCRH has 3 strategic pillars and objectives within the current Strategic Plan. These strategic pillars are as follows;

**Pillar 1: Planning and administrative support services**

**Pillar 2: Preventive and promotive health services**

**Pillar 3: Curative, rehabilitative and referral services**

MCRH develops its annual work plans based on the above 3 pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The *MCRH* achieved its performance targets set for the FY 2024/25 period for its 3 strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
<b>Planning and administrative support services</b>	To ensure efficient and effective well-coordinated health services	No Of health policies developed	Developing Annual work plans.	One work plan developed
	To increase, develop, retain and motivate health personnel	No. of Annual Work Plans developed		
	To construct, expand, maintain and improve health infrastructure	No. of Strategic plans developed	Conducting performance reviews	Biannual and annual review conducted
	To accelerate scale up of Universal Health Coverage	% of performance reviews conducted		
		% quarterly support supervision conducted		
		% quarterly data quality audits conducted		
		% of Health Information tools printed and		

**Migori County Referral Hospital (Migori County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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<b>Preventive and promotive health services</b>	<p>To reduce the burden of preventable diseases and promote healthy lifestyles among communities</p> <p>To reduce maternal and new-born mortality</p> <p>To increase community health units to cover 100% of the county villages</p> <p>To improve coverage of facilities offering adolescent and youth friendly service</p> <p>To implement a robust and multisectoral approach in preventing and managing Covid 19 pandemic</p>	<p>% of hospitals supplied with Pharmaceuticals</p> <p>% of hospitals supplied with non-pharmaceuticals</p> <p>% of hospitals supplied with Laboratory Reagents</p> <p>% of hospitals supplied with Vaccines and sera</p> <p>% of hospitals supplied with medical equipment</p> <p>% of hospitals supplied with X-ray supplies</p> <p>% of hospitals supplied with patient food and rations</p> <p>% Increase in number of blood units donated</p>	<p>Supplying the hospital with pharmaceuticals, on pharmaceuticals, laboratory reagents, vaccines and x ray supplies</p>	<p>MCRH was supplied with medical drugs non pharmaceuticals, laboratory reagents, vaccines and x ray supplies.</p>
<b>Curative, rehabilitative and referral services</b>	<p>To provide affordable curative, rehabilitative and referral services</p> <p>To improve access to essential health products and technologies</p>	<p>% of functional ambulances available for referral</p> <p>% of specialized services provided at primary health facilities</p>	<p>Functioning ambulances on referrals.</p>	<p>4 ambulances available for referrals.</p>

## **8. Corporate Governance Statement**

Migori County Referral Hospital is a public healthcare Institution under the Jurisdiction of the County Government of Migori. The hospital is committed to the provision of top-notch healthcare services to the public. The hospital operates within the framework of the constitution 2010. The county government Act (2012), the Public Finance Management Act and relevant policies and guidelines issued by the Migori Department of Health and Ministry of Health. The Current Board Members were appointed by the Governor of the County Government of Migori and had six meetings for the period under review whereby in all the sittings, a quorum for was met. However, the hospital endeavours to have several meetings in the following years so as to adequately address the challenges affecting the facility and come up with necessary policies. During the year, the management would wish to inform the public hospital board Chair Bishop Joshua Kangie passed on and a new chairman; Mr. Mark Ouma Mwango, was appointed as the new chairman.

The board is appointed by the Governor of Migori County; His Excellency Dr. Ochilo G.M. Ayacko on 1<sup>st</sup> July 2023 and gazetted. The board was mainly remunerated through the board sitting allowances and other allowances relating to travel and accommodation for benchmarks or seminars held outside the premises of the hospital.

### **Board Composition, Structure, Board Charter and Members Performance**

For the period under review the board members included:

1. Mark Ouma Mwango – Chairman
2. Dolcie Nyagilo – Secretary and Medical Superintendent of the hospital
3. Duncan Odhiambo– Member
4. Benard Abongo – Member and Chair of Quality and Assurance Committee
5. Jackson Mwita – Member
6. Pius Amara – Member and Chair to Finance and Audit Committee
7. Jackline Akinyi Ojwang-Member

The board spear-headed by the board chairman discharged their duties of strategic oversight, financial stewardship and policy guidance effectively. There was clear separation of roles between the board and hospital management team which ensured that there were accountability and avoidance of conflict of interest. All members adhered to the code of conduct. This ensured that the rights of each

member of the board was respected. The board of management demonstrated strong performance in governance and oversight responsibilities during the year.

There is an existence of hospital board charter which provides strategic leadership, oversight and governance ensuring service delivery is at top notch. It contains their roles and composition and various committees they chair.

### **Succession Plan and Appointment of Board Members**

According to the Kenya Gazette notice Vol.CXXVI-No.185 and the appointment of the board members, the board members are expected to serve for a period of three years thereafter, a new board is re-appointed by the Governor.

### **Conflict of Interest, ethics and code of conduct**

The hospital board members are required to disclose any information that may interfere either directly or indirectly with their daily management of the hospital. They shall avoid conflicts of interest between their private activities and their duties in the hospital. Further, the board members are required to uphold the following code of conduct:

- Carry out their duties in a way that uphold public confidence
- Treat the public and fellow colleagues with respect and courtesy
- Respect, and promote the fundamental rights and freedom of persons without discrimination on the basis of race, ethnicity, political opinion, colour, creed, sexual orientation, disability, social status, culture and education level.

### **Board Remuneration and Trainings**

The board are subjected to sitting allowances, transport reimbursement, lunch allowances and any other benefit as stipulated by the law. Further, the board members are subjected to trainings in every financial year so that they are at par with the current regulations of the health sector.

### **Roles and Functions of The Board**

- Responsibility for patient care and the overall quality of service in the hospital by demonstrating leadership in determining priorities for the hospital that is consistent with the available resources
- Provision of general oversight for the general operations and management of the hospital
- Representing the community interests in resource allocation and planning with the hospital
- Health promotion agents to the hospital catchments population on behalf of the hospital
- Articulate and represent local community interests on health matters in local development forums

**Migori County Referral Hospital (Migori County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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- Facilitate feedback process to the community pertaining to the operations and management of the hospital
- Mobilize community resources towards the development of health services within the hospital.

During the financial year 2024/25 the board in collaboration with the county government, was able to initiate various projects such as facelifting of the hospital emergency department, construction of modern surgical complex among many others. Further, the management received various human personnel from various cadres which helped in improving the provision of healthcare services to the community. Consequently, the hospital was actively involved in the creating more public awareness through Social Hospital Insurance registration which upscaled the uptake of insurance cover to the public.

**Sustainability and Social Responsibility**

The hospital is committed to the provision of affordable and sustainable healthcare to the community and general public at large. This includes conducting community health outreaches programs, transparent and responsible use of public resources and continuous improvement of services in line with the Universal Health Coverage.

### **9. Management Discussion and Analysis**

Migori County Referral Hospital provides various services to mainly the county residents, neighbouring Tanzania, Narok County and the general public. Some of the services offered include accident and emergency services, outpatient specialist services, surgery, renal, ENT, ophthalmology, dental, mother and child, nutritional, pharmacy, laboratory, radiology amongst other services.

