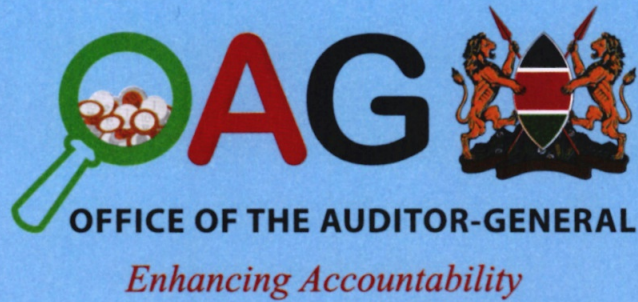


REPUBLIC OF KENYA



REPORT

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THE AUDITOR-GENERAL

ON

**MANDERA NORTH SUB-COUNTY LEVEL 4
HOSPITAL**

**FOR THE YEAR ENDED
30 JUNE, 2022**

COUNTY GOVERNMENT OF MANDERA



OFFICE OF THE AUDITOR GENERAL
NORTH EASTERN REGIONAL OFFICE
19 JUL 2023
RECEIVED
P. O. BOX 88-70100 GARissa

**MANDERA NORTH SUB COUNTY LEVEL 4
HOSPITAL
(MANDERA COUNTY GOVERNMENT)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2022**

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

DATE	18/09/24
TABLED BY	Majority leader
COMMITTEE	
MEMBER	Angela
PAPERS LAID	

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1. Acronyms & Glossary of Terms

Provide a list of all acronyms and glossary of terms used in the preparation of this report e.g.

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

II. Key Entity Information and Management

(a) Background information

Mandera North Sub County Hospital is a level (4) hospital established under gazette notice and is domiciled in Mandera County under the Medical Service Department. The hospital is governed by a Hospital Management Team.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to provide health services

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Medical Superintendent	Dr. Rashid Hussein Noor
2.	Head of finance	Albashir Abdullahi Sheikh
3.	Head of supply chain	Abdirahim Issack Mohamed
4.	Hospital administrator	Adan Ahmed Ali
5.	Nursing Officer In-charge	Hussein Ibrahim Issack

(e) Fiduciary Oversight Arrangements

1. County executive committee

County Executive Committee exercise executive authority in accordance with Kenya constitution, PFM act and County legislations.

2. Internal Auditor

The internal Audit Department of the County Government of Mandera ensures internal control exist and are adhered,

3. County Assembly

The county assembly, pursuant to the constitution of Kenya, 2010 and the County Government Act, 2012 under Article 8(1) has fiduciary oversight role over execution of the functions of County Government, Approves the budget and expenditure of the County Government in accordance with Article 207 of the constitution of Kenya.

Key Entity Information and Management (continued)

(f) Mandera North Sub County Level 4 Hospital Headquarters

P.O. Box 35-70302
Rhamu, KENYA

(g) Mandera North Sub County Level 4 Hospital Contacts

Telephone: (+254) 720121457
E-mail: rhamuhospital01@gmail.com
Website: www.go.ke

(h) Mandera North Sub County Level 4 Hospital Bankers

Equity Banks

(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. 13-70300
Mandera, Kenya

III. The Board of Management

There is no Board of Management in place

IV. Key Management Team

Directors	Details
<p>Adow Ibrahim Mohamed</p> 	<p>CCO Medical services</p> <p>Adow holds a Bachelor of business management degree.</p> <p>He brings over 20 years' experience from private sector from middle level to high management level. Adow strives has strived through own initiatives in acquiring more knowledge, experience and skills thus keeping up with ever increasing professional dynamics.</p>
<p>Dr Rashid Hussein Noor</p> 	<p>Medical superintendent</p> <p>A dept Senior medical officer with more 5-year experience in clinal and managerial position dedicated to exemplary patient care and with knowledge of arrange of health issues .</p>
<p>Ahmed Siraj Alinoor</p> 	<p>Hospital Administrator</p> <p>A dept senior administrative officer with more 10 year experience in managerial position dedicated to hard work and with knowledge of arrange of health management .</p>
<p>Hussein Ibrahim Issack</p>	<p>Nursing Officer in-charge</p> <p>Hussein holds a Bachelor of Science Environmental Health</p>

