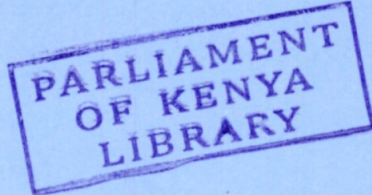


REPUBLIC OF KENYA



REPORT



OF

337

THE AUDITOR-GENERAL

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RACHUONYO COUNTY HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF HOMA BAY

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RACHUONYO COUNTY HOSPITAL
(Homa Bay County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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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.
NBV	Net Book Value
ALOS	Average Length of Stay
ECL	Expected Credit Loss
HERT	Hospital Emergency Response Team

1. Key Entity Information and Management

(a) Background information

Rachuonyo County Hospital is a level (4) hospital established under gazette notice number 786 and is domiciled in Homa Bay County under the Department of Public Health and Medical Services. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to;

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

Vision

To offer high quality and integrated medical care services that are affordable and accessible.

Mission

To be a well-established institution offering high quality efficient integrated medical care services and training of competent health care workers.

Mandate

To provide conducive environment that enhance active participation in the provision of high-quality medical care services.

(c) Key Management

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

- County Department of Public Health and Medical Services
- Board of Management
- Accounting Officer/ Medical Superintendent
- Hospital Management Team

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Bonface Musundi Oganyo
2.	Health Administrative Officer	Edmond Onditi Awuor
3.	Director Nursing Services	Lynet Atieno John
4.	Head of Finance/Accountant	Peter Orinde
5.	Clinical Officer in-charge	Mrs Dorah Obel
6.	Laboratory Manager	Mr Reuben Okoth
7.	Pharmacist in-Charge	Dr Victor Osongo
8.	Radiographer	Mr. Caleb Ogweche
9.	Human Resource Management	Mrs Pamela Okundi
10.	Deputy Admin/ICT Officer	Mr. Charles Ayal
11.	Health Records and Information Officer	Ms. Emily Atieno
12.	Biomedical Engineer	Mr. Emmanuel Odoyo
13.	Nutritionist	Ms. Vivian Andal
14.	Public Health Officer	Mr. Kennedy Omollo
15.	Orthopaedics	Dr. Mark Ogundo
16.	Occupational Therapist	Mr. Fredrick Olwalo

(e) Fiduciary Oversight Arrangements

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

I. Quality Improvement Team

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

II. Emergency Response Team

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

III. Medicines and therapeutic Committee

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

IV. Billing and waiver Committee

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

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

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

VI. Hospital Management Committee

Oversight roles and resource mobilization to the facility.

VII. Hospital Management Team

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Bonface Musundi Oganyo
2.	Health Administrative Officer	Edmond Onditi Awuor
3.	Director Nursing Services	Lynet Atieno John
4.	Head of Finance/Accountant	Peter Orinde Okullo
5.	Clinical Officer in-charge	Mrs Dorah Obel
6.	Laboratory Manager	Mr Reuben Okoth
7.	Pharmacist in-Charge	Dr Victor Osongo Brown
8.	Radiographer	Mr. Caleb Ogweche
9.	Human Resource Management	Mrs Pamela Okundi
10.	Deputy Admin/ICT Officer	Mr. Charles Ayal
11.	Health Records and Information Officer	Ms. Emily Atieno
12.	Biomedical Engineer	Mr. Emmanuel Odoyo
13.	Physiotherapist	Mr. Fred Olwalo
14.	Occupational Therapist	Mr. Francis Ateto
15.	Orthopaedic	Dr. Mark Ogundo
16.	Dentist	Mrs. Everlyn
17.	Public Health Officer	Mr. Ken Omollo
18.	Nutritionist	Mrs. Vivian Andal

VIII. Hospital Finance Committee

Goes through departmental budget proposals and ensure the allocations are done putting into consideration priorities.

(f) Entity Headquarters

P.O. Box 469-40300
Homa Bay, KENYA

Telephone: (+254) 2038617565/55
E-mail: governorsofficehomabaycounty@gmail.com
Website: [www.Homa Bay.go.ke](http://www.HomaBay.go.ke)

Entity's Contacts

P.O. BOX 42-40222
Rachuonyo County Hospital Building
Oyugis-Kendu Bay Road
Oyugis, Kenya.

Telephone: (+254)716851778
Email: med.supt.rdh@gmail.com

(g) Entity Bankers

Co-operative Bank of Kenya
Co-operative House
Moi Avenue,
P.O. Box 30084-00100
Nairobi, Kenya

(h) Independent Auditors

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

(i) Principal Legal Adviser




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


- (j) **County Attorney**
P.O. Box 469-40300
Homa Bay Kenya.

2. The Board of Management

Ref	Directors	Details
1.	Dr. Daniel Owaka	Chairperson of The Board. A retired Chief Principal having worked with the Teachers Service Commission.
2.	Dr. Musundi Oganyo	Medical Superintendent/Secretary
3.	Mr. Erick Jackym	Sub-County Administrator Rachuonyo South.
4.	Mr. Ochiel Ka' Wara	An accountant by profession. Holds B. Com Accounting and a Certified Forensic Auditor.
5.	Hon. Peter Okeyo Ongili	Member
6.	Mrs. Roselyne Adede	Member
7.	Mr. Wyckliffe Nyandieka	Member representing Persons Living with Disability.
8.	Mr. John Oteko Ogogo	Member
9.	Ms. Judy Odhiambo	Member

3. Key Management Team

Ref	Management	Details	Images
1.	Dr. Bonface Musundi Oganyo	Medical Superintendent & HMT Chairperson	
2.	Edmond Onditi Awuor	Health Administrative Officer	
3.	Lynet Atieno John	Director Nursing Services	

4.	Peter Orinde Okullo	Head of Finance/Accountant	
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4. Chairman’s Statement

It is my pleasure to present to you the Annual Report and Financial Statements of Rachuonyo County Hospital for the financial year ended 30 June 2025. The Board of Management is proud of the achievements realized in the hospital in this period towards “Offering high quality and integrated medical care services that are affordable and accessible.” Considering the scale and complexity of operations of this second largest hospital in Homa Bay County, I am particularly impressed by the “can do attitude” of staff coupled with their commitment to delivering the best possible service to patients.

Regulatory Environment

Management and operations of the hospital is guided by the existing legal, policy and institutional frameworks that govern health sector to ensure efficient and effective delivery of services in the hospital. The Kenyan Constitution 2010 under the Bill of Rights provides the right to the highest attainable standard of health including reproductive health care and emergency medical treatment.

