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REPORT

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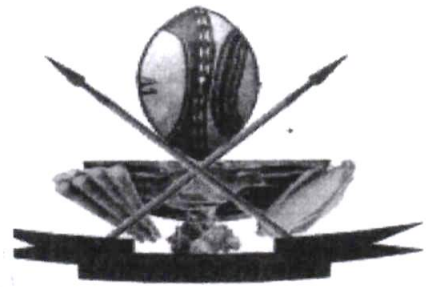
ON

KEHANCHA SUB COUNTY HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF MIGORI

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**KEHANCHA SUB COUNTY HOSPITAL
MIGORI 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 hospital.

2. Key Hospital Information and Management

(a) Background information

Kehancha Sub County Hospital is a level iv hospital domiciled in Migori County under the Health Medical Service Department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity/mandate of the hospital is to execute prompt, effective and quality service delivery.

Vision: To become a center of excellence in the provision of health services to Kenyan Citizens who come for health care services in our facility

Mission: To provide quality preventive, curative and rehabilitative services to all those who come to seek health care services

(c) Key Management

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

County department of health-Chief Officer Medical Services

Medical Superintendent

Board of Management

Accountant

Hospital departmental Heads

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Francis Manyinza
2.	Head of supply chain	Kennas Odongo
3.	Hospital Administrator	Shadrack Mwita Mwikwabe

(e) Fiduciary Oversight Arrangements

- Clinical Research and Standards Committee.
- Audit committee
- Risk Committee
- County Assembly
- Parliamentary committees
- Other oversight committees
- Parliamentary committees
- Other oversight committees

(f) Hospital Headquarters

Kehancha Sub County Hospital,
P.O. Box 195-40413,
KEHANCHA
Migori Kehancha Highway

(g) Hospital Contacts

Phone Number: +254 707676576
E-mail: mohkuriawest@yahoo.com

(h) Hospital Bankers

Kenya Commercial Bank
1158858353
1318282454

(i) Independent Auditors

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

(j) Principal Legal Adviser

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


(k) County Attorney

P.O. Box. 202
Migori, Kenya






3. The Board of Management

Ref	Directors	Details
1.		Name: Francis Manyinza The Title: Secretary Age : 52 years Academic Qualification: Diploma in clinical Medicine
2.		Name: Julie Ginono The Title: BOM Chair Academic Qualification: Diploma in Teachers Certificate
3.		Name: Omahe Mwita The Title: Boad Member Academic Qualification: Diploma in Co-operative Management
4.		Name: Isack Mwita Title: Member Academic Qualification: KCPE
5.		Name: Samson Nyamohanga Title: Member Level of Education: Form Two Age: 67
6.		Name: Matiko Monanka Title: Member Level of Education: KCSE Age: 41 Years
7.		Name: Hyrene Kwamboka Okenyuri Title: Member Education: Degree Education Age: 49

Kehancha Subcounty Hospital (Migori County Government)
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8.		Name: Nyagoso Corad Osiemo Title: Member Education: Diploma In engineering Age: 49
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4. Key Management Team

Ref	Management	Details
1.	Francis Manyinza  Diploma in clinical Medicine	Functions Medical Superintendent Ensures smooth running of the facility
2.	Joash Mayuya  Bachelor of science in Nursing	Functions Nurse Manager Coordinates nursing services in the facility
3.	Laboratory in charge - Noah Luvusi Inyangala  Diploma in medical laboratory technology	Medical Laboratory Officer Coordinates Laboratory Diagnostics
4.	Pharmacist in charge - Julianne Aluoch Yusto  Degree in Pharmacy	Pharmaceutical Technologist Custodian of pharmaceuticals and coordinates store management and dispensation
5.	Hospital administrator – Shadrack Mwita Mwikwabe  Degree in Social Administration	Functions Hospital Administration Officer Oversees activities of non-technical staff

5. Chairman’s Statement

The Kenya Government gazetted the formation of County Government after enactment of 2010 constitution which eventually created devolve governments with 47 counties in the Republic of Kenya. Migori County Government adopted the devolve functions of Health service delivery to all its facilities hence gazetted health facility committees in the name of Board of Management.

Through the devolved unit of the government, health systems and its components were also largely devolved. This therefore led to the formation of Kehancha Sub County Hospital which to its current standing, has registered a tremendous growth dealing with various specialised cases of healthcare.

The human resource unit of the hospital which generally refers to various talent mix of specialised services is still not sufficient that we are still appealing for more collaboration with various partners such as CIHEB Kenya, Lwala among others to continue supporting the facility as its revenue is still not sufficient to meet staff cost.

Kehancha Sub County Hospital has had tremendous infrastructures under devolve function of county government of Kenya that has contributed to efficiency on services to people of Migori County, more so the construction and completion of Amenity wing, private wards and improved radiology department. Upgrading of casualty wing which is ongoing and almost coming to its final end of construction and fitting of essential equipment. However, these significant improvements within the facility are of helping force to entire community but the board of management have always been kept away from the budgets making process and supply chain over the said works and services.

Having mentioned above, the board is constituted under the laws of Kenya and has its clear functions in consultation with the executive committee member for the wellbeing of overall performance of a given facility.

In conclusion, Kehancha Sub County Hospital board of Management is optimistic and ready to co-operate for better work performance of the facility.

Thanks, and God Bless You!



.....
Name: Julie Ginono

Chairman to the Board

6. Report of The Medical Superintendent

Kehancha Sub County Hospital is a hospital that was established by the county government of Migori to provide medical services to the residence of Migori and Kenyans as a whole. The hospital has its headquarters in Kuria Sub County where it is the one largest Level (IV) facility providing health services to the public.

The hospital falls under the department of medical services and operates in line with three major themes in fulfilling needs to the society. These three major thematic areas are: planning and administrative services that oversees the implementation of various projects in the facility and participate in day to day running of the hospital. The second pillar is the provision of preventive and promotive health services and thirdly, provision of curative services.

The hospital over the past years recorded infrastructural growth that has attracted the employment of various specialised health care providers meeting various needs of the patients. Some of the major projects that the facility enjoys up to date is the construction and operationalization of radiology unit building that has help in various diagnosis within the region. Moreover, the hospital enjoys continuous water supply which was attributed by the installation of water borehole in the facility.

