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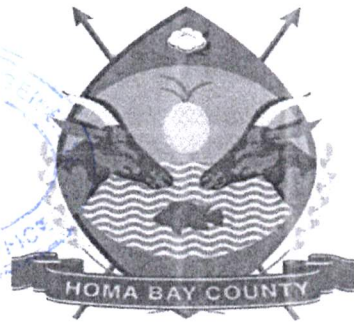
RACHUONYO EAST SUB - COUNTY LEVEL 4 HOSPITAL

FOR THE YEAR ENDED 30 JUNE, 2025

COUNTY GOVERNMENT OF HOMA BAY

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**RACHUONYO EAST SUB-COUNTY
Level 4 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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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
CO i/c	Clinical Officer In-charge
PHO i/c	Public Health Officer In-charge
RCO i/c	Registered Clinical Officer In-charge
HMT	Hospital Management Team
NO i/c	Nursing Officer In-charge
ALOS	Average Length of Stay
HRIO	Health Records and Information Officer

2. Key Entity Information and Management

(a) Background information

Rachuonyo East Sub-County Hospital level IV hospital was established by the Kenya gazette Notice No. 13505 of 4th November 2022 and derives its authority and accountability from Homa bay County Finance Bill 2024. The entity is wholly owned by the County Government of Homa bay and is domiciled in Homa Bay County.

The entity's objective is to become a well-established institution offering high quality efficient integrated medical care services and training of competent health care workers.

The entity's principal activity is to offer high quality and integrated medical care services that are affordable and accessible and to provide conducive environment that enhance active participation in the provision of high-quality medical care.

(b) Principal Activities

The principal activities of the entity are to:

- 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

(c) Key Management

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

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

(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 Officer of Health	Dr. Ochola Charles
2.	Administrator	Mr. Jeremiah Okinyi
3.	Accountant	Mrs. Linet Nabwire
4.	Procurement officer	Mr. Bornface Oyoo

(e) Fiduciary Oversight Arrangements

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

i. Quality Improvement Team

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

The members include;

Dr. Ochola Charles (MO) - Chairperson

Mr Gabriel kotewas (Laboratory Manager)

Mrs Stella chepkemoi (Nursing Officer in Charge)

Mr Ronald ondiek (Pharm Tech)

Mr Jeremiah okinyi (Administrator)

ii. Emergency Response Team

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

Dr Ochola charles (MO) –

Chairperson

Mrs stella chepkemoi (Nursing

Officer) Mr Ronald

ondiek(Pharmtech)-secretary

Mrs hellen bita (deputy Nursing officer)

Mr jeremiah okinyi (Hospital

Administrator)

Mr Felix Mboya (Records)

iii. 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;

Dr Ochola Charles (MO) – Chairperson

Mrs stella chepkemoi (Nursing Officer in Charge)

Secretary

Mr Felix Mboya (HRIO)

Mr Gabriel kotewas

(Lab Manager)

Mrs hellen bita (Nurse)

Mr Ronald ondiek (Pharm Tech)

iv. The Medicines and Therapeutics Committee (MTC)

Is a multidisciplinary committee responsible for overseeing policies and procedures related to all aspects of medicines and other HPT use, Medicines and therapeutics committees (MTCs) is formed in the hospital to improve prescribing and dispensing processes of medicines. Its importance appears in different aspects such as drug selection process, cost-effectiveness, and control of drug losses. Altogether, MTCs have shown an important role in promoting,

controlling and educating activities of rational drug use. This is mostly manifested in demonstrating how the presence of MTCs in hospitals would improve patient's health outcomes and decrease overall drug expenditures. The members are;

Dr ochola charles (MO) – Chairperson

Mr Ronald ondiek (Pharm Tech) – Secretary

Mrs stella chepkemoi (Nursing Officer in Charge)

Mrs linet nabwire(Accountant)

Mr bornface oyoo (procurement officer)

Mr jeremiah okinyi (Hospital Administrator)

(f) Entity Headquarters

P.O Box 189-40223, Kadongo
Rachuonyo East Sub-County Hospital
(RAMULA)
Kadongo- Kendu bay Road
Kabondo, Kenya

(g) Entity Contacts

Email address: rachuonyoeasthospital@gmail.com
Phone number: +254112707417

(h) Entity Bankers

Co-operative Bank of Kenya P.O Box 48231, 00100 Nairobi, Kenya

Kenya Commercial Bank Moi Avenue, P.O. Box 48400 - 00100, Nairobi, Kenya.

(i) Independent Auditors

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


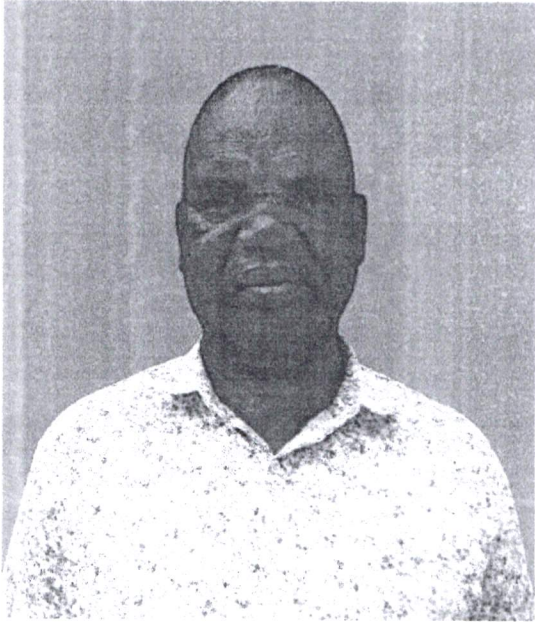
(j) Principal Legal Adviser



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



(k) County Attorney


P.O.Box.
469
40300,
Kenya

3. The Board of Management

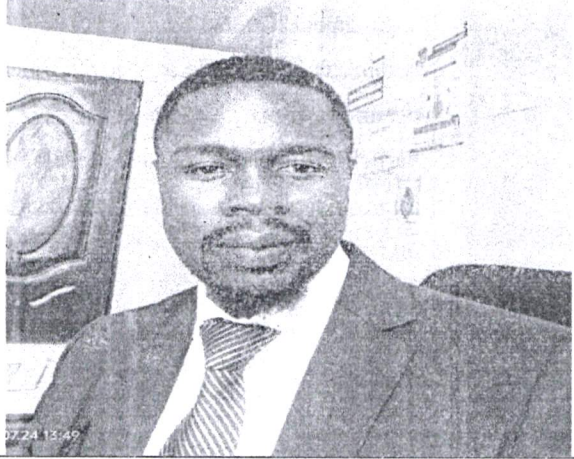

Ref	Directors	Details
1		<p>MR Hoffman Omondi Owage is a retired senior Education Officer who retired as the Sub – county examinations officer (SCXO)Rachuonyo North Sub-County – Homabay county Bachelor of Education Arts –English Literature 2nd class Hons Upper Division Degrec holder from the University of Nairobi . Master’s Degree holder in Project planning and management (PPM) from the University of Nairobi</p>
2		<p>Mr. Benard Ouma is an experienced project manager with over 10 years of expertise in managing development initiatives. He currently serves as the Project Manager at Kirongo. He holds a Diploma in Project Management from the Kenya Institute of Management (KIM), a Diploma in Agriculture from Baraka Agricultural College, and a qualification in Accounts from Kisumu National Polytechnic. Mr. Ouma is passionate about community development and social empowerment, particularly in rural settings. He brings to the board a wealth of experience in project planning, resource mobilization, and grassroots stakeholder engagement.</p>