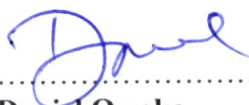
In addition, the Health Act 2016 establishes a unified health system that coordinates the inter-relationship between the national government and county government health systems, provides for regulation of health care services and health care service providers, health products and health technologies for connected purposes. It also provides for Health Financing; Research; E-health; Human Organs and tissue transplant; Traditional and alternative medicine; Mental; Environmental and Public Health; Standards of Health; Reproductive Health and Emergency treatment. With this in mind, and the strategic placement of Rachuonyo County Hospital in the Health Sector, the Board is committed to ensure continued quality service delivery to the citizens.

Sector Alignment

At the National Level, universal healthcare (UHC) is one the big four agenda. The agenda aims to provide affordable healthcare for all households through SHIF Scheme. The Kenya Vision 2030 aims at creating a globally competitive and prosperous country by providing a high quality of life for all her citizens. Under the social pillar, the overall goal of the Health Sector is to provide equitable, affordable and quality healthcare to all citizens.

Acknowledgment

On behalf of the Board, I would like to thank all our stakeholders especially the County Government of Homa Bay, Ministry of Health, Social Health Authority and development partners for the support they continue to accord the hospital without which our achievements would not have been realised. As we move into a new year, I would like to express my gratitude to Rachuonyo County Hospital staff, specialists, team leaders and the Board, who take such pride in their work, and who exemplify our hospital’s mission and values each day. Finally, I strongly believe that our strategy and the staff in place will consistently drive our growth in the future, as has been the case over the years.



.....
Dr. Daniel Owaka
Chairperson-Board of Management

5. Report of The Medical Superintendent

I am pleased to present the Hospital's Annual Report and Financial Statements for the year 2024/2025. The report highlights the hospitals operational and financial performance as well as our strategic direction.

Operational Performance

The hospital provides specialized healthcare services. To meet our patients' needs, we have specialists in surgical and gynecology disciplines of medical practice who ensure our customers receive safe, timely, equitable, efficient, effective and patient-centered services. In 2024/2025 the hospital attended to 9,110 patients of whom 6,230 were inpatients. This was an increase of 9.5% outpatients and 7.9% inpatients attendance in comparison to the previous financial year. During the year, the surgical team successfully demonstrated clinical effectiveness by reduction of mortality rate.

Financial Review

In order to meet the cost of operations and maintenance, the hospital relies on internally generated revenue, the largest component being cost-sharing revenue. During the year under review, the hospital generated Kshs. 131,869,092 against a target of Kshs. 150,000,000. This is an increase of 60.2% above the previous year's internally generated revenue.


.....
Dr. Bonface Musundi Oganyo
Medical Superintendent



6. Statement of Performance Against Predetermined Objectives

Section 164(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.

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

OBJECTIVES;

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

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

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar- To Provide Integrated Accessible and Quality Healthcare Services Through Effective and Efficient Infrastructure, Training Research and Partnership.	To offer quality Health Services under one roof in a most effective and efficient to the satisfaction of the customer.	-To reduce referrals to other facilities. -To diversify range of services offered by RCH. -To fast-track efficiency and	-Establish quality healthcare standards. (accreditation) -Strengthen client follow up mechanism and systems (Referral	-Improved quality of healthcare. -Expanded client base. -Improved facility reputation. -Strengthened partnership

		staff satisfaction with modern facility.	clinics established). -Strengthen partnership with communities, public and private sectors. -Initiate provider driven insurance.	with communities, public and private sector.
	Modernise infrastructure, machinery and equipment	-To develop an infrastructure master plan. -Fully equip the facility.	-To develop a master plan. -Obtain equipment and maintain through the MESS program.	-Investor identified by the county government to help with development of master plan. MESS programme under the National Government operation.
	To attain financial sustainability	-Cost rationalization. Institutionalize resource	Conduct market survey for costing of commodities	-All our clients are able to receive

		<p>mobilization.</p> <p>-Enhance internal control mechanism.</p> <p>- Diversification of revenue generation streams.</p>	<p>during the tendering process.</p> <p>-Incorporating various modes of revenue generation cash, S.H.I.F.,</p> <p>-Upgrade health instruction software to improve internal control and hence revenue collection.</p>	<p>services irrespective of mode of healthcare financing.</p>
	<p>To strengthen the human resource capacity.</p>	<p>-Staff retention.</p> <p>Full potential and optimal utilization of staff.</p> <p>-To enhance Hospital performance by training and motivation of staff.</p> <p>-Upscale</p>	<p>Keep staff informed of any development in the hospital through circulars and holding regular meetings.</p> <p>Holding weekly continuous</p>	<p>Improved service delivery.</p> <p>Improved staff retention.</p>

	<p>To develop facility Health Management Information System.</p>	<p>leadership and management for increased performances. -Focus on partnership with other Health Service Providers for technical support.</p> <p>-Up scaling quick and efficient service delivery. -ICT systems in place. -Build staff ICT capacity. -Improve access to ICT materials.</p>	<p>medical education. Staff appraisal system in place. Collaborating with external Orthopaedic surgeons for provision of Orthopaedic services.</p> <p>-Upgrade ICT systems. -Build staff ICT capacity by training. -Improve access to ICT materials.</p>	<p>-Efficient data collection, management and dissemination. -Improved diagnosis and treatment. -Improved access to relevant health infrastructure and data.</p>
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7. Corporate Governance Statement

The Rachuonyo County Hospital Board of Management has responsibilities, functions, structures and ethical conduct. In addition to this, their major priority is ensuring excellent service delivery to patients and general members of the public and residents of the community.

8. Management Discussion and Analysis

The management used tables to make the information as understandable as possible. The information does show a trend for the previous year because this is the fourth time the hospital is preparing a financial report.

Clinical Performance

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

Overall patient attendance

The average monthly patient attendance for the year 2024/2025 was 8,529 out patients and 5,630 in-patients. There was an increment in the outpatient attendance of 11.6% and 24.40% in the in-patients in the year 2024/2025. This is attributed to continuous stocking of commodities and the presence of healthcare workers in the hospital.

Average Length of Stay



The average length of stay (ALOS) is an indicator of efficiency in the provision of inpatient health care in the hospital. Generally, the average length of stay in the hospital has been falling (between 2022/23 to 2024/25).

Bed occupancy rate.

In the year 2024/25, the bed occupancy rate averaged 92.7%. This was attributed to the specialized and quality healthcare services offered in the hospital that attracts clients from across the region and beyond. The other side of this is overstretching of the hospital facilities and congestion of patients in the wards. It is notable that there was an increase in FY 2024/2025 because of continuous presence of drugs and other essential commodities for use in the hospital.

Mortality Rate

During the period under review, the death rate averaged 11.7%. This is attributed to the critically ill patients referred to and managed in the hospital.