For the period under review, the entity had the following;

#### **Key Projects.**

1. Physiotherapy Building Partially completed
2. Construction of Surgical Complex which is still on going
3. Oxygen Piping and Installation operational
4. Blood Bank Completed and Operational
5. Hospital Landscaping and Walk Ways Completed and Operational

#### **Clinical/operational performance**

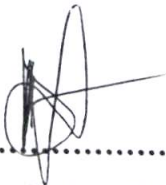
- IPD Workload 9,180
- Total Outpatient Attendance Workload – 135,500
- OPD Casualty Attendance – 18,133
- Bed Occupancy -2,173.93
- IPD Utilization Rate Surgery – 0.02
- Major Surgeries Operated -1,049
- IP-Average length of Stay – 8.07
- Emergencies Operated – 8.27
- Medical Attendance – 762
- Paediatrics attendance – 574
- Surgical Clinic Attendance – 1,212
- Obstetrics/ Gynaecological Attendance – 1,791
- All Other Special Clinics attendance – 2,723
- In patient Deaths – 729

**Migori County Referral Hospital (Migori County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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**Financial Performance**

The entity recorded growth in operating revenue from Ksh. 111,478,407 to Ksh. 307,476,420 which was majorly attributed by increase in donation by Ksh. 76,370,725 which were majorly inform of medical drugs donations from KEMSA and MEDS. Further, the expected revenue from Health Services also increased by Ksh. 195,998,013. With this increase in revenue, the operating expenditure also increased by Ksh. 105,211,714 making the hospital to register operating net surplus of Ksh. 48,160,497.



.....  
**Dr. Dolcie Nyagilo**  
**Secretary to the Board**

## **10. Environmental And Sustainability Reporting**

### ***i) Sustainability strategy***

Migori County Referral Hospital focusses on a sustainable, long-term approach to putting patients at the core of its operations and delivering consistently high-quality health care services. For the facility to deliver these, it upholds high standards in clinical governance and ethical behaviour across its structures. The hospital achieves this through investing in skilled work force, ensuring the equipment are regularly maintained to avoid unnecessary break downs and putting up. Required buildings. The hospital also endeavours to respect the communities and environment it operates in.

### ***ii) Environmental performance***

The hospital is committed to minimising its environmental impacts. The facility also recognises the risks that regulatory changes, environmental constrains and climate change affect its operations. Potential effects include rising costs, reduced access to facilities, interruptions in service and incidents of extreme weather as a result of climate change.

Installation of microwave machine to control and treat health care waste reducing accidents and pollution.

Formed committees to carry out infection prevention and control within the work environment

### ***iii) Employee welfare.***

The hospital focusses in attracting and maintaining skilled experienced work force. This is enabled through extensive training and skills development programmes, targeted sourcing and recruitment initiatives to ensure the best fit candidate is channelled to appropriate vacancies.

The board of management also ensures that the various categories of employees such as nurses, clinicians, physiotherapists are in their respective trade unions. The relevant dues are also timely remitted to the trade unions this encourages a good working relationship between the hospital and the trade unions.

### ***iv) Market place practices-***

The entity encourages good market practices as outlined below:

**a) *Responsible competition practice.***

This is done through display of Service chatters, Carryout exit visit interviews and Provisions of complaints and suggestion box.

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

The procurement department follows Public Procurement Oversight Act so as to ensure fairness in award of tender among the youth, disabled and women.

**c) *Responsible marketing and advertisement***

The facility being a public entity endeavours to uphold service to common mwananchi at all levels. All advertisements are targeting to ensure the public is aware of services being offered or any upcoming donor sponsored surgeries.

**d) *Product stewardship***

Migori County Referral Hospital endeavours to maintain incinerators for better waste management.

We have nurses, clinical officers, medical doctors who are well versed with customer relations hence give the patients a cordial treatment in terms of advices. The advices involve treatment or course of action based on the available options and their benefits, risks, likely outcome.

Patients obtaining medical records, including doctor notes, medical tests and results

**e) *Corporate Social Responsibility / Community Engagements***

The facility has been carrying out outreaches to different areas such as markets, schools, churches and other community engagement forums so as to encourage girls to avoid early pregnancies and in case they conceive, they should seek proper health care services like attending all antenatal visits so as to delivery in the formal way.

## **11. Report of The Board of Management**

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

### **Principal activities**

The principal activities of the entity are provision of quality, accessible and affordable health services to the citizens.

### **Results**

The entity financial performance for the year ended June 30 2025 is on page 1

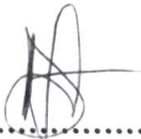
### **Board of Management**

The members of the Board who served during the year are shown on page v.

### **Auditors**

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

By Order of the Board



.....  
**Dr. Nyagilo Dolcie**  
**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/period. 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 board members are also responsible for safeguarding the assets of the entity.

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

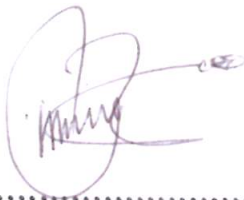
The Board of Management accepts responsibility for the Migori County Referral Hospital financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards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

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern or nothing has come to the attention of the Board of management to 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 19<sup>th</sup> August 2025 and signed on its behalf by:



.....  
**Name: Mark Ouma Mwango**  
**Chairperson**  
**Board of Management**



.....  
**Name: Dr. Nyagilo Dolcie**  
**Accounting Officer**

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON MIGORI COUNTY REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – MIGORI COUNTY GOVERNMENT**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of the Migori County Referral Hospital set out on pages 1 to 40, which comprise of the statement of financial position

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

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

### **Basis for Qualified Opinion**

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

Review of the financial statements revealed the following errors and instances of non-compliance with the prescribed reporting template for level 4 hospitals provided by the Public Sector Accounting Standards Board:

- i. The statement of financial position does not comply with the format provided in the prescribed reporting template. The net assets section lacks the sub-heading, "Represented By" as required.
- ii. Note 18 on property, plant and equipment covers three (3) financial years (2022/2023, 2023/2024 and 2024/2025), contrary to the prescribed reporting template which requires the Note to reflect asset data for two (2) financial years (Previous year-2023/2024 and current year-2024/2025).

Therefore, Management violated Section 164(3) of the Public Finance Management Act, 2012, which provides that the accounting officer shall prepare the financial statements in a form that complies with relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

In the circumstances, the financial statements do not comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board, and Management was in breach of the law.

#### **2. Unconfirmed Property Plant and Equipment Balance**

The statement of financial position and as disclosed in Note 18 to the financial statements reflects property, plant and equipment balance of Kshs.341,698,796. The following issues were noted during audit of the balance.