3.	 A black and white portrait of a middle-aged man with glasses, wearing a dark suit jacket, a white shirt, and a dark tie. He is looking slightly to the left of the camera.	<p>Mr Telphory Pascal Olajo, Diploma In Human Rights Activist, Married With 4 Siblings, Age 42 Years, Did O- Level And Got Minimum Grade Of C- In Kcse 2001, Currently Works In Above Ngo's. Hails From Kasewe Location In Kasewe Sub Location, Kabondo Division In Kabondo West Ward In Rachuonyo East Homa Bay County.</p>
4.	 A black and white portrait of a woman with shoulder-length dark hair, wearing a striped sweater. She is smiling at the camera.	<p>MRs Elizabeth Achieng Odera 49 years old married with 4 children and 3 grandchildren. Diploma Mass Communication. Journalism Degree. Diploma Mass Communication Diploma Customer Service Project planning and Management Degree Current position: Director Beyond Kenya Limited</p>



5.		<p>MR Kenneth Olwalo Diploma in community Development Diploma in electrical engineering.</p>
6.		<p>Dr. Charles Ochola currently serves as the Medical Superintendent of Rachuonyo East Sub-County Hospital. He is a Medical Doctor with a career spanning more than 10 years. He holds a Masters of Medicine degree in Family and Emergency Medicine from Maseno University and Bachelor of Surgery and Medicine from University of Nairobi. He has previously worked as Consultant Physician in Homa Bay Teaching and Referral Hospital and Rachuonyo County Hospital. His areas of interest includes care across the age groups with particular interest in care for underserved population.</p>

7.	 A black and white portrait of a woman with short, dark, curly hair. She is wearing a dark blazer over a light-colored top and large hoop earrings. She is looking slightly to the right of the camera with a neutral expression.	<p>I am a dedicated Sub-County Administrator with a strong background in public administration and education management. I hold a Bachelor's Degree in Education, which has equipped me with valuable skills in leadership, planning, and community engagement. Guided by integrity and commitment to public service, I continue to champion good governance, citizen participation, and sustainable development to improve the quality of life for all residents under my jurisdiction</p>
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4. Key Management Team

Ref	Management	Details
1.	<p>Dr Charles ochola</p> 	<p>Dr. Charles Ochola currently serves as the Medical Superintendent of Rachuonyo East Sub-County Hospital. He is a Medical Doctor with a career spanning more than 10 years. He holds a Masters of Medicine degree in Family and Emergency Medicine from Maseno University and Bachelor of Surgery and Medicine from University of Nairobi. He has previously worked as Consultant Physician in Homa Bay Teaching and Referral Hospital and Rachuonyo County Hospital. His areas of interest includes care across the age groups with particular interest in care for underserved population.</p>
2.	<p>Mr jeremiah okinyi</p> 	<p>Health Administrative Officer</p> <p>Bachelor of Education Arts With IT. MBA Strategic Management</p>




3.	<p>Stella chepkemoi</p>  A black and white portrait of a woman with short hair, wearing a dark top with a white collar and buttons. She is looking directly at the camera.	<p>Stella chepkemoi cheborgei Nurse officer Bachelor Of science in nursing -Reg No.11769 Diploma in community Health Nursing Reg No-31563 Area of responsibility- Nursing officer incharge.</p>
4.	<p>Ronald ondiek</p>  A black and white portrait of a man with short hair, wearing a horizontally striped polo shirt. He is looking directly at the camera.	<p>Pharmaceuticals technologist Diploma in pharmacy 5 years' experience in pharmtech.</p>

5.	<p>Phelix mboya</p>  A black and white portrait of a man with a short haircut, looking directly at the camera. He is wearing a light-colored, possibly white, shirt.	<p>HRIO in charge of Health Records and Information Diploma Health Records and Information System.</p>
6.	<p>Mrs Cyrila Akinyi</p>  A black and white portrait of a woman with braided hair, smiling. She is wearing a patterned, long-sleeved top. The background shows an indoor setting with a door and a light fixture.	<p>Cyrila Akinyi Diploma in occupational therapy Incharge Rehabilitation services</p>

*Rachuonyo east sub-county level iv Hospital (Homa bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025*

<p>7.</p>	<p>Mr Gabriel kotewas</p> 	<p>Gabriel Kotewas is a Medical Laboratory Officer with 15 years of experience in both Clinical Laboratory and Research Laboratory.</p> <p>I am a holder of BSc. in Health System Management (Rongo University) and a Diploma in Medical Laboratory Science (KMTC - Nakuru Campus)</p> <p>Currently, I serve as the Laboratory Manager at Rachuonyo East Sub County Hospital Laboratory as well as the Infection Prevention and Control focal person. My duties among others is to ensure provision of uninterrupted, quality, reliable and timely laboratory diagnostic services to all our clients whenever needed.</p>
<p>8.</p>	<p>Mrs Linet Nabwire</p> 	<p>Linet nabwire</p> <p>Accountant in charge at rachuonyo east sub county level iv hospital</p> <p>I am a holder of bachelor's degree in commerce-finance specialist</p> <p>I am a holder of CPA intermediate level.</p>
<p>9.</p>	<p>Mr. bornface oyoo</p> 	<p>Bornface otieno oyoo</p> <p>Occupation: Supply chain assistant at Rachuonyo east sub county hospital</p> <p>Education: Bachelor of science in procurement and contract management from Jomo kenyatta university of agriculture and technology (Jkuat) as well as diploma in purchasing and supply chain management from kenya Institute of management (kim). I have worked as a supply chain assistant for over 5 years under the county government of homabay.</p>

*Kachuonyo east sub-county level iv Hospital (Homa bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025*

10.	<p>Mr. James odak</p> 	<p>Clinical officer in charge. Diploma in Clinical Medicine and community health Clinical Officer in charge</p>
11.	<p>Mrs. Janet onyango</p> 	<p>Janet Onyango, Clinical nutritionist, Nutrition department, Bachelor's in nutrition dietetics.</p>
12.	<p>Mrs rehemah achieng</p> 	<p>Public health officer Diploma Incharge of hospital sanitation</p>

5. Chairman's Statement

It's my pleasure to present the Annual Report and financial statements for Rachuonyo East Sub-County Hospital. Once again, the Hospital has demonstrated its commitment to centralized specialized health care services to all Kenyans citizens in the region that spans to counties in south Nyanza and western Kenya.