Dr. Bonface Musundi Oganyo
Medical Superintendent

9.Environmental And Sustainability Reporting

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

Sustainability strategy and profile

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

i) Environmental performance

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

ii) Employee welfare

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

iii) Market place practices-

a) Responsible competition practice.

The organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition, and respect for competitors by competitively awarding contracts

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertisement

The hospital maintains ethical marketing practices.

Policy guiding hiring process

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

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

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

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

Efforts made in improving skills and managing careers

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

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

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

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

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

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

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

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

Appraisal and reward system

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

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

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

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

Reward System

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

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

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

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

iv) Corporate Social Responsibility Statement

The hospital management has from time to time provided waiver to patients who are not able to pay hospital bills as well as mortuary bills based on investigations and report done by social services department as stated in the waiver policy.

Open days for cancer screening and examination of other chronic and communicable illnesses.

10. 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.

a) Principal activities

The principal activities of the entity are (continue to be)

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

Results

The results of the entity for the year ended June 30, 2025 are set out on page 1-40

Board of Management

The members of the Board who served during the year are shown on page ix. During the year 2024/25 no board member retired/ resigned.

Auditors

The Auditor General is responsible for the statutory audit of the Rachuonyo County Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 nominated by the Auditor General to carry out the audit of the Rachuonyo County Hospital for the year ended June 30, 2025 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on her behalf.

By Order of the Board.



Dr. Bonface Musundi Oganyo
Secretary to the Board

11. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires The Accounting Officer of a county government entity to prepare financial statements in formats to be prescribed by The Accounting Standards Board, which give a true and fair view of the state of affairs of the hospital at the end of the financial year and the operating results of the hospital for that year. The Accounting Officer is also required to ensure that Rachuonyo County Hospital keeps proper accounting records, which disclose with reasonable accuracy the financial position of the hospital, the services for which the appropriated money was spent, the amount actually spent on each service, the status of each vote compared with the appropriation for the vote and a statement explaining any variations between the actual expenditure and the sums voted. The board members are also responsible for safeguarding the assets of the Rachuonyo County Hospital.

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

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


Nothing has come to the attention of the Board of management to indicate that the hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 21-11-2025 and signed on its behalf by:


.....
Dr Bonface Musundi Oganyo
Medical Superintendent


.....
Mr. Peter Orinde
Accountant


.....
Dr. Daniel Owaka
Chairperson of the Board

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON RACHUONYO COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF HOMA BAY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Rachuonyo County Hospital - County Government of Homa Bay set out on pages 1 to 40, which comprise of the

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

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

Basis for Qualified Opinion

1. Non-Compliance with Financial Reporting Framework

Review of the financial statements revealed non-compliance with the reporting template prescribed by the Public Sector Accounting Standards Board for level 4 and level 5 hospitals as detailed below;

- i. The accountant did not indicate his ICPAK number as required by the prescribed reporting template;
- ii. The statement cash flows does not indicate the note against net cash flow from operating activities. Instead, the statement shows notes against receipt and payment items which are not required by the prescribed template;
- iii. The notes to the financial statements does not include a note on cash generated from operations to reconcile surplus for the year amount of Kshs.48,616,521 reported in the statement of financial performance and net cash flow from operating activities amount of Kshs.4,311,833 reflected in the statement of cash flows;
- iv. Note 21 to the financial statements is a repeat of the statement of changes in net assets which is not required;
- v. The statement of financial position reflects property, plant and equipment and intangible assets balances of Kshs.90,218,076 and Kshs.315,801 respectively, which are explained in Note 19 to the financial statements on property, plant and equipment, contrary to the prescribed reporting template which requires the two (2) balances to be disclosed separately in the notes to the financial statements.
- vi. The statement of comparison of budget and actual amounts does not have a budget reconciliation schedule to reconcile the reported actual surplus of Kshs.47,531,080

and cash and cash equivalents as at 30 June, 2025 of Kshs.3,239,199 reflected in the statement of cash flows.

- vii. Note 17 and Note 20 to the financial statements reflects receivables from exchange transactions and trade and other payables balances of Kshs.25,652,238 and Kshs.27,414,791 respectively, whose ageing analyses were not included as part of the notes as required.

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

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed. Further, the financial statements does not comply the prescribed financial reporting framework.

2. Inaccuracies in the Financial Statements

The statement of changes in net assets reflects general reserves negative balance of Kshs.21,439,033, under capital fund, whose supporting analysis and relevant documents were not provided for audit.

Further, the following un-reconciled variances between the statement of comparison of budget and actual amounts (SCBAA) and statement of cash flows (SCF) were noted, despite the fact that both statements are prepared on cash basis:

Components	Amount in SCBAA (Kshs)	Amount in SCF (Kshs)	Variance (Kshs)
Total revenue	153,498,091	121,486,554	32,011,537
Medical/ Clinical costs	52,753,025	53,126,238	(372,838)
Employees costs	4,652,664	4,626,961	25,703
Repairs and maintenance	8,705,991	9,680,241	(974,250)
General expenses	24,829,828	33,601,390	(8,771,562)
Cash Transfers Retained in SPA	-	15,918,311	(15,918,311)

In addition, the statement of financial position reflects trade and other payables balance of Kshs.27,414,791 which differs with the re-computed balance of Kshs.28,389,042 resulting in an unreconciled variance of Kshs.974,251.

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

3. Unsupported Repairs and Maintenance Expenses

The statement of financial performance reflects repairs and maintenance amount of Kshs.8,705,991 as disclosed in Note 14 to the financial statements. The following unsatisfactory matters were noted:

3.1. Unsupported Repairs and Maintenance of Motor Vehicle

Included in the expenditure is an amount of Kshs.337,960 incurred in respect of repairs and maintenance of motor vehicles. However, examination of payment vouchers revealed that Management made payments without proper support documents such as pre-inspection and post-inspection reports from public works, requisitions, delivery notes, goods received note and ETR receipt for cash sale receipts.

3.2. Unsupported Repairs and Maintenance of Buildings

Included in the expenditure is repairs and maintenance of buildings amounting to Kshs.3,753,697. However, examination of payment vouchers revealed that Management made payments without proper support documents such as pre-inspection and post-inspection reports from public works, delivery notes, goods received note and bill of quantities for some of the proposed changes in the buildings.

3.3. Unsupported Repairs and Maintenance of Mortuary Coolers

Included in the expenditure is repairs and maintenance of mortuary coolers amounting to Kshs.1,032,000. However, examination of payment vouchers revealed that Management made payments without proper support documents such as pre-inspection and post-inspection reports from public works, delivery notes and goods received note.

In the circumstances, the accuracy, completeness and regularity of repairs and maintenance expenses amounting to Kshs.5,123,657 could not be confirmed.