The revenue that the facility collects is still not sufficient to meet all the needs of the facility therefore support from various partners, Non-Governmental Organisations, National Government and County Government as a whole is key towards the achievement of affordable health care to the society.

In conclusion, Kehancha Sub County Hospital has a great potential and I would wish to encourage the general public that Kehancha Sub County Hospital is the best place to be for the betterment of your health.

Thank You!



Name: Francis Manyinza

Secretary to the Board

Kehancha Subcounty Hospital (Migori County Government)
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7. Statement of Performance Against Predetermined Objectives

Kehancha Sub-County Hospital has 3 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2024- FY 2025. These strategic pillars/ themes/ issues are as follows;

- Pillar /theme/issue 1: Planning and administrative support services
- Pillar/theme/issue 2: Preventive and promotive health services
- Pillar/theme/issue 3: Curative services

Kehancha Sub County Hospital develops its annual work plans based on the above 3 pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. Kehancha Sub County Hospital achieved its performance targets set for the FY 2024/2025 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Planning and administrative support services	To ensure efficient and effective well-coordinated health services	No Of health policies developed	Developing Annual work plans. Conducting performance reviews	Work plan was developed Annual review conducted
	To increase, develop, retain and motivate health personnel	No. of Annual Work Plans developed		
	To construct, expand, maintain and improve health infrastructure	No. of Strategic plans developed		
	To accelerate scale up of Universal Health Coverage	% of performance reviews conducted		
		% quarterly support supervision conducted		
	% quarterly data quality audits conducted			
		% of Health Information tools printed and distributed		
Preventive and promotive health services	To reduce the burden of preventable diseases and promote healthy lifestyles among communities	% of hospitals supplied with Pharmaceuticals % of hospitals supplied with non-pharmaceuticals	Supplying the hospital with pharmaceuticals, on pharmaceuticals,	Kehancha sub county was supplied with medical drugs non

	<p>To reduce maternal and new-born mortality</p> <p>To increase community health units to cover 100% of the county villages</p> <p>To improve coverage of facilities offering adolescent and youth friendly service</p>	<p>% of hospitals supplied with Laboratory Reagents</p> <p>% of hospitals supplied with Vaccines and sera</p> <p>% of hospitals supplied with medical equipment</p> <p>% of hospitals supplied with patient food and rations</p> <p>% Increase in number of blood units donated</p>	<p>laboratory reagents, vaccines</p>	<p>pharmaceuticals, laboratory reagents and vaccines</p>
<p>Curative, rehabilitative and referral services</p>	<p>To provide affordable curative, rehabilitative and referral services</p> <p>To improve access to essential health products and technologies</p>	<p>% of functional ambulances available for referral</p> <p>% of specialized services provided at primary health facilities</p>	<p>Functioning ambulances on referrals.</p>	<p>1 ambulance available for referrals.</p>

8. Corporate Governance Statement

During the Financial Year 2024/25 the Board Member held quarterly meetings and two special meetings to discuss the general performance of the hospital. Consequently, the meetings were convened every time the facility receive funds from Migori Health Services Fund Board to discuss and see the areas which need urgent funding so that facility to continue operating normally. These meetings were held in the medical superintendent boardroom. The Board members also were taken through the previous financial audit review report for the period 2023-2024 where a discussion was made.

Consequently, board members training was carried towards the end of the financial year on various matters pertaining to health and the new health insurance cover that is yet to be adopted by the hospital and how it might affect the operation of the facility. The hospital board are appointed by the Chief Executive Officer- Health who are then gazetted in the Kenyan Gazette. For the new members, a mandatory induction is done to them so that they can be a par with various regulations and operations of health as a sector. The board are entitled to a sitting allowance and various transport and lunch reimbursement anytime they sit.

The Roles and Functions of The Board Members

- i. Responsibility for patient care and the overall quality of service in the hospital by demonstrating leadership in determining priorities for the hospital that is consistent with the available resources.
- ii. Provision of general oversight for the general operations and management of the hospital.
- iii. Represent community interests in resource allocation and planning within the hospital.
- iv. Health promotion agents to the hospital catchments population on behalf of the hospital.
- v. Articulate and represent local community interests on health matters in local development forums.
- vi. Facilitate feedback process to the community pertaining to the operations and management of the hospital.
- i. Mobilize community resources towards the development of health services within the hospital.

Ethics and Conduct of Board Members

The code of ethics outlines the principles and standards that guide the conduct of the board members in overseeing the hospital operations. Some of these principles include:

- Commitment to the hospital Mission and Vision ensuring that all the action plans and decisions are in line with the achievement of the later.
- Integrity and Accountability: This is where the hospital board members are required to operate with utmost honesty and transparency while making financial decisions of the hospital.
- Confidentiality: This is where the hospital board members are required to respect the patients and staff confidentiality and safeguard sensitive information from unauthorized disclosure.
- Conflict of Interest: This is where the board members are required to disclose any potential conflicts of interest and recuse oneself from related decision making.
- Compliance With Laws and Regulations: The hospital board members are required to comply with the hospital governing laws and regulations.
- Respect and Fairness: The hospital board members are required to respect one another's decision and to treat one with utmost respect, fairness and dignity.
- Ethical decision Making: The hospital board Members are encouraged and required to prioritize on issues which are geared towards the improvement of patients' wellbeing as opposed to personal interest.
- Financial Stewardship: The hospital board members are required to oversee the hospital financial health with diligence, ensuring resources are used effectively and responsibly to advance the hospital mission.
- Collaboration and Communication: Hospital board members are encouraged to work collaboratively with one another to ensure that best decisions are arrived at.

9. Management Discussion and Analysis

Kehancha Sub County Hospital registered a total of Ksh. 27,678,017 (Twenty-Seven Million Six Hundred and Seventy-Eight Thousand and Seventeen) as revenue from exchange transaction. This resulted to a Kshs 8,808,031 increase in the revenue reported by the facility compared with the 2023-2024 figure. This was majorly attributed by the increase in public donations and revenue from exchange transactions in funds received from exchange transactions.