Management and operations of the hospital is guided by the existing legal policies and institutional frameworks that govern the health sector to ensure efficient and effective delivery of services in the hospital. The hospitals operations are also influenced by various global, regional and national strategies aimed at promoting, restoring and maintaining the health care service delivery.

In terms of corporate governance, the board of management carried out its mandate diligently and with focus to steer Rachuonyo East Sub-County Hospital to achieve its mission. The Board of management consists the right balance of skills, experience and backgrounds to support and challenge the management team.

On behalf of the Board of management, I would like to extend my appreciation to all our stakeholders and development partners for the continued support that has enabled Rachuonyo East Sub-County Hospital realize its mandate. I would also like to thank Rachuonyo East Sub-County Hospital management and staff for their commitment and dedication that ensured the highest quality service delivery and improved performance this financial year.

Finally, I would like to express my sincere gratitude to my fellow Board Members, for their dedication and hard work during the year. I would also like to take this opportunity to applaud the Facility in charge, for creating synergy and leading the management team and all staff to greater achievement.

Going forward As Rachuonyo East Sub-County Hospital continues to grow as a center of specialized and quality healthcare, the focus in the coming year will be on strengthening systems, expanding capacity, and enhancing service delivery to meet the evolving needs of our community. To achieve this, the Hospital will prioritize the following strategic actions:

1. Strengthening Healthcare Service Delivery

- Enhance the quality of clinical services through continuous training, mentorship, and adoption of best practices.
- Expand specialized services to reduce referrals and improve access to advanced care within the region.
- Promote patient-centered care by improving communication, reducing waiting times, and enhancing responsiveness.

2. Improving Infrastructure and Equipment

- Prioritize modernization of key hospital departments, including diagnostic, surgical, and emergency units.
- Procure and maintain essential medical equipment to support high-quality service delivery.
- Improve physical infrastructure to create a safer, more efficient, and more comfortable environment for patients and staff.

3. Strengthening Governance and Leadership

- Enhance the Board's oversight role by adopting modern governance practices and performance monitoring tools.
- Continue fostering collaboration between the Board, management, and staff to ensure strategic alignment and accountability.
- Support leadership development initiatives to build a more empowered and high-performing workforce.

4. Enhancing Financial Sustainability

- Improve resource mobilization through partnerships, grants, and collaboration with development partners.
- Strengthen financial management systems to ensure transparency, efficiency, and optimal allocation of resources.
- Explore innovative revenue-generating opportunities to support hospital operations and development.

5. Leveraging Technology and Innovation

- Expand digital health initiatives including electronic medical records, diagnostic systems, and telemedicine.
- Utilize data and technology to enhance decision-making, reporting, and monitoring of service quality.
- Promote innovation that improves operational efficiency and patient outcomes.

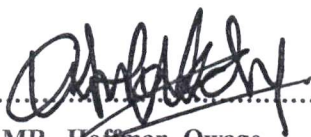
6. Strengthening Partnerships and Stakeholder Engagement

- Deepen existing collaborations with government agencies, donors, civil society, and community groups.
- Engage communities through health outreach, preventive care programs, and public health education.
- Foster mutually beneficial relationships that support the hospital's growth and sustainability.

7. Enhancing Human Resource Capacity

- Invest in recruitment, retention, and professional development of healthcare workers.
- Foster a supportive and motivating work environment that encourages excellence and teamwork.
- Recognize and reward exemplary performance to boost morale and productivity.

The Board of Management remains committed to working closely with all stakeholders to build on the achievements of the past year. With strengthened leadership, improved systems, and sustained collaboration, Rachuonyo East Sub-County Hospital is well-positioned to deliver progressively better healthcare services and realize its mission of providing high-quality, accessible, and specialized care to the region.



.....
MR. Hoffman Owage

Chairman to the Board

6. Report of The Medical Superintendent

I am pleased to present the Hospital's annual report and financial statements for the year ended 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 of medical practice who ensure our customers receive safe, timely, equitable, efficient, effective and patient-centered services. In the period under review the hospital attended to 8,774 outpatients and 1,843 inpatients. This was an increase of 349% outpatients and 222% inpatients attendance in comparison to the previous periods. During the year, the clinical 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 period under review, the Hospital generated Kshs. 40,293,437 million.

In-kind contributions from the County Government	655,253
KEMSA (donations)	7,967,076
Rendering of services- Medical Service Income	31,671,108
Total revenue	40,293,437



.....
Dr. Charles ochola

Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

Section 164 Subsection 2 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 East Sub-County Hospital has Five Objectives within the current CIDP of the Homa Bay County Government they 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 East Sub-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 Hospital achieved its performance targets set for the year 2024/2025 period for its strategic pillars, as indicated in the table below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
To Provide Integrated Accessible and Quality Healthcare Services Through Effective and Efficient Infrastructure, Training Research and Partnership.	<ol style="list-style-type: none"> 1. To offer quality Health Services under one roof in a most effective and efficient to the satisfaction of the customer. 2. Modernise infrastructure, machinery and equipment 	<ul style="list-style-type: none"> -To reduce referrals to other facilities. -To diversify range of services offered by Rachuonyo East Sub-County Hospital. -To fast-track efficiency and staff satisfaction with modern facility. 	<ul style="list-style-type: none"> -Establish quality healthcare standards. (accreditation) -Strengthen client follow up mechanism and systems (Referral clinics established). -Strengthen partnership with communities, public and private sectors. 	<ul style="list-style-type: none"> Improved service delivery. Improved staff retention. -Efficient data collection, management and dissemination. -Improved diagnosis and treatment. -Improved access to relevant health infrastructure and data.

	<p>3. To attain financial sustainability</p> <p>4. To strengthen the human resource capacity.</p> <p>5. To develop facility Health Management Information System.</p>	<p>-Staff retention. Full potential and optimal utilization of staff. -To enhance Hospital performance by training and motivation of staff. -Upscale 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>-Initiate provider driven insurance. -To develop a master plan. -Obtain equipment and maintain through the MESS program. Conduct market survey for costing of commodities during the tendering process. -Incorporating various modes of revenue generation cash, S.H.I.F. -Upgrade health instruction software to improve internal control and hence revenue collection</p>	<p>-Investor identified by the county government to help with development of master plan. MESS programme under the National Government operation. -All our clients are able to receive services irrespective of mode of healthcare financing.</p>
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8. Corporate Governance Statement

i. Appointment of Board Members, Process of Appointment and Removal of Directors, Board Size, Diversity, Demographics, and Existence of Board Charter.

Rachuonyo east sub county level IV hospital is governed by a Board of Directors appointed as per the county government finance bill 2012.

The appointment of Board members follows a transparent and merit-based process overseen by the county assembly. Potential candidates are evaluated based on their professional qualifications, experience, integrity, leadership capabilities, and alignment with the Company's strategic goals.

The removal of directors may be initiated in accordance with applicable statutory provisions. Directors may also step down voluntarily.

