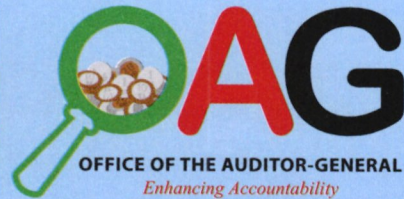


REPUBLIC OF KENYA



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REPORT

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ON

MANDERA COUNTY TEACHING AND
REFERRAL HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF MANDERA

PAPERS LAID	
DATE	13.11.25.
TABLED BY	S.M.W.
COMMITTEE	-
CLERK AT THE TABLE	Abigail.



MANDERA COUNTY TEACHING AND REFERRAL LEVEL 5 HOSPITAL (MANDERA 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
FY	Financial year
MCTRH	Mandera county referral hospital
RCO	Registered clinical officer
SHA	Social Health Authority
AIE	Authority to incur expenditure
CSR	Corporate social responsibility
IPSAS	International public sector accounting standards
PFM	Public finance management
IPSASB	International public sector accounting standard board
CEO	Chief executive officer
KEMSA	Kenya medical suppliers' authority
PPE	Personal protective equipment
CoG	Council of governors
MCTRH	Mandera County Teaching and Referral Hospital
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the MCTRH

2. Key Information and Management

(a) Background Information

Mandera County Referral Hospital is a Level 5 facility established under Gazette Notice No. 4379. It operates under the Health Department of Mandera County and is governed by a Board of Management. Located in Neboi Ward, Mandera East, the facility is recognized as a Ministry of Health primary care hospital, delivering healthcare services to the residents of Mandera County and beyond.

(b) Principal Activities

Mission

To promote and lead in the provision of integrated and high-quality promotive, preventive, curative, and rehabilitative healthcare services to all Kenyans.

Vision

To have an efficient, high-quality healthcare system that is accessible, equitable, and affordable for every Kenyan in Mandera County.

Core Values

The Department of Health Services upholds the following core values:

- Commitment – Ensuring access to quality healthcare for all.
- Accountability – Responsible and efficient use of material, human, and financial resources.
- Respect – Valuing cultural sensitivity, dignity, and the will of the people.
- Integrity – Delivering services ethically, transparently, and with trust.
- Impartiality – Embracing unbiased and innovative ideas to enhance healthcare delivery.

(c) Key Management Structure

The hospital is managed through several key organs as outlined below:

i) County Department of Health

- Provides visionary and transformational leadership.
- Oversees implementation of Board resolutions.
- Supports the Board of Management.
- Evaluates the effectiveness of long-term healthcare strategies
- Reviews strategic operational plans and policies
- Monitors performance and patient safety initiatives.
- Implements and evaluates the scope of services and governance.
- Ensures prudent resource management.
- Formulates and implements long-term strategies.
- Oversees internal communication across the hospital.

ii) Board of Management

- Aligning hospital strategy with its core mandate and stakeholder interests.
- Ensuring sustainability of long-term goals.
- Approving hospital structure and annual budgets.

- Monitoring hospital performance and ensuring resource adequacy.
- Safeguarding hospital assets and promoting a positive corporate image.
- Facilitating effective stakeholder communication.

iii) Accounting Officer / Medical Superintendent

- Custodian of financial records and book of accounts.
- Manages all accounting transactions and forecasts budgets.
- Ensures timely financial reporting and compliance with tax obligations.
- Prepares profit/loss statements and reconciles accounts.
- Manages cash flows and balance sheets.

iv) Hospital Management Team

- Acts as a liaison among staff, management, and patients.
- Develops short, medium, and long-term strategic goals.
- Frames departmental budgets and financial strategies.
- Oversees hospital revenues and service pricing.
- Enhances service delivery and ensures operational efficiency.
- Safeguards the security of patient and institutional data.

(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.	Chief Executive Officer	Okash A. Abdullahi
2.	Hospital Administrator	Hassan Aliow Guyow
3.	Head of Finance and Revenue Service	Ali Issack Mohamed
4.	Head of Supply Chain	Mohamed Nur Mohamed Dahir
5.	Nurse In Charge	Rukia Sheikh Hassan

(e) Fiduciary Oversight Arrangements

The hospital has established multiple oversight mechanisms to ensure accountability, transparency, and effective risk management:

i) Clinical Research and Standards Committee

- Identifies and addresses service delivery issues.
- Reviews healthcare policies on standards and quality assurance.
- Coordinates with the Medical Advisory Committee on service quality.

ii) Audit Committee

- Reviews quarterly and annual financial statements before Board submission.
- Evaluates the performance and independence of external auditors.
- Monitors implementation of audit recommendations.
- Oversees internal audit effectiveness.

Key Entity Information and Management (continued)

iii) Risk Committee

- Reviews and strengthens internal control systems.
- Provides a platform for communication on risk-related issues.
- Advises the Board on operational and clinical risks.

iv) County Assembly

- Scrutinizes hospital budget estimates and expenditures.
- Monitors financial performance and use of public resources.
- Reviews Auditor-General reports and follows up on recommendations.

v) Parliamentary Committees

- Develop frameworks for county health management structures.
- Coordinate intergovernmental health sector consultations.
- Harmonize health policies and legislative issues.
- Promote health as a driver for socio-economic development.

(f) Entity Headquarters

P.O. Box 7-70300
Mandera county referral
Hospital Road,
Mandera, KENYA

(g) MCTRH Contacts

Telephone: (+254) 704988326
E-mail: manderacountyreferralhospital@yahoo.com

(h) MCTRH Bankers

Kenya Commercial Bank,
P.O. Box 275- 70300,
Mandera, Kenya.

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

(k) County Attorney

P.O. Box.13-70300,
Mandera, Kenya.

3. The Board of Management

Ref	Directors	Details
1.	Mrs. Ubah Abdi Ibrahim  Chairperson	Mrs. Ubah Abdi is the Chairperson of the Mandera County Teaching and Referral Hospital Board. She holds a Bachelor of Arts in Gender, Women & Development Studies from Egerton University and a Diploma in Social Work & Community Development. She brings extensive experience from both government and non-governmental sectors. Prior to her current role, she served as Chair of the Finance and General-Purpose Committee at the Water Sector Trust Fund (2019–2022) and has been the Chairperson of Maendeleo Ya Wanawake in Mandera County since 2014. She has also held key leadership positions at the Center for Advocacy & Development of Muslim Women (CEADEMUW) and the National Muslim Council of Kenya. Mrs. Ubah is a seasoned community development expert with over 10 years of experience in sustainable development, monitoring and evaluation, and gender advocacy. She has worked with organizations such as UNICEF, CARE, UNHCR, and other international and local NGOs, focusing on socio-economic development and the empowerment of women and marginalized groups.

Ref	Directors	Details
2.	Abdirahman Sheikh  Vice Chair Person Ahmed	Mr. Ahmed Abdirahman Sheikh is the Vice Chairperson of the Mandera County Teaching and Referral Hospital (MCTRH) Board. He holds a Bachelor's degree in Human Nutrition and Dietetics, a Diploma in Nursing from KMTTC, and is currently pursuing a Master's degree in Community Development. Mr. Ahmed has over 14 years of experience working with international NGOs both within and outside Kenya. He currently serves as the Programs Director for an international organization operating in Kenya. His broad experience in collaborating with international partners and local communities has strengthened his ability to foster effective relationships and promote sustainable development initiatives.
3.	Mrs. Halima Dahir  Board Member	Mrs. Halima Dahir is a Board Member of the Mandera County Teaching and Referral Hospital (MCTRH). She holds a Bachelor of Business Administration (BBA) degree from Kenya Methodist University, Nairobi. Mrs. Dahir has worked with the Ministry of Information and Communication and later joined the Ministry of Interior, where she is currently serving. She also served as a Board Member of the Kenya Red Cross for more than 10 years, during which the district received recognition for outstanding service. In addition, Mrs. Dahir has contributed to Habiba International Women and Youth Affairs as the Treasurer, organizing workshops and community barazas on issues related to FGM and child abuse across Mandera County. With over 25 years of professional experience, Mrs. Dahir brings a wealth of