	<p>A dept Nursing officer with more 10 year experience in community health nursing and managerial position dedicated to exemplary patient care and with knowledge of arrange of health issues.</p>
<p>Albashir Abdullahi Sheikh</p> 	<p>Hospital Accountant In- Charge</p> <p>Albashir holds a Bachelor of Commerce in finance option.</p> <p>He brings over 8 years' experience from both private and government sector. He has strived through own initiatives in acquiring more knowledge, experience and skills thus keeping up with ever increasing professional dynamics.</p>
<p>Abdirahim Issack Mohamed</p> 	<p>Procurement Officer In- Charge</p> <p>Abdirahim holds a bachelor degree in Business management in procurement option.</p>

V. Chairman's Statement

The hospital has no Board of Management in place

.....

Name

Chairman to the Board

VI. Report of The Medical Superintendent

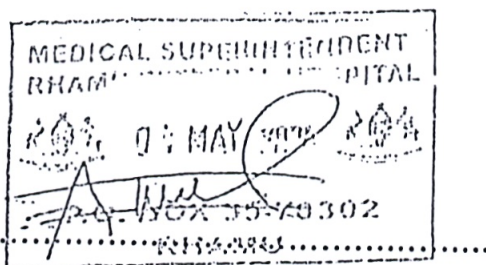
Mandera North Sub-County Level 4 Hospital was established early 1971 to cater for the health needs of the Mandera North region and its neighbouring. Since then it has grown to become referral hospital serving sub county and more than 33,726 people.

The surrounding environment where the hospital is operating is critical in allowing the hospital to position itself to take advantage of emerging opportunities and deal with challenges. Fundamental importance in this environment is a government policy and the hospital is governed by the policies and regulations set by both national and county government departments responsible for health services.

The hospital derived its revenue from county grants and hospital has realised great improvements of revenue compared to previous financial years. However, the costs of running is the facility is high putting the hospital under strick financial constrain. The hospital strategic plan is to sustain a competitive business to achieve client satisfaction, financial sustainability and infrastructure development that reflects modern standards in medical practices.

The hospital based on the population that is serves is faced with a lot of challenges ranging from global issues, financial constrain, inadequate human resource, environmental challenge, and technological growth that hospital have to adopt in order to fulfil in the health service delivery. However, the management is looking forward to adopt technological transformation in order to increase operational efficiencies, patient focus service delivery and informed decision making.

I take this opportunity to express my sincere gratitude and appreciation to the ministry of health, Mandera County Government, management and staffs for their continued support which made us to achieve this result.



Name Dr Rashid Hussein Noor

Secretary to the Board

VII. Statement of Performance Against Predetermined Objectives

Mandera North Sub-County Level 4 Hospital has five strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2021- 2022.

These strategic pillars/ themes/ issues are as follows;

1. Clinical services, products and Technologies
2. Healthcare financing and sustainability
3. Quality improvement
4. Human resource development
5. Leadership and governance

The facility develops its annual work plans based on the above five thematic areas.

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

VIII. Corporate Governance Statement

Board of Management is responsible for the corporate governance of the Hospital and is accountable to Ministry of Health, County department of health Mandera County for ensuring that the Hospital complies with the laws and the highest standards of corporate governance and business ethics. The Board members attach great importance to the need to conduct the business and operations of the Hospital with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

a) Board of Management. The Board of Management is composed of non-executive members elected by the Governor of Mandera County. The Appointed Board of Management to be held accountable and responsible for the efficient and effective governance of the hospital. Members of the Board have a range of skills and experience and each brings an independent judgment and considerable knowledge to the Board's discussions. The board term is three years renewal subject to performance. Summarized below are the key roles and responsibilities of the Board:

- Approve and adopt strategic plans and annual budgets, set objectives and review key risk and performance areas.
- Resource Mobilization
- Determine overall policies and processes to ensure integrity of the Hospital's management of risk and internal contracts; and
- Review at regular meetings Management's performance against approved budget.