The Board is composed of an optimal mix of executive, non-executive, and independent directors, with attention to gender balance, age diversity, professional background, and geographic representation. This diversity fosters robust decision-making and broad managerial insight.

Board operations are guided by a Board Charter, which outlines the mandate, roles, responsibilities, and ethical expectations of the Board and its committees.

ii. Roles and Functions of the Board

The Board provides strategic direction, oversight, and control of Rachuonyo east sub county level IV hospital. Its core responsibilities include:

- Approving the hospitals vision, mission, and long-term strategy.
- Overseeing financial performance and ensuring integrity of financial reporting.
- Ensuring compliance with legal, regulatory, and governance standards.
- Approving major capital expenditures, investments, and divestitures.
- Monitoring risk management frameworks and internal controls.
- Ensuring the Company operates sustainably and ethically.

iii. Induction, Training, and Development

New directors undergo a structured **induction programme** to familiarize them with the hospitals operations, governance framework, sectoral environment, and their roles and responsibilities.

iv. Board and Members' Performance

The Board conducts annual performance evaluations covering the effectiveness of the Board as a whole, its committees, the Chairperson, and individual directors. The evaluation process may involve self-assessment, peer review, and external facilitation. Findings are used to strengthen governance practices, enhance Board efficiency, and inform decisions on reappointments, training, and succession.

v. Number of Board Meetings and Member Attendance

The Board meets regularly, with a minimum of four scheduled meetings per year, and additional meetings convened as necessary.

Attendance records are maintained for transparency and accountability, and members are expected to attend at least 75% of meetings unless otherwise justified.

vi. Succession Plan

The board is establishing succession planning framework to ensure continuity of leadership at Board and executive management levels.

The plan identifies key positions, strategic skill requirements, and potential internal and external successors.

vii Policy to Manage Conflict of Interest

Rachuonyo east sub county level IV hospital maintains a Conflict of Interest Policy requiring directors and senior management to disclose any personal or financial interests that may influence their judgment.

viii. Board Remuneration

Board remuneration is determined through an SRC circular for board allowances which includes;

- Sitting allowances
- Meal allowances

ix. Ethics and Conduct

Rachuonyo east sub county level iv hospital is bound to Code of Ethics and Conduct, which sets principles on integrity, professionalism, accountability, confidentiality, respect, anti-corruption, and compliance with laws.

x. Governance Audit

Rachuonyo east sub county level iv hospital is in process of conducting a periodic Governance Audit in accordance with regulatory and best-practice requirements.

The audit will be evaluating compliance with governance standards, effectiveness of the Board and its committees, risk management, internal controls, stakeholder engagement, and ethical practices.

Xi. Communication Policy

Rachuonyo east sub county level IV hospital has a Communication and Disclosure Policy that ensures timely, accurate, and transparent communication with shareholders, employees, regulators, and the public.

xii. Terms of Reference of Committees

Board committees operate under clearly defined Terms of Reference, which outline their mandates, roles, membership criteria, duties, and reporting structures.

Key committees typically include:

- Audit and Risk Committee
- Nominations and Governance Committee

These committees support the Board by providing specialized oversight and recommendations.

xiii. Policy on Related Party Transactions

Rachuonyo east sub county level IV hospital has a Related Party Transactions (RPT) Policy to ensure fairness, transparency, and compliance with regulations.

9. Management Discussion and Analysis

The Management Discussion and Analysis presents an overview of the operational and financial performance of Rachuonyo East Sub-County level IV Hospital for the financial year ended 30th June 2025. Where possible, tables and simplified illustrations have been used to enhance clarity and understanding.

a) Clinical Performance

Rachuonyo East Sub-County Hospital continues to deliver a wide range of specialized and essential healthcare services to residents of Homa Bay County and neighbouring counties. The hospital offers both specialized outpatient clinics and inpatient services, supported by clinical support functions such as laboratory, pharmacy, and diagnostic services.

Overall Patient Attendance

During the year, the hospital recorded an average of:

Category	Average Attendance	Percentage Increase
Outpatients	8,774	349%
Inpatients	1,843	222%

Category	Average Attendance
Outpatients	8,774
Inpatients	1,843

Patient Attendance Comparison (Bar Chart)

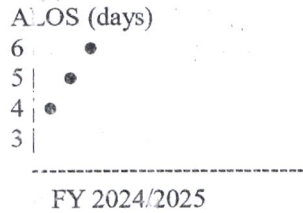
Outpatients	8,774
Inpatients	1,843

The significant increase in both outpatient and inpatient numbers is attributed to consistent availability of medical supplies, enhanced service delivery, and increased community confidence in the facility.

b) Average Length of Stay (ALOS)

The Average Length of Stay (ALOS) is a key measure of efficiency in inpatient management. The hospital reported a declining ALOS trend between FY 2022/2024 and FY 2024/2025, indicating:

- Improved clinical care processes
- Faster diagnosis and treatment
- Better discharge planning
- Efficient patient management workflows



A declining ALOS reflects increased efficiency and optimal utilization of hospital resources.

c) Bed Occupancy Rate

For the financial year 2024/2025, the hospital recorded an average bed occupancy rate of 100%.

This high occupancy rate demonstrates:

- High demand for specialized and quality services
- Increased referrals from across the SUB-COUNTY
- Growing community trust in the hospital



However, the full occupancy rate has also led to overstretching of facilities and congestion in some wards. In response, management has initiated the establishment of additional wards to enhance capacity and ensure sustained quality of care.

d) Mortality Rate

The hospital recorded an average mortality rate of 4% during the period under review. This rate is largely associated with the management of critically ill patients referred from lower-level facilities who often arrive in severe condition. The hospital continues to strengthen emergency response, critical care services, and early referral systems to further reduce mortality.

Mortality Rate (4%)

4% ■ 2024/2025
8% ■ 2023/2024

e) Revenue Sources

During the financial year, the hospital's major revenue streams were:

- National Health Insurance Fund (NHIF) – during the first quarter
- Social Health Insurance Fund (SHIF) – during the remaining three quarters

The hospital achieved over 42% of its revenue target, driven by:

Revenue Sources

■ NHIF (Q1) 20%
■ SHIF (Q2–Q4) 22%

- Community sensitization initiatives on the Primary Healthcare (PHC) cover
- Outreach programs encouraging registration and utilization of SHIF
- Efficient claims processing and improved service utilization

10. Environmental And Sustainability Reporting

Rachuonyo East Sub-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 organization's policies and activities that promote sustainability.

i) 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

ii) Environmental performance

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

iii) 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 organization has in place policy on safety and compliance with the Occupational Safety and Health Act of 2007, (OSHA.)

Market place practices-

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertisement or Responsible engagement with citizens

The hospital maintains ethical marketing practices

d) Product stewardship or Awareness Creation

The hospital creates awareness by use of Community health promoters and conducting outreaches

iv) Corporate Social Responsibility / Community Engagements

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

11. Report of The Board of Management

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

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 30th, 2025 are set out on page 1-6

Board of Management

The members of the Board who served during the year are shown on page viii. During the period no board member retired/ resigned and none was appointed.