## **2.1. Failure to Maintain an Updated Fixed Asset Register**

The Hospital provided a fixed assets register did not include all the Hospital's assets and assets details. The missing details included date of acquisition, acquisition cost of the asset, accumulated depreciation, net book values, supplier details – to facilitate subsequent after sales maintenance and renewal, estimated useful life – to assist in determining time of replacement, the person allocated – to determine the accountable person at any one time, tag number for identification of the asset, date of disposal (if applicable) and proceeds. Further, it was not possible to establish fully depreciated assets, bonded items and how the same will be written off in the books of accounts. This was contrary to the provisions of Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015, which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

## **2.2. Lack of Ownership Documents – Land and Motor Vehicles**

The statement of financial statements and as disclosed in Note 18 to the financial statements reflects property, plant and equipment balance of Kshs.341,698,796 which includes Kshs.15,000,000 in respect of land whose title deed and other ownership documents were not provided for audit. Further, as reported in previous year, logbooks in support of motor vehicles balance of Kshs.10,125,000 as at 30 June, 2024 were not provided for audit.

## **2.3. Non-Insurance of Assets**

The fixed asset register provided revealed a number of assets under various asset categories. However, no evidence was provided to show that these assets had been insured and neither were any expenses related to insurance of fixed assets recorded, thereby exposing them to numerous risks.

## **2.4. Other Fixed assets Management Anomalies**

Physical verifications of the hospital fixed assets revealed the following anomalies:

- i. There was no evidence of assets inventory for the year under review and valuation reports, to confirm that valuation of major assets was ever done.
- ii. It was also noted that most of the assets were not tagged and asset movement's registers was not appropriately kept. Thus, such assets may easily be stolen.
- iii. There was no evidence of any disposal of assets, yet there were quite a number of bonded items kept in the respective stores.
- iv. No assets manager or in-charge was appointed or asset management committee put in place to effectively manage the Hospital's assets.

In the circumstances, the accuracy, completeness and fair presentation of the reported property, plant and equipment balance, and the existence and/ or effectiveness of internal controls on management of property, plant and equipment could not be confirmed.

### **3. Unsupported and Long Outstanding Trade and Other Payables**

The statement of financial position and as disclosed in Note 19 to the financial statements reflects trade and other payables balance of Kshs.44,912,043 which includes payables amounting to Kshs.3,758,305 that had been outstanding for over one (1) year. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015, which states that debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county government does not default on debt obligations.

Further, although a balance of Kshs.2,590,305 identical to the amount owed to Kenya Medical Supplies Authority (KEMSA) as reported in the Authority's financial statements is shown in the ageing analysis in Note 19 (a), the schedule provided in support of the balance of Kshs.44,912,043 does not include the KEMSA debt of Kshs.2,590,305.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.44,912,043 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Migori County Referral Hospital Management in accordance with ISSAI 130 on 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 revenue budget and actual on comparable basis amounts of Kshs.307,477,625 and Kshs.179,919,160, resulting in underfunding of Kshs.127,558,466, or 41% of the budget.

The underfunding affected planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

#### **Key Audit Matters**

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

## Other Matter

### Unresolved Prior Year Issues

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

No.	Financial Year	Audit Issue
1	2023/2024	Rreceivables from Exchange Transactions
2	2023/2024	Revenue from Exchange Transaction
3	2023/2024	Non-Compliance with Law on Staff Regional Diversity
4	2023/2024	IT Internal Controls
5	2023/2024	Insurance of Assets
6	2023/2024	Lack of Ownership Documents

### Other Information

The Management is responsible for the Other Information set out on page iii to xxiii which comprises Key Entity Information and Management, The Board of Management, Key Management Team, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, 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 of the Fund'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 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 matters described in the Basis for Conclusion on

Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

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

Review of revenue records obtained from the Migori County Referral Hospital in Migori County revealed that the Referral Hospital collected a total Kshs.196,266,116 towards the health facilities improvement which was all transferred to Migori County Health Services Fund Account. However, the Management reimbursed a total of Kshs.101,835,789.40 to the Referral Hospital resulting in a deficit of Kshs.94,430,326. 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 Migori County Health Services Fund was in breach of the law.

### **2. Regularity of Human Resource Management Practices**

#### **2.1. Non-Compliance with Law on Ethnic Diversity in Staffing**

Review of personnel records revealed that Migori County Referral Hospital had a workforce of one hundred and eleven (111) employees out of which, 91 employees, or 82% were from the same ethnic community. This was contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008 (Revised 2012), which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

#### **2.2. Lack of Staff Establishment**

Review of records revealed that the hospital did not have an approved staff establishment, which implies that the Hospital had not determined the skills and optimal staffing levels required to achieve its goals and objectives. Additionally, there was no evidence that the Hospital had prepared a human resource plan based on a comprehensive job analysis. It was therefore not possible to ascertain whether the total staff employed by the Hospital was at the optimal operating level and how key decisions regarding employees were made without an approved human resource policy. This was contrary to Paragraph B.2 (1) of Public Service Human Resource Policy, 2016, which requires every public entity to prepare human resource plans to support achievement of goals and objectives in their strategic plans. The plans should be based on comprehensive job analysis and should be reviewed every year to address emerging issues and needs.

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

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

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

#### Universal Health Coverage (UHC) - Implementation Status Report as at 22.05.25

Staff requirements	Level 4 Hospital Standard	Number in Hospital	VariANCES	Percentage
Medical officers	16	19	3	119%
Anesthesiologists	2	1	1	50%
General surgeons	2	3	1	150%
Gynecologists	2	2	0	100%
Pediatrics	1	1	0	100%
ENT	1	1	0	100%
Ophthalmologist	1	1	0	100%
Radiologists	2	1	1	50%
Physician	2	3	1	150%
Diploma Nurses	91	81	10	89%
Certificate Nurses	6	21	15	350%
BScN	40	16	24	40%
HND	116	22	94	19%
<b>Total</b>	<b>282</b>	<b>172</b>	<b>150</b>	<b>61%</b>

In addition, the Hospital lacked or had shortage of some of the equipment and machines outlined in the Health Policy Guidelines as detailed below:

Services	Level 4 Hospital Standard	Actuals in Hospital	VariANCES	Percentage
Wards Bed capacity	150	350	-200	233%
New Born Unit Incubators and cots	10	75	-65	750%
Functional ICU	6	0	6	0%
Functioning High Dependency Unit (HDU)	6	5	1	83%

Services	Level 4 Hospital Standard	Actuals in Hospital	Variances	Percentage
Functional Operational Theatres-Maternity & General	2	0	2	0%
Renal Unit with at least 5 Dialysis Machines	6	5	1	83%

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

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

#### 4. Climate Change, Financing and Action

It was noted that each department had not integrated the climate change action plan into its sectorial strategies, action plans and other implementation projects. Further, there was no sufficient staff and resources for each department along with appointing a senior officer to coordinate the mainstreaming of the climate change action plan and other climate change statutory functions into sectorial strategies.

This was contrary to Article 69(f) of the Constitution of Kenya, 2010 which states that the entity shall establish systems of environmental impact assessment, environmental audit and monitoring of environment.

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

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

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

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance

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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 overall governance were not effective.