The full Board meets at least 4 times a year with a few special meetings. The Board members are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Chief Executive Officer. The Board nonetheless retains responsibility for establishing and maintaining the Hospital's overall internal control, financial, operational and compliance framework.

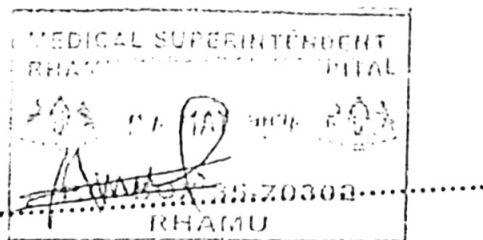
b) Board Meetings. the Board as per the Annual work plan meets quarterly or additionally when necessary to consider matters of overall control of the hospital. The Board agenda and work plan are prepared early in the year and adequate notice, agenda and Board papers are circulated within stipulated timelines.

c) Board Remuneration. Non-Executive Members provide services to the hospital to which they are entitled to allowances, the allowance is paid as per the government of Kenya allowance circulars.

IX. Management Discussion and Analysis

The considerations in restructuring an organization are effective coordination of roles and responsibilities to avoid overlap and duplication of roles and effort; clear accountability for results; enhanced teamwork and effective communication; and career development for staff. Appropriate structures also allow the organization to resource and sustain essential skills and expertise in the organization. The institution began the financial year with a lot of goodwill from the County Government by reviving most department that were close to shutting down in providing services e.g. dental, laboratory and renal among many others. This improved service delivery and confidence of the community to come and seek for services in the facility shown by the increment in patient numbers and increment in revenue collected by the facility during this period. Robust investment in resources to rehabilitate the wards will be important and engaging corporate clients will increase our competitive mark in offering specialised services in the region. A research in the market and alternative options of supply chain management will be key in cutting cost measures and adopting an electronic information management will ensure accurate data capture, check n revenue collection and accountability in supply chain management. Clinical/operational performance During the financial year 2021-2022 a total of 39,173 patients were treated in the outpatient departments. This was 116% outpatient service utilization in a hospital catchment population of 33,726 persons during the year. A total of 1,282 patients were treated as inpatient for medical and maternity cases. The inpatient service utilization was affected by conversion of the facility to a COYID -19 isolation centre to manage COVID-19 patients. The transition saw the number of patient admitted reduce compared to the previous year. The total deaths in the year were 13 with a mortality rate of 1 deaths per I 000 persons. The hospital bed capacity for the year was 24 bed shared among paediatric medical, female medical, male medical and maternity. The reduction in bed capacity was due to conversion of one wing of medical ward to maternity ward.

Financial performance that includes: - The hospital generated revenue amounting to kshs 625,000 from user fees charged on patients during the year. The income was from cash paying clients and insurance companies mainly National Hospital Insurance Fund. The hospital also received kshs 13,250,000 transfer from the county government. By the close of the financial year the funds utilization was at 100%



Name

Secretary to the Board

X. Environmental And Sustainability Reporting

The hospital exist to transform lives. It's what guides the hospital to deliver its strategy, putting the clients first, delivering health services and improving operational excellence. Below is an outline of the hospital's policies and activities that enhance sustainability.

i) Sustainability strategy and profile

Mandera North Sub County Level 4 Hospital and its stakeholders are increasingly emphasizing important need to secure sustainability for both its business and resource mobilisation and financing capability with objective of ensuring that hospital is going concern facility. The hospital has reviewed its current resource mobilization strategies and proposed feasible sustainable financing options: • Enhancing client satisfaction through offering quality services • Bringing on board more financial institutions e.g. banks and donors

ii) Environmental performance Environmental performance

Hospitals and care systems should make environmental sustainability a priority and create a culture of change to achieve lasting results. Implementing lasting sustainability initiatives in hospitals and care systems requires participation from multiple leaders across multiple departments, from senior executives to department-level advocates. The hospital has coloured coded bins at all departmental levels and general cleanliness of the hospital is well maintained in both indoors and the ground. There is a challenge of high cost of fuel for incinerator for waste disposal.