Auditors

The Auditor General is responsible for the statutory audit of the Rachuonyo East Sub-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 East Sub-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 his behalf.

By Order of the Board



.....
Dr Charles Ochola

Secretary to the Board

12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of Rachuonyo East Sub-County Hospital, which give a true and fair view of the state of affairs of the hospital at the end of the year and the operating results of the hospital for that year. The Board of Management is also required to ensure that Rachuonyo East Sub-County Hospital keeps proper accounting records, which disclose with reasonable accuracy the financial position of the hospital. The board members are also responsible for safeguarding the assets of the Rachuonyo East Sub-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 East Sub-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 20/11/25 and signed on behalf by:


.....
Mr. Hoffman Owage
Chairperson
Board of Management


.....
Dr. Charles ochola
Accounting Officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON RACHUONYO EAST SUB - COUNTY LEVEL 4 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 East Sub-County Level 4 Hospital – County Government of Homa Bay set out on pages 1 to 35, which comprise of the statement of financial position as at 30 June, 2025 and the statement

of financial performance, statement of changes of 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 East Sub-County Level 4 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 Facility Improvement Financing Act, 2023 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0. Unsupported Receivables from Exchange Transactions

The statement of financial position, and as disclosed in Note 16 to the financial statements, reflects a balance of Kshs.25,776,140 in respect of receivables from exchange transactions. However, the supporting documents such as detailed debtors' schedules, billings, and outstanding claims were not provided for audit review.

In the circumstances, the validity, accuracy, and recoverability of the Kshs.25,776,140 receivables balance could not be confirmed.

2.0. Misstatement of Revenue and Rejected Claims from Social Health Authority

The statement of financial performance reflects rendering of services-medical service income amount of Kshs.40,293,437. However, review of records revealed that the Hospital submitted claims amounting to Kshs.52,764,125 to the Social Health Authority (SHA) for reimbursement under the Social Health Insurance Fund (SHIF). Of this amount, claims totaling Kshs.18,793,920 were rejected by SHA due to fraudulent or inconsistent supporting documentation. Consequently, the Hospital was suspended by the Social Health Authority, as indicated in Gazette Notice No. 10944.

In the circumstances, the accuracy, completeness and fair presentation of the rendering of services-medical service income amount of Kshs.40,293,437 could not be confirmed.

3.0. Long Outstanding Receivables from the Defunct National Hospital Insurance Fund (NHIF)

The statement of financial position reflects receivables from exchange transactions balance of Kshs.25,776,140, as disclosed in Note 11 to the financial statements. Out of this balance, Kshs.7,515,100, representing 29% of total receivables, relates to long outstanding amounts due from the defunct National Hospital Insurance Fund (NHIF),

which have remained uncollected for over one year. Further, no evidence was provided to show that Management had undertaken any reconciliation, follow-up correspondence, or formal engagement with the successor entity the Social Health Authority (SHA), to recover these outstanding balances.

In the circumstances, the recoverability of the receivables balance of Kshs.25,776,140 could not be confirmed.

4.0. Outstanding Trade and Other Payables

The statement of financial position reflects a balance of Kshs.9,537,986 in respect of trade and other payables, as disclosed in Note 20 to the financial statements. In the prior year, the Hospital had reported payables amounting to Kshs.4,836,946, representing an increase of Kshs.2,414,199 during the year under review. However, Management did not provide an aging analysis indicating how long the liabilities have been outstanding. Further, the balance was not supported with key documentation such as approved requisitions, quotations, local purchase/service orders (LPOs/LSOs), goods received notes (GRNs), and store ledgers.

In the circumstances, the accuracy, completeness and authenticity of the trade and other payables balance of Kshs.9,537,986 could not be confirmed.

5.0. Unpaid Wages to Casual Employees and Misclassification of Liabilities

The statement of financial position reflects a balance of Kshs.2,232,163 in respect of employee costs, as disclosed in Note 10 to the financial statements. Included in this amount is Kshs.817,000 owed to casual employees, representing accrued wages that have remained unpaid for six (6) months which was in contravention of Section 17(1) of the Employment Act, 2024, which requires employers to pay the entire amount of wages earned or payable to an employee in respect of work done in pursuance of a contract of service, directly and in the currency of Kenya. Further, the unpaid wages had not been disclosed as employee dues under trade and other payables.

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

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.35,860,855 and Kshs.32,326,361,

respectively, resulting in under-funding of Kshs.3,534,494 or 10% of the budget. Similarly, the Hospital expenditure amounted to Kshs.27,728,198 against the realized receipt of Kshs.32,326,36 resulting in under-utilization of Kshs.4,598,163 or 14% of the budget.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

The Management is responsible for the Other Information set out on pages iii to xxiii, 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, Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management and Statement of Board of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

Review of revenue records obtained from the Rachuonyo East Sub County hospital revealed total collection of Kshs.31,671,108 towards the health facilities improvement. Out of this amount, a total of Kshs.19,533,540 was transferred to Special Purpose Account at the health department. However, Special Purpose Account reimbursed a total of Kshs.15,626,832 to the health facilities resulting in a deficit of Kshs.3,906,708. 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.

2.0. Unauthorized Opening and Operation of Bank Accounts

The statement of financial position and as disclosed in Note 10 to the financial statements reflects a balance of Kshs.2,725 as cash and cash equivalents. Audit review revealed that the balance was held a bank account opened in February and domiciled in a local banking institution. However, there was no evidence presented to confirm that the County Treasury had authorized the opening of the account or that the same authority had been copied to the Controller of Budget and the Auditor-General, contrary to the requirements of Sections 82 (4) and (5) of the Public Finance Management (County Governments) Regulations, 2015. Further, Management did not provide evidence of designation of signatories to the new bank account by the Accounting Officer, as required under Section 85(1) of the same Regulations, which requires that all cheque, electronic payment, and fund transfer signatories be formally designated by the Accounting Officer. In addition, the audit revealed that the Hospital had operated another bank account during the year under review, which was not disclosed in the financial statements. Although Management explained that the account had been closed, no evidence was presented to confirm that the closure was authorized by the County Treasury and duly approved as required by law.