Ref	Directors	Details
		knowledge and commitment to community development and public service.
4.	Mr. Anis Sheikh Ibrahim  Board Member	Mr. Anis Sheikh Ibrahim is a Board Member of the Mandera County Teaching and Referral Hospital (MCTRH). He holds a Bachelor of Education (Science) degree from Kenyatta University, along with certifications in the Growing Leadership Programme and Environmental Management. With six years of experience as a teacher under the Teachers Service Commission (TSC) and training as a KNEC examiner, Mr. Anis has developed strong competencies in assessment, mentorship, and quality assurance. On the Board, he contributes to policy formulation, strategic planning, and service delivery oversight. His background in environmental management and ICT enhances his participation in public health, environmental safety, and digital governance. These diverse experiences have strengthened his capabilities in leadership, analytical thinking, and institutional governance.
5.	Mrs. Sahara Mohamed Noor  Board Member	Mrs. Sahara Mohamed Noor is a Board Member of the Mandera County Teaching and Referral Hospital (MCTRH). She attended Al Qalam Academy for her primary education and later joined Moi Girls Mandera for her secondary studies. After completing high school, she pursued a Bachelor's degree in Education at Mount Kenya University (MKU). Since graduating, Mrs. Sahara has been serving as a teacher at Moi Girls Mandera, where she has accumulated over ten years of valuable teaching experience. In her role as a board member, she contributes to the governance, policy oversight, and strategic

Ref	Directors	Details
		direction of healthcare services in Mandera County.
6.	Mr. Abdishakur Daud Adan  Board Member	Mr. Abdishakur Daud Adan is a Board Member at the Mandera County Teaching and Referral Hospital (MCTRH). He holds a Bachelor of Education degree, a Diploma in Education Leadership and Management, and a Certificate in Monitoring and Evaluation. Mr. Abdishakur has six years of experience in both the public and private education sectors, where he has developed strong leadership and governance skills. His commitment to accountability, innovation, and community-centred service continues to drive his efforts to enhance healthcare delivery in Mandera County.
7.	Ibrahim Mohamed Ali  Medical Services CCO	Ibrahim Mohamed Ali holds a Bachelor's degree in Public Health. He brings over ten years of experience from the private sector, including work with both local and international NGOs. Through his own initiative. Mr. Ibrahim has continuously sought to expand his knowledge, experience, and skills to keep pace with evolving professional dynamics. He currently serves as the Chief Officer for Medical Services and is a member of the Audit Committee at the Mandera County Teaching and Referral Hospital (MCTRH)

Ref	Directors	Details
8.	Okash Abdullahi Adan  Chief Executive Officer	Mr. Okash Abdullahi Adan is the Secretary to the Mandera County Teaching and Referral Hospital Board and serves as the Accounting Officer for the Mandera County Teaching and Referral Hospital (MCTRH). Prior to his current position, Mr. Okash was the Head of the Efficiency and Monitoring Unit at the County Government of Mandera, a role he has held since September 2021. In this capacity, he was responsible for overseeing the implementation of county projects and ensuring that they met established efficiency standards. He also served as the first County Secretary of Mandera County, a position he held until August 2016. During his tenure, he was actively involved in the administrative functions of the county government, contributing to the establishment and strengthening of governance structures and service delivery systems.

4. Key Management Team

Ref	Directors	Details
1	Okash Abdullahi Adan  Chief Executive Officer	Mr. Okash Abdullahi Adan is the Secretary to the Mandera County Teaching and Referral Hospital Board and serves as the Accounting Officer for the Mandera County Teaching and Referral Hospital (MCTRH). Prior to his current position, Mr. Okash was the Head of the Efficiency and Monitoring Unit at the County Government of Mandera, a role he has held since September 2021. In this capacity, he was responsible for overseeing the implementation of county projects and ensuring that they met established efficiency standards. He also served as the first County Secretary of Mandera County, a position he held until August 2016. During his tenure, he was actively involved in the administrative functions of the county government, contributing to the establishment and strengthening of governance structures and service delivery systems.
2	Mr. Hassan Aliow Guyow 	Mr. Hassan Aliow Guyow serves as an Assistant Director of Hospital Administration at the Mandera County Teaching and Referral Hospital (MCTRH). He holds a Master of Science degree in Health Systems Management.

Ref	Directors	Details
	Hospital Administrator	
3	CPA Ali Issack Mohamed  Head Of Finance and Revenue Service	CPA Ali Issack Mohamed holds a Bachelor's degree in Business Management (Banking and Finance option). He began his career with the Town Council of Mandera as a Finance Officer, a role that later transitioned into the County Government of Mandera. Over the years, he has served in several key departments, including Finance and Economic Planning (Treasury), Health Services, and the Ministry of Education. Currently, CPA Ali contributes his financial expertise to the Mandera County Teaching and Referral Hospital (MCTRH), where he plays a vital role in enhancing financial management and improving service delivery in the health sector.
	CPSP Mohamednur Mohamed Dahir  Head of Supply Chain	CPSP Mohamednur Mohamed Dahir holds a Bachelor's degree in Business Management with a specialization in Supply Chain Management. Over the years, he has served in several key departments, including the Department of Water, Public Works and Roads, Public Service, and the Ministry of Health Services. Currently, CPSP Dahir contributes his extensive supply chain management expertise to the Mandera County Teaching and Referral Hospital (MCTRH), where he supports efficient procurement processes and enhances service delivery in the health sector.

5. Chairman's Statement

It is with immense pride that I present the Hospital's annual report and Financial Statements for the 2024/2025 period. The Management has made remarkable strides in advancing patient care this year, demonstrating our unwavering commitment to excellence. As the preeminent referral hospital in Mandera County, the scale and complexity of our operations are significant, and I am consistently inspired by the dedication and professionalism displayed by our staff. Their relentless pursuit of delivering outstanding service to patients is nothing short of extraordinary.

MCTRH stands as the public hospital of choice for Mandera and beyond, providing a comprehensive range of high-quality specialized healthcare services. We proudly serve not only residents of Mandera County but also patients from neighbouring regions, including Balad Hawo in Somalia and Suftu in Ethiopia. Our extensive offerings encompass surgical services, critical care, neonatal care, and renal treatments, among many others. Building on the solid groundwork established in prior years and reinforced by robust systems and efficient processes, we have solidified our commitment to delivering exceptional, personalized patient care.

Regulatory Environment: Our operations and hospital management are underpinned by the legal, policy, and institutional frameworks that govern the health sector, ensuring the efficient and effective delivery of services. The Kenyan Constitution of 2010 enshrines the right to the highest attainable standard of health for all individuals, including essential reproductive health services and emergency medical care. Moreover, the Health Act of 2016 establishes an integrated health system that streamlines the collaboration between national and county governments, regulating healthcare services, providers, and health products and technologies.

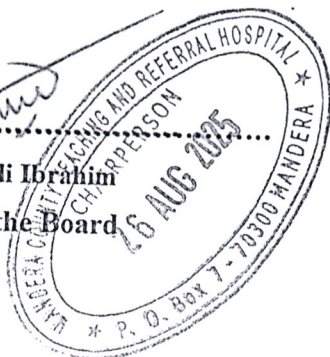
On the national stage, Universal Healthcare (UHC) is a cornerstone of Kenya's Big Four agenda, aimed at ensuring that every household has access to affordable healthcare through the Social Health Insurance Fund (SHIF) scheme. This aligns seamlessly with Kenya Vision 2030, a transformative blueprint designed to create a globally competitive and prosperous nation. The Health Sector's overarching goal is to deliver equitable, affordable, and top-tier healthcare to all citizens. Our strategic initiatives are driven by five-year medium-term plans, with the third Medium Term Plan (MTP III) for Health, spanning 2018-2025, outlining eight key priority areas. MCTRH is fully committed to advancing selected projects and programs aligned with MTP III, particularly emphasizing Universal Healthcare Coverage as a vital component of the Big Four Plan.