iii) Employee welfare

The employment process involves bringing new employees into the organization. This is the mandate of county public service board in line with public service commission, human resource manual and procedures may section B 2016 which provides guidelines governing recruitment and appointment of new officers Improvement of employee skills and career management is done through employee sponsorship to further their studies in line with their careers. Capacity building of the employee is done through training programmes with government institutions who are offering short related courses in order improve performance, rewards for good performance and action for poor performance.

Human. Resource manual procedures provides for guidelines and standards for prevention and protection of officers against accident and occupational hazard arising at work place in relation of compensation for work related injuries and accident while in the course of employment.

Market place practices

a) Responsible competition practice.

It's done through use of available of available website for advertisement.

b) Responsible Supply chain and supplier relations

Involvement of suppliers in the tendering process and giving them feedback in good time explaining to them reasons of award and rejections.

c) Responsible marketing and advertisement

It's done through use of website and local newspapers and community engagement

d) Corporate Social Responsibility / Community Engagements

The hospital seeks to impact people's lives through its Corporate Social Responsibility (CSR) initiatives. The initiatives are aimed at improving lives and enhance engagement with the public. Central to this philosophy is the commitment to enhance the quality of life of people from

marginalised and vulnerable communities, by empowering them and catalysing change through creating awareness on diseases and available interventions.

XI. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2022, which show the state of the hospital's affairs.

Principal activities

The principal activities of the entity

Results

The results of the entity for the year ended June 30 2021 are set out on pages to

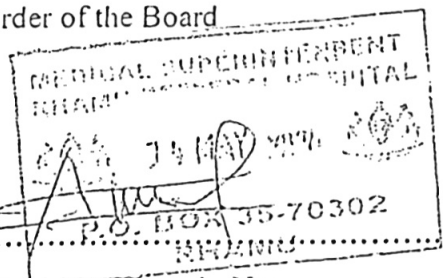
Board of Management

The hospital had no Board in place

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



Dr. Rasheed Hussein Noor

Secretary to the Board

XII. 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/period 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 (period) ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the Hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the Hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board members are of the opinion that the Hospital's financial statements give a true and fair view of the state of Hospital's transactions during the financial year ended June 30, 2022, and of the Hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Hospital, which have been relied upon in the preparation of the Hospital's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

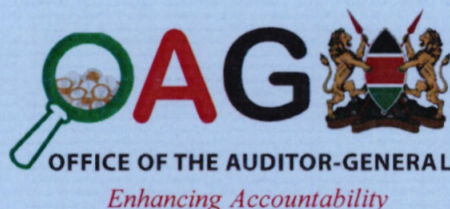
The Hospital's financial statements were approved by the Board on 24th May 2022 and signed on

its behalf by: ADMINISTRATOR
RHAMU GENERAL HOSPITAL
Name: 04 MAY 2022
Hospital
Administrator Box 35-70302,
RHAMU.

MEDICAL SUPERINTENDENT
RHAMU GENERAL HOSPITAL
Name: Dr. Rashid Hussein Noor
P.O. BOX 35-70302
Accounting Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MANDERA NORTH SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF MANDERA

PREAMBLE

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

- A. Report on the 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 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 Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on the 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.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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 Mandera North Sub-County Level 4 Hospital - County Government of Mandera set out on pages 1 to 30, which

comprise of the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mandera North Sub-County Level 4 Hospital - County Government of Mandera as at 30 June, 2022 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 Public Finance Management Act, 2012, the Health Act, 2017 and County Governments Act, 2012.

Basis for Qualified Opinion

1. Undisclosed Property, Plant and Equipment

The statement of financial position does not reflect balances in respect to property, plant and equipment. However, the Hospital has movable and non-movable assets of undetermined value relating to land, building, motor-vehicles, medical equipment and computers. Further, ownership documents for land and motor vehicles were not provided for audit verification.