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

3.0. Compliance with Level 4 Hospital Requirements

Review of records and interviews conducted during the audit to verify the services offered, equipment available, and medical specialists deployed revealed that the Hospital did not meet the requirements of the Kenya Quality Model for Health (KQMH) Policy Guidelines. Further, analysis of staff establishment indicated a deficit of 86 staff members, representing 85% of the authorized staff establishment, as detailed below:

Staff Requirement	Level 4 Standard	Number in Hospital	Variance	Percentage (%)
Medical Officers	16	1	15	93

Anesthesiologists	2	2	0	100
General Surgeons	2	1	1	50
Gynecologists	2	0	2	100
Pediatrics	2	0	2	100
Radiologists	2	0	2	100
Kenya Registered Community Health Nurses	75	11	64	85
Total	101	15	86	85%

In addition, the Hospital Lacked the necessary equipment and machines outlined in the Health Policy Guidelines as detailed below:

Service	Level 4 Standard	Actual in Hospital	Variance	Deficiency Percentage (%)
Bed	150	100	50	33
Resuscitative (2 Labour & 1 in Theater)	2	2	0	100
Newborn Unit Incubators	5	3	2	40
New Born Unit Cots	5	3	2	40
Functional ICU Beds	6	0	6	100
High Dependence Unit (HDU) Beds	6	0	6	100
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Two functional Operational Theatres - Maternity & General	2	1	1	50

The above deficiencies indicate that the Hospital operated below the minimum standards prescribed for a Level 4 facility under the First Schedule of the Health Act, 2017. Consequently, the Hospital may not be in a position to ensure access to the highest attainable standard of health care as guaranteed under Article 43(1) of the Constitution of Kenya, 2010.

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

4.0. Irregular Engagement of Casual Workers

The statement of financial performance and as disclosed in Note 5 reflects Kshs.3,175,616 in respect of employee costs. Audit verification of the staff records for the Hospital revealed that the Board of Management engaged eleven (11) casual workers continuously for a period of twelve (12) months from July 2024 to June 2025 contrary to the provisions of Section B.16(1) of the County Public Service Human Resource Manual (May, 2013) and Section 37(1) of the Employment Act, 2007, which limit engagement of casual workers to short-term tasks not exceeding three (3) months.

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

5.0. Unbalanced Budget

The statement of comparison of budget and actual amounts reflects final budgeted revenue of Kshs.35,860,855 and final expenditure budget of Kshs.31,050,000, resulting in a budget surplus of Kshs.4,810,855. The unbalanced budget is contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015, which requires that the budget shall be balanced, ensuring total revenue equals total expenditure. Further, there was no documentary evidence or management explanation provided to indicate how the Hospital intended to utilize or account for the budget surplus during the year under review.

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

6.0. Lack of Approved Budget and Procurement Plan

Review of the procurement records provided for audit review revealed that the Hospital did not have an approved budget and procurement plan for the financial year under review. In the absence of these key planning and control documents, it was not possible to confirm the basis upon which income was collected and expenditure incurred during the year under review which was in contravention of Regulation 26(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires each spending unit to prepare an annual budget to guide its operations. Further, it also violates Section 53(8) of the Public Procurement and Asset Disposal Act, 2015, which mandates every procuring entity to prepare an annual procurement plan aligned to the approved budget.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1.0. Weaknesses in Management and Control of Pharmaceutical Supplies

The statement of financial position reflects Kshs.1,283,615 in respect to inventories as disclosed under Note 12 to the financial statements. However, review of store records

and a physical inspection conducted on 11 November, 2025 at the Hospital revealed significant weaknesses in the management of pharmaceutical inventories, as follows:

1.1. Inadequate Stock of Pharmaceutical Supplies Affecting Service Delivery

The inspection revealed that most shelves in the pharmacy were nearly empty, indicating a shortage of essential drugs and medical supplies. This shortage has hindered the Hospital's ability to provide continuous and effective healthcare services, forcing patients to source medicines from private pharmacies at higher costs.

1.2. Expired Medical Supplies

The audit established that 3,421 units of medicine of undetermined value had expired and were still being held in the store awaiting disposal. Further, stock control cards lacked batch numbers and expiry dates, making it impossible to implement the First In, First Out (FIFO) principle, thereby increasing the risk of issuing expired drugs to patients.

1.3. Non-Compliance with Pharmacy and Poisons Board Requirements

The Hospital did not provide evidence of registration with the Pharmacy and Poisons Board (PPB) as required under Section 6(1) of the Pharmacy and Poisons Act, Cap 244. This raises regulatory and safety concerns regarding the legality of the hospital's pharmaceutical operations.

1.4. Weaknesses in the Stock Control System

The Hospital recorded pharmaceutical and non-pharmaceutical stock manually using stock cards. The lack of an automated inventory management system limited real-time tracking, reconciliation, and accountability of stock movements, increasing the risk of shortages, losses, and inaccurate reporting.

In the circumstances, the effectiveness of internal controls on Hospital's inventory management could not be confirmed.

2.0. Lack of Key Management Policies and Procedures

During the year under review, the Management did not institute policies and procedures to guide key financial and managerial processes such as revenue collection, expenditure control, inventory management, and liability management. The hospital lacked an approved risk management policy and risk management framework and had not developed a Risk Register. In addition, there was no disaster recovery plan or business continuity plan in place to guarantee continuity of operations in case of disruptions.

In the circumstances, the effectiveness of risk management and disaster controls could not be confirmed.

3.0. Lack of Hospital Management Information System (HMIS)

Review of the Hospital's Information Systems revealed that the Hospital did not have an operational Hospital Management Information System (HMIS) to automate key

functions such as revenue collection, patient registration, billing, pharmacy management, and financial reporting. As a result, the Hospital relied on manual systems for recording and managing its operations, which are prone to errors and manipulation, leading to potential revenue leakages, inaccurate billing, loss of patient information, and delays in data reconciliation. Consequently, the Hospital recorded total revenue of Kshs.31,137,185 against a budgeted target of Kshs.38,200,000, representing an underperformance of Kshs.7,062,815 (18%).

In the circumstances, the effectiveness and efficiency of revenue collection could not be ascertained.

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

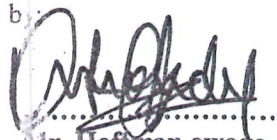
Rachuonyo east sub-county Hospital (Homa bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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


Description	Note	FY 2024-2025
		Kshs
Revenue from non-exchange transactions		
In-kind contributions from the County Government	6	655,253
KEMSA	7	7,967,076
		8,622,329
Revenue from exchange transactions		
Rendering of services- Medical Service Income	8	31,671,108
Revenue from exchange transactions		31,671,108
Total revenue		40,293,437
Expenses		
Medical/Clinical costs	9	11,002,552
Employee costs	10	2,232,163
Board of Management Expenses	11	217,500
Depreciation and amortization expense	12	815,047
Repairs and maintenance	13	8,793,260
General expenses	14	5,569,676
Total expenses		28,630,198
Net Surplus / (Deficit) for the year		11,663,239

(The notes set out on pages 7 to 37 form an integral part of the Annual Financial Statements.)


