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LODWAR COUNTY REFERRAL HOSPITAL

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF TURKANA

PAPERS LAID
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CLERK AT THE TABLE Abdirahman SL







LODWAR COUNTY REFERRAL HOSPITAL
(Turkana 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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2. Acronyms & Glossary of Terms

CSR:	Corporate Social Responsibility
OSHA:	Occupational Health & Safety Act
PFMA:	Public Financial Management Act
MED SUP:	Medical Superintendent
Fiduciary Management:	Key management personnel who have financial responsibility in the entity
PPDA:	Public Procurement and Disposal Act
CEO:	Chief Executive Officer
IPSAS:	International Public Sector Accounting Standards
DANIDA:	Danish International Development Agency
ICPAK:	The Institute of Certified Public Accountants of Kenya
JICA:	Japan International Cooperation Agency

3. Key Entity Information and Management

(a) Background information

Lodwar County Referral Hospital is a public hospital domiciled in Turkana County under the Department of Health. The hospital is governed by a Board of Management., in the north-western region of Kenya. The hospital serves as a referral facility for the larger Turkana County, providing specialized medical care and services to the community. The hospital is also a teaching facility for the Kenya Medical Training College and it provides services such as laboratory, radiology, and surgery. The hospital serves a large number of patients from the region, many of whom are from marginalized and disadvantaged communities with limited access to healthcare. The hospital is a key healthcare facility in the region, and it plays an important role in providing essential health services to the population.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to provide efficient and high-quality health care system that is accessible, equitable, and affordable for every resident of Turkana County. Further it is mandated to promote and participate in provision of integrated and high quality promotive, preventive, curative, and rehabilitative health care services to every resident of Turkana County. It also formulates policies, set standards, provide health services, create and enabling environment and regulate the provision of health service delivery

(c) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Chief Executive Officer
- Hospital Management Team

(d) Fiduciary Management

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

SN	Designation	Name
1.	Ag. Chief Executive Officer	Nancy Nyanga
2.	Deputy Director Administration & Finance	Emmanuela Lomoro
3.	Deputy Director Clinical Services	Dr. Khalid Hassan
4.	Senior Accountant	Mr. Wycliffe Ogetii

(e) Fiduciary Oversight Arrangements

Quality Improvement Team

There is a quality improvement team comprising of various heads of departments, the CEO being the chairperson and the matron being the secretary. This team is obliged to improve the speed of decision-making and increase commitment for quality improvement. The roles and responsibilities of this committee is training of hospital staff, conducting situation analysis before implementation of QI approach, implementing Quality Improvement activities for common problems of the hospital, providing necessary inputs for QI activities, reviewing situation and the action plan et cetera.
The team implements changes, monitors their effects, and continuously evaluates and adjusts their approach to drive ongoing improvements in quality of care. Additionally, they ensure compliance with regulatory standards and accreditation requirements.

Waiver Committee

There is a waiver committee in place which is typically responsible for reviewing and approving requests for waivers or exceptions to established policies, procedures, or guidelines. These committees often consist of the CEO who serves as the chairperson, social worker- who serves as the secretary, and the administrator, accountant and the matron who are members. The primary role of the waiver committee is to assess the justification for the waiver request, evaluate potential risks and benefits, and make informed decisions that align with the hospital's mission, values, and regulatory requirements. Waiver committees play a crucial role in ensuring that exceptions to standard protocols are made judiciously and with careful consideration of patient safety, legal implications, and ethical considerations.

(f) Entity Headquarters

Lodwar County Referral Hospital
P.O. Box 18-30500
Napetet Road
Lodwar, Kenya

(g) Entity Contacts

E-mail: lodwarreferral@turkana.go.ke
Website: www.go.ke

(h) Entity Bankers

National Bank of Kenya
Head Office, National Bank Building
Harambee Avenue
P.O. Box 72866-00200 Nairobi, Kenya
Email: info@nationalbank.co.ke

(i) **Independent Auditors**

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

(j) **County Attorney**

The Office of the County Attorney
P.O. Box 11-30500
Lodwar, Kenya

4. The Board of Management

Ref	Directors	Details
1.		**Muhamud Ali** Ali is a highly respected and renowned businessman with extensive experience spanning several years. He has demonstrated exceptional leadership, strategic foresight, and a proven track record of success in managing and growing diverse business ventures. He currently serves as the Chair, providing overall guidance and oversight while championing sustainable growth and innovation.
2.		**Nancy Ekwar Kinyonge** Nancy is the Acting Chief Executive Officer and Director of Lodwar County Referral Hospital. She has over years of experience in the health sector, with a strong background in HIV/AIDS programs, prevention of mother-to-child transmission (PMTCT), and community health empowerment. Her clinical and administrative expertise has supported the hospital in improving efficiency, strengthening service delivery, and advancing health outcomes for the community. Previously, Nancy served as the Deputy Director of Health Administration in Turkana County, where she was instrumental in health systems management and stakeholder coordination. She holds a Diploma in Clinical Medicine and is currently pursuing a Master's degree in Health Systems Management. Nancy is highly skilled in leadership, program management, and partnership development, and is fluent in English, Swahili, and Ng'aturkana.
3.		Stephen Esibitar Eyanae Stephen is a motivated and adaptive Kenyan male educator with a Bachelor of Education (Hons) in Kiswahili and Religious studies from Mt Kenya University, where he graduated with second-class honors. He possesses professional and technical teaching skills developed through extensive work experience, including his current role as a Graduate Teacher at Lodwar Boys National School since 2009. Fluent in Kiswahili, English, and Ng'aturkana, Stephen has participated in various training

workshops and has received recognition from UNESCO and the Ministry of Education for his contributions to mentorship and musical performance. In his personal life, he enjoys football, Bible study, and socializing.

Mr. Charles Eris Ekalale

Charles Eris is currently a Senior Livelihoods Program Officer at Concern Worldwide, bringing over 13 years of extensive experience in humanitarian programming. He possesses strong competencies in project management, stakeholder engagement, resource coordination, risk management, and strategic decision-making.

4. 

Charles is currently pursuing a Master of Business Administration (MBA) with a focus on Production and Operations Management, and he holds a Bachelor of Arts in Economics and Sociology, awarded in 2017. He has also completed multiple certifications in project management and humanitarian response.

Throughout his career, Mr. Eris has successfully led community-driven initiatives, received recognition for his impactful humanitarian efforts, and has consistently demonstrated professional excellence, leading to rapid career progression.

Menen Kudede

Menen is a Kenyan national born on September 27, 1972, has a diverse educational background, including primary education at Nathigiriri Primary School and secondary education at Turkana Girls Secondary School, followed by various certifications in management and early childhood education from 2003 to 2021. Her professional experience spans several reputable organizations, including Oxfam and the Independent Electoral and Boundaries Commission (IEBC), where she has held significant roles, such as Deputy Head Teacher. Fluent in English, Kiswahili, and Ng'aturkana, she also engages in hobbies like reading, netball, hockey, and singing, and has provided contacts for professional references.

5. 

6. 

Sarah Illikwel Kaatho
Sarah is an experienced professional with over 27 years in the education sector and leadership roles, including serving as a nominated Member of the County Assembly (MCA) for Persons with Disabilities (PWDs) in Turkana County from 2013 to 2017. With a strong background in solution deployment and a detail-oriented approach, she demonstrates exceptional integrity and creativity in achieving organizational goals. Her diverse teaching experience, coupled with her commitment to supporting individuals with disabilities, positions her as a valuable asset in any financial or educational initiative.

7. 

James Lolimo Louren
Mr. James is a Kenyan national born on November 23, 1969. He is a married Christian who is fluent in English, Kiswahili, and Ng'aturkana. Currently residing in Lodwar, he is pursuing a Diploma in Theology at KAG Bible School and has completed various training programs in church leadership, community development, and missions.
Professionally, James serves as the Chairperson of the Lodwar Pastors Fellowship since 2020 and has been an ordained minister at Glory Outreach Assembly since 2003. His diverse interests include music, swimming, traveling, football, and reading, reflecting a well-rounded individual committed to both personal growth and community service. He is also a member of the Lodwar County and Referral Hospital Finance

8. 

Mrs Jacinta Nyanga Epeyon
Jacinta currently is the PTA chairperson David Lee Adventist Nagis Secondary school. She has a wealth of experience in leadership having worked as the chairperson Maendeleo ya Wanawake Charter in Turkana County. Previously she was the County Vice Chair Lady Maendeleo ya Wanawake. She has served as a secretary and patient attendant in various institution. She has also been nominated as Councillor Lodwar Municipal Council

9.



Ekadeli Carolyn Akai

Ekadeli is a hardworking and motivated individual with extensive knowledge and experience in the education sector. She holds a Diploma in Early Childhood Development Education (ECDE) from the Foundation Institute of Africa (2012-2014) and is currently pursuing a Bachelor's degree in Education at Mt. Kenya University, Kitale Campus. She also holds a P1 Certificate from St. Marks Gigari Embu Teacher Training College (2004-2006). Carolyne has been serving as a deputy head teacher at Lochuga Primary School under the Teachers Service Commission since 2008, where she is responsible for curriculum management, mentoring girls, guiding and counseling, discipline, and life skills programs. Additionally, she serves as the secretary for ball games in Kalokol Zone. Her prior experience includes working as a social worker with World Vision (2004-2005) and as a teacher at Kalokol Mission (2003-2004). Carolyne possesses strong skills in lesson planning, classroom management, time management, multitasking, and maintaining records. She completed her secondary education at Turkana Girls Secondary School (1999-2002) and her primary education at Kalokol Mixed Primary School (1991-1998). Her dedication and technical skills enable her to provide exceptional service to stakeholders across any organization.

5. Key Management Team

Ref	Management	Details
1.		**Nancy Ekwar Kinyonge** Nancy is the Acting Chief Executive Officer and Director of Lodwar County Referral Hospital. She has over ten years of experience in the health sector, with a strong background in HIV/AIDS programs, prevention of mother-to-child transmission (PMTCT), and community health empowerment. Her clinical and administrative expertise has supported the hospital in improving efficiency, strengthening service delivery, and advancing health outcomes for the community. Previously, Nancy served as the Deputy Director of Health Administration in Turkana County, where she was instrumental in health systems management and stakeholder coordination. She holds a Diploma in Clinical Medicine and is currently pursuing a Master's degree in Health Systems Management. Nancy is highly skilled in leadership, program management, and partnership development, and is fluent in English, Swahili, and Ng'aturkana.
2.		**Dr. Khalid Hassan** Khalid Hassan is a highly skilled Consultant General Surgeon and Deputy Director of Clinical Services at Lodwar County Referral Hospital in Kenya. He earned his Bachelor of Medicine and Surgery (MMED) in 2008, followed by a Master's degree in General Surgery (MBChB) in 2020. Currently, he is pursuing a Master's in Public Health with a focus on Epidemiology and Infectious Diseases. With over nine years of extensive experience in both surgical and managerial roles, Khalid has demonstrated expertise in trauma and pediatric surgery. He has played a key leadership role in coordinating surgical services across Turkana County. In addition to his clinical and administrative work, he holds certificates in Leadership and Management from the University of Washington Global Health, and Public Health Policy from Texila American University, Guyana. Khalid is committed to advancing healthcare accessibility, having contributed to multiple research publications and actively participated in voluntary surgical camps within refugee settings. His dedication to improving surgical care

and public health in underserved communities underscores his impactful career in medicine.

He is a member of Kenya Medical practitioners and Dentist Council (KMPDC), Associate fellow in the American college of surgeons (ACS), member in the Surgical society of Kenya (SSK), member of Kenya Medical Association (KMA), and member of Kenya Association Medical Muslim Professionals (KAMMP).

3.



Emmanuela Ekeru Lomoro
Emmanuela is the Deputy Director Administration and Finance at LCRH, bringing over 10 years of experience in human resources and administration, including 4 years in senior management roles. She holds an MBA in Strategic Management (2020) and a B.Ed in Special Education (2010), complemented by certifications such as Certified Secretary (ongoing) and various leadership and management training programs. Emmanuela possesses strong skills in HR policy development, performance management, and team leadership, and is proficient in English, Swahili, and her native Ng'aturkana.