The net surplus increased from Ksh. 6,444,990 (Six Million Four Hundred and Forty-Four Thousand Nine Hundred and Ninety) to Ksh. 8,481,762 (Eight Million Four Hundred and Eighty-One Thousand Seven Hundred and Sixty-Two) resulting to a 32% increase. Further, the total expenditure for the year also increased by 54%.

Clinical/operational performance

- Bed capacity of the hospital. 38
- Overall number of outpatients 8,723
- Overall number of in-patient attendance-1,235
- Accident and Emergency attendance -189
- Specialised clinic attendance CCC-662
- Specialised clinic attendance POP-120
- Specialised clinic attendance GOPC-532
- Specialised clinic attendance EYE-804
- Specialised clinic attendance ENT-708
- Specialised clinic attendance DENTAL-967
- Specialised clinic attendance TB-105
- Specialised clinic attendance MOPC-743
- Average length of stay for in-patient 2 Days
- Bed occupancy rate 51.9%
- Mortality rate 0.039%
- Surgical theatre utilisation (number of operations over a period of time) -706
- Sponsorships and partnerships,8 National and Local (CHEB, LWALA COMMUNITY NGO 4 International Bodies (UNFPA, UNDP, UNICEF, UNO,))

Revenue sources.

The Revenue streams for the Hospital is mainly FIF, Public donations, Linda Mama, NHIF Rebates, Universal Health Cover and County allocation.

The Major Supplies and Payments for Goods and Services are done from county headquarters



Francis Manyinza
Secretary to Board

10. Environmental And Sustainability Reporting

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

i) Sustainability strategy and profile

Engaging with our stakeholders informs our decision-making, strengthened our relationship and helps us deliver our committees and success as a hospital. In order to achieve these goals, we recognize that we must work in partnership with other interested stakeholders in who share our commitment and have stake in our hospital.

ii) Environmental performance

In packaging of medicine, we use environmentally friendly bags

Formed committees to carryout infection prevention and control within the work environment

iii) Employee welfare.

Hiring Services is done by Migori County Public Service Board. The Process is competitive as the Gender ratio and others Factors are considered. The Opportunities are advertised in the local newspapers.

iv) Market place practices-

The hospital encourages good market practices as outlined below:

a) Responsible competition practice.

Display of Service chatters

Carryout exit visit interviews

Provisions of complaints and suggestion box

b) Responsible Supply chain and supplier relations

The Hospital raises requisition to procurement who invites the public through open tenders and gazettelement process

The bidders are evaluated and the awarding is done committees formed by the management

c) Responsible marketing and advertisement

All advertisements are targeting to ensure the public is aware of services being offered or any upcoming donor sponsored surgeries.

d) Product stewardship

Kehancha Sub County Hospital endeavours to maintain incinerators for better waste management.

e) Corporate Social Responsibility / Community Engagements

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

11. Report of The Board of Management

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

Principal activities

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

Results

The results of the hospital for the year ended June 30 2025 are set out on pages 1 to 6.

Board of Management

The members of the Board who served during the year are shown on page v. During the year no director retired or resigned.

Auditors

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

By Order of the Board



.....
Name Francis Manyinza
Secretary to the Board

12. Statement of Board of Management's Responsibilities

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

The Board of Management is responsible for the preparation and presentation of the hospital's financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the hospital, (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 hospital's transactions during the financial year ended June 30, 2025, and of the hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital, which have been relied upon in the preparation of the hospital's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern or nothing has come to the attention of the Board of management to indicate that the

Kehancha Subcounty Hospital (Migori County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025


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 19th August 2025 and signed on its behalf by:



.....
Name: Julie Ginono
Chairperson
Board of Management



.....
Name: Francis Manyinza
Accounting Officer

REPUBLIC OF KENYA



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Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KEHANCHA SUB COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF MIGORI

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 Kehancha Sub County Hospital – County Government of Migori set out on pages 1 to 44, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance,

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kehancha Sub County Hospital – County Government of Migori 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

Incomplete Disclosure of Property, Plant and Equipment

The statement of financial position reflects property, plant, and equipment with a net book value of Kshs.18,750 as disclosed in Note 20 to the financial statements. However, physical inspection of the Hospital and review of the fixed assets register revealed the existence of buildings, medical equipment, furniture, an ambulance, and various information communication technology equipment of undisclosed values that were not included in the net book value reported in the financial statements.

In the circumstances, the completeness and accuracy of the property, plant, and equipment balance of Kshs.18,750 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.27,678,307 and Kshs.18,738,063, respectively resulting in underfunding of Kshs.8,940,245 or 32 % of the budget.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Hospital in 2024/2025 revealed that numerous matters remained unresolved as detailed in **Appendix 1**.

Other Information

The Management is responsible for the Other Information set out on pages iii to xx, which comprises of Key Hospital Information and Management, The Board of Management, Key Management Team, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management and Statement of Board of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

Review of revenue records obtained from the Kehancha Sub - County Hospital in Migori County revealed that the Sub - County Hospital collected a total Kshs.16,145,685 towards the health facilities improvement which was all transferred to Migori County Health Services Fund Account. However, the Management reimbursed a total of Kshs.9,963,063 to the Sub - County Hospital resulting in a deficit of Kshs.6,182,622. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing Account.

In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

In the circumstances, Management of the Migori County Health Services Fund was in breach of the law.

2. Failure to Prepare and Submit Quarterly Revenue Reports

The statement of financial performance reflects Kshs.18,903,308 in respect of revenue from exchange transactions – rendering of services (medical service income) as disclosed under Note 8 to the financial statements. However, review of the revenue records provided for audit revealed that the Hospital did not prepare and submit quarterly revenue collection reports as required under Regulation 65(1) of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that the accounting officer shall prepare and submit quarterly financial and non-financial performance reports to the County Treasury not later than fifteen days after the end of each quarter.”

In the circumstances, the Hospital’s Management was in breach of the law.

3. Weak Controls on Inventories – Pharmaceuticals

The statement of financial position reflects an inventories balance of Kshs.14,189,129 as disclosed in Note 19 to the financial statements. The balance represents pharmaceutical supplies. However, review of records and a physical verification exercise revealed the following unsatisfactory issues:

3.1 Non-Compliance with Pharmacy and Poisons Board Requirements

No evidence was provided to confirm that the Hospital’s pharmacy was registered with the Pharmacy and Poisons Board (PPB) as required under Section 6(1) of the Pharmacy and Poisons Act, Cap 244 of the Laws of Kenya, which mandates that no person shall operate a pharmacy unless it is duly registered by the Board.