The Hospital's financial statements were approved by the Board on 20/11/25 and signed on its behalf by



 Mr. Hoffman owage
 Chairman
 Board of Management



 Head of Finance
 ICPAK No:



 Dr. Charles ochola
 Medical Superintendent

*Rachuonyo east sub-county level iv Hospital (Homa bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025*


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

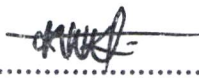
Description	Note	FY 2024-2025
		Kshs
Assets		
Current assets		
Cash and cash equivalents	15	2,725
Receivables from exchange transactions	16	25,776,140
Receivables from non-exchange transactions	17	3,906,708
Inventories	18	1,283,615
Total Current Assets		30,969,188
Non-current assets		
Property, plant, and equipment	19	7,895,545
Total Non-current Assets		7,895,545
Total assets (A)		38,864,733
Liabilities		
Current liabilities		
Trade and other payables	20	9,537,986
Total Current Liabilities		9,537,986
Non-current liabilities		
Provisions		-
Total non-current liabilities		-
Total Liabilities (B)		9,537,986
Net assets (A-B)		29,326,747
Represented by:		
Revaluation reserve		-
Accumulated surplus/Deficit		29,326,747
Net Assets		29,326,747

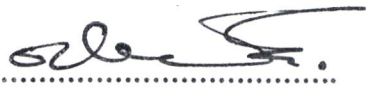
Rachuonyo east sub-county level iv Hospital (Homa bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

(The notes on pages 6 to 33 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 20/11/25 and signed on its behalf by


.....
J. Hoffman owage
Chairman
Board of Management


.....
Head of Finance
ICPAK No:


.....
Dr. Charles Ochola
Medical Superintendent

Rachuonyo east sub-county level iv Hospital (Homa bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital	Total
			Fund	
At July 1, 2024 (current year)	0	17,663,508	-	17,663,508
Revaluation gain	0	-	-	-
Surplus/(deficit) for the year	0	11,663,239	-	11,663,239
Capital/Development grants	0		-	-
At June 30, 2025 (current year)	-	29,326,747	-	29,326,747

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

Description	Note	FY 2024-2025
		Kshs
Cash flows from operating activities		
Receipts		
In-kind contributions from the County Government		655,253
KEMSA		7,967,076
Rendering of services- Medical Service Income		31,671,108
Refundable deposits from Patients/Prepayments		-
Total Receipts		40,293,437
Payments		
Medical/Clinical costs		10,100,552
Employee costs		2,232,163
Board of Management Expenses		217,500
Repairs and maintenance		8,793,260
Grants and subsidies		-
General expenses		6,471,676
Total Payments		27,815,151
Net cash flows from operating activities	21	12,478,286
Cash flows from investing activities		
Purchase of property, plant, equipment		(12,563,864)
Purchase of intangible assets		-
Proceeds from the sale of PPE		-
Acquisition of investments		-
Net cash flows used in investing activities		-
Cash flows from financing activities		
Proceeds from borrowings		-
Repayment of borrowings		-
Capital grants received		-
Net cash flows used in financing activities		-
Net increase/(decrease) in cash and cash equivalents		(85,758)
Cash and cash equivalents as at 1 July 2024		88,483
Cash and cash equivalents as at 30 June 2025	15	2,725

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	(4,194,362.0)		(4,194,362.0)	-	(4,194,362)	
Receipts	-		-		-	
In-kind contributions from the County Government	1,200,000		1,200,000.0	655,253	544,747	55
NHIF	4,500,000		4,500,000.0	2,779,792	1,720,208	62
SHA	31,855,000		31,855,000.0	27,525,860	4,329,140	86
Rendering of services- Medical Service Income	2,500,217		2,500,217.0	1,365,456	1,134,761	55
Total receipts	35,860,855.0		35,860,855.0	32,326,361	7,728,856	90
Payments						
Medical/Clinical costs	12,600,000		12,600,000	10,100,552	2,499,448	80
Employee costs	3,200,000		3,200,000	2,232,163	967,837	70
Remuneration of directors	250,000		250,000	217,500	32,500	87
Depreciation and Amortization Expense	-		-	815,047	(815,047)	
Repairs and maintenance	9,000,000		9,000,000	8,793,260	206,740	98
Grants and subsidies						
General expenses	6,000,000		6,000,000	5,569,676	430,324	93
Total Operational Expenditure paid	31,050,000	-	31,050,000	27,728,198	3,321,802	89
Capital Expenditure paid						
Surplus	4,810,855.0	-	4,810,855.0	4,598,163		

19. Notes to the Financial Statements

1. General Information

Rachuonyo East Sub-County level IV Hospital entity is established by and derives its authority and accountability from the County Government Act. The entity is wholly owned by Homa Bay County government and is domiciled in Homa Bay County. 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

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

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

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

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

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Standard	Effective date and impact:
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.

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Standard	Effective date and impact:
	<ul style="list-style-type: none"><li data-bbox="400 248 1398 376">ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.<li data-bbox="400 394 1398 622">iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

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

Revenue recognition

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 the yield to the principal outstanding to determine interest income for each period.

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2024/2025 was approved by Board on Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *entity* recorded additional appropriations on the FY 2024/2025 budget following the Board's approval. The *entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Biological Assets

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

i. Research and development costs

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

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

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

j. Financial instruments

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

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

surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

1. 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.

1. Provisions

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

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

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

Notes to the Financial Statements (Continued)

m. Social Benefits

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

n. Contingent liabilities

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

o. Contingent assets

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

p. Nature and purpose of reserves

The entity creates and maintains reserves in terms of specific requirements

q. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

r. Employee benefits

Retirement benefit plans

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

s. Foreign currency transactions

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

t. Borrowing costs

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

u. Related parties

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

v. Service concession arrangements

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

w. Cash and cash equivalents

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

x. Comparative figures

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

y. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

6. In Kind Contributions from The County Government

Description	FY 2024-2025
	KShs
KPLC	655,253
Medical Files	
Servicing of Plant and Machinery	
Total grants in kind	655,253

7. Grants From Donors and Development Partners

Description	FY 2024-2025
	KShs
KEMSA	7,967,076
Total grants from development partners	7,967,076

In kind contributions from Kenya medical supplies agency (KEMSA) in the form of drugs and medical supplies.

8. Rendering of Services-Medical Service Income

Description	FY 2024-2025
	Kshs
Pharmaceuticals	198,075
Non-Pharmaceuticals	45,550
Laboratory	408,711
Radiology	114,400
Orthopedic and Trauma Technology	-
Theatre	61,120
IP beds	296,490
OT	28,140
medical records	205,670
NHIF	2,779,792
SHA	27,525,860
Ambulance services	7,300
Other medical services income	-
Total revenue from the rendering of services	31,671,108

*Rachuonyo east sub-county level iv Hospital (Homa bay County Government)
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9 Medical/ Clinical Costs

Description	FY 2024-2025
	Kshs
Dental costs/ materials	-
Laboratory chemicals and reagents	1,698,197
Public health activities	102,000
Uniform, clothing, and linen	
Pharmaceutical supplies and Dressing and Non-Pharmaceuticals	2,410,550
Pharmaceutical supplies	2,843,505
Health information stationery	727,200
Sanitary and cleansing Materials	2,073,500
Purchase of Medical gases	6,600
X-Ray/Radiology supplies	239,000
Other medical related clinical costs	-
Total medical/ clinical costs	10,100,552