4.



Rebecca Ayanae Ekadeli
Rebecca is a highly experienced nursing professional with 19 years in the field, currently serving as the Nursing Officer in-charge at Lodwar County Referral Hospital. She is pursuing a Master's in Advanced Nursing Practice and holds a Bachelor's in Nursing (2017), demonstrating her commitment to continuous professional development. Further, she is a Kenya Registered Community Health Nurse .Fluent in English, Kiswahili, and Ng'aturkana, Rebecca excels in effective communication and team coordination, making her a valuable asset in healthcare settings.
In addition to her clinical expertise, Rebecca has participated in various training courses focused on health care and management, enhancing her leadership skills. She actively engages in community initiatives, coordinating surgical camps and collaborating on research projects, which underscores her dedication to improving health outcomes in her community. Her diverse skill set and commitment to nursing make her a key contributor to the healthcare sector.

5. 

Mary Ogutu

Mary is currently the Public Health officer at Lodwar County Referral Hospital. She holds a Bachelor's degree in Environmental Health with a focus on Epidemiological Studies from the University of Washington. She is actively involved in addressing public health challenges, including participating in research and intervention efforts targeting mycetoma disease, which significantly impacts the population of Turkana County

6. 

Mr. Wycliffe Ogetii

Mr. Ogetii is currently the Senior Accountant at Lodwar County Referral Hospital, bringing over 13 years of extensive experience in budget analysis, financial reporting, and records management.

Currently, he is pursuing a professional course as Certified Public Accountant. He holds a Bachelor's degree in Business Administration specializing in Finance and Marketing obtained in 2006. Mr Ogetii has completed multiple certifications in Financial Management Course for County Accountants & Internal Auditors in the Health Sector, Computerized Accounting Training – Microsoft Dynamics NAV, USAID Imarisha Jamii Subawardees Grants Management Training and Financial Reporting Forum for level four and five public hospital Accountants

6. Chairman's Statement

It is with great pride that I present the Lodwar County and Referral Hospital (LCRH) Annual Report and Financial Statements for the 2024/2025 fiscal year. The Board of Management is pleased to highlight the significant strides made toward realizing our vision of becoming *"A Centre of Excellence in Patient-Centred County Healthcare Services."*

As the leading healthcare facility in Turkana County, LCRH operates in a dynamic and demanding environment. The unwavering dedication, adaptability, and professionalism of our staff have been pivotal in sustaining high-quality patient care. Their commitment to service excellence and problem-solving mindset ensures that we consistently meet the needs of our community.

LCRH continues to solidify its position as the preferred referral hospital in the region, delivering a wide range of critical and specialized services. These include maternal and child health, surgical interventions (both general and specialized), emergency and critical care, renal services (such as dialysis), TB and HIV management, mental health support, and rehabilitation programs, among others.

Guided by robust systems, strategic collaborations, and an enabling work environment, the 2024/2025 fiscal year has reinforced our focus on providing compassionate, innovative, and high-standard healthcare.

Regulatory Compliance

LCRH adheres to the legal, policy, and institutional frameworks governing healthcare in Kenya. The Constitution of Kenya (2010) upholds every citizen's right to quality health services, including reproductive health and emergency treatment. Additionally, the Health Act (2017) establishes a cohesive framework for national and county health systems, ensuring the regulation of healthcare providers, services, and medical technologies. As the primary public health facility in Turkana, LCRH remains dedicated to complying with these standards while delivering equitable care.

Strategic Alignment

Our operations are designed to align with county, national, and global health priorities. Among the 17 Sustainable Development Goals (SDGs), LCRH actively contributes to:

- **SDG 2 (Zero Hunger)** – Through nutrition-sensitive health interventions.
- **SDG 3 (Good Health and Well-being)** – By expanding access to essential and specialized care.
- **SDG 5 (Gender Equality)** – Via inclusive and gender-responsive health programs.
- **SDG 17 (Partnerships for the Goals)** – Through collaborations that enhance service delivery.

Operational Performance

Through continuous quality assurance and internal reviews, LCRH has sustained improvements in service efficiency and patient care. Despite challenges such as resource constraints and growing service demands, the Board remains steadfast in advancing initiatives that position the hospital as a regional healthcare leader.

Gratitude

The Board extends its deepest appreciation to our valued stakeholders, including the Turkana County Government, the Ministry of Health, the National Treasury, and our development partners. Your support has been crucial to our achievements.

We also recognize the exceptional efforts of LCRH's management, medical professionals, support staff, and the entire team. Their hard work and unwavering commitment drive the hospital's progress and success.

Looking forward, we are confident that our strategic vision, supported by a dedicated team, will elevate Lodwar County and Referral Hospital to new levels of excellence in healthcare delivery.



.....

Name: Mohamud Ali

Chairman to the Board

7. Report of The Medical Superintendent

I am pleased to present the Hospital's Annual Report and Financial Statements for the fiscal year 2024/2025. This report outlines our key achievements, operational and financial performance, and the strategic initiatives that will guide our continued growth and commitment to excellence in patient care.

Operational Performance

Our hospital delivers specialized healthcare services designed to meet the diverse needs of our patients. With a team of expert specialists across all medical disciplines, we are committed to providing safe, timely, equitable, and patient-centered care—ensuring the highest standards of clinical excellence, efficiency, and effectiveness in every interaction. At the heart of our mission is a dedication to compassionate, evidence-based medicine, tailored to each individual's unique needs while upholding the principles of accessibility and quality for all.

In the 2024/2025 financial year, the hospital attended to 87,591 patients, including 5,152 inpatient admissions. Outpatient visits declined by 41.6%, mainly due to the decentralization of primary healthcare services, industrial actions, and budgetary constraints. Conversely, inpatient admissions increased by 0.9%, reflecting a rise in referrals of severe and complicated cases and improved hospital capacity for specialized and critical care.

Surgical operations rose from 1,356 in FY 2023/2024 to 2,431 in FY 2024/2025, an increase of 1,075 operations (79.3%). This improvement demonstrates better theatre utilization, supported by expanded surgical capacity, specialized staffing, and growing patient demand, underscoring the hospital's commitment to patient safety and evidence-based care.

Embracing ICT

The use of Information and Communication Technology (ICT) remains a key strategic priority for LCRH. To maximize operational efficiency and enhance service delivery, management is committed to the full automation and integration of all Funsoft HMIS modules. In line with this objective, the hospital has allocated a dedicated budget to ensure seamless system implementation. Upon completion, this initiative will significantly improve service quality, effectiveness, and efficiency—reinforcing our commitment to leveraging technology for excellence in patient care

Commitment to Clinical Excellence: LCRH's Quality Improvement Journey

LCRH has made quality improvement central to our healthcare delivery, achieving measurable results through targeted initiatives. We've reduced hospital-acquired infections through enhanced prevention protocols, minimized medical errors using standardized clinical pathways programs. Our multidisciplinary Quality Improvement Team ensures excellence through robust safety protocols, strong clinical governance, rigorous infection control, and continuous data-driven monitoring. This systematic approach delivers consistent, high-quality patient care while driving continuous advancements in healthcare standards

Enhancing Communication for Better Care

LCRH prioritizes effective, timely communication with patients, families, and stakeholders. We've implemented comprehensive staff training in customer care and communication excellence while maintaining our high care standards. Our enhanced feedback mechanisms ensure prompt responses to all concerns, demonstrating our commitment to transparency and service improvement.

Financial Performance Overview

For the 2024/25 financial year, the Turkana County Government allocated a recurrent grant totaling Kshs. 222 million to support key operational areas, including Committees, Conferences, and Seminars (Kshs. 4 million), Refined Fuels and Lubricants for Transport (Kshs. 10 million), Electricity (Kshs. 34 million), Contracted Guards (Kshs. 4 million), Contracted Technical Services (Kshs. 10 million), Pharmaceuticals, Dressings, and Other Non-Pharmaceutical Medical Items (Kshs. 100 million), and Food Rations (Kshs. 60 million). However, only Kshs. 202 million of this allocation was disbursed to the hospital during the year. To bridge funding gaps and sustain operations, the institution relies heavily on internally generated revenue, primarily through cost-sharing. Notably, the hospital exceeded its revenue target by 28.57%, generating Kshs. 108 million against a projected Kshs. 84 million, reflecting improved financial performance and enhanced service delivery capacity.

The Hospital made a surplus of Kshs. 13,378,393 in the year under review. This surplus arose because the income collected was higher than the expenses incurred. However, delayed reimbursements, capital investments, and the rising number of severe cases still placed pressure on the budget

Acknowledgment

The lives we touch each year stand as powerful testimony to the exceptional care and compassion our dedicated staff provide daily. Their unwavering commitment transforms healthcare into healing. We extend our deepest gratitude to our partners and benefactors - your generosity, steadfast support, and shared vision make this life-changing work possible.

.....

Name: Nancy Kinyonge

Secretary to the Board

8. Statement of Performance Against Predetermined Objectives

Section 149 subsection 2(g) of the PFM Act 2012, requires the Accounting Officer of Lodwar County Referral Hospital to prepare a strategic plan in conformity with the medium-term fiscal framework and financial objectives of the County government.

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the Lodwar County Referral Hospital performance against predetermined objectives

Lodwar County Referral Hospital has four strategic pillars and objectives within its Strategic Plan 2022-2032. These strategic pillars are as follows:

Pillar 1: Health Service Delivery
Pillar 2: Health Workforce
Pillar 3: Health Financing
Pillar 4: Leadership And Governance

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

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Health Service Delivery:	Improve access to essential health services, especially for vulnerable populations	Tracking the percentage of the population accessing essential health services.	Enhance quality, accessibility, and equity of health services. Strengthen referral systems and emergency care.	70% of the vulnerable population are accessing the health services, and the referral system has been strengthened 65%
Pillar 2: Health Workforce	Enhance their competencies through training and professional development.	Evaluating the percentage of health workers completing required training.	Increase the number of skilled health workers. Improve retention and motivation.	Skilled staff have increased we are nearing to reach the set standard by WHO
Pillar 3: Health Financing	Improve financial risk protection for citizens	Evaluating the extent to which health costs are	Increase domestic funding for health.	In the process of making the entity autonomous in

		covered by insurance or other mechanisms.	Explore innovative financing mechanisms.	order to get more funding
Pillar 4: Leadership and Governance	Promote transparency and accountability in health management.	Evaluating adherence to governance principles.	Strengthen health sector leadership at all levels. Enhance coordination among stakeholders	70% achieved in strengthening leadership at all levels

9. Corporate Governance Statement

Introduction

At Lodwar County Referral Hospital, our commitment to good corporate governance is central to delivering sustainable value to our stakeholders and meeting their expectations. Our governance structures, procedures, and processes are built upon the core principles of accountability, transparency, responsibility, and fairness—the fundamental pillars of sound corporate governance.

Guided by the Board of Management, we remain dedicated to full compliance with all statutory requirements and uphold the Mwongozo Code of Governance for State Corporations (2015), among other relevant frameworks. This commitment ensures that we maintain the highest standards of integrity and public trust in all our operations.