4. Unsupported Receivables from Exchange Transactions

The statement of financial position, and as disclosed in Note 17 to the financial statements, reflects receivables from exchange transactions balance of Kshs.25,652,238 which comprises medical services receivables-SHA, medical services receivables-NHIF and receivables from medical oxygen debtors balances of Kshs.5,488,557, Kshs.16,293,046 and Kshs.3,870,635 respectively. However, the supporting schedules and detailed aging analysis were not provided for audit review. Further, Management did not provide evidence that the amounts are recoverable as Social Health Authority (SHA) had suspended its operations pending investigations. In addition, the details of the pending investigations or outcome and status report were not provided for audit.

In the circumstances, the accuracy, completeness and recoverability of the receivables from exchange transactions balance of Kshs.25,652,238 could not be confirmed.

5. Unconfirmed Property, Plant and Equipment Balance

The statement of financial position, and as disclosed in Note 19 to the financial statements, reflects property, plant and equipment balance of Kshs.90,533,877. However, review of the Hospital's records and physical verification revealed the following unsatisfactory matters;

- i. Management did not maintain an up-to-date fixed asset register to record information such as date of acquisition, type of assets, supplier name, costs, accumulated depreciation, net book values, value, asset codes, custodian and location among other details in respect of the assets the hospital owns. As a result, 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 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. In addition, there was no evidence to show that the Hospital has revaluated its assets to ascertain the correct market values;
- ii. Value of the land occupied by the Hospital was not disclosed in the financial statements. Further, the ownership documents for land and motor vehicles were not provided for audit.
- iii. Management had insured its assets including donated assets from various agencies against foreseeable risks as the Hospital lacked ownership documents.
- iv. 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.
- v. There was no evidence of any disposal of assets, yet there were quite a number of bonded items kept in the respective stores.
- vi. 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 existence of property, plant and equipment balance of Kshs.90,533,877 and the effectiveness of internal controls over the management of fixed assets could not be confirmed.

6. Unsupported Trade and Other Payables

The statement of financial position, and as disclosed in Note 20 to the financial statements, reflects trade and other payables balance of Kshs.27,414,791 whose supporting ledger, detailed ageing analysis and relevant documents were not provided for audit. Further, there was no evidence that the balance includes an amount of Kshs.3,809,426 reported in the financial statements of Kenya Medical Supplies Authority (KEMSA) as receivable from Rachuonyo District Hospital.

In the circumstances, the accuracy, completeness and existence of trade and other payables balance of Kshs.27,414,791 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Rachuonyo County Hospital Management

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

Emphasis of Matter

Budgetary Controls and Performance

The statement of comparison of budget and actual amounts reflects actual revenue and actual expenditure amounts of Kshs.153,498,091 and Kshs.105,067,011 respectively, resulting in under-utilization of Kshs.48,431,080 or 32% of actual revenue. Further, the statement reflects budget surplus of Kshs.48,282,535, contrary to Regulation 31(c) and (e) which states that budget revenue and expenditure appropriations shall be balanced and total budget revenue shall cover total budget expenditure.

The under-utilization may have negatively impacted service delivery to the Public. Further, Management was in breach of the law.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior 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 seven (7) matters remained unresolved:

S/No.	Financial Year	Audit Issue
1	2023/2024	Inaccuracies in the Financial Statements
2	2023/2024	Inaccuracies in Inventory Balance
3	2023/2024	Doubtful Receivables from Exchange Transactions
4	2023/2024	Inaccuracies in Property, Plant and Equipment Balance
5	2023/2024	Deficiencies in Implementation of Universal Health Coverage UHC
6	2023/2024	Long Outstanding Payables
7	2023/2024	Inefficiencies in Board Operations

Other Information

The Board of Directors is responsible for the Other Information set out on pages iii to xxv which comprises of 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 the Statement of Board of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the 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 the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

Review of revenue records obtained from the Rachuonyo County Hospital revealed total collection of Kshs.131,869,092 towards the health facilities improvement. Out of this amount, a total of Kshs.84,791,516 was transferred to Special Purpose Account at the health department. However, Special Purpose Account reimbursed a total of Kshs.68,873,205 to the health facilities resulting in a deficit of Kshs.15,918,311. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing account. In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

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

2. Deficiencies in Implementation of Universal Health Coverage UHC

Review of Hospital records and interviews with the Hospital Management on services offered, equipment used and medical specialist in the hospital at the time of audit reveal that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to a deficit of thirty-five (35) staff or 35% of the authorized establishment as summarized below;

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	% Variance
Medical Officers	16	2	14	88%
Anesthesiologists	2	0	2	100%
General Surgeons	2	2	0	0%
Gynecologists	2	1	1	50%
Pediatrics	2	1	1	50%
Radiologists	2	0	2	100%
Kenya Registered Community Health Nurses	75	60	15	20%
Total	101	66	35	35%

Further, the Hospital lacked the necessary equipment and machines outlined in the health policy as detailed below;

Service	Level IV Standard	Number in Hospital	Variance	%
Beds	150	117	33	22%
Resuscitaire in theatre	3	0	3	100%
New Born Unit Incubators	5	2	3	60%
New born Unit Cots	5	0	5	100%
Functional ICU Beds	6	0	6	100%
High Dependency Unit HDU	6	0	6	100%
Renal Unit with at least dialysis machines	5	0	5	100%
Two Functional Operational theatres- Maternity & General	2	1	1	50%
Total	182	120	62	34%

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

3. Non-Integration of Climate Change, Financing and Action

Examination of records revealed that the departments had not integrated the climate change action plan into its sectoral 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 sectoral 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 section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Inefficiencies in Board Operations

The statement of financial performance reflects Board of Management expenses amount of Kshs.221,580 as disclosed in Note 7 to the financial statements. However, the Hospital did not maintain a Board calendar for the year. Further, the Board held only one(1) meeting during the year, contrary to the requirement of the Mwongozo, the Code of Governance for State Corporations, which stipulates that the Board of Directors should meet at least quarterly to effectively oversee the organization's operations. In addition, the notice to Board members for the meeting was not provided nor venues of the meeting disclosed. Failure to hold the required number of meetings within a given period may hinder the Board's ability to adequately fulfill its governance responsibilities, including strategic planning, risk management, and performance evaluation.

In the circumstances, the effectiveness of governance in the Hospital could not be confirmed.

2. Lack of Internal Audit Committee

Review of the governance structure and oversight of the Rachuonyo County Hospital revealed that Audit Committee was not in place during the year under review. Further, adequacy of internal audit staff and staff competencies could not be verified.

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

3. Lack of ICT Policy and IT Controls

Review of the Hospital's ICT environment revealed that there was no approved ICT policy in place during the year under review, which includes data security policy, and disaster recovery plans. Further, during the year under review, the Hospital did not have an Information Technology (IT) steering committee for ensuring effective IT controls and strategies. In addition, the Hospital did not have data backups outside its premises and proper data recovery mechanism in case of data loss. Similarly, there was no evidence of approved business continuity plan in place.