Acknowledgements:

On behalf of our Management team, I extend my heartfelt gratitude to all our stakeholders, especially the Ministry of Health, the National Treasury, and our invaluable development partners. Their steadfast support has been pivotal in our achievements. As we proceed into the future, I want to personally thank the exceptional staff at MCTRH our specialists, team leaders, and management personnel, whose dedication and pride in their work embody our hospital's mission and values. I

am confident that with our clear strategic vision and the skilled team we have assembled, we will continue to drive growth and excellence for many years to come, just as we have done in the past.

.....
Name: Ubah Abdi Ibrahim
Chairperson to the Board



6. Report of The Chief Executive Officer

I am pleased to present the Annual Report and Financial Statements for the Mandera County Teaching and Referral Hospital (MCTRH) for the financial year 2024/2025. This report highlights our operational performance, financial position, and strategic direction as we continue to pursue our mission of delivering high-quality, accessible healthcare to the people of Mandera County and beyond.

Operational Performance

Mandera County Teaching and Referral Hospital specializes in delivering a wide array of healthcare services tailored to the unique needs of our community. Our medical staff comprises highly skilled specialists across various fields of medicine, ensuring that our patients receive care that is not only safe and timely but also equitable, efficient, effective, and centred around their needs.

During the financial year 2024/2025, the hospital catered to an impressive total of 225,558 patients, which included 5,204 admitted as inpatients. This represents a notable increase of 5% in outpatient visits and a remarkable 13% rise in inpatient admissions compared to the previous financial year. This growth reflects our commitment to providing accessible healthcare and enhancing our service delivery mechanisms, including our efficient laboratory services.

Patient Safety

At Mandera County and Teaching Referral Hospital, patient safety remains a cornerstone of our healthcare delivery system. We have undertaken a comprehensive approach to minimize hospital-acquired infections and reduce medical errors. Our initiatives also focus on decreasing the incidence of patient falls and venous thrombosis. To facilitate these goals, we established the Quality Healthcare (QHC) department, which encompasses critical operations related to patient safety, clinical governance, infection prevention, control measures, and ongoing monitoring and evaluation. We have developed and implemented standardized operating procedures (SOPs) and clinical guidelines to ensure the highest standards in patient management.

Effective Communication

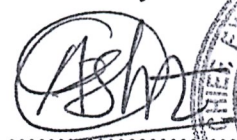
Mandera County and Teaching Referral Hospital places a strong emphasis on enhancing communication with our patients, their families, and all other stakeholders. We recognize that effective communication is essential for delivering timely and accurate information. Therefore, we have invested in training our staff in customer care and effective communication strategies while maintaining the highest standards of compassion and professionalism. In our effort to foster engagement between patients and caregivers, we have established robust mechanisms for receiving and addressing customer feedback. This has allowed us to strengthen our customer service capabilities and streamline process improvements aimed at enhancing the overall patient experience.

Financial Review

In terms of financial sustainability, the recurrent grant from the County Government for the fiscal year 2024/2025 amounted to Kshs. 21,800,000, representing vital exchequer transfers. Additionally, Mandera County Teaching and Referral Hospital submitted Social Health Insurance Fund (SHIF) claims totalling Kshs. 64,519,309 during this period, of which Kshs. 17,316,985 was disbursed. In addition, we generated on-source revenue of Kshs. 21,127,710. These SHIF and On Source Revenue Receipt are crucial for covering the operational costs and maintenance of the hospital. However, it is important to note that the hospital's liabilities have significantly increased, leading to a financial shortfall of Kshs. 53,864,015.55 during this review period. This highlights the urgent need to explore and develop additional funding sources to ensure the hospital's ongoing sustainability and ability to deliver quality healthcare services.

Acknowledgment

We extend our heartfelt gratitude to the thousands of patients we serve, who stand as a testament to the exceptional care, love, and support provided daily by our dedicated staff. We also wish to express our sincere appreciation to all stakeholders and sponsors whose kindness, compassion, unwavering support, and dedication contribute immensely to the mission of Mandera County Referral Hospital. Your contributions play a vital role in helping us continue our commitment to serve our community with excellence at Mandera County and Teaching Referral Hospital



Name: Okash A. Adan
Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

Mandera County Referral Hospital has three strategic pillars/themes/issues and objectives within the current Strategic Plan for the FY 2022/2023 – FY 2027/2028. These strategic pillars/themes/issues are as follows:

1. Excellence in Clinical Outcomes
2. Digital Transformation Roadmap

MCTRH develops its annual work plans based on the above two pillars/themes/issues. Assessment of the Board's performance against its annual work plan is conducted on a quarterly basis. MCTRH achieved its performance targets set for the FY 2024/2025 period for its two strategic pillars, as indicated in the diagram below.

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievement
Pillar/ theme/ issue 1: Excellence in clinical outcomes.	Access to quality health care	Commitment of patient care.	Efficient, high quality healthcare system that is accessible, equitable and affordable for every Kenyan in Mandera County.	Improved quality health care
Pillar/ theme/ issue 2: Digital transformation roadmap.	Enhanced patient Experience and satisfaction	Enhance to service delivery.	Seamlessly connecting all information systems to enable care givers provide consistent patient experience.	Enable timely operational & clinical decision making & create process efficiencies.

1) Excellence in clinical outcome

Mandera county referral hospital needs to deliver a better overall patient care by aligning processes, reducing timelines and making excellence in clinical out from visit to exit a fast and efficient system. To achieve this goal, the hospital will focus on the following objectives:

- Achieve operational excellence through process reengineering and policies
- Reduce waiting times through automation
- Review and institutionalize robust quality assurance processes
- Maintain excellent outcomes of treatment to reduce morbidity and mortality

2) Digital transformation roadmap

Mandera County referral hospital has developed digital transformation aimed at enhancing health delivery to the overall strategic objectives of the organization. To achieve this goal, the hospital will focus on the following objectives:

- Enhanced patient experience and satisfaction through digitization of the patient touch points.
- Data driven decision making by providing insight into data. This is to enable timely operational and clinical decision making and create process efficiencies.
- Seamlessly connecting all information systems to enable care givers provide consistent patient experiences, further enhancing productivity of our clinical staff

8. Corporate Governance Statement

Commitment to good corporate governance is fundamental in ensuring sustainable stakeholder value and meeting their expectations. Our structures, procedures, and processes are anchored on accountability, transparency, responsibility, and fairness — the tenets of good corporate governance. Through the Management, Mandera County Referral Hospital remains steadfast in complying with statutory requirements and the Code of Governance for State Corporations (Mwongozo Code, 2015), among others.

Role of the Chairman

The Chairman is responsible for the strategic leadership of the Board and is pivotal in creating conditions for overall effectiveness of management. He promotes an open environment for debate and ensures all members are able to speak freely and contribute effectively. The Chairman ensures that the management plays a full and constructive role in the development and determination of the Hospital's strategies and policies. He also ensures that Board meetings are held as and when necessary, and that members are supplied with accurate, timely, and sufficient information to enable them to discharge their duties effectively.

Roles and Responsibilities of the Board

1. Planning and monitoring clinical and preventive services.
2. Providing oversight in financial reporting to the County Government and ensuring communication to stakeholders.
3. Safeguarding hospital assets by instituting appropriate internal control systems.
4. Ensuring the hospital complies with all relevant laws and regulations.
5. Approving the annual budget of the hospital.
6. Monitoring hospital performance and ensuring sustainability.
7. Ensuring availability of adequate resources for the achievement of hospital objectives.

Accountability and Audit

The Management prepares annual financial statements that reflect a true and fair view of the hospital's financial position as at the end of each fiscal year. The Management ensures that suitable accounting policies supported by reasonable and prudent judgments and estimates are consistently applied. It also ensures that financial statements for each financial year are duly audited.