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

2. Own Generated Revenue

The statement of financial performance reflects rendering of services-medical service income of Kshs.625,000 as disclosed by Note 7 to the financial statements. Review of the revenue records revealed that revenue collection at the facility was under control of the County Executive of Mandera. It was also noted that revenue was collected through Revenue Management System for all the Hospital streams managed by the County Executive of Mandera. However, the Hospital could not generate reports for each revenue stream to support the daily and monthly collections. In addition, the Hospital did not maintain a cash book to record revenue received.

In addition, the revenue clerks received revenue payments both in cash and through M-Pesa. It was however noted that the clerks did not have safe boxes to keep the liquid cash received. Further, they deposited the cash received through their personal M-Pesa accounts to the Hospital pay bill number at the close of day. It was further noted that supporting documents including M-Pesa transactions and cash books were not provided to support the revenue collected by the Hospital.

In the circumstances, the accuracy and completeness of the own generated revenue could not be confirmed.

3. Unsupported Inventory

The statement of financial position as at 30 June, 2022 does not reflect balance in respect to inventories. However, during the year under review, the Hospital procured food items, office stationery and supplies, pharmaceuticals for its operations that were received and recorded in the stores before dispensed to laboratory, pharmacy, wards, kitchen, offices and outpatient units amongst others. It was noted that the annual stock take was not conducted as at 30 June, 2022 to confirm the closing stock balances of inventories.

In the circumstances, the accuracy and completeness of the inventories as at 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Mandera North Sub-County Level 4 Hospital Mandera 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

Lack of Approved Budget

Management did not prepare estimates of income and expenditure and submit the same to the respective County Executive Committee Members as required. Although the statement of comparison of budget and actual amounts was prepared and included in the financial statements, the source of budget figures reflected in the statement could not be confirmed as the management did not avail an approved budget.

My opinion is however not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in 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. Late Submission of Financial Statements

Management of the Mandera North Sub-County Level 4 Hospital submitted the financial statements for the financial year ended 30 June, 2022 on 25 March, 2024 eighteen (18) months after the stipulated deadline of 30 September, 2022. This was contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

2. Service Delivery Gaps

Verification of services offered, equipment used and number of staffing at the Hospital revealed that, the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines as analyzed below:

Criteria	Minimum Required	Actual	Variance
Staffing requirement			
Medical Officers	16	4	12
Anesthesiologists	2	0	2
General Surgeons	2	0	2
Gynecologists	2	0	2
Pediatricians	2	0	2
Radiologists	2	0	2
Registered Community Health Nurses	75	20	55
Total	101	24	77
Services offered			
Surgical Services		Yes	
Pediatric Services		No	
Gynecology Services		No	
Radiology Services		No	
Renal Services		No	
Tuberculosis Services		Yes	
Equipment & machines			
Incubators (Newborn)	5	2	3
Cots	5	0	5
Resuscitaire in Theatre	1	0	1
Resuscitaire in Labour Ward	2	0	2

Criteria	Minimum Required	Actual	Variance
Functional ICU Beds	6	0	6
HDU Beds	6	0	6
Renal Unit with Dialysis Machines	5	0	5
Functional Operating Theaters Maternity and General	2	1	1
Bed Capacity	150	24	126
Audit Committee & Internal Audit			
Governance by Board of Managements		None	
		None - County Government Documents used	
Valid Board Present		No	
Regular Meeting		None	
Policy Documents e.g Risk Management Policy		None	
		None - County Government Documents used	
Fixed Assets Register		No	
Ownership Documents		None	
Equipment in Good Service		Vary in condition	

In the circumstances, the under-staffing and inadequate hospital equipment may have impacted negatively on the service delivery to the public.