In the circumstances, the effectiveness of ICT internal controls could not be confirmed.

4. Cash and cash Equivalents

4.1. Unconfirmed Bank Signatories

Review of the Hospital's cash books, bank statements, and other records revealed that the Hospital operated and maintained one bank account. However, list of the bank signatories, signature specimens, and letters or other correspondences confirming that the bank accounts were opened procedurally and duly approved were not provided for audit review.

4.2. Weaknesses in Cash Recording and Management

Review of internal controls over cash and cash equivalents revealed the following weaknesses:

- i. There was no evidence that copies of bank reconciliation statements were send to the relevant authorities on timely basis in line with the law;
- ii. In some cases the Hospital applies standing imprest system. However, there was no evidence of approved cash floats being applied.
- iii. The Hospitals cash book was manual and was not regularly updated hence, prone to errors, inaccuracies and possible manipulations of balances.

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

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

Responsibilities of the Management and 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 the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 December, 2025

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

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

Description	Notes	2024/2025	2023/2024
		Ksh	Ksh
Revenue from Non-Exchange Transactions			
In-Kind Contributions from the County Government	6	4,000,000	-
In-Kind Contributions from KMTC	6	380,000	220,000
In-Kind Donations from KEMSA/MEDS	7	17,248,999	39,526,043
Total Revenue from Non-Exchange Transactions		21,628,999	39,746,043
Revenue from Exchange Transactions			
Rendering of Services-Medical Services Income	8	130,431,892	89,835,769
Other Incomes from Medical Oxygen	9	1,437,200	2,135,020
Total Revenue from Exchange Transactions		131,869,092	91,970,789
Total Revenue		153,498,091	131,716,832
Expenses			
Medical/Clinical Costs	10	52,753,025	65,338,426
Employee Costs	11	4,652,664	4,965,850
Board of Management Expenses	12	221,580	30,000
Depreciation and Amortisation	13	13,718,483	15,730,004
Repairs and Maintenance	14	8,705,991	3,522,816
General Expenses	15	24,829,828	20,422,420
Total Expenses		104,881,570	110,009,516
Net Surplus/(Deficit) for the year 2024/2025		48,616,521	21,707,317

The Hospital's financial statements were approved by the Board on 21-11-2025 and signed on its behalf by:



Dr Bonface Musundi Oganyo
Medical Superintendent




Mr. Peter Orinde
Accountant



Dr. Daniel Owaka
Chairperson of the Board

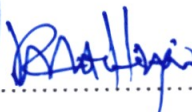
Rachuonyo County Hospital (Homa Bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025


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

Description	Notes	2024/2025	2023/2024
		Ksh	Ksh
Current Assets			
Cash and Cash Equivalents	16	3,239,199	12,807
Receivables from Exchange Transactions	17	25,652,238	10,889,700
Inventories	18	4,123,991	11,649,608
Total Current Assets		33,015,428	22,552,115
Non-Current Assets			
Property, Plant and Equipment	19	90,218,076	102,695,574
Intangible Assets	19	315,801	471,345
Total Non-Current Assets		90,533,877	103,166,919
Total Assets		124,940,875	125,719,034
Liabilities			
Short Term Liabilities			
Trade and Other Payables	20	27,414,791	37,508,114
Total Short-Term Liabilities		27,414,791	37,508,114
Net Assets		96,134,514	88,210,920
Represented By:			
Capital Fund	21	51,981,594	92,674,520
Accumulated Surplus/(Deficit)	21	44,152,920	(4,463,600)
Net Assets		96,134,514	88,210,920

The Hospital's financial statements were approved by the Board on 21-11-2025 and signed on its behalf by:


Dr Bonface Musundi Oganyo
 Medical Superintendent


Mr. Peter Orinde
 Accountant


Dr. Daniel Owaka
 Chairperson of the Board

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

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

Description	Capital Fund	Accumulated Surplus/ (Deficit)	Total
	Ksh	Ksh	Ksh
As at 01.07.2023	114,113,553	(26,170,917)	87,942,636
Surplus for the year 2023/2024		21,707,317	21,707,317
General Reserves	(21,439,033)		(21,439,033)
As at 30 June 2024	92,674,520	(4,463,600)	88,210,920
As at 01.07.2024	92,674,520	(4,463,600)	88,210,920
Surplus for the year 2024/2025	-	48,616,521	48,616,521
Capital Fund	(40,692,926)	-	(40,692,926)
As at 30.06.2025	51,981,594	44,152,920	96,134,514

The Hospital's financial statements were approved by the Board on 21-11-2025 and signed on its behalf by:




Dr Bonface Musundi Oganyo
Medical Superintendent



Mr. Peter Orinde
Accountant



Dr. Daniel Owaka
Chairperson of the Board

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


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


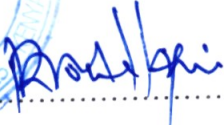
Description	Notes	2024/2025	2023/2024
		Ksh	Ksh
Cash flows from Operating Activities			
Receipts			
Rendering of Services-Medical Services Cash Receipts	22	117,106,554	77,822,353
In Kind Contributions by KMTC in Payment of Electricity	6	380,000	220,000
In Kind Contributions by County Government of Homa Bay in Payment of Electricity	6	4,000,000	
Total Cash Receipts		121,486,554	78,042,353
Cash Payments			
Medical/Clinical costs	23	(53,126,238)	(38,310,709)
Employees Costs	24	(4,626,961)	(4,884,000)
Board of Management Expenses	25	(221,580)	(30,000)
Repairs and Maintenance	26	(9,680,241)	(7,711,996)
General Expenses	27	(33,601,390)	(19,097,474)
Cash Transfers Retained in SPA	28	(15,918,311)	(5,301,000)
Total Cash Payments		(117,174,721)	(75,335,179)
Net Cash flow from Operating Activities		4,311,833	2,707,174
Cash flows from Investing Activities			
Purchase of Assets	29	(1,085,441)	(2,875,793)
Net Cash flows from Investing Activities		(1,085,441)	(2,875,793)
Net Increase/ (Decrease) in Cash and Cash Equivalents		3,226,392	(168,619)


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

Cash and Cash Equivalents as at 1 July 2024		12,807	181,426
Cash and Cash Equivalents as at 30 June 2025		3,239,199	12,807

The Hospital's Financial Statement were approved by the Board on 21-11-2025 and signed on its behalf;