During the year, the Management ensured that the hospital maintained proper, reasonable, and accurate accounting records showing and explaining the transactions and financial position of the hospital in compliance with the Public Finance Management Act No. 18 of 2012 and the prescribed accounting standards.

The hospital's financial statements are audited by the Office of the Auditor-General, an independent office whose roles and responsibilities are defined under the Constitution of Kenya. In furtherance of its duties, Management ensures that processes, structures, and internal controls are maintained and adhered to, supported by internal risk and audit staff to carry out such functions.

9. Management Discussion and Analysis

Clinical Performance

MCTRH continues to provide a wide range of highly specialized healthcare services to Kenyans, patients from within Mandera county, Bula Hawa region of Somalia and Suftu region of Ethiopia. Specialized services include, specialized outpatient clinics, inpatient care, day care procedures for surgery, renal, ENT, dental amongst other services and specialized accident and emergency that receives emergency, disaster victims and referred patients. The hospital also provides clinical support services that include gynaecology service, General medicine service, laboratory, pharmacy and radiology. The hospital strives to ensure that the clinical services provided are safe, timely, appropriate, innovative, effective, evidence-based and in line with modern technological advances. Clinical governance continues to be strengthened to improve patient safety and ensure quality healthcare. In addition, the hospital plays a leading role regionally in the management of disasters and emergencies. The hospital patient attendance continues to increase despite the many challenges i.e. budgetary constraints and other challenges.

Overall patient attendance

The average patient attendance for the year 2024/2025 was 225,558 outpatients and 5,204 in-patients. In the year 2024/2025 there was a marginal increase of 5% in the number of outpatient attendance and 16% in the in-patients; this is due to resumption of near normal activity level after the decline in FY 2023/24.

Accident & Emergency (A&E) Services

Accident & Emergency is the entry point to the hospital, both for referral and emergency treatment of patients. There has been reduction in numbers over time as a result of restructuring the A&E. This was done with a view of aligning hospital activities with its core mandate as a referral hospital. In addition, the hospital has improved on triage where the A&E only attends to referred and emergency patients.

Clinical/operational performance

- Bed capacity of the hospital.
- Overall patient attendance during the year for both inpatient and outpatient.
- Accident and Emergency attendance
- Specialised clinic attendance
- Average length of stay for in patient
- Bed occupancy rate
- Mortality rate
- Surgical theatre utilisation (number of operations over a period of time)
- Sponsorships and partnerships

Financial performance that includes

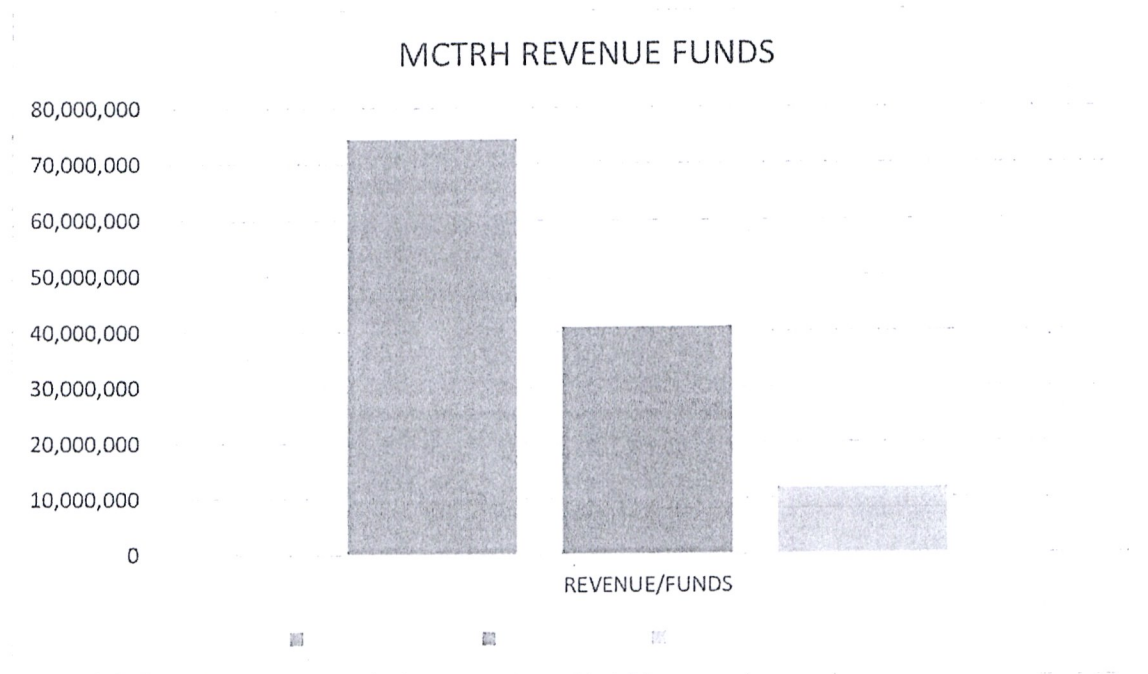
The Hospital revenue comprises of AIEs from County Government, SHA and On Source Revenue as depicted in the charts below.

Fund from County treasury = 21,800,000.00

Funds from SHA = 35,946,013.20

On Source Revenue (OSR) = 21,127,710.00

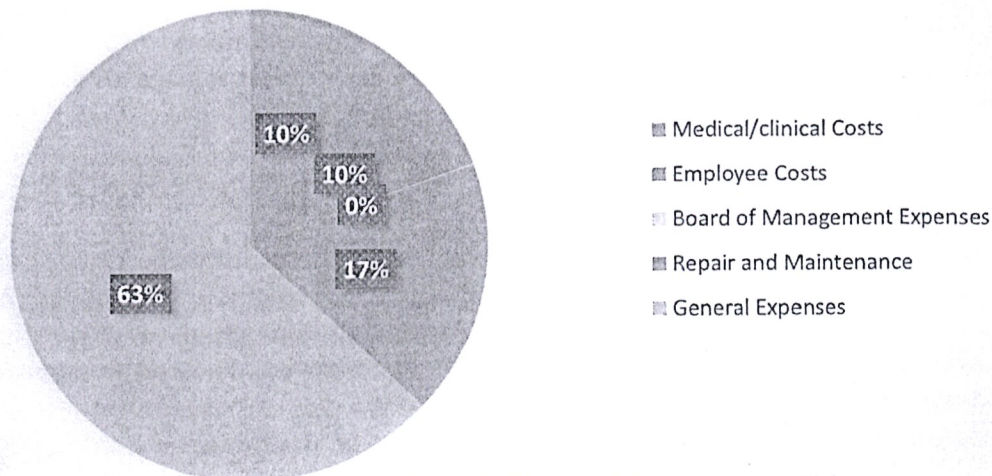
Figure1: *Transfer from other government entities*

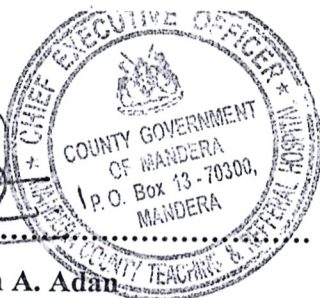


Utilisation of funds; -

- ✓ Medical/clinical Costs 8,390,810
- ✓ Employee Costs 6,251,367.15
- ✓ Board of Management Expenses 460,000
- ✓ Repair and Maintenance 18,277,200
- ✓ General Expenses 45,481,397.60

Amount



Name: Okash A. Adan

Chief Executive Officer

10. Environmental and Sustainability Reporting

Mandera county referral 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.