Appointment of Board members

The board of directors are appointed by a transparent and formal process governed by the County Executive Committee Member (CECM) of Health Services and Sanitation, through a Gazette Notice for a three (3) year term and thereafter an appointment letter

Board Member	Board Position	Appointment date	Retire Date
Mr. Moses Ikwel	Chairperson	19/11/ 2021	19/11/ 2024
Dr. Epem Joseph	CEO/Secretary		
Dr. Kidalio James	Ag. CEO/Secretary		
Mr. Robert Lochuch	Member	19/11/ 2021	19/11/ 2024
Fr. Paul Areman	Member	19/11/ 2021	19/11/ 2024
Mrs Jacinta Nyanga Epeyon	Member	19/11/ 2021	19/11/ 2024
Esther Kiyonga	Member		19/11/ 2024
Mohamud Ali	Chairperson	7/3/2025	7/3/2028
Mr. Stephen Esibitar Eyanae	Vice Chairperson	7/3/2025	7/3/2028
Nancy Kinyonge	Ag. CEO/Secretary	7/3/2025	7/3/2028
Mr. Charles Eris Ekalale	Member	7/3/2025	7/3/2028
James Louren	Member	7/3/2025	7/3/2028
Sarah Kaatho	Member	7/3/2025	7/3/2028
Menen Kudede	Member	7/3/2025	7/3/2028
Mrs Jacinta Nyanga Epeyon	Member	7/3/2025	7/3/2028
Ekadeli Carolyn Akai	Member	7/3/2025	7/3/2028

The Board of Management biographies are shown on pages vii to xii

The Board Charter

The Board Charter establishes a clear governance structure that defines roles, responsibilities, and operational protocols to effectively support members in fulfilling their strategic oversight mandate. This framework enables the Board to guide the Hospital in optimizing long-term value creation for all stakeholders. The Board currently operates under a draft version of its formal Charter. The accompanying Board Manual formalizes key governance arrangements, including: Appointment, skills requirement, gender mix and capacity development for Board Members;

1. Functions and responsibilities of the Board, the Chairman, and the Chief Executive Officer/Secretary;
2. Conduct of Board and Committee meetings;
3. Directors' Code of Conduct; and
4. Terms of reference for all Board Committees.

Role of the Chairman

The Chairman provides strategic leadership to the Board and is instrumental in fostering conditions for optimal Board performance. Key responsibilities include cultivating an open environment that encourages constructive debate while ensuring all members contribute effectively to deliberations. The Chairman plays a central role in guiding the Board's active participation in developing and shaping the Hospital's strategic direction and policies. A critical aspect of this leadership involves convening Board meetings as required and guaranteeing members receive accurate, timely, and comprehensive information to facilitate informed decision-making and effective governance oversight.

Role of the Board

The Board of Management bears ultimate responsibility for ensuring sound corporate governance and stewardship of the Hospital. Supported by specialized Board Committees and guided by the Secretary/Chief Executive Officer, the Board provides strategic oversight and direction. The Chief Executive Officer reports directly to the Board and is accountable for operational execution of the approved strategy. All Board members are entrusted with fiduciary duties requiring the highest standards of responsibility, prudent judgment, and professional expertise in their governance role.

The roles and responsibilities of the Board as set out in the Board Charter include:

1. Exercise their role collectively and not individually
2. Set and oversee the overall strategy and approve significant policies of the organization
3. Ensure that the strategy is aligned with the purpose of the organization and the legitimate interests and expectations of its shareholders and other stakeholders
4. Approve the organizational structure
5. Approve the annual budget of the organization
6. Monitor the organization's performance and ensure sustainability
7. Enhance the corporate image of the organization
8. Ensure availability of adequate resources for the achievement of the organization's objectives.
9. Ensure effective communication with stakeholders

Induction And Training Of The Board

Lodwar County Referral Hospital recognizes the governance leap made by the Government of Kenya through the development and issuance of Mwongozo- The Code of Governance for State Corporations. In this regard, once new board members are appointed, the Hospital provides them with information on the operations of

Lodwar County Referral Hospital. The Board members that were appointed on 7th March 2025, were inaugurated on 8th April 2025 and inducted on May 7, 2025.

Number of Board meetings held and the attendance to those meetings by members

The Chairman, in collaboration with the Chief Executive Officer/Secretary, is responsible for setting comprehensive Board meeting agendas. These agendas are distributed to all members at least fourteen days in advance to ensure thorough preparation. During the reporting period, the Board convened six formal Board meetings, one audit committee, and two finance committee to deliberate on critical matters impacting the Hospital's strategic direction, operational performance, and long-term sustainability.

Board and committee meeting attendance

Name of Board member / Total No. of Meetings	Board Meetings	Board Committees		
		Audit Committee	Human Resource	Finance committee
	6	1		2
Mr. Moses Ikwel	1			1
Dr. Epem Joseph	1			
Dr. Kidalio James	1			1
Mr. Robert Lochuch	2			1
Fr. Paul Areman				
Esther Kiyonga	1			
Mohamud Ali	4			
Mr. Stephen Esibitar Eyanae	4	1		
Nancy Kinyonge	4	1		
Mr. Charles Eris Ekalale	4	1		
James Louren	4			1
Sarah Kaatho	4			
Menen Kudede	4			1
Mrs Jacinta Nyanga Epeyon	5	1		1

Ekadeli Carolyn Akai	2			1

Board Committees and Responsibilities

To strengthen governance oversight, the Board established four standing committees, each with clearly defined terms of reference aligned with key operational areas. These committees exercise delegated authority while maintaining the Board's ultimate accountability. Committee appointments are made based on members' relevant skills and expertise to ensure effective deliberation.

The Board retains the flexibility to form ad hoc committees when specific matters fall outside existing mandates. All committees benefit from the Chief Executive Officer's administrative support in their capacity as committee secretary.

Policy to manage conflict of interest.

The Board is finalizing a comprehensive Conflict of Interest Policy that will require directors to: (1) disclose any actual or potential conflicts, (2) recuse themselves from related deliberations, and (3) formally register all disclosures. This draft framework demonstrates the Hospital's commitment to strengthening governance transparency and ethical decision-making as part of its ongoing governance improvement

Board remuneration

During every Board meeting, members are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), and accommodation allowance where applicable within government set limits for state corporations.

Ethics and Conduct

Lodwar County Referral Hospital is committed to upholding the highest standards of integrity and ethical conduct in all stakeholder engagements. The Board has implemented a formal Code of Ethics that defines expected behaviour for leadership, staff, and partners, explicitly prohibiting conflicts of interest that could compromise institutional duties.

Governance audit

The Board prepares annual financial statements that accurately reflect the Hospital's financial position at each fiscal year-end, applying consistent accounting policies supported by prudent judgments and estimates. To ensure reliability, the Board of Management maintains rigorous oversight of all financial reporting processes. Furthermore, the Board mandates an annual audit of these financial statements to verify their accuracy and compliance with accounting standards.

The Board ensured the Hospital maintained complete and accurate accounting records throughout the year, fully compliant with Kenya's Public Finance Management Act (2012) and applicable accounting standards. As required, the Office of the Auditor-General - an independent constitutional office - conducted compliance audit for the year 2024/25. To strengthen financial integrity, the Board maintains robust processes, structures

and internal controls, supported by dedicated internal risk and audit personnel who perform continuous monitoring functions.

The Board's Audit Committee maintains rigorous internal control procedures to safeguard hospital assets and ensure complete, accurate financial reporting. These controls protect institutional resources while guaranteeing the reliability of all accounting information.

The Internal Audit department operates independently from management and reports directly to the Board through the Audit Committee. Using a risk-based approach aligned with international standards, it evaluates the effectiveness of the Hospital's risk management and internal control systems, prioritizing high-risk areas in its annual audit plan.

Communication Policy

Lodwar County Referral Hospital maintains full transparency with government and stakeholders by distributing comprehensive annual reports containing accurate, timely performance data. This reporting demonstrates our commitment to accountability while enabling informed oversight of hospital operations and outcomes. The reports adhere to national healthcare reporting standards and are disseminated through the designed legal channels to ensure wide accessibility.

Looking forward

As we advance toward becoming a high-performing institution, the Board remains dedicated to attracting, retaining, and motivating exceptional staff who are aligned with the Hospital's mission. We will strengthen partnerships with unions and stakeholders to foster collaboration and drive collective success. By refining our policies to support fair, objective performance management and cultivating a positive work environment, we empower our team to deliver outstanding results while ensuring sustainable growth and service excellence.

10. Management Discussion and Analysis

Clinical/operational performance

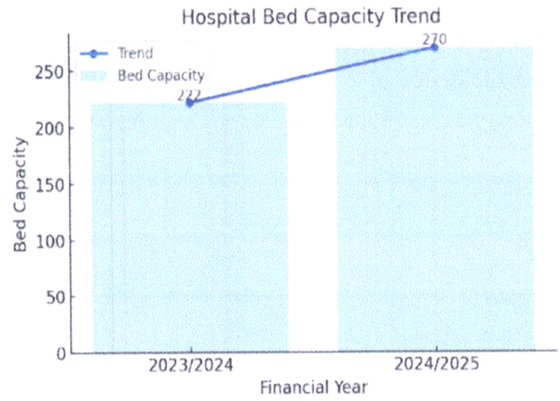
Lodwar County Referral Hospital (LCRH) continues to provide a broad range of specialized healthcare services to the people of Turkana County. Specialized services include outpatient clinics, inpatient care, day care procedures for surgery, renal services, ENT, ophthalmology, dental care, among others, as well as a specialized Accident and Emergency unit that attends to emergencies, disaster victims, and referred patients. The hospital also offers critical clinical support services such as laboratory, pharmacy, radiology, and imaging.

LCRH is committed to ensuring that all clinical services provided are safe, timely, appropriate, innovative, effective, evidence-based, and aligned with modern technological advancements, while also adapting to the unique healthcare needs of the semi-arid and remote Turkana region. Clinical governance continues to be strengthened to enhance patient safety and ensure quality healthcare. In addition, the hospital plays a key role in the region's preparedness and response to disasters and emergencies, particularly those arising from road traffic accidents, drought-related health challenges, and cross-border incidents.

Bed capacity of the hospital. For the year July 2024 to June 2025

The hospital's bed capacity increased from **222 beds in FY 2023/2024** to **270 beds in FY 2024/2025**, representing an increase of **48 beds** or approximately **21.6%**. This growth reflects the hospital's ongoing infrastructure expansion and commitment to accommodating a higher patient load.

Figure 1: Overall Bed Capacity

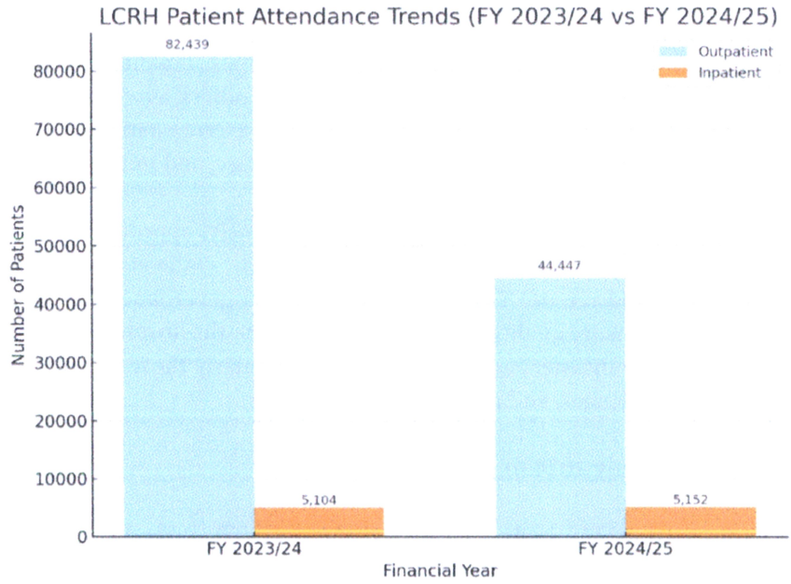


Overall patient attendance during the year for both inpatient and outpatient.

In the Financial Year (FY) 2024/25, Lodwar County Referral Hospital recorded a decline in outpatient attendance from 82,439 in FY 2023/24 to 44,447, representing a 46.1% decrease. This reduction can be attributed to several factors, including the decentralization of primary healthcare services to sub-county and community-level facilities, which reduced the number of non-critical cases referred to the hospital, as well as the impact of occasional industrial actions and limited operational budgets that constrained service delivery. Conversely, inpatient admissions increased slightly from 5,104 in FY 2023/24 to 5,152 in FY 2024/25, marking a 0.9% rise. This increase is likely due to a higher number of severe and complicated cases being referred from

lower-level facilities, coupled with the hospital's improved capacity to manage specialized and critical care cases.