Dr Bonface Musundi Oganyo
Medical Superintendent



Mr. Peter Orinde
Accountant


Dr. Daniel Owaka
Chairperson of the Board

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

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

Description	Original Budget A	Adjustments B	Final Budget C=(A+B)	Actual on Comparable basis D	Performance difference E=(C-D)	% Utilization F=D/C%
	Ksh	Ksh	Ksh	Ksh	Ksh	
Revenue						
In-Kind Contributions	21,628,999		21,628,999	21,628,999		100
Rendering of Services Income	131,431,500		131,431,500	130,431,892	999,608	99
Other Incomes from Medical Oxygen	1,437,200		1,437,200	1,437,200	-	100
Total Income	154,497,699		154,497,699	153,498,091	999,608	99
Expenditure						
Medical/ Clinical costs	52,953,400		52,953,400	52,753,025	200,375	100
Employees costs	4,653,000		4,653,000	4,652,664	336	100
Remuneration of Board Members	222,500		222,500	221,580	920	100
Repairs and maintenance	8,736,460		8,736,460	8,705,991	30,469	100
General expenses	24,844,804		24,844,804	24,829,828	14,976	100
Depreciation and Amortisation	13,720,000		13,720,000	13,718,483	1,517	100
Total expense for the year	105,130,164	-	105,130,164	104,881,570	248,594	100
Purchase of Non Current Assets	1,085,000		1,085,000	1,085,441	(441)	100
Total expenditure	106,215,164	-	106,215,164	105,967,011	248,153	100
Surplus for the period	48,282,535		48,282,535	47,531,080		

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

The Hospital's financial statements were approved by the Board on 21-11-2025 and signed on its behalf by;



Dr Bonface Musundi Oganyo
Medical Superintendent



Mr. Peter Orinde
Accountant



Dr. Daniel Owaka
Chairperson of the Board

17. Notes to the Financial Statements

1. General Information

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

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

IPSASB deferred the application date of standards from 1st January 2022 owing to COVID 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting</p>

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Standard	Effective date and impact
	<p>Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i>

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Standard	Effective date and impact
	Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1 st January 2023.

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

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

iii) Early adoption of standards

The 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.

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2022/23 was approved by Board on 03/03/2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page eight under section one 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. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e. Property, plant and equipment

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

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

prior to end of financial year therefore will be depreciated in the next year. The List of equipment attached;

annex vii

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

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progress and has been partially paid. No amortization has been provided because it is still work in progress.

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. (amend as appropriate).*

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

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.

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. (*Entity to state the reserves maintained and appropriate policies adopted.*)

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.

Notes to the Financial Statements (Continued)

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.

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

Notes to the Financial Statements (Continued)

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, 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, 2023.

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

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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

6. In-Kind Contributions in Payment of Electricity Expenses		
Description	2024/2025	2023/2024
	Ksh	Ksh
County Government of Homa Bay	4,000,000	-
Kenya Medical Training College-Oyugis	380,000	220,000
Total	4,380,000	220,000

7. In-Kind Donations from KEMSA/MEDs

Description	2024/2025	2023/2024
	Ksh	Ksh
Mosquito Nets	571,859	-
Nutritional Supplements	63,681	-
Pharmaceutical Supplies	16,613,459	39,526,043
Total	17,248,999	39,526,043

8. Rendering of Services-Medical Services Income

Description	2024/2025	2023/2024
	Ksh	Ksh
Pharmaceuticals	29,910,750	18,700,555
Non-Pharmaceuticals	27,100,450	16,988,030
Laboratory Services	23,900,200	14,900,200
Radiology Services	9,840,230	5,900,600
Theatre Services	10,300,300	9,580,000
Accident and Emergency Services	2,900,500	2,100,500
Ear, Nose and Throat Services	2,700,600	1,600,800
Dental Services	2,400,500	1,856,734
Pediatrics Services	4,600,600	4,000,200
Farewell Home Services (Mortuary)	8,940,300	8,884,000
Medical Records	4,100,240	3,400,400
Physiotherapy Services	900,500	403,050
Occupational Therapy	840,100	360,700
Eye Services	220,200	199,100
Special Clinics	640,150	279,600
Ambulance Services	960,800	545,100
Public Health	68,200	-
Other Incomes	107,272	136,200
Totals from Rendering of Services	130,431,892	89,835,769

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9. Total Revenue Realized for the year 2024/2025

Month	FIF	NHIF	SHA	Rendering Services/Medical Services	Other Revenue	2024/2025	2023/2024
	Revenue	Revenue	Revenue	Revenue	(Oxygen/Supervision)	Total Revenue	Total Revenue
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Jul.24	431,799	7,140,800		7,572,599	80,130.00	7,652,729	6,198,720
Aug.24	-	8,126,559		8,126,559	21,780.00	8,148,339	5,613,505
Sep.24	1,489,589	10,500,000		11,989,589	464,190.00	12,453,779	5,881,947
Oct.24	939,077		10,670,250	11,609,327	358,480.00	11,967,807	7,215,191
Nov.24	783,667		11,300,100	12,083,767	372,550.00	12,456,317	7,939,615
Dec.24	463,666		8,880,500	9,344,166	29,370.00	9,373,536	4,196,765
Jan.25	1,048,417		12,600,100	13,648,517	-	13,648,517	9,066,349
Feb.25	526,991		12,700,200	13,227,191	23,410.00	13,250,601	10,707,524
Mar.25	1,049,577		9,400,500	10,450,077	36,600.00	10,486,677	9,390,182
Apr.25	7,590		10,500,000	10,507,590	23,090.00	10,530,680	6,686,007
May.25	-		12,300,300	12,300,300	26,600.00	12,326,900	9,084,615
Jun.25	2,071,710		7,500,500	9,572,210	1,000.00	9,573,210	10,350,543
TOTALS	8,812,083	25,767,359	95,852,450	130,431,892	1,437,200	131,869,092	92,330,963
	Less Refund to Homa Hills Health Centre					-	(360,174)
	Total Revenue					131,869,092	91,970,789

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10. Medical/Clinical Costs		
Description	2024/2025	2023/2024
	Ksh	Ksh
Laboratory Chemicals and Reagents	4,905,411	3,075,295
Food Rations	6,161,655	7,123,258
Dressing and Non-Pharmaceuticals	10,222,972	5,676,556
Sanitary and Cleaning Materials	2,020,906	1,169,323
Pharmaceutical Supplies	23,667,481	45,718,219
Medical Records	3,625,390	1,517,145
Bedding and Linens Supplies	430,070	21,320
Dental Supplies	9,460	-
Surgical Implants	431,230	-
Blood Donation Expenses	203,000	162,310
X-Ray/Radiology Supplies	1,075,450	875,000
Totals	52,753,025	65,338,426