3. Stock Out of Essential Medical Supplies

A review of the department of medical services stock cards for controlling stores indicate that the hospital experienced stock out of medical supplies ranging from sixty-seven (67) to three hundred and three (303) days as detailed below:

Item Description	Stock Out Date	Receipt Date	Stock Out Days
Albedazole Suspension	11/03/2022	17/01/2023	303
Septrin Suspension	4/03/2022	20/05/2022	75
Ceftriaxone 250mg Injection	22/02/2022	22/05/2022	86
Cetrisen Syrup	1/07/2021	29/01/2022	208
Flucloxacillin 125mg/5ml	14/03/2022	20/05/2022	67
Brufen Syrups IB	12/07/2021	21/12/2021	158

In addition, the Hospital Management did not have a policy on various minimum reorder levels at which medical supplies could be replenished. This may adversely affect the patients who may be in need of the above drugs and thus endangering their lives.

In the circumstances, the stock out hinders achievement of universal health care as patients cannot access services during the stock out period.

4. Management of National Health Insurance Fund (NHIF) Claims

During the year under review, the Hospital made a total NHIF claims of Kshs.910,000 which includes mainly Linda Mama programme out of which NHIF refunded the Hospital Kshs.625,000 thus leaving an outstanding balance of Kshs.285,000.

In the circumstances, the Hospital has weak control measures to minimize bad debts due to lack of documented claims/debts recovery strategy.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAI) 4000. The Standard requires 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in 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. Lack of Staff Establishment

The Hospital did not maintain a comprehensive approved staff establishment that indicates the optimal number required of staff for each category, the number in post and the variance. In the absence of an approved establishment, it is not possible to ascertain whether the staff in the Hospital were well balanced as per the departments.

In the circumstances, it was not possible to confirm whether the Hospital operated optimally without determining human resource requirements.

2. Lack of Risk Management Policy

Review of the Hospital records and an interview with the key staff revealed that the Hospital does not have a risk management policy. It was further noted that management did not carry out risk assessment during the year under review.

In the circumstances, the hospital could not be able to identify, assess and control threats that may affect achievement of its objectives.

3. Lack of Internal Audit Unit and Audit Committee

Management of the Hospital has not established both an internal audit unit and an audit committee as required by Section 155(5) of the Public Finance Management Act, 2012 to support the accounting officers with regard to their responsibilities for issues of risk control, governance and associated assurance.

Failure to put in place an audit function may result to Management to easily override controls and also cases of fraud and errors may not be detected and corrected on a timely basis.

4. Lack of a Procurement Plan

During the year under review, the Hospital did not make available for audit a procurement plan prepared as per requirements of Section 45(3) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, it was not possible to confirm whether the procured goods and services were planned for and whether the same were approved by the hospital management.

5. Failure to Establish Board of Management

During the year under review, the Hospital operated without a functional board as it awaits the implementation of the Mandera Financing Improvement Facility Act. However, a health management team has been put in place for fiduciary oversight.

Lack of a board may have hampered policy making and implementation of key policies together with oversight during the year under review.

The audit was conducted in accordance with ISSAI 2315 and 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 Management and those Charged with Governance

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 control 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 control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or 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 are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are 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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control 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 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts which would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Hospital's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue sustain its services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 June, 2024

XIV. Statement of Financial Performance for The Year Ended 30 June 2022

Description	Note	2021-2022
		Kshs
Revenue from non-exchange transactions		
Transfers from the County Government	6	13,250,000
		13,250,000
Revenue from exchange transactions		
Rendering of services- Medical Service Income	7	625,000
Revenue from exchange transactions		625,000
Total revenue		13,875,000
Expenses		
Medical/Clinical costs	8	4,579,957
Employee costs	9	2,702,060
Repairs and maintenance	10	4,482,900
General expenses	11	4,086,120
Total expenses		15,851,037
Net Surplus / (Deficit) for the year		(1,976,037)

The Hospital's financial statements were approved by the Board on 4th May 2024 and signed on its behalf by:

HOSPITAL ADMINISTRATOR
RHAMU GENERAL HOSPITAL
MAY 2024
Hospital Administrator
P. O. Box 35-70302,
RHAMU.