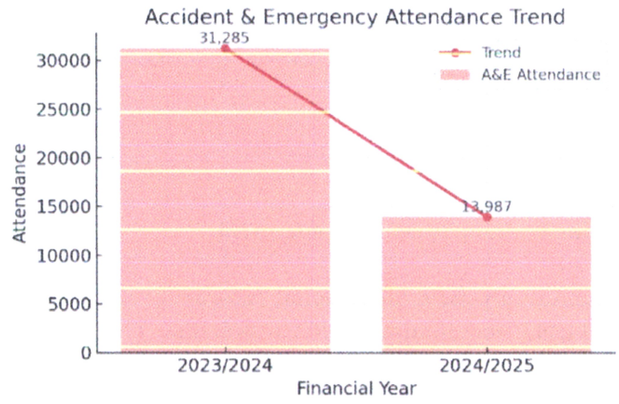
Figure 2: Overall Patient Attendance



Accident and Emergency attendance

Accident and Emergency attendance declined from **31,285** in FY 2023/2024 to **13,987** in FY 2024/2025, representing a decrease of **17,298 visits** or approximately **55.3%**. This decline could be attributed to factors such as improved community-based care, reduced incidence of emergencies, patient referral pattern changes, or shifts in healthcare-seeking behavior.

Figure 3: Accident & Emergency Trend

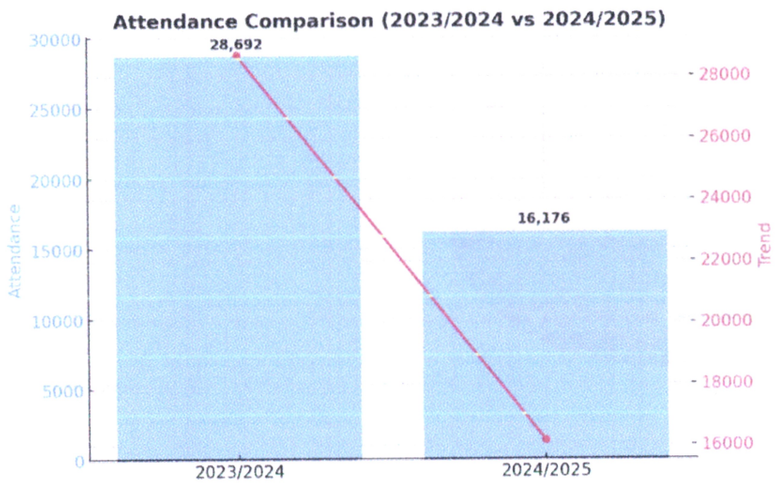


Specialised clinic attendance

Lodwar County Referral Hospital (LCRH) operates specialist clinics to review, treat, and follow up on patients with conditions requiring specialist intervention. These clinics run throughout the year, with a specific emphasis on monitoring patients' progress. Attendance at the specialist clinics declined from

28,692 in FY 2023/2024 to **16,176** in FY 2024/2025, representing a decrease of **12,516 visits** or approximately **43.6%**. The chart below illustrates the patient attendance trend in the major specialty clinics.

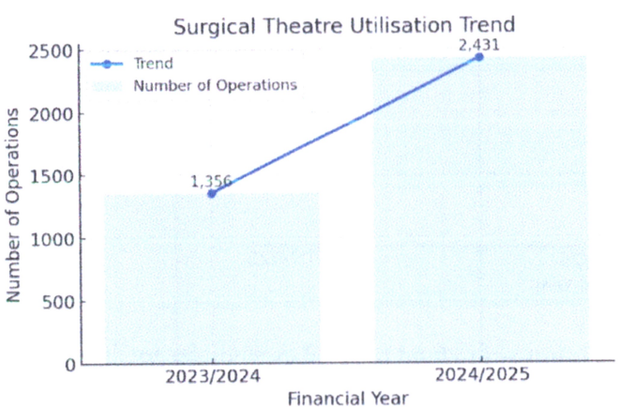
Figure 4: Specialized Clinic Attendance



Surgical theatre utilisation

The number of surgical operations increased from **1,356** in FY 2023/2024 to **2,431** in FY 2024/2025, representing an increase of **1,075 operations** or approximately **79.3%**. This growth indicates improved theatre utilisation, possibly due to expanded surgical capacity, recruitment of specialised staff, or increased patient demand for surgical services.

Figure 5: Surgical Theatre Utilization



Financial performance that includes: -

The Hospital's revenue is generated from multiple sources, including transfers from the County Government, fees charged for services rendered, reimbursements from insurance claims, and grants from donors and development partners such as Strathmore University, as well as in-kind contributions. In the year under review, total revenue grew by 34 %, increasing from Ksh 754,786,790 in FY 2023/24 to Ksh 1,010,659,759 in

FY 2024/25. The distribution of revenue sources for the current year, together with the five-year trend, is presented in the charts below.

Figure 6: Revenue Sources

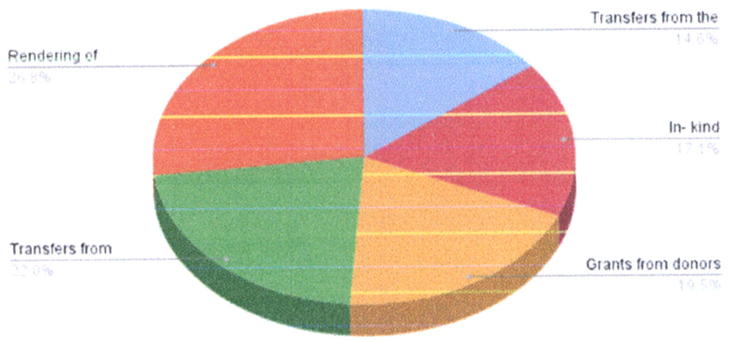
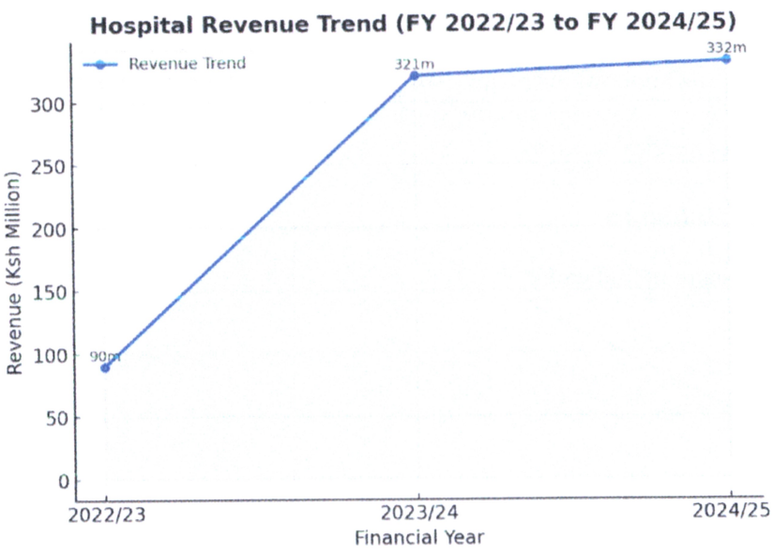


Figure 7: Revenue Trend



Utilisation of funds

The revenue generated during the period was utilized to fund hospital expenditure totalling Kshs. 997,281,365 (approximately Kshs. 997 million). The utilization of funds in the year under review, along with the expenditure trend, is illustrated in the charts below.

Figure 8: Utilization of Funds

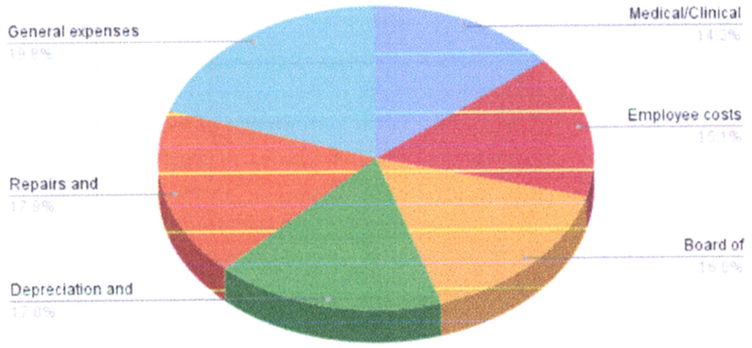
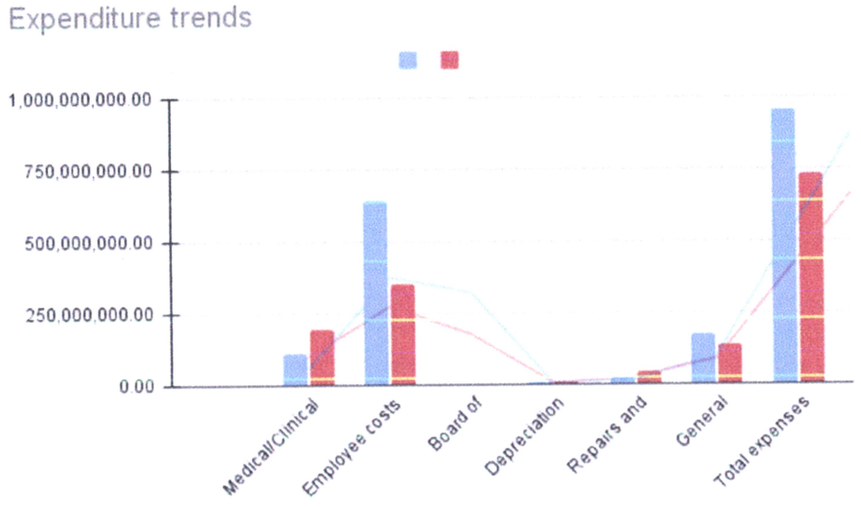


Figure 9: Expenditure trends



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Name: Nancy Kinyonge

Chief Executive Officer

Environmental And Sustainability Reporting

i) Sustainability strategy and profile

Lodwar County Referral Hospital in Turkana County, Kenya, prioritizes comprehensive medical care for residents. Its accounting officer ensures financial viability by monitoring expenses and aligning spending with national healthcare goals. Beyond finances, the hospital remains aware of political and macroeconomic trends that impact service delivery. Lodwar County Referral Hospital operates in an era of escalating climate risks, geopolitical volatility, and health inequities. Rising temperatures in Turkana County (averaging 1.5°C above pre-industrial levels) exacerbate water scarcity and vector-borne diseases, while global supply chain disruptions challenge medical procurement. In response, our FY 2024/25 Sustainability Strategy aligns with: Sustainable Development Goals (SDGs): Prioritizing SDG 3 (Health), SDG 5 (Gender Equity), SDG 7 (Clean Energy), and SDG 13 (Climate Action). Notably, the hospital had installed an integrated solar water desalination system for clean water, irrigation, fish farming, and waste recycling, promoting self-sufficiency. The management did consider proportioning contracts to local contractors/suppliers/ special groups and PWD categories in line with the law.

ii) Environmental performance

Lodwar County Referral Hospital has established itself as a leader in sustainable healthcare through comprehensive environmental initiatives that balance quality medical services with ecological responsibility. The hospital's approach integrates practical solutions with long-term climate resilience planning.

A central achievement is the innovative solar water desalination system that provides clean water while supporting sustainable agriculture and waste management. This system significantly reduces dependence on external water sources.

The hospital maintains rigorous environmental protocols to address the challenges of Turkana's arid climate. These include advanced medical waste management systems that ensure proper segregation and disposal, water conservation measures that have reduced consumption by thirty percent, and programs to protect local biodiversity. These operational practices demonstrate daily commitment to environmental stewardship.