11. Employees Costs

Description	2024/2025	2023/2024
	Ksh	Ksh
Salaries, Wages and Allowances	4,652,664	4,965,850
Totals	4,652,664	4,965,850

12. Board of Management Expenses

Description	2024/2025	2023/2024
	Ksh	Ksh
Sitting Allowances	221,580	30,000
Totals	221,580	30,000

13. Depreciation and Amortisation Expense

Description	2024/2025	2023/2024
	Ksh	Ksh
Buildings and Civil Works	110,362	114,960
Furniture and Fittings	123,234	88,553
Plant and Medical Equipments	11,817,395	13,499,094
Motor Vehicles	713,370	951,159
IT Equipments	742,688	844,082
Cuttleries	55,891	
Intangible Assets	155,544	232,155
Total Depreciation and Armotisation	13,718,483	15,730,004

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14. Repairs and Maintenance

Description	2024/2025	2023/2024
	Ksh	Ksh
Repairs and Maintenance of Motor Vehicles	337,960	461,670
Repairs and Maintenance of Buildings	3,753,697	549,630
Repairs and Maintenance of Computers and Printers	837,875	92,350
Repairs and Maintenance of Electrical Works	524,180	781,089
Repairs and Maintenance of Generator	250,200	320,861
Repairs and Maintenance of Mortuary Coolers	1,032,000	313,330
Repairs and Maintenance of Medical Equipment	911,274	144,640
General Repairs and Maintenance	75,178	113,005
Repairs and Maintenance of Furniture and Fittings	791,980	92,150
Repairs and Maintenance of Lawn Mower	1,000	5,500
Repairs and Maintenance of Plumbing Works	190,647	648,591
Totals	8,705,991	3,522,816

15. General Expenses

Description	2024/2025	2023/2024
	Ksh	Ksh
Bank Service Charges	118,904	90,860
Contracted Professionals	1,600,255	-
Publicity and Advertising Expenses	258,000	-
Post Office Box Rental Expenses	750	-
Contracted Security Services	2,496,000	2,366,000
Electricity Expenses	6,275,468	6,974,996
Domestic Travels and Accommodations	237,390	143,019
Water and Sewerage Expenses	1,034,175	503,406
Refined Fuel, Oil & Lubricants	4,194,367	3,414,215
Other Fuel-Charcoal and Firewood	2,552,803	1,699,995
Telephone, Mobile phones & Internet services	514,156	631,964
Printing and Stationery	1,954,461	2,821,995
Catering Services	280,000	361,250
General Office Supplies	192,663	44,990
Subscription to Professional Bodies	10,000	-
Daily Subsistence Allowances	753,500	667,800
Training, Workshops and Conferences		701,930

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	2,356,935	
Total General Expenses	24,829,828	20,422,420

16. Cash and Cash Equivalent as at 30th June 2025

Description	2024/2025	2023/2024
	Ksh	Ksh
Cooperative Bank Ltd-Account No.011141455362600	3,239,199	12,807
Totals	3,239,199	12,807

17. Receivables from Exchange Transactions as at 30th June 2025

Description	2024/2025	2023/2024
	Ksh	Ksh
Medical Services Receivables-SHA	5,488,557	-
Medical Services Receivables-NHIF	16,293,046	8,162,900
Receivables from Medical Oxygen debtors	3,870,635	2,726,800
Total Receivables from Exchange Transactions as at 30th June 2025	25,652,238	10,889,700

18. Inventories

Description	2024/2025	2023/2024
	Ksh	Ksh
Pharmaceutical Supplies	1,348,821	8,250,473
Dressing and Non-Pharmaceuticals	1,217,665	2,641,820
Food Rations	272,510	216,415
Laboratory Chemicals and Reagents	1,228,995	443,900
X-Ray/Radiology Materials	56,000	97,000
Total Inventories	4,123,991	11,649,608

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19. Property, Plant and Equipment
Schedule as at 30 June ,2025

Description	Buildings and Civil Works	Furniture and Fittings	Plant and Medical Equipments	Motor Vehicles	IT Equipments	Cuttleries	Intangible Assets-Software	Total
	4%	12.50%	12.50%	25%	30%	33%	33%	
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
NBV as at 01.07.2024	2,759,038	619,871	94,493,661	2,853,478	1,969,526	-	471,345	103,166,919
Additions during the year 2024/2025	-	366,000	45,500	-	506,100	167,841	-	1,085,441
Disposals during the year 2024/2025	-	-	-	-	-	-	-	-
Transfers/Adjustments during the period	-	-	-	-	-	-	-	-
Total Cost as at 30.06.2024	2,759,038	985,871	94,539,161	2,853,478	2,475,626	167,841	471,345	104,252,360
Accumulated Depreciation and Impairment as at 01.07.2024	193,964	171,291	46,373,283	3,634,655	2,799,014		1,028,655	54,200,863
Depreciation for the year 2024/2025	110,362	123,234	11,817,395	713,370	742,688	55,891	155,544	13,718,483
Accumulated Depreciation as at 30.06.2025	304,326	294,525	58,190,678	4,348,025	3,541,702	55,891	1,184,199	67,919,345
Net Book Value as at 30.06.2025	2,648,676	862,638	82,721,766	2,140,109	1,732,938	111,950	315,801	90,533,877
Net Book Value as at 30.06.2025	2,648,676	862,638	82,721,766	2,140,109	1,732,938	111,950	315,801	90,533,877
Net Book Value as at 30.06.2024	2,759,038	619,871	94,493,661	2,853,478	1,969,526	-	471,345	103,166,919

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20. Trade and Other Payables as at 30.06.2025

Description	2024/2025	2023/2024
	Ksh	Ksh
Trade Payables-Medical Supplies	26,249,254	26,622,467
Trade Payables-General Expenses	762,335	10,508,147
Employees Salaries and Wages Arrears	403,203	377,500
Total Trade and Other Payables as at 30.06.2025	27,414,791	37,508,114

21. Changes in Net Assets

Description	Capital Fund	Accumulated Surplus/ (Deficit)	Total
	Ksh	Ksh	Ksh
As at 01.07.2023	114,113,553	(26,170,917)	87,942,636
Surplus for the year 2023/2024		21,707,317	21,707,317
General Reserves	(21,439,033)		(21,439,033)
As at 30 June 2024	92,674,520	(4,463,600)	88,210,920
As at 01.07.2024	92,674,520	(4,463,600)	88,210,920
Surplus for the year 2024/2025	-	48,616,521	48,616,521
Capital Fund	(40,692,926)	-	(40,692,926)
As at 30.06.2025	51,981,594	44,152,920	96,134,514

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22. Cash Receipts For The Financial Year 2024/2025