## **Basis for Conclusion**

### **1. Anomalies in Hospital Management System - MEDBOSS**

As reported in previous year, on 9 April, 2020, the County Government of Migori signed a contract agreement with a company for upgrade of Hospital Management System, also called MEDBOSS, at a cost of Kshs.1,740,000. The following unsatisfactory matters were, however, noted from the review of documents and the system physical verification conducted in the month of May, 2025:

#### **1.1. No Audit Trail**

The system had been in use to record and maintain patient details and collect revenue. However, the system had no capability to generate any event log report and no system events or user events could be retrieved from the system to aid in audit trail analysis.

#### **1.2. Weaknesses in Billing and Payments**

All services in the Migori County Referral Hospital were paid for through M-Pesa paybill. However, there were no M-Pesa statements for reconciling the revenue reports from the MEDBOSS system and the actual funds received in the bank account. Further, the system was not able to perform auto-reconciliations of M-Pesa statements with bank statements hence, any reconciliation could only be done manually which is prone to human error. In addition, the M-Pesa transactions report from the system did not indicate the services for which the payments were made and the amount that was invoiced against the actual amount paid. As a result, it was impossible to confirm if patients were billed accurately as per the tariffs in the chart of accounts.

#### **1.3. Unsupported System Users Roles Management**

The audit revealed that the System has 15 different roles to which a user can be assigned. The roles were Administrator, billing, cashier, central store, county store, doctor/clinician, executive, eye, front office, laboratory, nutrition, pharmacy, radiology, records and triage. However, the user matrix indicating what each category of user can access and perform was not provided for audit review. As a result, it was not easy to ascertain the scope of each user role.

#### **1.4. Unidentified Users in the Revenue System**

The audit revealed that there were ten (10) users who were active in the system but their user names could not identify who they were. Further, the list of users did not indicate the roles assigned and, as a result, the system administrator could not easily manage privilege escalation issues.

#### **1.5. MEDBOSS Server Operating System Not Fully Activated**

The audit revealed that the operating system installed in the server on which the system was running had not been duly activated with a valid software license with the risk of the

server not being able to receive security patches that are regularly released by the software manufacturer to address security vulnerabilities and to improve functionality.

### **1.6. Server Room Physical Controls**

Physical verification revealed that there was no cooling system installed in the server room to regulate temperature and humidity. Further, there were no fire detector and fire extinguishers or fire suppression system, and the server room had openings through the ceiling. In addition, the server room was used as a storage room for other items and to house ICT staff.

In the circumstances, the effectiveness and reliability of the MEDBOSS in processing the Hospital's information could not be confirmed.

## **2. Weaknesses in Internal Controls and Governance**

### **2.1. Risk Management and Fire Management Strategy**

The Hospital had not developed a risk and fire management strategy as required by Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015.

### **2.2. Lack of a Finance and Accounting Policy Manual, Other Key Policy Manuals**

Management did not provide approved key policy manuals for accounting and finance, Credit policy, ICT policy and risk policy among others which play a very important role in guiding operations and acting as a reference guide. The provided policy documents were not signed and apparently not distributed for operationalization. Further, minutes approving the policies were also not provided for audit review.

### **2.3. Information, Communication and Technology, Environment and Business Continuity Plan/Data Recovery Mechanism**

Review of the Hospitals ICT environment revealed that there was no approved ICT policy in place during the period under review, which includes data security policy, and disaster recovery plans. Further, the ICT structure was not provided for audit review. In addition, the Hospital did not have an Information Technology (IT) steering committee for ensuring effective IT controls and strategies.

Additionally, the hospital did not have data backups outside its premises and proper data recovery mechanism in case of data loss, and there was no evidence of approved business continuity plan in place.

Further, review of the Hospital ICT environment revealed that apart from physical records, the Hospital used various computerized information management systems including Hospital Management Information System (HMIS). However, the Management did not provide an approved ICT policy, disaster recovery plan and an ICT strategic plan.

## **2.4. Lack of Approved Strategic Plan**

The Hospital did not have an approved strategic plan in place to provide guidance on the broader objective that were to be achieved by it and the responsibilities as stipulated in section 149(2)(g) of Public Finance Management Act 2012.

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

## **3. Own Generated Revenue**

### **3.1. Lack of Quarterly Revenue Reports**

The Hospital's Management did not provide evidence to show that quarterly reports were prepared and submitted to the County Treasury with a copy to the Auditor-General as required by Regulation 64(1) of the public Finance Management (County Governments) Regulations, 2015.

### **3.2. Lack of Segregation of Duties in Revenue Collection**

It was also noted that there was no segregation of duties in revenue collection because the same person receives revenue, issues receipts and carries out the banking of revenue. This was contrary to the provisions of Regulation 63(1)(a) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the effectiveness of internal controls over own source revenue could not be confirmed.

## **4. Inventories/Stores Controls and Management**

### **4.1. Weak Controls Over Stores/ Inventories**

It was noted that the hospital had various stores located in different areas and divided into kitchen stocks, laboratory stocks, drugs stocks, non-pharm stocks, radiology and stationary stock. Upon visit to the physical stores, the following anomalies were noted:

- i. Although there were fire extinguishers in most of the stores, there was no record of equipment service logs.
- ii. The records did not indicate slow moving, dead stocks or expired ones.
- iii. Inventory management was done manually, which could be a challenge for fast moving items like drugs, pharmaceuticals and non-pharmaceuticals.

### **4.2. Stores Records not Automated and Updated Real Time**

Audit revealed that the Hospital managed its pharmaceutical and non-pharmaceutical inventories manually. The bin cards reviewed were not updated in real time.

In the circumstances, the effectiveness of internal controls over stores/inventories could not be confirmed.

#### **5. Weak Internal Controls on Cash and Cash Equivalents**

Review of internal controls over cash and cash equivalents revealed that there were no system generated cash books and ledgers and that the Hospital's cash books were manual, hence were prone to errors, inaccuracies and possible manipulations of figures and single entry.

In the circumstances, the effectiveness of internal controls on cash and cash equivalents could not be confirmed.

#### **6. Lack of Policy on Receivables from Exchange Transactions**

The statement of financial position reflects receivable from exchange transactions balance of Kshs.127,558,466 as disclosed in Note 16 to the financial statements. However, it was noted that the Hospital did not have a comprehensive debt Management Strategy Paper in accordance with the prevailing laws, spelling out modalities on recovery of outstanding debts, when a debt becomes bad and when a bad debt is to be written off.