3.2 Weaknesses in the Stock Control System

During the year under review, the Hospital did not employ an automated inventory management system to monitor and control stock movements. Records were maintained manually and were not easily accessible due to the high volume of bin cards. In addition, it was noted that the main store lacked adequate security surveillance, sufficient space, and proper ventilation, hindering effective control and management of inventory.

In the circumstances, the effectiveness of internal control on inventories management could not be confirmed.

4. Compliance with Level 4 Hospital Requirements

Review of the Hospital 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 78 staff members, representing 77.2% of the authorized staff establishment, as detailed below:

Staff Requirement	Level 4 Standard	Number in Hospital	Variance	Percentage (%)
Medical Officers	16	1	15	94
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists	2	0	2	100
Pediatrics	2	0	2	100
Radiologists	2	1	1	50
Kenya Registered Community Health Nurses	75	21	54	72
Total	101	24	78	77

In addition, the Hospital Lacked or had shortage of 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	1	1	50
New Born Unit Incubators	5	2	3	60
New Born Unit Cots	5	4	1	20
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	100

The above deficiencies contravene the First Schedule of the Health Act, 2017 and imply that assessing the highest attainable standard of health, which includes rights to health care services, including reproductive health care, as required by Article 43(1) of the Constitution of Kenya, 2010 may not be achieved. Further, this contravenes the Kenya Quality Model for Health Policy Guidelines and may have hindered the achievement of the Government program on Universal Health Coverage (UHC).

In the circumstances, the effectiveness of the medical services offered and the Universal Health Coverage program could not be confirmed.

5. Continuous Engagement of Casual Workers

The statement of financial performance and as disclosed in Note 13, of financial statements reflects Kshs.248,812 in respect of casual employees. Audit verification of the Muster roll and staff records for the Hospital revealed that the Board of Management engaged twenty (20) casual workers continuously for a period of twelve (12) months, from July, 2024 to June, 2025 contrary to 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.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

03 December, 2025

Kehancha Subcounty Hospital (Migori 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	2024-2025	2023-2024
		Kshs	Kshs
Revenue from non-exchange transactions			
In-Kind Contribution from County Government	6	-	6,048,866
Public Donations and Contributions	7	8,774,709	
Revenue from non-exchange transactions		8,774,709	6,048,866
Revenue from exchange transactions			
Rendering of services- Medical Service Income	8	18,903,308	5,032,510
Miscellaneous Income	9	-	45,900
Transfers From Other Government Entities	10	-	7,742,710
Revenue from exchange transactions		18,903,308	12,821,120
Total revenue		27,678,017	18,869,986
Expenses			
Medical/Clinical costs	11	14,810,540	4,492,920
Board of Management Expenses	12	297,000	334,000
Employee costs	13	248,812	6,239,401
Repairs and maintenance	14	1,596,248	301,099
General expenses	15	2,240,530	1,054,450
Depreciation	16	3,125	3,125
Total expenses		19,196,254	12,424,996
Net Surplus / (Deficit) for the year		8,481,762	6,444,990

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



Chairman: Julie Ginono
 Board of Management



Head of Finance: Stephen Nyainda
 ICPAK No: 21026




Medical Superintendent
 Francis Manyinza


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

Description	Note	2024-2025	2023-2024 Kshs
Assets			
Current assets			
Cash and cash equivalents	17	3,933	291
Receivables from exchange transactions	18	8,940,245	11,024,693
Inventories	19	14,189,129	3,164,436
Total Current Assets		23,133,307	14,189,420
Non-current assets			
Property, plant, and equipment	20	18,750	21,875
Total Non-current Assets		18,750	21,875
Total assets	-	23,152,057	14,211,295
Liabilities			
Current liabilities			
Trade and other payables	21	459,000	-
Total Current Liabilities		459,000	-
Net assets		22,693,057	14,211,295
Represented By:			
Revaluation reserve		-	-
Accumulated surplus/Deficit		22,693,057	14,211,295
Capital Fund		-	-
Total Net Assets		22,693,057	14,211,295

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



Chairman: Julie Ginono
Board of Management



Head of Finance: Stephen Nyainda
ICPAK No: 31686



Medical Superintendent
Francis Manyinza

Kehancha Subcounty Hospital (Migori 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 Fund	Total
At July 1, 2022				
Surplus/(deficit) for the year	-	7,766,305	-	7,766,305
At June 30, 2023	-	7,766,305	-	7,766,305
At July 1, 2023	-	7,766,305	-	7,766,305
Surplus/(deficit) for the year	-	6,444,990	-	6,444,990
At June 30, 2024	-	14,211,295	-	14,211,295
At July 1, 2024	-	14,211,295	-	14,211,295
Surplus/(deficit) for the year		8,481,762	-	8,481,762
At June 30, 2025	-	22,693,057	-	22,693,057

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

Description	Note	2024-2025	2023-2024
			Kshs
Cash flows from operating activities			
Receipts			
Rendering of services- Medical Service Income		9,963,063	6,351,396
Miscellaneous Income		-	45,900
Total Receipts		9,963,063	6,397,296
Payments			
Medical/Clinical costs		5,576,831	4,492,920
Board of Management Expenses		297,000	334,000
Employee costs		248,812	190,535
Repairs and maintenance		1,596,248	301,099
General expenses		2,240,530	1,054,450
Total Payments		9,959,421	6,373,005
Net cash flows from operating activities	22	3,643	24,291
Cash flows from investing activities			
Purchase of property, plant, equipment & intangible assets			- 25,000
Proceeds from the sale of property, plant, and equipment			-
Acquisition of investments			-
Net cash flows used in investing activities			- 25,000
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		3,643	- 709
Cash and cash equivalents as at 1 July	17	291	1,000
Cash and cash equivalents as at 30 June	17	3,933	291