10. Employee Costs

Description	FY 2024-2025
	Kshs
Salaries, wages, and allowances	2,232,163
Employee costs	2,232,163

Notes to the Financial Statements (Continued)

11. Board of Management Expenses

Description	FY 2024-2025
	Kshs
Sitting allowance	217,500
Total	217,500

12. Depreciation and Amortization Expense

Description	FY 2024-2025
	Kshs
Property, plant and equipment	815,047
Intangible assets	-
Investment property carried at cost	-
Total depreciation and amortization	815,047

13. Repairs And Maintenance

Description	FY 2024-2025
	Kshs
Property- Buildings	6,610,860
Medical equipment	1,151,000
Office equipment	-
Furniture and fittings	391,200
Computers and accessories	12,000
Motor vehicle expenses	628,200
Maintenance of civil works	
Total repairs and maintenance	8,793,260

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Notes to the Financial Statements (Continued)

14. General Expenses

	FY 2024-2025
	Kshs
Catering expenses	120,000
General office supplies	1,226,190
Bank charges	36,596
Food and Ration	902,000
Contracted services	100,000
Fuel and Lubricants	880,000
stationery and office supply	659,900
Travel and accommodation allowance	442,000
Printing and publishing	880,000
Water and sewerage costs	264,780
purchase of general equipment	595,650
Telephone and mobile phone services	66,200
Internet expenses	30,000
Purchase of other fuel	137,300
purchase of institutional appliances	131,060
Total General Expenses	6,471,676

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Notes to the Financial Statements (Continued)

15. Cash And Cash Equivalents

Description	FY 2024-2025
	KShs
Current accounts	2,725
Others - Mobile money	-
Total cash and cash equivalents	2,725

15 a . Detailed Analysis of Cash and Cash Equivalents

Description		FY 2024-2025
Financial institution	Account number	KShs
a) Current account		
cooperative bank of Kenya	1141455391900	1,024
Kenya Commercial bank	1337008915	1,701
Sub- total		2,725
Grand total		2,725

16 . Receivables From Exchange Transactions

Description	FY 2024-2025
	KShs
Medical services receivables-SHA	18,261,040
Medical services receivables-NHIF	7,515,100
Other exchange debtors	-
Total receivables	25,776,140

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Analysis of Receivables from Exchange Transactions

Description	FY 2024-2025	
	Kshs	
	Current FY	% of the total
Less than 1 year	18,261,040	71
Between 1- 2 years		-
Between 2-3 years	7,515,100	29
Over 3 years	-	-
Total	25,776,140	100

17 Receivables From Non-Exchange Transactions

Description	FY 2024-2025	
	KShs	
Transfers from the County Government	3,906,708	
Undisbursed donor funds	-	
Total	3,906,708	

Total of 20% retained by Homa Bay County for special purposes.

17 a. Analysis of Receivables from Non-Exchange Transactions

Description	FY 2024-2025	
	Kshs	
	Current FY	% of the total
Less than 1 year	3,906,708	100
Between 1- 2 years	-	-
Between 2-3 years	-	-
Over 3 years	-	-
Total (a+b)	3,906,708	100

18. Inventories

Description	FY 2024-2025
	KShs
Pharmaceutical supplies	250,880
Non-Pharmaceutical supplies	428,794
Laboratory supplies	471,061
Food supplies	132,880
Total	1,283,615

**Rachunyo east sub-county level iv Hospital (Homa bay County Government)
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Notes to the Financial Statements (Continued)

19. Property, Plant and Equipment

Description	Land Ksh	Buildings and Civil Ksh	Motor vehicles Ksh	fittings, and office Ksh	ICT Equipment Ksh	Plant and medical equipment Ksh	Other Assets (specify)	Capital K in prog Ksh	Total Ksh
Cost	-	0	0	0	0	0.10		-	-
Additions	-	-	-	-	-	-	-	-	-
At 30 th Jun 2024									
At 1 July 2024 (current year)									
Additions	3,000,000	1,125,000	2,625,000	436,000	740,000	784,592.00	-	-	8,710,592
Disposals	-	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
At 30 th Jun 2025	3,000,000	1,125,000	2,625,000	436,000	740,000	784,592.00	-	-	8,710,592
Depreciation and impairment									
At 1 July 2023 (previous year)	-	-	-	-	-	-	-	-	-
At 30 June 2024	-	-	-	-	-	-	-	-	-
At July 2024 (current year)	-	-	-	-	-	-	-	-	-
Depreciation	-	22,500	437,588	54,500	222,000	78,459	-	-	815,047
Disposals	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-
At 30 th June 2025	-	22,500	437,588	54,500	222,000	78,459.20	-	-	815,047
Net book values									
At 30 th Jun 2024 (previous)	-	-	-	-	-	-	-	-	8,710,592
At 30 th Jun 2025 (current)	3,000,000	1,102,500	2,187,413	381,500	518,000	706,132.80	-	-	7,895,545

*Rachuonyo east sub-county level iv Hospital (Homa bay County Government)
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Notes to the Financial Statements (Continued)

20. Trade and other Payables

Description	FY 2024-2025	
	KShs	
Trade payables	8,720,986	
Employee dues	817,000	
Audit fee	-	
Doctors' fee	-	
Total trade and other payables	9,537,986	
Ageing analysis:	FY 2024-2025	% of th
Under one year	7,703,459	8
1-2 years	1,020,427	1
2-3 years	814,100	9
Over 3 years	-	-
Total	9,537,986	10

*Luchuonyo east sub-county level iv Hospital (Homa bay County Government)
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Notes to the Financial Statements (Continued)

21. Cash Generated from Operations

Description	FY 2024-2025
	KShs
Surplus for the year before tax	11,663,239
Adjusted for:	
Depreciation and amortization expense	815,047
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
Contribution to provisions	-
Contribution to impairment allowance	-
Working Capital adjustments	
Increase in prepayment	
Increase in inventory	
Increase in receivables	
Increase in payables	
Increase in Refundable deposits from Patients/Prepayments	-
Net cash flow from operating activities	12,478,286

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Notes to the Financial Statements (Continued)

2. Financial Risk Management

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

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

(i) Credit risk

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

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 hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of management sets the hospital'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 hospital under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Rachuonyo east sub-county level iv Hospital (Homa bay County Government)
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Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

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

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.

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Notes to the Financial Statements (Continued)

Foreign currency sensitivity analysis

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

b) Interest rate risk

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

Management of interest rate risk

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

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.

iv) Capital Risk Management

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

Notes to the Financial Statements (Continued)

23. 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 rachuonyo east sub county lwvel iv hospital , holding 100% of the itsequity 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

• **Events after the Reporting Period**

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

• **Ultimate and Holding Entity**

The entity is a County Corporation/ or a Semi- Autonomous Government Agency under the Department of health. Its ultimate parent is the County Government of homabay

• **Currency**

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

**Rachuonyo east sub-county level iv Hospital (Homa bay County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025**

- Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

.....
Accounting Officer