A. M. M.
Head of Finance
ICPAK No: 29352

MEDICAL SUPERINTENDENT
RHAMU
388
Medical Superintendent
P.O. BOX 35-70302
RHAMU

Mandera North Sub County Hospital (Mandera County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022

XV. Statement of Financial Position As At 30th June 2022

Description	Note	2021-2022
		Kshs
Assets		
Current assets		
Cash and cash equivalents	12	1,863
Receivables from exchange transactions	13	285,000
Total Current Assets		286,863
Non-current assets		
Total Non-current Assets		-
Total assets		286,863
Liabilities		
Current liabilities		
Trade and other payables	14	2,262,900
Total Current Liabilities		2,262,900
Non-current liabilities		
Total Non-current liabilities		-
Total Liabilities		2,262,900
Net assets		(1,976,037)
Accumulated surplus/Deficit		(1,976,037)
Total Net Assets and Liabilities		286,863

The Hospital's financial statements were approved by the Board on 4th May 2024 and signed on its behalf by:

HOSPITAL ADMINISTRATOR
RHAMU
MAY 2024
Administrator
P. O. Box 35-70302,
RHAMU.

A. Mwal
Head of Finance
ICPAK No: 29352

MEDICAL SUPERINTENDENT
RHAMU
Medical Superintendents
P.O. BOX 35-70302
RHAMU

XVI. Statement of Changes in Net Asset for The Year Ended 30 June 2022

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
At July 1, 2022	-		-	-
Surplus/(deficit) for the year	-	(1,976,037)	-	(1,976,037)
At June 30, 20xx (current year)	-	(1,976,037)	-	(1,976,037)

*Mandera North Sub County Hospital (Mandera County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2022*

17. Statement of Cash Flows for The Year Ended 30 June 2022

Description	2021/22	
	Note	Kshs
Cash flows from operating activities		
Receipts		
Transfers from the County Government	6	13,250,000
Rendering of services- Medical Service Income (NHIF)	7	625,000
Total Receipts		13,875,000
Payments		
Medical/Clinical costs	8	4,189,717
Employee costs	9	2,702,060
Repairs and maintenance	10	3,960,000
General expenses	11	3,021,360
Total Payments		13,873,137
Net cash flows from operating activities		1,863
Cash flows from investing activities		000
Net cash flows used in investing activities		000
Cash flows from financing activities		000
Net cash flows used in financing activities		000
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at 1 July	12	-
Cash and cash equivalents at 30 June	12	1,863

HOSPITAL ADMINISTRATOR
RHAMU
Hospital: MAY 2022
P. O. BOX 55-70302,
RHAMU.

[Signature]
Head of Finance
ICPAK No: 39552

MEDICAL SUPERINTENDENT
RHAMU
Medical Superintendent
P.O. BOX 55-70302
RHAMU

18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2023

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	
Revenue						
Transfers from the County Government	10,500,000	-	10,500,000	10,500,000	000	100%
Transfers from other Government entities	1,565,000	-	1,565,000	1,565,000	000	100%
Total income	12,065,000	-	12,065,000	12,065,000	000	100%
Expenses						
Medical/Clinical costs	3,000,000	-	3,000,000	2,795,575	204,425	93%
Employee costs	3,500,000	-	3,500,000	2,901,100	598,900	83%
Repairs and maintenance	2,100,000	-	2,100,000	1,636,350	463,650	80%
General expenses	5,050,000	-	5,050,000	4,728,940	321,060	94%
Capital expenditure	13,650,000		13,650,000	12,061,965	1,588,035	88%

The notes set out on pages form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 4th May 2024 and signed on its behalf by:

HOSPITAL ADMINISTRATOR
RHAMU REFERRAL HOSPITAL
P. O. Box 35-70302,
Hospital
RHAMU
Administrator

6 MAY 2024

.....
Head of Finance
ICPAK No: 29352

MEDICAL SUPERINTENDENT
RHAMU REFERRAL HOSPITAL
P. O. BOX 35-70302
Medical Superintendent

XIX. Notes to the Financial Statements

1. General Information

Mandera North Sub County Level 4 Hospital is established by and derives its authority and accountability from PFM Act. The entity is wholly owned by Mandera County Government and is domiciled in Kenya

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the hospital's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the 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 2022.