Looking ahead, the hospital is implementing an ambitious digital transformation to achieve paperless operations, which is projected to eliminate tons of carbon emissions annually. The hospital is in the process of solarizing the facility, scheduled to begin in early 2026, represents a major step toward energy independence. Future infrastructure plans include automated lighting systems, rainwater harvesting, and adoption of energy-efficient cooking technologies. The hospital is also establishing community partnerships to trial drought-resistant crops.

iii) Employee welfare

The hiring process for Lodwar County referral staff is done centrally by the County Public Service Board by following the National's Human Resource policies and manuals which take into account the gender ratio, take in stakeholder engagements and how often they are improved. The hospital ensures a safe working environment, proper handling of hazardous materials, and compliance with health and safety regulations such as the. Occupational Safety and Health Act of 2007, (OSHA.)

iv) Market place practices-

The following are the market place practices undertaken by the hospital:

a) Responsible competition practice.

The Lodwar County Referral Hospital actively promotes ethical practices and responsible competition. They combat corruption through internal controls and audits, educate staff about fair play, and maintain a neutral political stance. Fair competition, innovation, and respect for competitors contribute to their commitment to quality healthcare

b) Responsible Supply chain and supplier relations

Lodwar County Referral Hospital demonstrates responsible business practices by upholding contractual agreements and treating suppliers with respect. Their commitment to honouring contracts ensures that suppliers receive timely payments and fair treatment. Whether procuring foodstuff, medical supplies, or other essentials, the hospital prioritizes transparency, reliability, and ethical conduct. By maintaining strong relationships with suppliers, they contribute to a sustainable and efficient healthcare system for the community.

c) Responsible marketing and advertisement or Responsible engagement with citizens

Lodwar County Referral Hospital demonstrates ethical marketing practices through several initiatives. Firstly, they prioritize transparency and community engagement, actively communicating with the community about services, programs, and achievements. Secondly, their patient-centric approach ensures clear communication about available services, treatment options, and patient rights. Thirdly, they practice cultural sensitivity, considering Turkana's unique context in marketing materials. Fourthly, collaboration with NGOs and partners strengthens their reach, enhancing community awareness. Lastly, maintaining high standards of care contributes to a positive reputation, as satisfied patients become advocates for the hospital's ethical practices

d) Product stewardship or Awareness Creation

Lodwar County Referral Hospital (LCRH) maintains a comprehensive framework to protect consumer rights and citizen interests across all service delivery aspects. The hospital strictly adheres to Kenya Medical Practitioners and Dentists Council standards to ensure patient health and safety, implementing rigorous infection prevention protocols and emergency response systems. Transparency is prioritized through visible patient rights charters, dedicated NHIF/NSSF assistance desks, and clear communication about services and costs.

For dispute resolution, LCRH operates a complaints desk with a 14-day resolution guarantee and has established a mediation committee including community representatives to address concerns fairly. Beyond healthcare services, LCRH supports broader citizen rights through partnerships with legal aid organizations, guidance on utility access processes, and community education about legal entitlements. The hospital fosters ongoing community engagement through quarterly public forums and multiple feedback channels including suggestion boxes.

Notable achievements include resolving 90% of patient complaints within stipulated timelines, full staff compliance with data protection training, and maintaining a flawless record of zero patient data breaches. Future initiatives include launching a mobile app for real-time service feedback. These efforts demonstrate LCRH's unwavering commitment to ethical service delivery while addressing the unique needs of Turkana County's population.

The hospital's integrated approach balances clinical excellence with protection of fundamental rights, ensuring all community members receive dignified care and support. This dual focus on medical service quality and citizen empowerment positions LCRH as a model for rights-based healthcare in arid and marginalized regions. Continuous improvement of these systems remains central to the hospital's mission of serving Turkana County with integrity and accountability.

v) Corporate Social Responsibility / Community Engagements

Recognizing the socioeconomic challenges faced by Turkana County residents, Lodwar County Referral Hospital has institutionalized compassionate care protocols to ensure no patient is denied essential services due to financial constraints. The hospital routinely waives medical fees for indigent patients through a structured vulnerability assessment system, while also addressing post-treatment transportation barriers that could strand recovered patients.

This commitment to holistic care was exemplified in the case of a vulnerable mother who delivered triplets at the facility. Beyond waiving all delivery and hospitalization costs, the hospital provided critical neonatal supplies and instituted a follow-up program to monitor the infants' health progress. Such interventions demonstrate the institution's dual focus on immediate medical care and sustainable community support.

The hospital's social welfare approach combines financial flexibility with practical assistance, ensuring healthcare accessibility aligns with the realities of serving a low-income population. By absorbing costs for those in extreme need and eliminating transportation as a barrier to discharge, LCRH translates its mission into tangible actions that uphold human dignity. These practices are embedded in the hospital's operational policies, reflecting its role as both a healthcare provider and social safety net for Turkana's most vulnerable communities.

Future plans include formalizing these compassionate care initiatives through partnerships with county social services and NGOs to create a more sustainable support framework, ensuring the hospital can continue serving as a beacon of hope while maintaining financial viability.

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 activity of the entity is to provide efficient and high-quality health care system that is accessible, equitable, and affordable for every resident of Turkana County. Further it is mandated to promote and participate in provision of integrated and high quality promotive, preventive, curative, and rehabilitative health care services to every resident of Turkana County. It also formulates policies, set standards, provide health services, create and enabling environment and regulate the provision of health service delivery.

The entity's principal activity is providing specialized medical care for patients referred by other healthcare providers, offering secondary and tertiary care services such as diagnostic testing and advanced, offering training programs for medical professionals, and Providing care for patients with complex or severe medical conditions that require specialist expertise.

Results

The results of the hospital for the year ended June 30 2025 are set out on pages 1 to 9.

Board of Management

The members of the Board who served during the year are shown on page vi. During the year, the term of the board members elapsed and another board was appointed on 7th March 2025.

Auditors

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

By Order of the Board

.....

Name Nancy Kinyonge

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

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

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

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 16/10/25 and signed on its behalf by:

.....
Name: Mohamud Ali
Chairperson
Board of Management

.....
Name: Nancy Kinyonge
Accounting Officer

REPUBLIC OF KENYA

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

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON LODWAR COUNTY REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF TURKANA

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 Lodwar County Referral Hospital – County Government of Turkana set out on pages 1 to 49, 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 the 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 Lodwar County 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 Public Finance Management Act, 2012.

Basis for Qualified Opinion

Undisclosed Inventories

The statement of financial position reflects inventories balance of Kshs.20,482,295 as disclosed in Note 20 to the financial statements. The balance is made up of pharmaceutical supplies and food items only. However, review of stock control cards and physical verification revealed that there were non-pharmaceutical stocks of undetermined value as at 30 June, 2025 which were not disclosed in the financial statements. Further, no evidence was provided to confirm that annual stock take for non-pharmaceutical items was carried out at the end of the financial year.

In the circumstances, the accuracy and completeness of inventories balance of Kshs.20,482,295 could not be confirmed.

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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.365,370,060 and Kshs.317,960,238 respectively, resulting to an under-funding of Kshs.47,409,423 or 13% of the budget. However, the Hospital spent an amount of Kshs.310,953,368 against actual receipts of

Kshs.317,960,238, resulting to an under-utilization of Kshs.7,006,870 or 2% of actual receipts.

The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional 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 section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

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

	Financial Year	Audit Issue
1	2023/2024	Inaccuracies in the financial statements
2	2023/2024	Inaccuracy of Employee Costs
3	2023/2024	Unsupported Transfers from NHIF
4	2023/2024	Long Outstanding Trade and Other Payables
5	2023/2024	Unutilized Managed Medical Equipment
6	2023/2024	Grounded, Obsolete and Unserviceable Items
7	2023/2024	Lack of Authorized Staff Establishment
8	2023/2024	Failure to Meet Level 4 Requirements
9	2023/2024	Lack of internal audit

Other Information

Management is responsible for the Other Information set out on pages iv to xxxiv which comprise of key entity information and management, Chairman's statement, report of chief executive officer/medical superintendent, statement of performance against predetermined objectives, corporate governance statement, management discussion and analysis, environmental and sustainability reporting, report of Board of Management and statement of Board of Management's responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Charge and Remit the Public Procurement Capacity Building Levy

The statement of financial performance reflects total payments of Kshs.997,281,365 out of which, medical/clinical costs, repairs and maintenance and general expense costs amounted to Kshs.347,627,453. However, Management did not deduct and remit the public procurement capacity building levy on procurement contracts signed and paid. This was contrary to Paragraph 3(1) of the Public Procurement Capacity Building Levy Order, 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per cent (0.03%) of the value of the signed contract, exclusive of applicable taxes.

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

2. Incomplete Non-Current Assets Register

The Hospital's assets registers provided for verification did not contain ownership details including title deed number, certificate, or allotment letter and if the property's ownership was freehold or leasehold. In addition, the register lacked building names/description, acquisition mode/source of funding, whether the building was permanent or temporary, designated use, floor count and plinth area. Further, the assets register does not indicate the identification tag numbers, date of delivery, serial numbers, location, purchase

amount, depreciation rate, annual depreciation, accumulated depreciation and net book value of the assets.

This was contrary to Regulation 136(1), (2) and (3) of the Public Finance Management (County Government) Regulations, 2015 which requires that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession and that the register of land and buildings shall record each parcel of land and each building and the terms on which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, lease hold terms, maintenance contracts and other pertinent Management details.

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

3. Non-Compliance with Climate Change Regulations

There was no evidence provided to confirm that the Hospital Management budgeted for environmental activities during the year under review. In addition, there were no policies, reports or supporting programs of trainings conducted on the community regarding conservation of indigenous trees and resilience in arid and semi-arid lands, and work plans formulated to address environmental activities in compliance with the existing environmental laws and regulations. Further, evidence of public awareness and public consultations on climate change were not provided for verification.

This was contrary to Section 15(5)(a) of the Climate Change Act, 2016 which states that each state or public entity shall integrate the climate change action plans into sectoral strategies, action plans, and other implementation projections for the assigned legislative and policy functions.

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

4. Delay in Settlement of Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.41,744,430 as disclosed in Note 22 to the financial statements. Failure to settle the accounts payables during the year to which they relate to was contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract(s) are reflected in approved budget estimates.

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

5. Failure to Meet Level 4 Hospital Requirements

Physical verification of medical equipment available at the facility revealed the following shortfalls against what was required as per the Kenya Quality Model for Health of a level 4 facility;

Item	Level 4 Standard Requirements	Number in Hospital	Shortage
Medical Staff			
Medical Officers	16	18	+2
Radiologists	2	1	-1
Kenya Registered Community Health Nurses	75	80	+5
Medical Equipment			
Baby Cots	5	4	-1
ICU Beds	6	4	-2
HDU Beds	6	3	-3

Further, review of records revealed that, the Hospital has four hundred and thirty-six (436) employees consisting of three hundred and seventy-two (372) health workers and sixty-four (64) support staff. However, this number was below the World Health Organization (WHO) recommended number of employees for a referral health facility of minimum of 1,286 employees resulting in a deficit of eight hundred and fifty (850) employees in the Hospital as tabulated below;

	Lodwar County Referral Hospital	World Health Organization (WHO) Norms	Deficit
Total Number of Health Workers	372		
Total Number of Support services	64	1,286	
Total	**436**	**1,286**	**850**

The deficiencies on the medical equipment and employees contravenes First Schedule of the Health Act, 2017 and imply that accessing 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. Where there are excess staff, the Management should consider redeployment to other county hospitals with deficit in medical staff.

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

6. Failure to Comply with the Public Sector Accounting Standards Board Reporting Template

The annual report and financial statements' table of contents does not include Notes to the financial statements and the respective page. Further, pages 1 and 2 of the financial statements do not bear the ICPAK membership number of the head of finance.

In the circumstances, the annual reports and financial statements as presented do not fully comply with the reporting template as issued by PSASB.

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the 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. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.47,851,396 as disclosed in Note 18 to the financial statements. Included in the balance are receivables amounting to Kshs.20,434,959 which had been outstanding for more than one (1) year. In addition, the receivables balance of Kshs.47,851,396 includes claims from NHIF for financial year 2023/2024 and Social Health Fund (SHA) for 2024/2025 amounting to Kshs.20,415,288 and Kshs.21,751,751 respectively which had not been settled or confirmed as owing by SHA as at the time of audit in October, 2025. Management has not provided evidence of a policy in place to address the likely impairment of long outstanding receivables casting doubt on the fair statement and full recoverability of the accounts receivable.