In the circumstances, the effectiveness of internal controls over the management of receivables from exchange transactions 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 processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

#### **Responsibilities of Management and 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 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 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, the Management is also responsible for ensuring that the

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

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


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

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

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

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

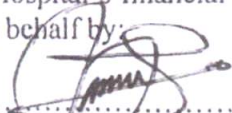
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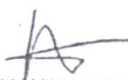
Migori County Referral Hospital (Migori County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025


14. Statement of Financial Performance for The Year Ended 30<sup>th</sup> June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Public Contributions and Donations	6	76,370,725	-
<i>Sub total revenue from non-exchange transactions</i>		<i>76,370,725</i>	<i>-</i>
<b>Revenue from exchange transactions</b>			
Rendering of services. Health Fund	7	231,105,695	40,367,602
Transfers From Other Government Entities	8	-	71,110,805
<i>Sub total revenue from exchange transactions</i>		<i>231,105,695</i>	<i>111,478,407</i>
<b>Total revenue</b>		<b>307,476,420</b>	<b>111,478,407</b>
<b>Expenses</b>			
Medical/Clinical costs	9	165,840,966	73,332,368
Board of Management Expenses	10	570,500	602,000
Employee costs	11	1,561,943	9,704,158
Depreciation and amortization expense	12	36,194,360	36,069,360
Repairs and maintenance	13	19,884,085	25,454,476
General expenses	14	35,264,070	8,941,849
<b>Total expenses</b>		<b>259,315,924</b>	<b>154,104,210</b>
<b>Net Surplus / (Deficit) for the year</b>		<b>48,160,497</b>	<b>(42,625,803)</b>

The Hospital's financial statements were approved by the Board on 19<sup>th</sup> August 2025 and signed on its behalf by:

  
.....  
Chairman Board of Management  
Mark Ouma Mwango

  
.....  
Head of Accounts  
Stephen Nyainda

  
.....  
Medical Superintendent  
Dr. Dolcie Nyagilo

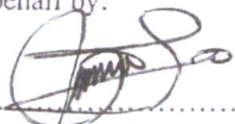
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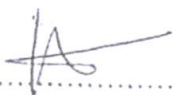
Migori County Referral Hospital (Migori County Government)  
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15. Statement of Financial Position As At 30<sup>th</sup> June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Assets</b>			
Current assets			
Cash and cash equivalents	15	1,639	1,205
Receivables from exchange transactions	16	127,558,466	103,135,672
Inventories	17	87,867,780	19,005,111
<b>Total Current Assets</b>		<b>215,427,885</b>	<b>122,141,988</b>
Non-current assets			
Property, plant, and equipment	18	341,698,796	376,893,157
<b>Total Non-current Assets</b>		<b>341,698,796</b>	<b>376,893,157</b>
<b>Total assets</b>		<b>557,126,681</b>	<b>499,035,145</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	19	44,912,043	34,981,003
<b>Total Current Liabilities</b>		<b>44,912,043</b>	<b>34,981,003</b>
<b>Net assets</b>		<b>512,214,638</b>	<b>464,054,142</b>
Revaluation reserve		-	
Accumulated surplus/Deficit		57,682,761	9,522,265
Capital Fund		454,531,877	454,531,877
<b>Net Assets</b>		<b>512,214,638</b>	<b>499,035,145</b>

The Hospital's financial statements were approved by the Board on 19<sup>th</sup> August 2025 and signed on its behalf by:

  
.....  
Chairman-Board of Management  
Mark Ouma Mwango

  
.....  
Head of Accounts  
Stephen Nyainda  
ICPAK No: 31086

  
.....  
Medical Superintendent  
Dr. Dolcie Nyagilo

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**16. Statement of Changes in Net Asset for The Year Ended 30<sup>th</sup> June 2025**

<b>Description</b>	<b>Accumulated surplus/Deficit</b>	<b>Capital Fund</b>	<b>Total</b>
<i>As at July 1, 2022</i>	<i>47,733,831</i>	<i>446,277,666</i>	<i>494,011,497</i>
Revaluation gain			
Surplus/(deficit) for the year	4,414,237	-	4,414,237
Capital	-	8,254,211	8,254,211
<b><u>As at June 30, 2023</u></b>	<b><u>52,148,068</u></b>	<b><u>454,531,877</u></b>	<b><u>506,679,945</u></b>
<i>At July 1, 2023</i>	<i>52,148,068</i>	<i>454,531,877</i>	<i>506,679,945</i>
Revaluation gain	-	-	-
Surplus/(deficit) for the year	(42,625,803)	-	(42,625,803)
Capital	-	-	-
<i>At June 30, 2024</i>	<i>9,522,265</i>	<i>454,531,877</i>	<i>464,054,142</i>
<i>At July 1, 2024</i>	<i>9,522,265</i>	<i>454,531,877</i>	<i>464,054,142</i>
Revaluation gain	-	-	-
Surplus/(deficit) for the year	48,160,497	-	<b>48,160,497</b>
Capital	-	-	-
<i>At June 30, 2025</i>	<i>57,682,761</i>	<i>454,531,877</i>	<i>512,214,638</i>

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**17. Statement of Cash Flows for The Year Ended 30<sup>th</sup> June 2025**

<b>Description</b>	<b>Note</b>	<b>2024-2025</b>	<b>2023-2024</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government			68,803,520
Rendering of services. Health Fund		103,547,229	
<b>Total Receipts</b>		<b>103,547,229</b>	<b>68,803,520</b>
<b>Payments</b>			
Medical/Clinical costs		56,633,671	34,325,983
Board of Management Expenses		570,500	602,000
Employee costs		1,561,943	9,704,158
Repairs and maintenance		12,669,262	14,843,089
Transfer		-	386,000
General expenses		31,111,420	8,941,849
<b>Total Payments</b>		<b>102,546,796</b>	<b>68,803,078</b>
<b>Net cash flows from operating activities</b>	<b>20</b>	<b>1,000,434</b>	<b>442</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment & intangible assets		(1,000,000)	-
Proceeds from the sale of property, plant, and equipment		-	-
Acquisition of investments		-	-
<b>Net cash flows used in investing activities</b>		<b>(1,000,000)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Capital grants received		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents		434	442
Cash and cash equivalents as at 1 July	15	1,205	763
<b>Cash and cash equivalents as at 30 June</b>	<b>15</b>	<b>1,639</b>	<b>1,205</b>

18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30<sup>th</sup> June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	0	1205	1205	1205	0	100%
<b>Receipts</b>						
Rendering of services- Medical Service Income	231,105,695	-	231,105,695	103,547,229	127,558,466	45%
Public Contributions and Donations	76,370,725	-	76,370,725	76,370,725	-	100%
<b>Total Receipts</b>	<b>307,476,420</b>	<b>1,205</b>	<b>307,477,625</b>	<b>179,919,160</b>	<b>127,558,466</b>	<b>59%</b>
<b>Expenses</b>						
Medical/Clinical costs	165,840,966	-	165,840,966	133,004,396	32,836,570	80%
Board of Management Expenses	570,500	-	570,500	570,500	-	100%
Employee costs	1,561,943	-	1,561,943	1,561,943	-	100%
Repairs and maintenance	19,884,085	-	19,884,085	12,669,262	7,214,823	64%
General expenses	35,264,070	-	35,264,070	31,111,420	4,152,650	88%
<b>Total Operational Expenditure Paid</b>	<b>223,121,564</b>	<b>-</b>	<b>223,121,564</b>	<b>178,917,521</b>	<b>44,204,043</b>	<b>80%</b>
<b>Capital expenditure Paid</b>	<b>1,000,000</b>	<b>-</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>-</b>	<b>100%</b>
<b>Surplus for the period</b>	<b>83,354,857</b>	<b>-</b>	<b>83,354,857</b>	<b>1,639</b>	<b>83,353,218</b>	<b>0%</b>

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**NOTE:** The utilization rate of medical services was at 45% due to the funds that the hospital never received from the health service management fund which is a receivable for the period ended 30<sup>th</sup> June 2025. This is also the reason as to why hospital had the pending bills reflected in the expense line above.