Kehancha Subcounty Hospital (Migori County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Carryover from Previous budget	-	291	291	291	-	100%
Revenue						
Rendering of services- Medical Service Income	18,903,308	-	18,903,308	9,963,063	8,940,245	53%
Miscellaneous Income	-	-	-	-	-	0%
Transfers From Other Government Entities	-	-	-	-	-	0%
Public Donations and Contributions	-	8,774,709	8,774,709	8,774,709	-	100%
Total income	18,903,308	8,774,999	27,678,307	18,738,063	8,940,245	68%
Expenses						
Medical/Clinical costs	14,520,718	8,775,000	23,295,718	14,351,540	8,944,178	62%
Board of Management Expenses	297,000	-	297,000	297,000	-	100%
Employee costs	248,812	-	248,812	248,812	-	100%
Repairs and maintenance	1,596,248	-	1,596,248	1,596,248	-	100%
General expenses	2,240,530	-	2,240,530	2,240,530	-	100%
Total Expenses	18,903,308	8,775,000	27,678,307	18,734,129	8,944,178	68%
Capital expenditure	-	-	-	-	-	0%

Kehancha Subcounty Hospital (Migori County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Surplus for the period	0	-	0	0	3,933	-	0%
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Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	3,933
Closing Cash and Cash Equivalent as per the statement of Cash flows	3,933

NOTE: The hospital registered 53% utilization in rendering of services as there was an outstanding Ksh. 8,940,245 rendering services income from the health services which the hospital did not receive by the end of the period ended 30th June 2025. This particular figure is reflected in the trade receivable ledger. This also led to 62% utilization in the medical and clinical costs.

19. Notes to the Financial Statements

1. General Information

Kehancha Sub County Hospital is established by and derives its authority and accountability from PFM Act. The hospital is wholly owned by the Migori County Government and is domiciled in Migori County in Kenya. The hospital’s principal activity is provision of medical services to the society.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *hospital’s* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *hospital*. 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	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees

Standard	Effective date and impact:
	<p>and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an hospital.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. This standard is not applicable to the hospital.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. This standard is not applicable this financial year.</p>
<p>IPSAS 45- Property Plant and Equipment</p>	<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. This standard is not applicable this financial year.</p>
<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>

Kehancha Subcounty Hospital (Migori County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Standard	Effective date and impact:
	<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. This standard is not applicable this financial year.</p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an hospital shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. This standard has no impact in this financial year.</p>
IPSAS 49- Retirement Benefit Plans	<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>

Standard	Effective date and impact:
	This standard has no impact in this financial year.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<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. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the hospital'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. <p>This standard has no impact in this financial year.</p>

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *hospital* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The hospital 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 hospital.

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2024/2025 was approved by Board. 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 hospital upon receiving the respective approvals in order to conclude the final budget. The *hospital'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.

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 one year. 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 hospital 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.

f. Leases

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

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

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

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

g. Intangible assets

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

h. Biological Assets

The hospital 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 hospital, 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 Hospital expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Hospital 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.

A financial instrument is any contract that gives rise to a financial asset of one hospital and a financial liability or equity instrument of another hospital. At initial recognition, the hospital 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 hospital 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 hospital'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 hospital 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 hospital 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 hospital 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 hospital 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 hospital recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Notes*.

Financial liabilities

Classification

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

k. Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method.

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

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

l. Provisions

Provisions are recognized when the Hospital 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 Hospital 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.

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 hospital 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 hospital will incur in fulfilling the present obligations represented by the liability.

n. Contingent liabilities

The Hospital 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 Hospital 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 Hospital in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

p. Nature and purpose of reserves

The hospital creates and maintains reserves in terms of specific requirements. *(Hospital to state the reserves maintained and appropriate policies adopted.)*

q. Changes in accounting policies and estimates

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

r. Employee benefits

Retirement benefit plans

The Hospital provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an hospital pays fixed contributions into a separate hospital (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation. *(the hospital 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 Hospital regards a related party as a person or an hospital with the ability to exert control individually or jointly, or to exercise significant influence over the *Hospital*, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO/principal and senior managers.

v. Service concession arrangements

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

w. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes

in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

x. Comparative figures

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

y. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Hospital'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 Hospital 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 Hospital. 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 Hospital.
- 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

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Provisions were raised and management determined an estimate based on the information available. 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.

Notes to Financial Statements Continued

6. In Kind Contributions from The County Government

Description	2024-2025	2023-2024 KShs
Salaries and wages	-	824,090
salaries and wages (Permanent employees)	-	5,224,776
Total grants in kind	-	6,048,866

7. Public Contributions and Donations

Description	2024-2025 KShs
Public donations (KEMSA and MEDS)	8,774,709
Total donations and sponsorships	8,774,709

8. Rendering of Services-Medical Service Income

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Health Services Fund (FIF)	18,903,308	5,019,210
Waivers	-	13,300
Total revenue from the rendering of services	18,903,308	5,032,510

9. Miscellaneous Income

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Amref	-	40,500
Impact	-	5,400
Total Miscellaneous income	-	45,900

10. Transfers From Other Government Entities

Description	2024-2025	2023-2024
	KShs	KShs
NHIF capitation Claims	-	137,550
SHIF Claims	-	7,605,160
Total Transfers	-	7,742,710

Notes to the Financial Statements (Continued)

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11. Medical/ Clinical Costs

Description	2024-2025	2023 - 2024
		KShs
Laboratory chemicals and reagents, medical drugs, non-pharms	10,827,379	1,956,450
Food and Ration	2,278,521	1,908,000
Sanitary and cleansing Materials	1,079,000	116,540
Chemicals and Industrial gases	96,640	82,200
Medical Record	279,000	429,730
Public Health Activities	250,000	-
Total	14,810,540	4,492,920

12. Board of Management Expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Sitting allowance and other related expenses	297,000	334,000
Total	297,000	334,000

13. Employee Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Employee costs (Temporary staff)	248,812	190,535
Employee Cost (Paid by County)	-	6,048,866
Employee costs	248,812	6,239,401

14. Repairs And Maintenance

Description	2024-2025	2023-2024
	Kshs	Kshs
Property- Buildings, furniture and fittings and electrical repairs	1,596,248	301,099
Total repairs and maintenance	1,596,248	301,099