Sustainability strategy and profile

Sustainability report continues to reflect the hospital's performance as well as the hospital strategy and vision for the future. As a regional and referral hospital, we recognize that we must conduct our operations in a manner that considers the environmental and social impact to ensure the success and longevity of the business. We are committed to being transparent, candid and open about our business and this report is a reflection of that commitment. At MCTRH, we have a pragmatic approach to sustainability. We focus on identifying and putting into practice initiatives and programs that deliver real world and lasting benefits under the three areas of our sustainability activities. These areas include; maintaining a sustainable supply chain, minimizing our environmental footprint and caring for our people

i) Environmental performance

In our offices and clinical areas, we continue to encourage employees to help reduce energy consumption by switching of their computers and lights at the end of the day, adopting energy efficient technologies and reduce our total product waste. In packaging of medicine, we are using environmentally friendly bags. In medical waste, we are also using bags which are clearly marked for clinical waste, bottles and left over foods. Staff s are also provided with personal protective equipment.

ii) Employee welfare

We invest in providing the best working environment for our employees. Recognition and appreciation of our employees is a core part of this. Our employee Reward and Sanctions policy allows all employees to recognise their teammates for demonstrating one or more of our corporate value behaviours with a recognition letter. Directors and Head of units are also given to reward those employees who consistently go above and beyond what is required in their roles.

MCTRH promotes a healthy lifestyle and provides all employees with health cover at the hospital with their dependants with no limits which provide free annual health screening that helps to identify any problems early on. Employees are encouraged and supported to continually build on their skills and knowledge.

The hospital invests heavily in learning and development program for employees. These include courses on leadership, management and technical competencies relevant to each employee. We also offer a tuition program for employees seeking to further educate or advance themselves through formal programs relating to their current or prospective jobs. We also have a policy on disability mainstreaming and a recruitment policy where at least a third is not of more than one

gender or one regional representation. The hospital has also allowed staff to join unions for collective bargaining agreements.

iii) Corporate Social Responsibility / Community Engagements

MCTRH 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. Our CSR initiatives are guided by three core principles Transparent, Accountability and Sustainability.

11. Report of The Board of Management

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

Principal activities

The principal activities of MCTRH are to receive patients on referral from other hospitals or institutions within the region for specialized health care;

Results

The results of MCTRH for the year ended June 30 are set out on page 1

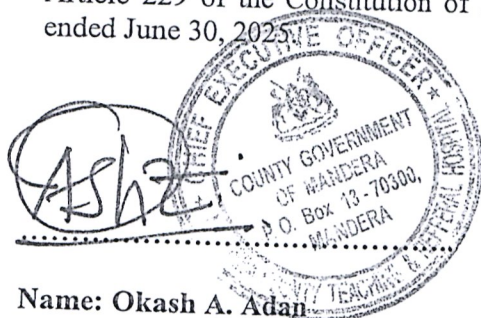
Board of Management

The members of the Board who served during the year are shown on page vii-xi.

Auditors

The Auditor General is responsible for the statutory audit of the facility in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2025.

The Auditor General is responsible for the statutory audit of the facility in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2025.



Name: Okash A. Adan

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 MCTRH, which give a true and fair view of the state of affairs of MCTRH at the end of the financial year/period and the operating results of the MCTRH for that year/period. The Board of Management is also required to ensure that MCTRH keeps proper accounting records which disclose with reasonable accuracy the financial position of the MCTRH. The council members are also responsible for safeguarding the assets of MCTRH.

The Board of Management is responsible for the preparation and presentation of the MCTRH's financial statements, which give a true and fair view of the state of affairs of the MCTRH for and as at the end of the financial year (period) 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 MCTRH, (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 MCTRH; (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 MCTRH'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 MCTRH's financial statements give a true and fair view of the state of MCTRH's transactions during the financial year ended June 30, 2025, and of the MCTRH's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for MCTRH, which have been relied upon in the preparation of the MCTRH'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 MCTRH 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 26th August 2025 and signed on its behalf by:

Name: Mrs. Ubah Abd Ibrahim

Chairperson
Board of Management

Name: Okash A. Abdullahi

Accounting Officer (CEO)

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000

Email: 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 COUNTY TEACHING AND REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF MANDERA

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 Mandera County Teaching and Referral Hospital – County Government of Mandera set out on pages 1 to 28 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 Mandera County Teaching and Referral Hospital as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the County Government Act 2012, the Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unconfirmed Property, Plant and Equipment Balance

The statement of financial position reflects nil balance of property, plant and equipment. Review of the asset register and a physical inspection carried out in October, 2025 confirmed the existence of various assets, including land, buildings, medical equipment, furniture and computers. However, Management did not disclose values of property, plant and equipment in the financial statements. In addition, the asset register maintained lacked key details including acquisition date, cost, location, registration number, land size, net book values, tag numbers and depreciation rate and amounts.

Although the Hospital holds an allotment letter for the land, it has not obtained the formal title deed to confirm legal ownership and therefore the ownership interests are not fully secured. Further, logbooks for motor vehicles were not provided for audit verification.

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

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

Emphasis of Matter

Budget Performance and Control

The statement of comparison of budget and actual amounts reflects final revenue budget and actual revenue on comparable basis of Kshs.132,738,353 and Kshs.85,361,180

respectively, resulting to a shortfall of Kshs.47,377,173 or 36% of the budgeted amount. Similarly, the statement reflects actual expenditure of Kshs.78,861,562 against actual receipts of Kshs.85,361,180, resulting to an under - utilization of Kshs.6,499,618 or 8% of actual receipts.

Under absorption and under-funding of the budget have negatively impacted on delivery of health services to the residents of Mandera

My opinion is not modified in respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the 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

1. Unresolved Prior Year Matters

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

No.	Financial Year	Audit Issue
1	2023/2024	Unsupported Waiver of Patients Bill
2	2023/2024	Undisclosed Property, Plant and Equipment
3	2023/2024	Failure to Prepare Estimate of Income and Expenditure
4	2023/2024	Deficiency in Implementation of Universal Health Coverage
5	2023/2024	Long Outstanding Trade Payable
6	2023/2024	Lack of Quarterly Revenue Reports, Revenue Safeguards and Controls
7	2023/2024	Lack of Approved Staff Establishment
8	2023/2024	Lack of Hospital Board of Management
9	2023/2024	Revenue Safeguards and Controls
10	2023/2024	Weakness in Issuance and Storage of Medical Supplies
11	2023/2024	Lack of Risk Management Policy, Disaster Recovery Plan and Information Technology (IT) Plan
12	2023/2024	Lack of Internal Audit Function and Audit Committee

2. Unsettled Social Health Authority Claims

The statement of financial position reflects receivables from exchange transactions balance of Kshs.47,202,323, as disclosed in Note 16 to the financial statements, in respect of unpaid Social Health Authority (SHA) claims. However, the Authority failed to settle the claims, contrary to Section 36(1) of the Social Health Insurance Act, 2023, which provides that the Authority shall make settlement of claim payments to a contracted healthcare provider or healthcare facility upon submission of a claim by the Claims Management Office.

The delays in settling these approved claims have adversely affected the Hospital's operations and cash flow management.

Other Information

The Management is responsible for the Other Information set out on page iii to xxvii which comprise of Key Information and Management, The Board of Management, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer, 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. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 19 to the financial statements reflects trade and other payables balance of Kshs.53,876,177. Included in the balance is Kshs.33,807,201 that was outstanding for more than one (1) year. This is contrary to Regulation 41(2) of the Public Finance Management (County Government) Regulations, 2015 which requires that debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible to prevent the County Government from defaulting on its debt obligations.