**Budget Reconciliation**

	<b>Description of Particulars</b>	<b>Amount in Kshs</b>
	Actual Surplus Amounts as per the statement of Budget	1,639
	<b>Closing Cash and Cash Equivalent as per the statement of Cash flows</b>	<b>1,639</b>

**19. Notes to the Financial Statements**

**1. General Information**

Migori County Referral Hospital is established by and derives its authority and accountability from the Act. The entity is wholly owned by the Migori County Government and is domiciled in Migori County in Kenya. The entity's principal activity is to provide health care services to the people of Migori 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 entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Notes. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity. The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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

- 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 effective in the year ended 30 June 2025.**

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

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<i>Applicable 1<sup>st</sup> January 2025</i>

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Standard	Effective date and impact:
	<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>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
<p>IPSAS 45- Property Plant and Equipment</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 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>IPSAS 46 Measurement</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of</li> </ol>

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Standard	Effective date and impact:
	<p>commonly used measurement bases and the circumstances under which they should be used.</p> <ul style="list-style-type: none"> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from 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>IPSAS 49- Retirement Benefit Plans</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
<p>IPSAS 50:</p>	<p><b><i>Applicable 1<sup>st</sup> January 2027</i></b></p>

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

**iii) Early adoption of standards**

The Entity 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 Entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

**ii) Revenue from exchange transactions**

**Rendering of services**

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

**Sale of goods**

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

**Interest income**

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

**Rental income**

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

**b. Budget information**

The original budget for FY 2024/25 was approved whereby the budget for the facility was incorporated with other hospitals under the vote line of Health Services Management Fund. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The hospital used AIEs (Authority to Incur Expenditure) for the monies received from Health Services Fund. The amount incurred in the final year were majorly derived from the approved AIEs. 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

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on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page of these financial statements.

**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.

**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 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 derecognition. 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

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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. For the period ending June 2025, the depreciation rates applied for property, plant and equipment were as indicated below.

<b>Item</b>	<b>Depreciation rate</b>
Buildings and Civil works	2.00%
Motor vehicles	25%
Furniture, fittings, and office equipment	12.50%
ICT Equipment	33%
Plant and medical equipment	12.50%

**f. Leases**

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

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

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

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

**g. Intangible assets**

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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.

**h. 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.

**i. Financial instruments**

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

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

costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### **Financial assets**

#### **Classification of financial assets**

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

#### **Subsequent measurement**

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

#### **Amortized cost**

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

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

**Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Notes. The hospital recorded no impairments for the financial year under review.*

**Financial liabilities**

**Classification**

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

**j. 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.

**k. 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.

**l. Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit

scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

**m. 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. The hospital did not have contingent liabilities for the period ended 30<sup>th</sup> June 2025.

**n. 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.

**o. Nature and purpose of reserves**

The entity creates and maintains reserves in terms of specific requirements.

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

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

**q. 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.

**r. Foreign currency transactions**

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

**s. 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.

**t. Related parties**

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

**u. Service concession arrangements**

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

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the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**v. 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.

**w. Comparative figures**

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

**x. 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**

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

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**Notes to Financial Statements Continued**

**6. Public Donations and Contributions**

Description	2024-2025	2023 - 2024
		<b>KShs</b>
Public donations	76,370,725	-
<b>Total</b>	<b>76,370,725</b>	<b>-</b>

**NB> The donations were received in-kind.**

**7. Rendering of Services-Medical Service Income**

Description	2024-2025	2023 - 2024
		<b>KShs</b>
Health Services Fund (FIF)	231,105,695	40,367,602
<b>Total</b>	<b>231,105,695</b>	<b>40,367,602</b>

**8. Transfers From Other Government Entities**

Description	2024-2025	2023 - 2024
		<b>KShs</b>
NHIF	-	71,110,805
<b>Total</b>	<b>-</b>	<b>71,110,805</b>

**9. Medical/ Clinical Costs**

Description	2024-2025	2023 - 2024
	<b>Kshs</b>	<b>KShs</b>
Laboratory chemicals and reagents	5,308,629	4,839,175
Food and Ration	22,857,418	20,990,556
Dressing and non-pharmaceuticals	18,807,550	18,164,154
Sanitary, uniform, clothing and cleansing Materials	5,495,410	1,637,228
X-Ray/Radiology supplies	-	3,429,192
Purchase of Medical gases	4,000,000	1,860,900
Medical Records	1,454,000	521,575
Uniform, clothing, and linen	-	599,000
Public health activities	4,208,872	5,031,750
Pharmaceutical (Direct Cost)	27,338,362	16,258,838
Pharmaceutical (Donated Drugs)	76,370,725	-
<b>Total</b>	<b>165,840,966</b>	<b>73,332,368</b>

**10. Board of Management Expenses**

Description	2024-2025	2023 - 2024
		KShs
Board allowance, seminars and outreaches	570,500.00	602,000
<b>Total</b>	<b>570,500.00</b>	<b>602,000</b>

**11. Employee Costs**

Description	2024-2025	2023 - 2024
	KShs	KShs
Temporary Employees	1,561,943	9,704,158
<b>Total</b>	<b>1,561,943</b>	<b>9,704,158</b>

**12. Depreciation and Amortization Expense**

Description	2024-2025	2023 - 2024
	KShs	KShs
Property, plant and equipment	36,194,360	36,069,360
<b>Total depreciation and amortization</b>	<b>36,194,360</b>	<b>36,069,360</b>

**13. Repairs And Maintenance**

Description	2024-2025	2023 - 2024
	KShs	KShs
Maintenance and repair of buildings and station	11,490,177	8,467,437
Repair of Machines and Equipment	8,393,908	6,595,146
Systems Computers and accessories	-	5,599,179
Maintenance of civil works	-	4,792,714
<b>Total</b>	<b>19,884,085</b>	<b>25,454,476</b>

**14. General Expenses**

Description	2024-2025	2023- 2024
	KShs	KShs
Catering Services (receptions), Accommodation, Gifts, Food and Drinks	360,000	499,733
Bank charges	51,611	41,316

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Conferences and meetings	-	441,000
Contracted services	5,450,000	346,000
Electrical expenses	-	166,690
Refined Fuels and Lubricants for Transport	5,306,530	2,974,115
Community Outreaches, Conference and Meetings Daily Subsistence Allowance and Local Travel	12,347,829	2,888,595
Licenses and permits	448,490	-
Printing and stationery	3,260,600	571,600
Water and sewerage costs	2,976,050	710,000
Telephone and mobile phone services	241,000	302,800
Office tea	183,000	-
Ict equipment, computers and connectivity	2,238,960	-
Contracted security services	2,400,000	-
<b>Total</b>	<b>35,264,070</b>	<b>8,941,849</b>