In the circumstances, the effectiveness of Management strategies to ensure full and timely recovery of the long outstanding receivables could not be confirmed.

2. Lack of a Stand-alone Payroll

The statement of financial performance reflects Kshs.639,328,976 in respect of employee cost as disclosed in Note 12 to the financial statements. However, the Hospital does not have a stand-alone payroll system of its own as it wholly relies on the centralized county executive payroll system for its payroll operations. A stand-alone payroll system increases transparency, efficiency, and accountability. While the county executive may retain strategic oversight, empowering the Hospital with its own payroll operations enhances service delivery and staff morale critical for a public health facility. Therefore, the Hospital lacks control over its payroll processes, making it dependent on county executive

structures. This limits the Hospital's ability to make timely human resource and financial decisions.

In the circumstances, effectiveness of internal controls on human resource and payroll management could not be confirmed.

3. Lack of Internal Audit Function and Audit Committee

During the year under review, the Hospital did not provide evidence that an internal audit function was in place with a substantive internal auditor. This is contrary to Section 155(1) of the Public Finance Management Act, 2012 that states that a county government entity shall ensure that it complies with this Act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In addition, Management did not provide evidence that an audit Committee was in place to monitor the Hospital's governance process, accountability and control and offer advice on issues concerning risk, control, regulatory requirement and governance. Further, the Hospital's approved organogram was not updated to include functional reporting of the Internal audit unit to the Audit Committee through the Head of the Internal Audit Function and administratively to the Accounting Officer.

In the circumstances, the Hospital did not benefit from the oversight role and advice from the audit committee and the internal audit function.

4. Lack of a Board Charter and Board Work Plan

Management did not present for audit an approved Board Charter. In addition, no evidence was provided to show that annual approved Board ALMANAC was prepared and submitted to the State Corporations Advisory Committee (SCAC) detailing the Hospital's Board annual work plan, statutory obligations of the Board and available budget. Further, the Board did not carry out an annual evaluation of its performance, resulting in an evaluation report with recommendations for implementation.

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

5. Weak Information Technology Internal Control Environment

Review of the Hospital Information Technology Internal Controls revealed the following;

i. The Hospital did not have an ICT Policy, had not developed an IT continuity and disaster recovery plan which is important in ensuring that the Hospital recovers its functionality in case of an unplanned incident or disaster.

ii. The Hospital did not have an approved IT strategic committee and strategic plan which is important in performing the oversight function and formulation of policies

to ensure that the IT department functions properly to assist in achievement of Hospital's objectives in an economic, efficient and effective way.

iii. Although there was evidence of use of the health management systems in the main pharmacy, the system could not generate daily, monthly, quarterly and annual real time inventory reports for reconciliation with bin cards and physical stock levels.

iv. The system in use does not record the expiry dates of drugs or non-pharmaceutical items. The system could not generate a complete report of expired stock at any given time. Physical inspection of the pharmaceutical and non-pharmaceutical stores revealed that a number of drugs and other items had already expired. Identifying these expired items required a manual search of the inventory.

v. The Hospital's health management system currently only processes outpatient services and does not support inpatient care.

vi. The system is solely managed by the developer without clearly defined Terms of Reference (TOR) for services, maintenance and training.

vii. The system was not being used in the Laboratory.

In the circumstances, the effectiveness of internal controls on management of ICT environment and Enterprise Resource Planning (ERP) system could not be confirmed.

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

Responsibilities of 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

20 November, 2025

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

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	222,093,043	231,000,000
In- kind contributions from the County Government	7	618,967,204	357,805,345
Grants from donors and development partners	8	32,165,463	55,220,538
Transfers from other Government entities	9	-	94,389,967
		873,225,710	**738,415,851**
Revenue from exchange transactions			
Rendering of services- Medical Service Income	10	137,433,649	16,370,939
		137,433,649	**16,370,939**
Total revenue		**1,010,659,359**	**754,786,790**
Expenses			
Medical/Clinical costs	11	169,780,402	194,786,414
Employee costs	12	639,328,976	350,256,808
Board of Management Expenses	13	2,117,000	1,671,000
Depreciation and amortization expense	14	8,207,937	8,039,604
Repairs and maintenance	15	17,095,096	40,568,153
General expenses	16	160,751,955	136,248,382
Total expenses		**997,281,365**	**731,570,360**
Net Surplus / (Deficit) for the year		**13,378,393**	**23,216,430**

(The notes set out on pages 10 to 50 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 16/10/25 and signed on its behalf by:

.....	.....	.....
Chairman	**Head of Finance**	**Medical Superintendent**
Board of Management	**ICPAK No:**	

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	17	6,502,269	5,582,968
Receivables from exchange transactions	18	47,851,396	20,434,962
Receivables from non - exchange transactions	19	19,992,986	
Inventories	20	20,482,295	30,777,576
Total Current Assets		**94,828,946**	**56,795,506**
Non-current assets			
Property, plant, and equipment	21	10,443,334	18,146,271
Total Non-current Assets		**10,443,334**	**18,146,271**
Total assets (A)		**105,272,280**	**74,941,777**
Liabilities			
Current liabilities			
Trade and other payables	22	41,744,430	24,792,320
Total Current Liabilities		**41,744,430**	**24,792,320**
Non-current liabilities			
Total non-current liabilities		-	-
Total Liabilities (B)		**41,744,430**	**24,792,320**
Net assets (A-B)		**63,527,850**	**50,149,457**
Represented by:			
Revaluation reserve		-	-
Accumulated surplus/Deficit		63,527,850	50,149,457
Capital Fund		-	-
		63,527,850	
Net Assets		**63,527,850**	**50,149,457**

(The notes on pages 10 to 50 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 16/10/25 and signed on its behalf by:

.....	.....	.....
Chairman	**Head of Finance**	**Medical Superintendent**
Board of Management	**ICPAK No:**	

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

As at July 1, 2023	-	**26,933,027**	-	**26,933,027**
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	23,216,430	-	23,216,430
Capital/Development grants	-	-	-	-
As at June 30, 2024	-	**50,149,457**	-	**50,149,457**
At July 1, 2024	-	**50,149,457**	-	**50,149,457**
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	13,378,393	-	13,378,393
Capital/Development grants	-	-	-	-
At June 30, 2025	-	**63,527,850**	-	**63,527,850**

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

Cash flows from operating activities			
Receipts			
Transfers from the County Government		202,100,057	231,000,000
Grants from donors and development partners		260,000	-
Transfers from other Government entities		-	73,955,005
Public contributions and donations		-	-
Rendering of services- Medical Service Income		110,017,612	16,370,939
Revenue from rent of facilities		-	-
Finance / interest income		-	-
Miscellaneous receipts(*specify)*		-	-
Total Receipts		**312,377,670**	**321,325,944**
Payments			
Medical/Clinical costs		108,248,630	128,026,856
Employee costs		20,361,772	16,480,420
Board of Management Expenses		2,117,000	1,671,000
Repairs and maintenance		22,424,731	40,568,153
Grants and subsidies		-	-
General expenses		156,928,936	119,248,382
Finance costs		-	-
Refunds paid out		872,299	-
Total Payments		**310,953,368**	**305,994,812**
Net cash flows from operating activities	23	**1,424,301**	**15,331,132**
Cash flows from investing activities			
Purchase of property, plant, equipment		(505,000)	(23,721,625)
Purchase of intangible assets		-	-
Proceeds from the sale of PPE		-	-
Acquisition of investments		-	-
Net cash flows used in investing activities		**(505,000)**	**(23,721,625)**
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Capital grants received		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		**919,301**	**(8,390,493)**
Cash and cash equivalents as at 1 July	17	5,582,968	13,973,461
Cash and cash equivalents as at 30 June	17	**6,502,269**	**5,582,968**

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	Notes
	A	b	c=(a+b)	d	e=(c-d)	f=d/c%	
	Kshs	Kshs	Kshs	Kshs	Kshs		
Budget carryovers from the previous year	-	5,582,968	5,582,968	5,582,968	-	100.%	a
Receipts			-	-	-		
Transfers from the County Government	222,093,043	-	222,093,043	202,100,057	19,992,986	91.%	b
Grants from donors and development partners	-	260,000	260,000	260,000	-	100%	c
Transfers from other Government entities							
Public contributions and donations	-	-	-	-			
Rendering of services- Medical Service Income	137,434,049	-	137,434,049	110,017,212	27,416,437	80%	d
Revenue from rent of facilities	-	-	-	-	-		
Finance / interest income	-	-	-	-	-		
Miscellaneous receipts (*specify*)	-	-	-	-	-		
Total receipts	**359,527,092**	**5,842,968**	**365,370,060**	**317,960,238**	**47,409,423**	**87%**	
Payments							
Medical/Clinical costs	161,219,449		161,219,449	108,248,630	52,970,819	67%	
Employee costs	20,800,000	260,000	21,060,000	20,361,772	698,228	97%	e
Remuneration of directors	2,700,000	-	2,700,000	2,117,000	583,000	78%	f
Repairs and maintenance	16,200,000	7,182,968	23,382,968	22,424,731	958,237	96%	g
Grants and subsidies	-	-	-	-	-		
General expenses	158,607,643	(1,600,000)	157,007,643	156,928,513	78,707	100%	
Finance costs	-	-	-	-	-		
Refunds	-	-	-	872,299	(872,299)		
Total Operational Expenditure paid	**359,527,092**	**5,842,968**	**365,370,060**	**310,953,368**	**54,416,692**		
Capital Expenditure paid	-	-	-	**(505,000)**	**505,000**		
Surplus	-	-	-	**6,502,269**	-		

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	6,502,269
1	Reason for differences	-
2	Reason for differences	-
3	Reason for differences	-
4	Reason for differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	6,502,269

Budget notes

a. **Budget carryovers from the previous year**
Carry-over cash from the previous financial year is non-refundable to the CRF. This amount was approved in the 2024/2025 year's budget during the budget making process.

b. **Transfers from the County Government**
At the close of the period transfers from CRF amounts stood at 91%. The amounts were not totally received during the financial year due to delayed National Treasury disbursements.

c. **Grants from donors and development partners**
The facility during the year received a research grant to pay the blood coordinator salary.

d. **Rendering of services- Medical Service Income**
The Medical services income stood at 80%. This attributed to higher-than-anticipated service delivery and enhanced billing efficiency. Additionally, this was largely due to the settlement of NHIF receivables for the FY 2023/2024, boosting inflows beyond initial estimates.

e. **Employee costs**

The Employee cost stood at 97%. The underutilization of 3% was caused by laying off some locum staff

f. **Remuneration of directors**

The Board of management expenses stood at 78%. The underutilization was caused by fewer participants in a meeting

g. **Repairs and maintenance**

The Repairs and Maintenance cost stood at 96%. The 4% under-absorption was primarily due to cost savings realized through supplier mini-competitions.

h. **Changes between the original and final budget**

The original budget for FY 2024/25 was revised during the year by reallocating funds.

Notes to the Financial Statements

1. General Information

Lodwar County Referral Hospital is established by and derives its authority and accountability from Turkana County Health Services Administration Act, 2015 and the Turkana County Private Hospitals and Clinics Licensing Act, 2016. The entity is wholly owned by the Turkana County Government and is domiciled in Turkana County in Kenya. The principal activity/mission/ mandate of the hospital is to provide efficient and high-quality health care system that is accessible, equitable, and affordable for every resident of Turkana County. Further it is mandated to promote and participate in provision of integrated and high quality promotive, preventive, curative, and rehabilitative health care services to every resident of Turkana County. It also formulates policies, set standards, provide health services, create and enabling environment and regulate the provision of health service delivery.

The entity's principal activity is Providing specialized medical care for patients referred by other healthcare providers, offering secondary and tertiary care services such as diagnostic testing and advanced, offering training programs for medical professionals, and Providing care for patients with complex or severe medical conditions that require specialist expertise.