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

2. Deficiencies in Implementation of Universal Health Coverage

Review of Hospital records and interviews conducted on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit in October, 2025 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines as detailed below:

Staff Requirements	Level 5 Standard	Number in Hospital	Variance	Percentage Deficit %
Medical Officers	50	27	23	46%
Anesthesiologist	7	1	6	86%
General Surgeons	4	4	0	0%
Gynecology	4	2	2	50%
Pediatrics	4	1	1	25%
Radiologist	4	2	2	50%
Kenya Registered Community Health Nurses	250	182	98	39%
Total	323	219	104	32%

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

Service	Level 5 Hospital Standard	Actuals in the Hospital	Variance	Percentage Deficit %
Beds	500	312	188	38%
Resuscitative (Maternity & in Theatre)	3		3	100%
New Born Unit Incubators	10	10	0	0%
New Born Unit Cots	10	12	- 2	-20%
Functional ICU Beds	12	6	6	50%

Service	Level 5 Hospital Standard	Actuals in the Hospital	Variance	Percentage Deficit %
High Dependency Unit (HDU) Beds	12	6	6	50%
Renal Unit with at least 5 Dialysis Machines	5	5	0	0%
Functional Operational Theatres-Maternity & General	7	3	4	57%
Total	559	354	205	37%

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

Further, this contravened the Kenya Quality Model for Health Policy Guidelines and hindered the realization of the Government program on Universal Health Coverage (UHC).

In the circumstances, the Hospital may not be able to deliver on its mandate.

3. Non-Compliance with Hospital Board Composition Requirements

During the year under review, the Hospital had established a Board of Management. However, no documentary evidence was provided to confirm that the Board's composition included a representative for persons with disabilities. This is contrary to Section 12(2)(c)(ii) of the Mandera County Health Services Improvement Financing Act, 2024, which requires the County Executive Committee Member for Health to appoint one person representing youth and persons with disabilities to the Hospital Management Board.

In the circumstances, Management is in breach of the law

4. Non-Compliance with Climate Change Requirements

The statement of financial performance, as disclosed in Note 14 to the financial statements, reflects general expenses amounting to Kshs.82,454,068. Included in the amount is Kshs.20,370,000 for fuel and lubricants out of this, Kshs.14,370,000 relates to fuel for diesel-powered electricity generators. This indicates significant reliance on fossil fuels, which are a major source of greenhouse gas emissions and contribute to environmental pollution and the national carbon footprint.

Despite this, review of the Hospital's strategic plan and budget revealed that no measures, plans, or budgetary allocations were made to transition to cleaner energy

sources such as solar power or to implement energy efficiency initiatives to reduce reliance on fossil fuels.

In the circumstances, the continued use of diesel generators releases harmful emissions that may negatively affect air quality within and around the Hospital, posing potential health risks to patients.

5. Expenditures Incurred on Behalf of the Hospital

Note 18(a) to the financial statements on inventories reflects additional inventory amounting to Kshs.217,593,920 in respect of medical drugs paid for on behalf of the Hospital by the County Executive of Mandera for the 2024/2025 financial year.

The Hospital prepares its financial statements in accordance with the requirements of the Public Sector Accounting Standards Board (PSASB). However, Management did not provide justification for establishing the Hospital as a separate reporting entity, if it is not allowed to fully execute and control its financial operations.

This is contrary to Section 5(1) of the Public Finance Management Act, 2012, which provides that a County Executive Committee member for finance may, with the approval of the County Executive Committee and County Assembly, by order in the Gazette, declare a county corporation, an authority or any other body whose functions fall under the County Government to be a County Government entity for the purposes of this Act. This provision grants the Hospital the autonomy to fully execute and control its financial operations.

Failure to grant the Hospital financial autonomy may lead to inefficiencies and gaps in accountability of use of public finances.

6. Expired Medical Items

Physical inspection conducted in October, 2025 revealed that the Hospital was holding a total of 6,980 packages of assorted expired medical items of unknown value. The expired items included pharmaceuticals, injectables, test kits and reagents, and other medical consumables. This indicates weaknesses in inventory management and financial controls, resulting in inefficient use of public resources.

The expired medical items not only cause health risk to patients but also represent a financial loss, hence ineffective in use of public resources which would have been avoided if proper controls were put in place.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Inventory Management System

The Hospital did not have an inventory management system in place to manage the stock of drugs and medical supplies. Instead, inventory records were maintained manually in physical files by the stores staff. This practice poses a risk of inefficiency, errors and loss of critical data, particularly in monitoring expiry dates and ensuring the timely distribution of drugs.

In the circumstances, the absence of an effective inventory management system may lead to inefficiencies and negatively affect service delivery.

2. Failure to Establish Audit Committee

During the year under review, the Hospital did not have an audit committee in place. This is contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015, which requires every County Government entity to establish an audit committee. The absence of an audit committee reduces oversight over financial reporting, internal controls and risk management, thereby increasing the likelihood of errors, misstatements, or fraud in financial records and reports.

In the circumstances, the effectiveness of the Hospital's governance and internal control oversight mechanisms could not be confirmed.

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

Responsibilities of the Management and the Board of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using 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

6 November, 2025

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

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	21,800,000	74,371,147
In- kind contributions from the County Government	7	793,839,299	588,275,962
Transfers from other Government entities	8	0	52,677,388
		815,639,299	715,324,497
Revenue from exchange transactions			
Rendering of services- Medical Service Income	9	104,276,047	14,824,580
Revenue from exchange transactions		104,276,047	14,824,580
Total revenue		919,915,346	730,149,077
Expenses			
Medical/Clinical costs	10	125,930,525	22,611,864
Employee costs	11	586,760,466	600,517,022
Board of Management Expenses	12	460,000	127,000
Repairs and maintenance	13	23,915,979	22,168,720
General expenses	14	82,454,068	99,377,952
Transfer to CRF	15	-	14,824,580
Total expenses		819,521,038	759,627,139
Net Surplus / (Deficit) for the year		100,394,308	(29,478,672)

The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by:

Chairperson
Board of Management

Head of Finance
CPAK No: 15737

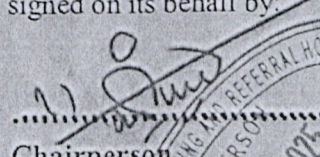
Chief Executive Officer

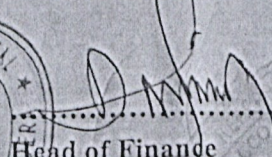
Mandera County Referral Hospital (Mandera County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	16	12,774	613
Receivables from exchange transactions	17	47,202,323	6,486,842
Inventories	18	130,047,832	22,991,830
Total Current Assets		177,262,930	29,479,285
Non-current assets			
Property, plant, and equipment		0.00	0.00
Total Non-current Assets		0.00	0.00
Total assets		177,262,930	29,479,285
Liabilities			
Current liabilities			
Trade and other payables	19	53,876,177	29,478,671.50
Total Current Liabilities		53,876,177	29,478,671.50
Non-current liabilities		0	0
Total non-current liabilities		0	29,478,672
Net assets (A-B)		123,386,753	614
Represented by:			
Accumulated surplus/Deficit		123,386,753	
Net Assets		123,386,753	614

The Hospital's financial statements were approved by the Board on 26/8/2025 and signed on its behalf by:


 Chairperson
 Board of Management


 Head of Finance
 ICPAK No: KS737


 CHIEF EXECUTIVE OFFICER

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Total
As at July 1, 2023	0	4	29,488,285
Adjustments: (to recognize assets and liabilities)			
Recognition of Assets	0	0	0
Revaluation gain	0	0	0
Surplus/(deficit) for the year	0	610	(29,478,672)
Capital/Development grants	0	0	0
As at June 30, 2024		614	614
At July 1, 2024	0	614	614
Adjust for: Inventory Opening balance used but still appeared in the previous year		22,991,831	22,991,8310
Revaluation gain	-	0	0
Surplus/(deficit) for the year	-	100,394,308	100,394,308
Capital/Development grants	-	0	0
At June 30, 2025		123,386,753	123,386,753