**15. Cash And Cash Equivalents**

Description	2024-2025	2023 - 2024
		<b>KShs</b>
Current accounts	1639	1,205
<b>Total cash and cash equivalents</b>	<b>1639</b>	<b>1,205</b>

**15 (a). Detailed Analysis of Cash and Cash Equivalents**

Financial institution	Account number		KShs
<b>a) Current account</b>			
Kenya Commercial bank	1318278120	1639	1,205
<b>Sub- total</b>		<b>1639</b>	<b>1,205</b>
<b>Grand total</b>		<b>1639</b>	<b>1,205</b>

**16. Receivables From Exchange Transactions**

Description	2024-2025	2023 - 2024
	<b>KShs</b>	<b>KShs</b>

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Receivables	127,558,466	103,135,672
<b>Total receivables</b>	<b>127,558,466</b>	<b>103,135,672</b>

**Analysis of Receivables from Exchange Transactions**

Description	2024-2025		2023-2024	
	Kshs		Kshs	
		% of the total	Kshs	% of the total
Less than 1 year	127,558,466	100%	71,110,805	69%
Between 1 to 2 Years	-	-	32,024,867	31%
<b>Total</b>	<b>127,558,466</b>		<b>103,135,672</b>	

**17. Inventories**

Particulars	2024-2025	2023 - 2024
	KShs	KShs
Pharmaceutical supplies	73,365,749	19,005,111
Non pharmaceuticals	13,884,031	-
General Supplies	618,000	-
<b>Total</b>	<b>87,867,780</b>	<b>19,005,111</b>

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*Notes to the Financial Statements (Continued)*

**18. Property, Plant and Equipment**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical	Capital	Total
						equipment	Work in progress	
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
<b>Cost</b>								
At 1 July 2022(previous year)	15,000,000	253,183,953	27,000,000	6,900,000	10,603,250	137,361,752	5,500,000	455,548,955
Additions					8,254,211		55,224,648	63,478,859
Disposals								-
Transfers/adjustments							(60,724,648)	(60,724,648)
<b>At 30<sup>th</sup> Jun 2023</b>	<b>15,000,000</b>	<b>253,183,953</b>	<b>27,000,000</b>	<b>6,900,000</b>	<b>18,857,461</b>	<b>137,361,752</b>	<b>-</b>	<b>458,303,166</b>
At 1 July 2023 (current year)	15,000,000	253,183,953	27,000,000	6,900,000	18,857,461	137,361,752	-	458,303,166
Additions								
Disposals								-
Transfer/adjustments								-
<b>At 30<sup>th</sup> Jun 2024</b>	<b>15,000,000</b>	<b>253,183,953</b>	<b>27,000,000</b>	<b>6,900,000</b>	<b>18,857,461</b>	<b>137,361,752</b>	<b>-</b>	<b>458,303,166</b>

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						2		166
<b>At 1st July 2024</b>	<b>15,000,000</b>	<b>253,183,953</b>	<b>27,000,000</b>	<b>6,900,000</b>	<b>18,857,461</b>	<b>137,361,752</b>	-	<b>458,303,166</b>
Additions	-	-	-	-	-	<b>1,000,000</b>	-	<b>1,000,000</b>
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments								-
<b>At 30<sup>th</sup> Jun 2025</b>	<b>15,000,000</b>	<b>253,183,953</b>	<b>27,000,000</b>	<b>6,900,000</b>	<b>18,857,461</b>	<b>138,361,752</b>	-	<b>459,303,166</b>
<b>Depreciation and impairment</b>								
At 1 July 2022	-	-	<b>3,375,000</b>	<b>250,000</b>	-	<b>5,646,289</b>	-	<b>9,271,289</b>
Depreciation for the year		5,063,679	6,750,000	862,500	6,222,962	17,170,219		<b>36,069,360</b>
Disposals								-
Impairment								-
<b>At 30 June 2023</b>	-	<b>5,063,679</b>	<b>10,125,000</b>	<b>1,112,500</b>	<b>6,222,962</b>	<b>22,816,508</b>	-	<b>45,340,649</b>
At July 2023	-	5,063,679	10,125,000	1,112,500	6,222,962	22,816,508	-	45,340,649
Depreciation		5,063,679	6,750,000	862,500	6,222,962	17,170,219		<b>36,069,360</b>
Disposals								

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								-
Impairment								-
Transfer/adjustment								-
<b>At 30<sup>th</sup> June 2024</b>	-	<b>10,127,358</b>	<b>16,875,000</b>	<b>1,975,000</b>	<b>12,445,924</b>	<b>39,986,727</b>	-	<b>81,410,009</b>
<b>At July 2024 (Current Year)</b>	-	<b>10,127,358</b>	<b>16,875,000</b>	<b>1,975,000</b>	<b>12,445,924</b>	<b>39,986,727</b>	-	<b>81,410,009</b>
Depreciation		<b>5,063,679</b>	<b>6,750,000</b>	<b>862,500</b>	<b>6,222,962</b>	<b>17,295,219</b>		<b>36,194,360</b>
Disposals								
Impairment								
Transfer/adjustment								
<b>At 30<sup>th</sup> June 2025</b>	-	<b>15,191,037</b>	<b>23,625,000</b>	<b>2,837,500</b>	<b>18,668,886</b>	<b>57,281,946</b>	-	<b>117,604,370</b>
<b>Net book values</b>								
At 30 <sup>th</sup> Jun 2023	15,000,000	248,120,274	16,875,000	5,787,500	12,634,499	114,545,244	-	412,962,517
At 30 <sup>th</sup> Jun 2024	15,000,000	243,056,595	10,125,000	4,925,000	6,411,537	97,375,025	-	376,893,157
<b>At 30<sup>th</sup> Jun 2025</b>	<b>15,000,000</b>	<b>237,992,916</b>	<b>3,375,000</b>	<b>4,062,500</b>	<b>188,575</b>	<b>81,079,806</b>	-	<b>341,698,796</b>

The assets have been depreciated using the following rates

Item	Depreciation rate
Buildings and Civil works	2.00%

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Motor vehicles	25%
Furniture, fittings, and office equipment	12.50%
ICT Equipment	33%
Plant and medical equipment	12.50%

**19. Trade and other Payables**

Description	2024-2025	2023- 2024
	KShs	KShs
Trade payables	44,912,043	34,981,003
<b>Total</b>	<b>44,912,043</b>	<b>34,981,003</b>

**19.(a) Trade Payable Aging Analysis**

Ageing analysis:	KSH	%	KSH	% of the Total
Under one year	41,153,738	92%	34,981,003	100%
1-2 years	1,168,000	3%		
More Than 2 Years	2,590,305	6%		
<b>Total</b>	<b>44,912,043</b>		<b>34,981,003</b>	

**20. Cash Generated from Operations**

Description	2024-2025	2023-2024
	KShs	KShs
Surplus for the year before tax	48,160,497	(42,625,803)
<b>Adjusted for:</b>		
Depreciation	36,194,360	36,069,360
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	(68,862,669)	(8,157,501)
Increase in receivables	(24,422,794)	(5,667,400)
Increase in deferred income	-	-
Increase in payables	9,931,040	20,381,786
Increase in payments received in advance	-	-
<b>Net cash flow from operating activities</b>	<b>1,000,434</b>	<b>442</b>

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**21. Financial Risk Management**

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

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

**(i) Credit risk**

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2025</b>				
Receivables from exchange transactions	127,558,466	127,558,466		
Receivables from –non-exchange transactions	0	0		
Bank balances	1,639	1,639		
<b>Total</b>	<b>127,560,105</b>	<b>127,560,105</b>		

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

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the hospital's board of management who have built an appropriate liquidity risk management framework for the

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management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

**(iii) Market risk**

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

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

**a) Foreign currency risk**

The entity has 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:

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting expected sales proceeds and matching the same with expected payments.