15. General Expenses

Description	2024-2025	2023 - 2024
		KShs
Fuel	1,176,000	543,336
Office Tea	259,695	-
Bank Charges	20,635	15,928
Travel and accommodation allowance	530,700	95,600
Printing and stationery and General office supply	68,500	137,000
Telephone and mobile phone services	97,000	210,500
Stipend for Contracted doctor	88,000	52,086
Total	2,240,530	1,054,450

16. Depreciation and Amortization Expense

Description	2024-2025	2023-2024
	Kshs	Kshs
Property, plant and equipment	3,125	3,125
Total depreciation and amortization	3,125	3,125

17. Cash And Cash Equivalents

Description	2024-2025	2023 - 2024
		KShs
Current accounts	3,933	291
Total cash and cash equivalents	3,933	291

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

		2024-2025	2023 - 2024
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1158858353	3,904	291

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Kenya Commercial bank	1318282454	29	-
Sub- total		3,933	291
Grand total		3,933	291

18. Receivables From Exchange Transactions

Description	2024-2025	2023-2024
	KShs	KShs
Medical services receivables	8,940,245	11,024,693
Total receivables	8,940,245	11,024,693

Analysis of Receivables from Exchange Transactions

Description	2024-2025		2023-2024	
	Kshs		Kshs	
	2024-2025	% of the total	2023-2024	% of the total
Less than 1 year	8,940,245	100%	7,756,010	70%
Between 1- 2 years	-	0%	3,268,683	30%
Total (a+b)	8,940,245	100%	11,024,693	100%

19. Inventories

Description	2024-2025	2023-2024
	KShs	KShs
Pharmaceutical supplies	14,189,129	405,529
Food supplies	-	14,969
Non-Pharms	-	2,611,392
Lab items and Reagents	-	132,546
Total	14,189,129	3,164,436

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Notes to the Financial Statements (Continued)

20. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost								
At 1 July 2022 (previous year)	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
At 30th Jun 2023	-	-	-	-	-	-	-	-
At 1 July 2023 (current year)	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	25,000	-	25,000
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
At 30th Jun 2024	-	-	-	-	-	25,000	-	25,000

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At 1 July 2024	-	-	-	-	-	-	-	-	-	25,000
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-	-	-
At 30th Jun 2025	-	-	-	-	-	-	-	-	-	25,000
Depreciation and impairment										
At 1 July 2022 (previous year)	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-
At 30 June 2023	-	-	-	-	-	-	-	-	-	-
At July 2023 (current year)	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	3,125	3,125
Disposals	-	-	-	-	-	-	-	-	-	-

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Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2024	-	-	-	-	-	-	-	-	-	3,125	-	-	3,125
At 1 July 2024	-	-	-	-	-	-	-	-	-	3,125	-	-	3,125
Depreciation	-	-	-	-	-	-	-	-	-	3,125	-	-	3,125
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2025	-	-	-	-	-	-	-	-	-	6,250	-	-	6,250
Net book values													
At 30 th Jun 2023	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 th Jun 2024	-	-	-	-	-	-	-	-	-	21,875	-	-	21,875
At 30th Jun 2025	-	-	-	-	-	-	-	-	-	18,750	-	-	18,750

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Rate of Depreciation

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

21. Trade And Other Payables

Description	2024-2025	2023-2024
	KShs	KShs
Trade payables	459,000	-
	459,000	-

Total trade and other payables Analysis

Ageing analysis:	2024-2025	% of the Total
Under one year	459,000	100%
Total	459,000	

Notes to the Financial Statements (Continued)

22. Cash Generated from Operations

Description	2024-2025	2023-2024
	KShs	
Surplus for the year before tax	8,481,762	6,444,990
Adjusted for:		
Depreciation	3,125	3,125
Working Capital adjustments		
Increase in inventory	(11,024,693)	(3,164,436)
Increase in receivables	2,084,448	(3,259,388)
Increase in payables	459,000	-
Net cash flow from operating activities	3,643	24,291

23. Financial Risk Management

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

(i) Credit risk

The hospital 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 hospital's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Receivables from exchange transactions	11,024,693	0	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	11,024,693	0	0	0
At 30 June 2025				
Receivables from exchange transactions	8,940,245	0	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	8,940,245	0	0	0

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 hospital's short, medium and long-term funding and liquidity management requirements. The hospital 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.

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the hospital 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 hospital'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.

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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 hospital's exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

The hospital has no transactional currency exposures as there were no purchases of goods and services that were done in foreign currencies.

Foreign currency sensitivity analysis

There were no transactions made in foreign currency hence there was no risk relating to exchange rates.

b) Interest rate risk

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

iv) Capital Risk Management

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

Description	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	0	0
Capital reserve	0	0
Total funds	0	0
Total borrowings	0	0
Less: cash and bank balances	(3,933)	(291)
Net debt/ (<i>excess cash and cash equivalents</i>)	(3,933)	(291)
Gearing	0%	0%

24. Related Party Balances

Nature of related party relationships

Entities and other parties related to the hospital 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.

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

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

(There were no related parties' costs at the end of the financial year)

25. Segment Information

(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an hospital to present segmental information of each geographic region or department to enable users understand the hospital's performance and allocation of resources to different segments)

26. Contingent Liabilities

(There were no contingent liabilities for the financial year under review)

27. Capital Commitments

(There were no capital commitments under the financial year under review)