	FIF	NHIF	Other Receipts (Oxygen/Supervision)	SHA	2024/2025	2023/2024
	Receipts	Receipts	(Oxygen/Supervision)	SHA	Total Receipts	Total Receipts
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Jul.24	431,799	7,094,550	100,000		7,626,349	16,416,060
Aug.24	-	3,823,200	43,380		3,866,580	14,327,933
Sep.24	1,489,589	1,294,770			2,784,359	1,259,147
Oct.24	939,077	1,749,173			2,688,250	4,784,891
Nov.24	783,667	3,675,520		854,683	5,313,870	4,505,850
Dec.24	463,666	-	114,885	14,473,771	15,052,322	3,875,035
Jan.25	1,048,417			3,394,480	4,442,897	6,340,574
Feb.25	526,991			18,795,028	19,322,019	1,896,204
Mar.25	1,049,577		28,500	21,755,774	22,833,851	2,244,295
Apr.25	7,590	-	-	21,559,965	21,567,555	12,257,007
May.25	-	-	-	2,698,738	2,698,738	8,621,362
Jun.25	2,071,710		6,600.00	6,831,454	8,909,764	1,654,143
Total	8,812,083	17,637,213	293,365	90,363,893	117,106,554	78,182,500
		Less Refund to Homa Hills Health Centre				(360,147)
		Total Receipts			117,106,554	77,822,353

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23. Medical /Clinical Costs

Description	2024/2025	2023/2024
	Ksh	Ksh
Laboratory Chemicals and Reagents	6,757,060	4,192,830
Food Rations	11,123,019	7,633,044
Dressing and Non-Pharmaceuticals	13,589,747	9,158,152
Sanitary and Cleaning materials	3,261,121	3,814,673
Pharmaceutical Supplies	7,289,956	6,187,740
Blood Donation Expenses	203,000	162,310
Medical Records	7,039,515	3,466,695
Dental Supplies	9,460	-
Bedding, Linens and Clothing Supplies	496,570	1,380,320
X-Ray/Radiology Supplies	2,697,760	1,536,445
Surgical Implants	659,030	778,500
Total	53,126,238	38,310,709

24. Employees Costs

Description	2024/2025	2023/2024
	Ksh	Ksh
Salaries, Wages and Allowances	4,626,961	4,884,000
Total	4,626,961	4,884,000

25. Board of Management Expenses

Description	2024/2025	2023/2024
	Ksh	Ksh
Sitting Allowances	221,580	30,000
Total	221,580	30,000

26. Repairs and Maintenance

Description	2024/2025	2023/2024
	Ksh	Ksh
Repairs and Maintenance of Motor Vehicles	707,890	836,250
Repairs and Maintenance of Buildings	3,581,137	2,548,070
Repairs and Maintenance of Computers and Printers	837,875	101,350
Repairs and Maintenance of Electrical Works	1,283,360	2,041,989
Repairs and Maintenance of Generator	246,200	320,861
Repairs and Maintenance of Mortuary Coolers	1,032,000	687,330
Repairs and Maintenance of Furniture and Fittings	823,680	92,150
Repairs and Maintenance of Lawn Mower	1,000	5,500
Repairs and Maintenance of Medical Equipment	901,274	144,640
Repairs and Maintenance of Plumbing Works	190,647	648,591
General Repairs and Maintenance	75,178	113,005
Repairs and Maintenance of Oxygen Plant	-	172,260
Total	9,680,241	7,711,996

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27. General Expenses

Description	2024/2025	2023/2024
	Ksh	Ksh
Bank Service Charges	118,904	90,860
Publicity and Advertising Expenses	210,000	300,000
Post Office Box Rental Expenses	750	18,900
Contracted Security Services	2,496,000	2,353,000
Contracted Professional Services	1,100,255	-
Electricity Expenses	7,880,000	2,520,000
Domestic Travels and Accommodations	237,390	143,019
Refined Fuel, Oil & Lubricants	3,873,493	3,414,215
Other Fuels-Firewood, Charcoal and Gas	4,765,793	2,712,795
Telephone , Mobile phones & Internet services	581,940	631,964
Staff Trainings, Workshops and Conferences	2,356,935	701,930
Water and Sewerage Expenses	750,000	703,506
Printing & Stationery	7,993,767	4,433,245
Subscription to Professional Bodies	10,000	-
Catering Services	280,000	361,250
General Office Supplies	192,663	44,990
Daily Subsistence Allowances	753,500	667,800
Total General Expenses	33,601,390	19,097,474

28. Transfers

Cash Transfers Retained in SPA		
Description	2024/2025	2023/2024
	Ksh	Ksh
Total Funds Retained in SPA	15,918,311	5,301,000.00
Total	15,918,311	5,301,000

29. Purchase of Assets

Description	2024/2025	2023/2024
	Ksh	Ksh
Purchase of Computers and Printers	506,100	1,346,200
Purchase of Lawn Mower	39,500	30,000
Wheelbarrow	-	8,500
Purchase of Medical Equipment	6,000	403,200
Construction of Hospital Gate	-	977,893
Cuttleries	167,841	-
Furniture	366,000	110,000
Total	1,085,441	2,875,793

30. Reconciliation of Surplus for the year and Net cash flows from operating Activities

Details	Amount
	Ksh
Surplus for the year 2024/2025	48,616,521
Add Depreciation/Amortisation for the year	13,718,483
Decrease in Cash Payment to Employees costs	25,703
Decrease in Revenue Received	(32,011,537)
Less Increase in Cash Payments	
Medical/Clinical Costs	(372,838)
Repairs and Maintenance	(974,250)
General Expense	(8,771,937)
Cash Transfers Retained in SPA	(15,918,311)
Net Cash flows from Operating Activities	4,311,833

31. Reconciliation of Surplus as per the statement of comparison of budget and cash and cash equivalents as at 30.06.2025 reported in the statement of cash flows.

Details	Ksh
Surplus as per the statement of comparison of budget and actual expenditure for 2024-2025	47,531,080
Add Depreciation/ Amortisation for the year 2024-2025	13,718,483
Decrease in Cash Payment to Employees costs	25,703
Decrease in Revenue Received	(32,011,537)
Less Increase in Cash Payments	
Medical/Clinical Costs	(372,838)
Repairs and Maintenance	(974,250)
General Expense	(8,771,937)
Cash Transfers Retained in SPA	(15,918,311)
Cash and Cash Equivalents as at 1 July 2024	12,807
Cash and Cash Equivalents as at 30 June 2025	3,239,199

25 Financial Risk Management

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

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

(i) Credit risk

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

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

(ii) Liquidity risk management

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

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

(iii) Market risk

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

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

a) Foreign currency risk

The entity has 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.

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The 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.

26 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.

Homa Bay 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

27 Events after the Reporting Period

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

28 Ultimate and Holding Entity

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

29 Currency

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

18. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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