2. Statement of Compliance and Basis of Preparation

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

Notes to the Financial Statements (Continued)

3. **Adoption of New and Revised Standards**

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

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

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

Standard	Effective date and impact:
IPSAS 43	***Applicable 1st January 2025*** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. At the date of authorization of this financial statement, the hospital has not adopted this standard in the financial statement.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. At the date of authorization of this financial statement, the hospital has not adopted this standard in the financial statement.
IPSAS 45- Property Plant and Equipment	***Applicable 1st January 2025*** 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	***Applicable 1st January 2025*** The objective of this standard was to improve measurement guidance across IPSAS by:

Standard	Effective date and impact:
	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. At the date of authorization of this financial statement, the hospital has not adopted this standard in the financial statement.
IPSAS 47- Revenue	***Applicable 1st January 2026*** This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions. At the date of authorization of this financial statement, the hospital has not adopted this standard in the financial statement as there were no construction contracts
IPSAS 48- Transfer Expenses	***Applicable 1st January 2026*** 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. At the date of authorization of this financial statement, the hospital has not adopted this standard in the financial statement.
IPSAS 49- Retirement Benefit Plans	***Applicable 1st January 2026*** 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. At the date of authorization of this financial statement, the hospital has not adopted this standard in the financial statement as the hospital has no retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of	***Applicable 1st January 2027*** The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.

Standard	Effective date and impact:
Mineral Resources	ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. At the date of authorization of this financial statement, the hospital has not adopted this standard in the financial statement.

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year 2025

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Notes to the Financial Statements (Continued)

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 7 July 2024. Subsequent revisions or additional appropriations were not made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the hospital did not record any additional appropriations to the FY 2024/25 budget. The hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

c. **Taxes**

Sales tax/ Value Added Tax

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

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

d. **Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is

incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 8 years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e. **Property, plant and equipment**

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

Depreciation Policy

Land is not depreciated. Depreciation on other assets is calculated on a straight-line method basis to allocate the cost or revalued amount of each asset to its residual value over its estimated useful life. The annual depreciation rates applied to each asset class are as follows:

Asset Class	Estimated
Computer and other ICT Equipment	3
Plant & Machinery	Based on purpose of machinery
Furniture & Fittings	8
Medical Equipment (Most of the medical equipment in the hospital are of ICT in nature)	3
Motor Vehicles	10

f. **Leases**

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

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

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the hospital will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Hospital. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g. **Intangible assets**

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

h. **Biological Assets**

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

i. **Research and development costs**

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

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

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

Notes to the Financial Statements (Continued)

j. **Financial instruments**

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

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 entity. At initial recognition, the hospital measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

k. **Inventories**

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

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

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

After initial recognition, inventory is measured at the lower cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower cost and the current replacement cost.Net realizable value is the

estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Hospital.

l. Provisions

Provisions are recognized when the Hospital has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Hospital expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

m. Social Benefits

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

n. Contingent liabilities

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

o. Contingent assets

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

p. Nature and purpose of reserves

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

Accumulated Fund

The Accumulated Fund is a revenue fund that records the cumulative results of the hospital's annual financial performance, whether surplus or deficit. Movements in the revaluation reserve are reflected in the Statement of Changes in Net Assets

q. Changes in accounting policies and estimates

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

r. Employee benefits

Retirement benefit plans

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

s. Foreign currency transactions

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

t. Borrowing costs

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

u. Related parties

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

v. Service concession arrangements

The Hospital analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Hospital recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through

ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

w. Cash and cash equivalents

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

x. Comparative figures

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

y. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Notes to the Financial Statements (Continued)

- Changes in the market in relation to the asset.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 38. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. **Transfers from the County Government**

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Unconditional grants		
Operational grant	222,093,043	176,500,000
Level 4/5 grants	-	-
Unconditional development grants	-	54,500,000
Other grants *(specify)*	-	-
	222,093,043	**231,000,000**
Conditional grants		
User fee forgone	-	-
Transforming health services for Universal care project (THUCP)	-	-
DANIDA	-	-
Wards Development grant	-	-
Paediatric block grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
Total government grants and subsidies	**222,093,043**	**231,000,000**

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
			KShs	KShs	KShs
Turkana County Government	222,093,043	-	-	222,093,043	231,000,000
Total	**222,093,043**	-	-	**222,093,043**	**231,000,000**

Notes to Financial Statements Continued

7. **In Kind Contributions from The County Government**

Description	2025	2024
	KShs	KShs
Salaries and wages	618,967,204	333,776,387
Medical supplies-Drawings Rights (KEMSA)	-	-
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	-	7,028,958
Fuel	-	1,500,000
Utility bills	-	15,500,000
Total grants in kind	**618,967,204**	**357,805,345**

8. **Grants From Donors and Development Partners**

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Cancer Centre grant- DANIDA	-	-
World Bank grants	-	-
Paediatric ward grant- JICA	-	-
Research grants	-	-
Donations from KEMSA	28,523,194	47,424,565
Donations from MEDS	3,382,269	7,795,973
Other grants (Strathmore University)	260,000	-
Total grants from development partners	**32,165,463**	**55,220,538**

During the reporting period, the Hospital received donations from the National Government to support priority health programs, specifically Malaria, Family Planning, Tuberculosis (TB), and Human Immunodeficiency Virus (HIV). These in-kind donations consist of essential medicines and health commodities supplied through the Kenya Medical Supplies Authority (KEMSA) and Mission for Essential Drugs and Supplies (MEDS). The support ensures continuous availability of critical supplies, strengthens disease control interventions, and reduces the Hospital's direct expenditure on these programs.

The resupply schedules vary by program, with TB and HIV commodities delivered monthly to meet ongoing patient demand, while Malaria and Family Planning commodities are provided quarterly in line with the national county allocation schedule.

In addition, Strathmore University collaborated with the Hospital to support a local initiative under the Life Blood emergency blood study, further contributing to service delivery and patient care.

Notes to the Financial Statements (Continued)

8 (a) Grants from donors and development partners (Classification)

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Strathmore University	260,000	-	-	260,000	113,000
Donor e.g., DANIDA	-	-	-	-	-
JICA	-	-	-	-	-
World Bank	-	-	-	-	-
Donations from KEMSA	28,523,194	-	-	28,523,194	-
Donations from MEDS	3,382,269	-	-	3,382,269	-
Total	**32,165,463**	-	-	**32,165,463**	**113,000**

9. Transfers From Other Government Entities

Description	FY 2024/2025	FY2023/2024
	KShs	KShs
Transfer from National Government (Ministry of Health)	-	5,500,000
Transfer from National Health Insurance Fund	-	79,506,285
Transfer from Primary Health Care	-	9,383,682
Transfer from other Insurances (MKL,Jubilee,)	-	-
Transfer from Social Health Insurance fund	-	-
Total Transfers	-	**94,389,967**

10. Rendering of Services-Medical Service Income

Description	FY 2024/2025	FY2023/2024
	Kshs	Kshs
Pharmaceuticals	-	-
Non-Pharmaceuticals	-	-
Laboratory	-	-
Radiology	-	-
Orthopedic and Trauma Technology	-	-
Theatre	-	-
Accident and Emergency Service	-	-
Anesthesia Service	-	-
Ear Nose and Throat service	-	-

Nutrition service	-	-
Cancer centre service	-	-
Dental services	-	-
Reproductive health	-	-
Paediatrics services	-	-
Farewell home services	-	-
Ambulance services	-	-
Other medical services income *(FIF)*	137,434,049	16,370,939
Total revenue from the rendering of services	**137,434,049**	**16,379,939**

11. **Medical/ Clinical Costs**

Description	FY 2024/2025	FY2023/2024
	Kshs	Kshs
Dental costs/ materials	-	-
Laboratory chemicals and reagents	14,003,240	15,014,474
Public health activities	-	-
Food and Ration	-	-
Uniform, clothing, and linen	585,000	813,774
Dressing and Non-Pharmaceuticals	4,157,871	15,145,084
Pharmaceutical supplies	108,329,628	152,343,055
Health information stationery	4,004,790	3,814,397
Reproductive health materials	-	-
Sanitary and cleansing Materials	3,147,990	3,585,317
Purchase of Medical gases	318,999	1,015,596
X-Ray/Radiology supplies	-	-
Renal Reagents	882,500	-
Other medical related clinical costs (implants)	2,444,921	3,054,716
Grants from donors and development partners (KEMSA & MEDS)	31,905,463	
Total medical/ clinical costs	**169,780,402**	**194,786,414**

12. **Employee Costs**

Description	FY 2024/2025	FY2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	19,683,096	354,506,619
Contributions to pension schemes	591,876	-
Service gratuity	-	-
Performance and other bonuses	-	-
Staff medical expenses and Insurance cover	86,800	260,250

Group personal accident insurance and WIBA	-	-
Other employee costs (In Kind Contribution from county Government)	618,967,204	-
Employee costs	**639,328,976**	**354,766,869**

13. Board of Management Expenses

Description	FY 2024/2025	FY2023/2024
	Kshs	Kshs
Chairman's Honoraria	-	-
Sitting allowance	947,000	665,000
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	1,170,000	1,006,000
Airtime allowances	-	-
Total	**2,117,000**	**1,671,000**

14. Depreciation and Amortization Expense

Description	FY 2024/2025	FY2023/2024
	Kshs	Kshs
Property, plant and equipment	8,207,937	8,039,604
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	**8,207,937**	**8,039,604**

15. Repairs And Maintenance

Description	FY 2024/2025	FY2023/2024
	Kshs	Kshs
Property- Buildings	2,836,234	31,575,064
Medical equipment	9,245,028	3,870,516
Office equipment	1,313,500	-
Furniture and fittings	-	-
Computers and accessories	996,500	-
Motor vehicle expenses	2,703,834	5,122,573
Maintenance of civil works	-	-
Total repairs and maintenance	**17,095,096**	**40,568,153**

Notes to the Financial Statements (Continued)

16. General Expenses

Description	FY 2024/2025	FY2023/2024
	Kshs	Kshs
Advertising and publicity expenses	288,000	605,874
Waste management expenses	490,000	164,640
Insecticides and rodenticides	343,450	528,724
Bank charges	40,340	84,990
Conferences and delegations	3,796,000	9,169,682
Consultancy fees	3,114,200	913,250
Contracted services	8,243,780	1,588,450
Electricity expenses	24,321,585	23,528,733
Fuel and Lubricants	14,399,919	11,451,424
ICT Services	756,000	-
Taxes	-	4,128,148
Travel and accommodation allowance	30,304,803	26,025,598
Lighting Equipment	809,920	-
Licenses and permits	554,313	-
Printing and stationery	849,060	3,618,426
Office expenses	13,079,511	-
Water and sewerage costs	397,820	464,353
Computer and Accessories	-	333,104
Skills development levies	72,737	-
Food and Rations	56,288,440	51,537,281
Telephone and mobile phone services	-	36,000
Internet expenses	360,000	-
Purchase of Furniture fittings	994,080	1,178,208
Office Equipment	1,131,150	871,303
Refund	116,847	20,193
Total General Expenses	**160,751,955**	**136,248,382**

Notes to the Financial Statements (Continued)

17. Cash And Cash Equivalents

Description	FY 2024/2025	FY2023/2024
	KShs	KShs
Current accounts	6,502,269	1,959,616
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	3,623,352
Others(*specify*)- Mobile money	-	-
Total cash and cash equivalents	**6,502,269**	**5,582,968**

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

Description		FY 2024/2025	FY2023/2024
Financial institution	Account number	KShs	KShs
a) **Current account**			
National Bank	7700601259	6,502,269	1,959,616
Equity Bank, etc		-	-
Sub- total		**6,502,269**	**1,959,616**
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
Sub- total		-	-
c) Fixed deposits account			
Bank Name		-	-
Sub- total		-	-
d) Others(*specify*)		-	-
cash in hand		-	3,623,352
Mobile money- Mpesa, Airtel money		-	-
Sub- total		-	**3,623,352**
Grand total		**6,502,269**	**5,582,968**