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

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		21,800,000	74,371,147
Transfers from other Government entities		35,946,013	52,677,388
Rendering of services- Medical Service Income		104,276,047	14,824,580
Adjust -Increase in receivable		(40,715,482)	
Total Receipts		85,360,566	141,873,115
Payments			
Medical/Clinical costs		125,930,525	12,455,673
Employee costs		586,760,466	12,241,060
Board of Management Expenses		460,000	127,000
Repairs and maintenance		23,915,979	22,168,720
General expenses		82,454,068	80,055,472
Transfer of revenues to ROR			14,824,580
-Non cash-In kind Inventoty Drugs used during the year		(110,537,918)	
-Non Cash-In Kind Salary		(576,245,379)	
-Increase in payable -Medical		(7,001,797)	
-Increase in payble -Salary		(4,263,720)	
-Increase in payable-Repair		(5,638,779)	
-Increase in payable-General Expense		(7,493,209)	
-non-cash opening inventory carried forward but it was not a cash asset		(22,991,830)	
Total Payments		85,348,406	141,872,505
Net cash flows from operating activities		12,160	610
Net increase/(decrease) in cash and cash equivalents		12,160	610
Cash and cash equivalents as at 1 July		615	4
Cash and cash equivalents as at 30 June 2025		12,775	614

**NB: Drugs used during the year = Opening stock + Drugs received – Closing stock
(22,991,830+ 217,593,920+ 130,047,832= 110,537,918)*

Mandera County Teaching and Referral Level 5 Hospital (Mandera 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 30th Jun 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	B	c=(a+b)	d	e=(c-d)	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	614		614	614	(0)	100%
Receipts			-			
Transfers from the County Government	58,937,739	-	58,937,739	21,800,000	37,137,739	37%
Transfers from other Government entities	48,800,000	-	48,800,000		48,800,000	0%
Rendering of services- Medical Service Income	25,000,000	-	25,000,000	63,560,566	(38,560,566)	254%
Total Receipts	132,738,353	-	132,738,353	85,361,180	47,377,173	64%
Payments		-	-		-	
Medical/Clinical costs	18,146,111	-	18,146,111	8,390,810	9,755,301	46%
Employee costs	9,549,347	-	9,549,347	6,251,367	3,297,980	65%
Remuneration of directors	460,000	-	460,000	460,000	-	100%
Repairs and maintenance	23,985,693	-	23,985,693	18,277,200	5,708,493	76%
General expenses	80,596,588	-	80,596,588	51,969,029	35,114,403	56%
Total Payments	132,737,739	-	132,737,739	78,861,562	53,876,177	59%
Capital project	-	-	-	-	-	0%
Surplus/Deficit	614	-	614	6,499,618	(6,499,004)	

Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	12,774
Closing Cash and Cash Equivalent as per the statement of Cash flows	12,744

19. Notes to the Financial Statements

1. General Information

Mandera County Teaching and Referral Hospital is a level 5 health facility established by the County Government of Mandera in fulfilment of its constitutional mandate pursuant to the fourth schedule of the Constitution of Kenya 2010. The facility is wholly owned by the County Government of Mandera and its principal activity is provision of county health services.

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 MCTRH's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the MCTRH.

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of MCTRH. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held	<i>Applicable 1st January 2025</i> The Standard requires,

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Standard	Effective date and impact:
for Sale and Discontinued Operations	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.
IPSAS 45- Property Plant and Equipment	<i>Applicable 1st January 2025</i> 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.
IPSAS 46 Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: 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. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i> 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 MCTRH 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.
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> 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.

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Standard	Effective date and impact:
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> 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.

iii) Early adoption of standards

Mandera County Referral 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 MCTRH 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 MCTRH 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 MCTRH.

Interest income

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

Rental income

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

b. Budget information

The original budget for FY 2024/25 was approved by Board on 30th June, 2025. 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 MCTRH upon receiving the respective approvals in order to conclude the final budget. Accordingly, MCTRH recorded additional appropriations on the FY 2024/25 budget following the Board's approval. The MCTRH'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 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.

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 seven 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.

d. 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 MCTRH 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.

e. Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the MCTRH. 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 MCTRH 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 MCTRH 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 MCTRH. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f. 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.

g. Research and development costs

The MCTRH expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when MCTRH 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.

h. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The MCTRH does not have any hedge relationships and therefore the new

hedge accounting rules have no impact on the hospital's financial statements. (amend as appropriate).

A financial instrument is any contract that gives rise to a financial asset of one hospital and a financial liability or equity instrument of another hospital. At initial recognition, the MCTRH 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

MCTRH 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 MCTRH'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 cash flows 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 MCTRH 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, MCTRH 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 MCTRH 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

MCTRH 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. MCTRH 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).

Financial liabilities

Classification

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

i. 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 MCTRH.

j. Provisions

Provisions are recognized when the MCTRH 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 MCTRH 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.

k. 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 MCTRH 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 MCTRH will incur in fulfilling the present obligations represented by the liability.

l. Contingent liabilities

The MCTRH 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.

m. Contingent assets

The MCTRH 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 MCTRH 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.

n. Nature and purpose of reserves

The MCTRH creates and maintains reserves in terms of specific requirements

o. Changes in accounting policies and estimates

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

p. Employee benefits

Retirement benefit plans

The MCTRH provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an MCTRH pays fixed contributions into a separate MCTRH (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 MCTRH regards a related party as a person or MCTRH with the ability to exert control individually or jointly, or to exercise significant influence over MCTRH, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO/principal and senior managers.

t. Service concession arrangements

The MCTRH 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 *MCTRH* 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 *MCTRH* 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, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the MCTRH'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 MCTRH 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 MCTRH. 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 MCTRH.
- 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. 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	2024/2025	2023/2024
	Kshs	Kshs
Unconditional grants		
Operational grant	21,800,000	74,371,147
Total	21,800,000	74,371,147

7. In Kind Contributions from The County Government

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries and wages	576,245,379	588,275,962
Medical supplies-Drawings Rights (KEMSA)	217,593,920	
Total grants in kind	793,839,299	588,275,962

8. Transfers From Other Government Entities

Description	2024/2025	2023/2024
	Kshs	Kshs
Transfer from National Government- SHA Fund		52,677,389
Total Transfers		52,677,389

9. Rendering of Services-Medical Service Income

Description	2024/2025	2023/2024
	Kshs	Kshs
Pharmaceuticals	2,233,645	2,376,850
Laboratory	3,293,006	3,972,070
Edi	6,910,150	5,306,720
Orthopedic and Trauma Technology	223,721	183,290
Dental services	1,749,223	893,230
Clinic	978,613	0
Inpatient	1,271,180	1,235,190
Outpatient	2,457,349	0
Other medical services income	2,010,823	857,230
SHA-Medical Service Revenue	83,148,337	
Total revenue from the rendering of services	104,276,047	14,824,580

Notes to Financial Statements Continued

10. Medical/ Clinical Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Food and Ration	10,417,435	16,607,864
Dressing and Non-Pharmaceuticals	4,875,172	456,500
X-ray Radiology Supplies	100,000	1,742,000
Other medical related clinical costs		3,805,500
In kind-Drug/Inventory used in the year	110,537,918	
Total medical/ clinical costs	125,930,525	22,611,864

NB: Drugs used during the year = Opening stock + Drugs received – Closing stock
(22,991,830 + 217,593,920 + 130,047,832 = 110,537,918)

11. Employee Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	10,515,087	588,275,962
In kind contribution	576,245,379	12,241,060
Employee costs	586,760,466	600,517,022

12. Board of Management Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Sitting allowance	460,000	127,000
Total	460,000	127,000

13. Repairs And Maintenance

Description	2024/2025	2023/2024
	Kshs	Kshs
Property- Buildings	9,318,800	0
Medical equipment	12,997,179	8,054,970
Furniture and fittings	700,000	900,000
Motor vehicle expenses	900,000	0
Maintenance of civil works	0	13,213,750
Total repairs and maintenance	23,915,979	22,168,720

Notes to Financial Statements Continued

14. General Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Advertising and publicity expenses	0	3,200,000
Bank charges	21,230	33,370
Consultancy fees	0	1,274,250
Electricity expenses	15,295,681	39,110,655
Fuel and Lubricants	20,370,000	7,568,000
Cleaning services	3,603,000	2,530,000
Courier and postal services	90,000	70,000
Printing and stationery	14,038,480	23,005,250
Hire charges	405,000	1,080,000
Water and sewerage costs	4,117,300	4,533,300
Firewood and Chacoal	1,000,500	2,352,440
Staff training and development	8,886,370	3,398,530
Supply of assorted items	14,626,507	11,222,158
Total General Expenses	82,454,068	99,377,953