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the company'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**

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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 company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company'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.

**Sensitivity analysis**

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

**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	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve		
Retained earnings		
Capital reserve	454,531,877	454,531,877
<b>Total funds</b>	<b>454,531,877</b>	<b>454,531,877</b>
Total borrowings		
Less: cash and bank balances	1,639	1,205
Net debt/ ( <i>excess cash and cash equivalents</i> )		
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

**22. 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.

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Migori 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

**23. Segment Information**

*The hospital has no segment as it operates in one geographical location.*

**24. Events after the Reporting Period**

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

**25. Ultimate and Holding Entity**

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Department of Medical Services. Its ultimate parent is the County Government of Migori.

**26. Currency**

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

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**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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
1	<p><b>Receivables from Exchange Transactions</b></p> <p>The statement of financial position and as disclosed under Note 18 to the financial statement reflects Kshs.103,135,672 relating to receivables from exchange transactions. This figure was not supported by any documentary evidence and although the management explained that it relates to dues from the National Hospital Insurance Fund (NHIF) in form of outstanding claims, the management only provided documents supporting Kshs.28,910,530 resulting to unsupported balance of Kshs.74,225,142. In addition, no ageing analysis was provided for verification and a provision for bad and doubtful debts was not provided for in the financial statements. In the circumstances, it was not possible to confirm the accuracy and completeness of trade and other receivables as at 30 June, 2024.</p>	<p>The management noted the auditor's observation and provided supporting documents for NHIF and Linda Mama claims amounting to Kshs. 74,225,142.</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
2.	<p><b>Revenue from Exchange Transaction</b></p> <p>The statement of financial performance and as disclosed under Note 7 to the financial statements reflects the banked revenue figure of Kshs.40,367,602 in respect to rendering of services-medical service income. However, the revenue stream from which the amount was earned from could not be established since no analysis was provided for verification.</p> <p>In the circumstances, the accuracy and completeness of the banked revenue amount of Kshs.40,367,602 could not be confirmed.</p>	<p>The management noted the auditor's observation and wishes to state that during the period under review the MEDOBOSS system could not generate the report indicating various revenue stream of the facility. However, currently, the management has enrolled Taifa Care Health Management which has integrated all the revenue streams of the hospital.</p>	Resolved	
3.	<p><b>Unresolved Prior Year Audit Matters</b></p> <p>In the audit report of 2023/2024 financial year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for failure to resolve</p>	<p>The management noted the auditor's observation and is committed to continuously resolve the issues as raised in the auditor's report. Like for instance, issues relating to outstanding claims from nhif, the</p>	Partially Resolved	2 years

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	<p>them. In the circumstances, Management did not adhere to the provisions of the Public Sector Accounting Standards Board.</p>	<p>management did letters before its closure demanding for the settlement of the outstanding arrears, issues relating to inconsistencies were reconciled and resolved. Further, revenue collected from the hospital are no longer transferred to the County Revenue Fund as was noted in Issue 5 by the auditor.</p>		
4.	<p><b>Non-Compliance with Law on Staff Regional Diversity</b></p> <p>Examination of the staff records revealed that the County Referral Hospital has a workforce of eleven hundred and nine (1109) from different ethnic communities. Further examination however revealed that one (1) ethnic community constitutes 66%</p>	<p>The management noted the auditor's observation and wishes to state that Migori County is cosmopolitan county and all communities are always encouraged to</p>	Partially Resolved	1 year

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>of the total workforce contrary to Section 7 (1) (2) of the National Cohesion and Integration Act, 2008(Revised 2012) which provides that no public establishment shall have more than one third of its staff from the same ethnic community. The management was in breach of the law.</p>	<p>apply for the advertised vacancies in line with national cohesion and integration act 2008. However, the County Government of Migori through the Public Service Board is currently working towards full compliance and implementation of section 7(1) and (2) of national cohesion and integration act and county employment equity plan as prescribed in the revised county government act.</p>		
5.	<p><b>IT Internal Controls</b></p> <p>Included in the summary of fixed assets register as at 30 June, 2024 are four (4) intangible assets software. Review of the</p>	<p>The management noted the auditor’s observation and wishes to state that MCRH relies on the ICT</p>	Partially resolved	1 year

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	<p>Hospital ICT environment revealed that apart from physical records, the Hospital uses various computerized information management systems including Hospital Management Information System (HMIS). However, the Management did not provide an approved ICT policy, disaster recovery plan and an ICT strategic plan.</p> <p>In the circumstances, the hospital lacks adequate ICT policies and plans and disaster recovery plans in the event it occurs.</p>	<p>policies and strategic plans developed and approved by the County Executive through the Department of ICT. However, the Board is the process of developing its own ICT policies, disaster recovery plan and strategic plans</p>		
6.	<p><b>Insurance of Assets</b></p> <p>The statement of financial position and as disclosed under Note 20 to the financial statements reflects Kshs.376,893,157 in respect to Property plant and equipment. This balance comprises of land, buildings and civil works, motors vehicles, furniture and equipment and office equipment, ICT equipment, plant and medical equipment whose values are Kshs.15,000,000, Kshs.243,056,595, Kshs.10,125,000, Kshs.4,925,000, Kshs.6,411,537 and Kshs.97,375,025 respectively. However, no</p>	<p>The management noted the auditor's observation and wishes to state that the insurance for County Assets are done centrally by the County Executive.</p>	Partially Resolved	2 years

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	<p>evidence was provided for verification to show that these assets had been insured and neither were any expenses related to insurance of fixed assets was reported in the financial statements thereby exposing them to numerous risks.</p> <p>In the circumstances, the property, plant and equipment are exposed to numerous risks with no compensation to the hospital if they occur.</p>			
7.	<p><b>Lack of Ownership Documents</b></p> <p>Note 20 to the financial statements reflects Kshs.376,893,157 in respect to Property plant and equipment. Included in this figure is land valued at Kshs.15,000,000 and Motor vehicles valued Kshs.10,125,000. However, the management did not provide ownership documents for audit verification.</p>	<p>The management noted the auditor's observation and wishes to state that transfer of ownership documents to various facilities and department of the County is awaiting the Intergovernmental Relation Technical Committee (IGRTC) report that contains all the assets and liabilities inherited from the</p>	Not Resolved	2 years

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
		defunct Local authority.		



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**Dr. Dolcie Nyagilo**