28. Events after the Reporting Period

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

29. Ultimate and Holding Hospital

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

30. Currency

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

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
1	<p>Review of the financial statements revealed inaccuracies and misstatements affecting various amounts and balances, as detailed below;</p> <p>i. The statement of financial performance reflects revenue from exchange transactions amount of Kshs.5,032,510 as disclosed in Note 7 to the financial statements which is not supported with ledger schedules.</p> <p>ii. Further, transfers from other Government units' amount of Kshs.7,742,710 differs with the ledger schedules amount of Kshs.7,065,311, resulting in unreconciled variance of Kshs.677,399.</p> <p>iii. The statement of financial position reflects receivables from exchange transactions balance of Kshs.11,024,693 whose supporting ledger schedules were not provided for audit verification.</p> <p>iv. The statement of cash flows reflects facilities improvement fund amount Kshs.6,351,396 which is not supported and does not appear in the statement of</p>	<p>The management noted the auditor's observation and provides ledger schedule for Ksh. 5,032,510, Ksh. 7,742,710 and Ksh. 11,024,693. Further, the management would like to clarify that the cash collected from rendered services and transfer from the other government entities are all considered as facility improvement fund. In the statement of cashflow, the amount received from these two revenue sources were combined and reported as a one. Further, for the casuals' payment amounting to Ksh. 824,090, this was reported as in-kind contribution as they were cost paid by the county on behalf of the hospital as indicated in Note 23 to the Financial Statement. Besides, the management would like to clarify that the Public Service Board is in charge of the regulation of the staff wages and further, the hospital currently has no outstanding wages payable to the casuals as these costs were taken by the county.</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>financial performance or the statement of changes in net assets.</p> <p>v. The table of contents has omitted report of the Medical Superintendent and corporate governance statement.</p> <p>vi. Note 12 to the financial statements reflects an amount of Kshs.190,535 in respect of casual payments. However, payroll provided to support the expenditure reflects an amount of Kshs.1,014,625, resulting in an unreconciled variance of Kshs.824,090.</p> <p>vii. Further, all casual employees are paid an amount of Kshs.12,473 which is below the statutory minimum wage of Kshs.15,120.</p> <p>viii. In addition, eighteen (18) casual workers, with outstanding wages of Kshs.1,711,050, had not been paid since January, 2024 and the amount was not disclosed as payables in the statement of financial position.</p> <p>In the circumstances, the accuracy, completeness, presentation and disclosure of the financial statements could not be confirmed.</p>			
2	<p>The statement of financial performance reflects employee costs of Kshs.63,711,937 as disclosed in Note 12 to the financial statements which includes salaries paid on behalf of the Hospital by the County Government of Migori amounting to Kshs.63,521,402</p>	<p>The management noted the auditor's observation and wishes to state that the payroll for staff indicated as in-kind is being maintained at the county headquarters and this majorly applies to the permanent and pensionable staff as indicated in note</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>as further disclosed in Note 23 to the financial statements. However, the payments were not supported by payroll. Further, the statement of financial performance reflects medical or clinical costs of Kshs.4,492,920. However, the cost of drugs purchased by the County Government of Migori on behalf of the Hospital were not disclosed in the financial statements contrary, to Regulation 74(4) of the Public Finance Management (County Governments) Regulations, 2015 which states that 'where grants and donations are receivable in kind, the value of such donations shall be determined and included in the estimate and reflected as expenditure in the financial year'.</p>	<p>23 to the financial statement amounting to Ksh. 62,697,312. The management provides a list together with the gross pay for these staff paid by the county government amounting to Ksh. 62,697,312. The difference of Ksh. 824,090 was the cost of casuals paid by the county on behalf of the hospital which the payroll was provided for audit verification. The cost of drugs purchased by the county on behalf of the hospital will be disclosed in the next financial year.</p>		
3	<p>The statement of financial performance reflects rendering of services -medical service income amount of Kshs.5,032,510 as disclosed in Note 7 to the financial statements. However, the revenue was not supported with schedules and receipt vouchers. Further, bank statements and cash books to support the revenue collected were not provided for audit verification. In addition, included in the amount is Kshs.13,300 in respect of waiver of medical bills. However, Management did not provide supporting documents for the waiver, contrary to Regulation 64(3)(a),(b)(c) and (d) of the Public Finance Management (County Governments) Regulations, 2015 which provides that</p>	<p>The management noted the auditor's observation and provided copies of revenue cashbook, bank statement, schedules and waiver form for the amount.</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	the accounting officer or receiver of revenue or collector of revenue shall include in the report under paragraph (1),the details in respect of each waiver or variation: the full name of each person benefiting from the waiver or variation; the amount of tax, fee or charge affected by the waiver or variation; the year to which the waiver or variation relates and the reasons for the waiver or variation.			
4	The statement of financial position reflects receivables from exchange transactions balance of Kshs.11,024,693 as disclosed in Note 17 to the financial statements relating to dues from the National Health Insurance Fund (NHIF). However, aging analysis of the balance of Kshs.3,268,683 indicates that the balance has been outstanding for more than a one (1) year without any justification. Further, there was no evidence on measures put in place to recover the outstanding receivables. In the circumstances, the recoverability of the outstanding receivables from exchange transactions balance of Kshs.3,268,683 could not be confirmed.	The management noted the auditor’s observation and provided copy of letter to NHIF demanding for the settlement of the arrears.	Not Resolved	
5	As previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.21,875 as disclosed in Note 19 to the financial statements. However, physical inspection carried out in	The management noted the auditor’s observation and wishes to state that transfer of ownership documents to the facility and the county as a whole is awaiting the Intergovernmental Relation Technical Committee	Not resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	December, 2024 revealed that the Hospital has five (5) acres of land, buildings, a functional borehole, an incinerator, furniture and fittings, medical equipment, ICT equipment, two (2) motor vehicles recorded in the assets maintain detailed fixed asset register detailing the types and names of the assets, serial assets. In addition, the Hospital did not have title deed for the land and no log books for recorded assets. It was also noted that most of the assets were not tagged and assets movement registers were not properly maintained. In the circumstances, the accuracy, completeness, valuation and ownership of property, plant and equipment balance of Kshs.21,875 could not be confirmed	(IGRTC) report that contains all the assets and liabilities inherited from the defunct local authority. Further, these assets will be disclosed in the next financial report.		
6	Unresolved Prior Year Matters	The management noted the auditor's observation and is committed to continuously resolve the issues as raised in the auditor's report.	Not Resolved	
7	Non-Compliance With Minimum Requirements for Level 4 Hospital	The management noted the auditor's observation and wish to state that it relies on the county government to bridge the above-mentioned gaps and at the moment, the hospital received some medical staff from the county. This has helped to continuously reduce the above-mentioned deficits.	Not resolved	
8	Non-Compliance with the Law on Ethnic Composition	The management noted the auditor's observation and wishes to state that the recruitment of staff is a function of the Migori Public Service Board.	Not resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
9	Irregular Engagement of Casual Employees	The management noted the auditor's observation and wishes to state that the recruitment of all the staff is done by the Public Service Board. Further, all the documentation and processes pertaining to the recruitment of staff are also done by the same board.	Not resolved	
10	Review of the master list from the Ministry of Health revealed that the Ministry supplied the Hospital with various theatre (medical) equipment. Included in the master list was supply of a medical equipment named MOH-01-09 and a resuscitation Patient Trolley which were delivered to the Hospital. However, physical inspection and inquiry from the Hospital administration revealed that the said medical equipment were never delivered to the Hospital and the Hospital Management is not aware of the status of equipment. Further, included in the master list were other medical equipment which was delivered and received at the Hospital. This equipment included a C ARM equipment serial No. e2-5197 and a MOH-1-08, Patient Stretchers/Side Rails Serial No. rpt044mhl. However, physical verification of the equipment revealed that the equipment was still lying idle in the store and has not been put to use. It was further noted that the C ARM equipment has never been used since there is no Orthopedic doctor/specialist to operate it. As such, the	The management has noted the auditor's observation and wish to state that the county government executive sponsored Dr. Ogutu Meshack to go train as an orthopaedic surgeon and currently is back from study leave and now the machine is operationalized.	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	existence of the MOH-01-09 and the resuscitation Patient Trolley equipment could not be confirmed. In the circumstances, value for money on the medical equipment could not be ascertained.			
11	The statement of financial performance reflects rendering of services-medical income amount of Kshs.5,019,210 as disclosed in Note 7 to the financial statements. However, the Hospital did not provide quarterly reports prepared and submitted to the County Treasury with a copy to the Auditor-General as per the requirements of Regulation 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the 'Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter'. In the circumstances, Management was in breach of the law.	The management has noted the auditor's observation and wish to provide a quarterly revenue report submitted to the county treasury and going forward, the report will be copied to the auditor general.	Not resolved	
12	The statement of financial performance reflects rendering of services medical income amount of Kshs.5,019,210 as disclosed in Note 7 to the financial statements. However, there was no segregation of duties in revenue collection since the same person was receiving revenue, issuing receipts and carries the banking of the revenue. This was contrary to Regulation 63(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states	The management has noted the auditor's observation and wish to state that the above issue has been resolved whereby currently the hospital has four revenue collectors and a cashier who banks the revenue and submits final revenue report.	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>that 'an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments or agencies'. Further, the system used to record revenue is a stand-alone system with no back up and no external connection for access by the other medical staff.</p> <p>In the circumstances, the adequacy and effectiveness of internal controls on revenue could not be confirmed and Management was in breach of the law.</p>			
13	<p>During the year under review there was no evidence that the pharmacist in the facility was registered in line with Section 8(2) of the Pharmacy and Poisons Act, 1989 (Revised 2012) which states that 'every person who satisfies the Board that he holds a diploma in pharmacy approved by the board of any college in Kenya or any other country shall, subject to this Act, be entitled to have his name entered in the Roll'.</p>	<p>The management noted the auditor's observation and provided a copy of the hospital pharmacist license.</p>	Resolved	
14	<p>The statement of comparison of budget and actual amounts reports a final revenue budget and final expenditure budget of Kshs.76,342,522 and Kshs.6,448,115 respectively. However, the Hospital did not prepare a budget, contrary to Section 149 (2) (h) and (i) of the Public Finance Management Act, 2012</p>	<p>The management has noted the auditor's observation and wishes to state that the budget for the hospital was amalgamated with that of the other hospitals whereby the total allocation for all the hospitals were Ksh. 145,950,000. Going forward, the management</p>	Resolved	