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

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

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

Standard	Effective date and impact
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires:-</p> <ul style="list-style-type: none"> i. Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: ii. Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2021-2022 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 entity 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 financial performance has been presented on page xxx under section xxx of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 10 years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Research and development costs

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

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

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

i. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

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

Notes to the Financial Statements (Continued)

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

j. Inventories

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

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

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

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

k. Provisions

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

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

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

Notes to the Financial Statements (Continued)

l. Social Benefits

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

m. Contingent liabilities

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

n. Contingent assets

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

o. Nature and purpose of reserves

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

Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

p. Employee benefits

Retirement benefit plans

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

q. Foreign currency transactions

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

r. 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.

s. Related parties

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

Notes to the Financial Statements (Continued)

t. Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the 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.

u. 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.

v. Comparative figures

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

w. 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, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	2021/22
	KShs
Unconditional grants	
Operational grant	13,250,000
Total government grants and subsidies	13,250,000

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Total 2022/23
			KShs	KShs	KShs
Mandera County Government	13,250,000	000	000	000	13,250,000
Total	13,250,000	000	000	000	13,250,000

Notes to Financial Statements Continued

7. Rendering of Services-Medical Service Income

Description	2021/22
	KShs
Other medical services income (Linda Mama)	625,000
Total revenue from the rendering of services	625,000

8. Medical/ Clinical Costs

Description	2021/22
	KShs
Food and Ration	2,406,957
Pharmaceutical supplies	1,055,000
Sanitary and cleansing Materials	1,118,000
Total medical/ clinical costs	4,579,957

9. Employee Costs

Description	2021/22
	KShs
Salaries, wages, and allowances	2,630,860
Contributions to pension schemes	28,800
Performance and other bonuses	42,480
Employee costs	2,702,140

10. Repairs And Maintenance

Description	2020/21
	KShs
Property- Buildings	1,822,900
Office equipment	586,000
Maintenance of civil works	2,074,000
Total repairs and maintenance	4,482,900

Notes to the Financial Statements (Continued)

11. General Expenses

Description	2021/22
	KShs
Catering expenses	490,000
Bank charges	5,820
Electricity expenses	960,400
Fuel and Lubricants	2,070,000
Printing and stationery	174,400
Water and sewerage costs	330,000
Internet expenses	55,500
Total General Expenses	4,086,120

12. Cash And Cash Equivalents

Description	2021/22
	KShs
Current accounts	1,863
Total cash and cash equivalents	1,863

Detailed Analysis of Cash and Cash Equivalents

Description		2021/22
Financial institution	Account number	KShs
a) Current account		
Equity Bank,	1000266566242	1,863
Grand total		1,863

13. Receivables From Exchange Transactions

Description	2021-2022
	KShs
Medical services receivables	285,000
Total receivables	285,000

*Mandera North Sub County Level 4 Hospital (Mandera County Government)
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Notes to the Financial Statements (Continued)

14. Trade and other Payables

Description	2021/22
	KShs
Trade payables	2,262,900
Total trade and other payables	2,262,900

Notes to the Financial Statements (Continued)

15. Financial Risk Management

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

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

(i) Credit risk

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

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

(ii) Liquidity risk management

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

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

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

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

Notes to the Financial Statements (Continued)

Foreign currency sensitivity analysis

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

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

iv) Capital Risk Management

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

Notes to the Financial Statements (Continued)

16. Related Party Balances

Nature of related party relationships

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

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

- i) The National Government;
- ii) The County Government;
- iii) Key Management

17. Events after the Reporting Period

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

18. Ultimate and Holding Entity

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

19. Currency

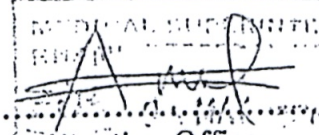
The financial statements are presented in Kenya Shillings (Kshs) and all values are rounded off to the nearest shilling.

II. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

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


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