15. Transfer to CRF

Description	2024/2025	2023/2024
	Kshs	Kshs
Transfer to CRF		14,824,580
Total cash and cash equivalents		14,824,580

16. Cash and Cash Equivalents

Description	2024/2025	2023/2024
	Kshs	Kshs
Current accounts	12,774	614
Total cash and cash equivalents	12,774	614

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

Description		2024/2025	2023/2024
Financial institution	Account number	Kshs	Kshs
a) Current account			
Kenya Commercial bank	1149105127	12,774	614
Equity Bank, etc			
Sub- total		12,774	614
Grand total		12,774	614

17. Receivables From Exchange Transactions

Description	2024/2025	2023/2024
	Kshs	Kshs
Medical services receivables-SHA	47,202,323	6,486,842
Total	47,202,323	6,486,842

17 (a) Analysis of Receivables
From Exchange Transactions

Description	Insert Current FY		Insert Comparative FY	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	20,573,580	%	xxx	%
Between 1- 2 years	15,750,000	%	xxx	%
Between 2-3 years	10,878,743	%	xxx	%
Less than 1 year	20,573,580	%	xxx	%
Total (a+b)	47,202,323	%	0	%

18. Inventories

Description	2024/2025	2023/2024
	Kshs	Kshs
Pharmaceutical supplies	126,419,632	22,991,830
Food supplies	2,300,700	0
General supplies	1,327,500	0
Total	130,047,832	22,991,830

18 (a) Detailed disclosure on inventories

	2024/2025	2023/2024
Opening balance	22,991,830	22,991,830
Additional Inventory in the year	217,593,920	
Inventory expensed in the year	(110,537,918)	
Write-downs in the year		
Others specify		
Closing balance	130,047,832	22,991,830

* NB: Drugs used during the year = Opening stock + Drugs received – Closing stock
(22,991,830+ 217,593,920+ 130,047,832= 110,537,918)

19. Trade and other Payables

Description	2024/2025	2023/2024		
	Kshs	Kshs		
Trade payables: General Expense	36,971,881	29,478,672		
Repair	5,638,779			
Medical Equipment	7,001,797			
Employee dues	4,263,720	xxx		
Total trade and other payables	53,876,177	29,478,672		
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the total
Under one year	20,068,976	37%	29,478,672	100%
1-2 years	33,807,201	63%	0	%
Total	53,876,177	100%	29,478,672	100%

20. Financial Risk Management

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

(i) Credit risk

The MCTRH 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 MCTRH'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 hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The MCTRH has significant concentration of credit risk on 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 MCTRH's short, medium and long-term funding and liquidity management requirements. The MCTRH manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the MCTRH 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 MCTRH's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The hospital's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management

Committee) and for the day-to-day implementation of those policies. There has been no change to the MCRH's exposure to market risks or the way it manages and measures the risk.

a) **Foreign currency risk**

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

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

Foreign currency sensitivity analysis

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

b) **Interest rate risk**

Interest rate risk is the risk that the MCTRH'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 MCTRH 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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase. A rate increase/decrease of 5% would result in a decrease/increase in surplus.

iv) Capital Risk Management

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

21. Related Party Balances

Nature of related party relationships

Entities and other parties related to the MCTRH 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 MCTRH, holding 100% of the MCTRH's equity interest. The National Government of Kenya has provided full guarantees to all long-term lenders of the MCTRH, both domestic and external. The related parties include:

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

22. Events after the Reporting Period

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

23. Ultimate and Holding Entity

Mandera County Referral Hospital under Mandera County Health Department. Its ultimate parent is the County Government of Mandera. Other related parties include:

- i) The National Government;
- ii) Key management;
- iii) Board of directors

24. 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. 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.

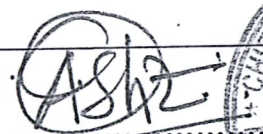
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Undisclosed Property, Plant and Equipment	The Mandera County Referral Hospital does not have ownership of the said property, plant and equipment as observed but rather the PPEs are still under the County Government (Ministry of Health Services). The said PPE are under the custody of MCRH but fully ownership is still under the Ministry of Health Services and the Management is following on the matter with the relevant Ministries to have full transfer of the assets to the Hospital.	<i>Not Resolved</i>	18 th September 2025
2	Lack of Approved Estimates of Income and Expenditure	The Hospital does not prepare its own budget estimates but rather it's the County Executive of Mandera that has in place a Budget Committee which prepares Estimates of Income and Expenditure that covers Department of	<i>Not Resolved</i>	18 th September 2025

Mandera County Teaching and Referral Level 5 Hospital (Mandera County Government)
 Annual Report and Financial Statements for The Year Ended 30th June 2025

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)
		Health Services and all Sub-County Hospital as the Ministry.		
3	Unsupported Waiver of Patients Bills	Mandera County Referral Hospital has a functioning social worker Association at the hospital with delegated authority from the county public service board with clear job description to determine and approve patient bills waivers. The Management has henceforth given instructions to the social worker Association in providing assessment report indicating the patient's inability to pay for the services rendered and monthly waiver report to the office of the medical Superintendent Further, the documentation detailing the process and approvals of granting these waivers was provided during the audit exercise for the year under review and still available for further review.	Not Resolved	18 th September 2025
4	Lack of Hospital Board of Management	Currently there is the Facility Improvement Fund (FIF) Bill in the floor of the Mandera County Assembly and once passed and it is accented into	Not Resolved	18 th September 2025

Mandera County Teaching and Referral Level 5 Hospital (Mandera County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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)
		law, the Board of Management will be put in place. The names indicated in the Financial Statements are HMT members for supervisory roles in the meantime.		
5	Failure to Maintain Fixed Assets Register	Its true Mandera County Referral Hospital does not have an Assets Register as it does not have fully ownership of any property, plant and equipment under it. The various assets including land and buildings, specialized and non-specialized medical equipment, furniture and fittings, motor vehicles and ICT equipment under the custody of MCRH are owned by the Ministry of Health and the Management is following on the matter with the relevant Ministries to have full transfer of the assets to the Hospital.	Not Resolved	18 th September 2025


Accounting Officer



Mandera County Referral Hospital (County Government of Mandera)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Appendix III: Inter-Entity Confirmation Letter

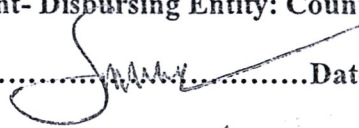
Name of Transferring Entity: County Government of Mandera

Name of Beneficiary Entity: Mandera County Teaching and Referral Hospital

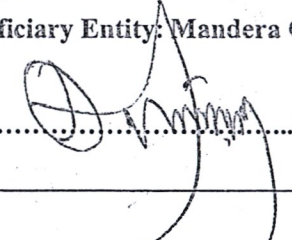
Confirmation of amounts received by Mandera County Teaching and Referral Hospital as at 30 th June 2025					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
A03403001	15.08.2024	6,800,000.00	0	6,800,000.00	Received
A03403002	15.10.2024	6,300,000.00	0	6,300,000.00	Received
A03403003	04.12.2024	3,000,000.00	0	3,000,000.00	Received
A0342008	31.01.2025	4,500,000.00	0	4,500,000.00	Received
A03420411	19.03.2025	1,200,000.00	0	1,200,000.00	Received
TOTAL		21,800,000		21,800,000	

I confirm that the amounts shown above are correct as of the date indicated.

Head of accounts Department- Disbursing Entity: County Treasury

Name: Hassan Abdi: Sign..........Date.....26/08/2025

Head of Accounts Department-Beneficiary Entity: Mandera County Teaching and Referral Hospital

Name: Ali Issack Mohamed: Sign..........Date.....26/08/2025