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	<p>which requires each accounting officer for a County Government hospital to prepare estimates of expenditure of the hospital in conformity with the strategic plan and submit the estimates of an hospital, which is not a county corporation, to the County Executive Committee member for finance. In the absence of budget, the accuracy and completeness of the final budget amounts in the statement of comparison of budget and actual amounts could not be confirmed and Management was in breach of the law.</p>	<p>will provide a line budget for the hospital in the main budget. The management attached budget for review.</p>		
15	<p>During the year under audit, it was noted that the Hospital's operations in terms of procurement of good and services was still centralized at the County Headquarters since the Hospital has to make requisitions for supply of goods and provision of services to the County's Department of Health and Medical Services. Further, it was noted that once the goods are supplied and services provided, the Hospital submits the necessary documents to the County's Department for Health and Medical Services for payment. In the circumstances, the lack of operational autonomy in terms of procurement and payments may lead to delay in provision of services to the residents.</p>	<p>The management noted the auditor's observation and wishes to state that it has operational autonomy whereby it procures and pays for the services received.</p>	Resolved	

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16	<p>During the year under review, the Hospital Management did not maintain records of inventory requisitions for pharmaceuticals and non-pharmaceutical items, contrary to Regulation 171(1)(e) of the Public Procurement and Asset Disposal Regulations, 2020 which states that, 'the head of the procurement function of a procuring hospital shall ensure that all stores' requisitions and issues are approved by the head of the procurement function pursuant to section 162(4) of the Act'.</p> <p>Further, physical inspection of the pharmaceuticals or drugs store in December, 2024 revealed shortages of essential pharmaceuticals or drugs that are frequently prescribed for patients and that some drugs were out of stock while others were insufficient and below the designated facility levels.</p> <p>In the circumstances, the ability of the Hospital to offer universal healthcare to the residents could not be confirmed.</p>	<p>The management noted the auditor's observation and provides sample of inventory requisition forms and s11. Currently the hospital received supplies from KEMSA through the department of medical services, whereby most of these essential drugs were received and are in stock. Moreover, the hospital also bridges this gap through its own procurement.</p>	Not resolved	
17	<p>The Hospital Management did not prepare and present a procurement plan for the year ended 30 June, 2024. This was contrary to Regulation 50(2) of the Public Finance Management (County Governments) Regulations, 2015 which provides that; expenditure commitments for goods and services shall be controlled against spending and procurement plans approved by</p>	<p>The management noted the auditor's observation and provided the procurement plan for the facility</p>	Resolved	



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	the responsible Accounting Officer, based on allocations and allotments from approved budgets.			



Francis Manyinza