Notes to the Financial Statements (Continued)

18. Receivables From Exchange Transactions

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Medical services receivables	-	-
Rent receivables	-	-
Other exchange debtors (outstanding claims from insurances)	47,851,396	20,434,962
Less: impairment allowance	-	-
Total receivables	**47,851,396**	**20,434,962**

Analysis of Receivables From Exchange Transactions

Description	FY 2024/2025		FY2023/2024	
	Kshs		Kshs	
	2024/2025	**% of the total**	**2023/2024**	**% of the total**
Less than 1 year	27,416,437	%	-	%
Between 1- 2 years	10,103,636	%	20,434,962	%
Between 2-3 years	10,331,323	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	**47,851,396**	**%**	**20,434,962**	**%**

19. Receivables From Non-Exchange Transactions

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Transfers from the County Government	19,992,986	-
Undisbursed donor funds	-	-
Other debtors (non-exchange transactions)	-	-
Less: impairment allowance	-	-
Total	19,992,986	-

Notes to the Financial Statements (Continued)

Analysis of Receivables From Non-Exchange Transactions

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
	2024/2025	% of the total	2023/2024	% of the total
Less than 1 year	19,992,986	%	20,434,962	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	19,992,986	%	20,434,962.	%

20. **Inventories**

Description	FY 2024/2025	FY2023/2024
	KShs	KShs
Pharmaceutical supplies	19,898,212	30,777,576
Maintenance supplies	-	-
Food supplies	584,084	-
Linen and clothing supplies	-	-
Cleaning materials supplies	-	-
General supplies	-	-
Less: provision for impairment of stocks	-	-
Total	**20,482,295**	**30,777,576**

Notes to the Financial Statements (Continued)

Detailed disclosure on inventories

	FY 2024/2025	FY2023/2024
Opening balance	30,777,576	-
Additional Inventory in the year	-	-
Inventory expensed in the year	-	-
Write-downs in the year	-	-
Others specify	-	-
Closing balance	20,482,295	-

21. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (specify)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
Estimated useful life (in years)			10	8	3	3			
Cost									
At 1 July 2023	-	-	-	1,622,000	-	1,567,500	-	-	3,189,500
Additions	-	-	-	2,845,702	1,706,400	19,169,523	-	-	23,721,625
Disposals	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
At 30th Jun 2024	-	-	-	4,467,702	1,706,400	20,737,023	-	-	26,911,125
				-	-	-	-	-	-
At 1 July 2024	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	505,000	-	-	505,000
Disposals	-	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	4,626,402	1,706,400	21,242,023	-	-	27,574,825
At 30th Jun 2025	-	-	-	-	-	-	-	-	-
Depreciation and impairment									-
At 1 July 2023	-	-	-	202,750	-	522,500	-	-	725,250
Depreciation for the year	-	-	-	558,463	568,800	6,912,341	-	-	8,039,604

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (specify)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
Estimated useful life (in years)			10	8	3	3			
Disposals	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
At 30 June 2024	-	-	-	761,213	568,800	7,434,841	-	-	8,764,854
At July 2024	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	558,463	568,800	7,080,674	-	-	8,207,937
Disposals	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-
At 30th June 2025	-	-	-	1,319,676	1,137,600	14,515,515	-	-	16,972,791
Net book values									-
At 30th Jun 2024	-	-	-	3,706,489	1,137,600	13,302,182	-	-	18,146,271
At 30th Jun 2025	-	-	-	3,148,026	568,800	6,726,508	-	-	10,443,334

22.Trade and other Payables

Description	FY 2024/2025		FY2023/2024	
	KShs		KShs	
Trade payables	41,744,430		24,792,320	
Employee dues	-		-	
Third-party payments *(e.g. unremitted payroll deductions)*	-		-	
Audit fee	-		-	
Doctors' fee	-		-	
Total trade and other payables	**41,744,430**		**24,792,320**	
Ageing analysis:	**2024/2025**	**% of the Total**	**2023/2024**	**% of the total**
Under one year	41,744,430	%	24,792,320	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	**41,744,430**	**%**	24,792,320	**%**

23. Cash Generated from Operations

Description	FY 2024/2025	FY2023/2024
	KShs	KShs
Surplus for the year before tax	13,378,393	23,216,430
Adjusted for:		
Depreciation	8,207,937	8,039,604
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working Capital adjustments		
Decrease in inventory	10,295,281	(30,777,576)
Increase in receivables	(47,409,420)	(7,971,499)
Increase in deferred income	-	-
Increase in payables	16,952,110	22,824,172
Increase in payments received in advance	-	-
Net cash flow from operating activities	**1,424,301**	**15,331,132**

24. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Receivables from exchange transactions	20,434,962	20,434,962	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	5,582,968	5,582,968	-	-
Total	**26,017,930**	**26,017,930**	-	-
At 30 June 2025			-	-
Receivables from exchange transactions	47,851,399	47,851,399	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	6,502,269	6,502,269	-	-
Total	**54,353,538**	**54,353,538**	-	-

Notes to the Financial Statements (Continued)

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

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Trade payables	-	-	24,792,320	24,792,320
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	**24,792,320**	**24,792,320**
At 30 June 2025				
Trade payables	-	-	41,744,430	23,916,400.
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	**41,744,430**	**23,916,400**

(iii) Market risk

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

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

a) Foreign currency risk

The hospital has 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 hospital's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2025			
Financial assets (investments, cash, debtors)	74,835,967	-	74,835,967
Liabilities			
Trade and other payables	41,744,430	-	41,744,430
Borrowings	-	-	-
Net foreign currency asset/(*liability*)	**33,091,537**	-	**33,091,537**

The hospital 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.

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2024			
Financial assets (investments, cash, debtors)	56,795,506	-	56,795,506
Liabilities	-		-
Trade and other payables	24,792,320	-	24,792,320
Borrowings	-	-	-
Net foreign currency asset/(*liability*)	**32,003,186**	-	**32,003,186**

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.

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2024			
Euro	10%	-	-
USD	10%	-	-
2025			
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The hospital analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for

interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

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 of KShs 0 (2024: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs 0 (2025 – KShs 0).

iv) Capital Risk Management

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

Description	FY 2024/2025	FY2023/2024
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	**43,501,474**	50,149,457
Capital reserve	-	-
Total funds	**43,501,474**	50,149,457
Total borrowings	-	-
Less: cash and bank balances	**(6,502,269)**	(5,582,968)
Net debt/ (*excess cash and cash equivalents*)	**6,502,269**	5,582,968
Gearing	669%	898%

25. Segment Information

Lodwar County Referral Hospital operates within Turkana County (Northern Rift region, Kenya) and therefore constitutes a single geographical segment. For internal management and accountability purposes, activities are monitored and reported at the departmental (functional) level, namely:

1. Clinical Services – Outpatient, Inpatient, Theatre, Pharmacy, Laboratory, Imaging.
2. Support Services – Nursing, Biomedical, Maintenance, Nutrition, Laundry.
3. Administrative Services – Finance, Human Resources, Procurement, ICT, Governance.

26. Events after the Reporting Period

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

27. Ultimate and Holding Entity

The hospital is a Semi- Autonomous Government Agency under the Department of Health. Its ultimate parent is the County Government of Turkana

28. Currency

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

19. 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. Inaccuracies in the Financial Statements	The statement of financial performance reflects Kshs.754,786,790, Kshs.731,570,360 and Kshs.23,216,430 in respect of Total revenue, Total Expenses and Net surplus for the period which differs with the amounts in the statement of comparison of budget and actual amounts for the year which reflects Kshs.748,325,288, Kshs.723,530,757 and Kshs.24,794,532 in respect of the same. The difference in the two statements have not been reconciled contrary to the requirements of the reporting template which provides that where the total of actual on comparable basis does not tie	The difference in the two statements was reconciled in the amended financial statements in compliance with the reporting template requirements.	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)*
	to the statement of financial performance totals due to differences in basis of accounting, a reconciliation on the same should be provided.			
2. Inaccuracy of Employee Costs	The statement of financial performance as disclosed in Note 7 to the financial statements reflects in-kind contribution from County Government for salaries and wages costs of Kshs.333,776,387 with a prior year comparative amount of Kshs.420,136,211 indicating unexplained decrease of Kshs.86,359,824 during the period under review. In the circumstances, the accuracy of in-kind contribution from County Government for salaries and wages costs of Kshs.333,776,387 for the year ended 30 June, 2024 could not be confirmed.	The correct in-kind contribution from County executive for salaries and wages cost is Kshs.618,967,204	Resolved	
3. Unsupported Transfers from	The statement of financial performance and as disclosed	The hospital made claims to National Hospital Insurance Fund amounting to	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)*
	National Hospital Insurance Fund (NHIF)	in Note 9 to the financial statements reflects transfers from other government entities of Kshs.94,389,967 which includes transfer from National Hospital Insurance Fund (NHIF) of Kshs.79,506,285. Review of the records revealed that the Hospital received various funds from NHIF in the form of capitation, claims and Universal Health Care (UHC). However, the Management did not provide a reconciliation between claims made and funds received arising from the claims and the outstanding amounts for all the categories.	Kshs.79,506,285. National Hospital Insurance Fund had paid claims amounting to Kshs.64,286,133 as at 30th June, 2024.		
4.	Undisclosed Property, plant and Equipment and unsupported depreciation policy	The statement of financial position reflects Kshs.18,146,271 in respect property, plant and equipment and as disclosed under Note 31 to the financial statements. However as previously stated, observation and review of records revealed	The hospital in the Financial Year 2023/24 reported in the statement of financial position property, plant and equipment that were bought during the year at net book value amounting to Kshs.18,146,271 as disclosed in Note 31 to the financial statements. The historical assets and liabilities were not reported in the financial statements since	Not Resolved	FY 26/27

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)*
	that the Hospital owned various classes of assets including land, buildings and civil works and motor vehicle that management has not disclosed in the financial statements and their respective values. Further, the indicated accumulated depreciation amount of Kshs.8,764,854 charged on the Hospital's property, plant and equipment was not supported with a depreciation policy defining the method and rate used. As disclosed earlier, the Hospital's assets register was incomplete as it did not have details of all the Hospital assets, date of purchase, location and depreciation charges, it also lacked unique identification marks or tags numbers as applicable and the management did not provide ownership documents for the parcels of land on which the Hospital is located for audit.	the hospital had not completed capturing and tagging all historical assets in the asset register and valuation of the assets had not been done as required by International Public Sector Accounting Standard (IPSAS 33). The management is in the process of finalizing the asset register. Valuation has been planned in the budget for FY 2025/26. Finalization of these key processes will enable the hospital to onboard the assets in the subsequent financial statements. The management used the National policy in depreciating assets in FY 2023/24 and has drafted customized depreciation policy which will be used to prepare FY 2024/25 financial statements once its ratified by the Board. Further, Turkana County is in the process of regularizing land ownership within the county. This process will pave way for registration and documentation of land under community, private and public land tenure systems. Although the hospital has no title deed, the facility holds a Part Development Plan (PDP), a crucial document in the process of acquiring a title		

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)*
		deed. The approximate land size as per PDP is 11.2446 hectares		
1. Long outstanding Trade and Other Payables	The statement of financial position reflects trade and other payables of Kshs.24,792,320 as disclosed in Note 34 of the financial statements which have been outstanding for more than one year. No explanation was provided as to why the payables did not form the first charge in the current year's budget. In the circumstances, failure to settle the accounts payable of Kshs.24,792,320 during the year they relate to affects implementation of subsequent year's budget programme as the accounts payable form a first charge on that year's budget provision.	The hospital has since paid Kshs.14,911,519 of the Kshs.24,792,320 owed. The management is committed to ensuring that payment of the outstanding balance of Kshs.9,880,802 is prioritized.	Resolved	
2.1 Unutilized Managed Medical Equipment	The Hospital has Managed Equipment Services (MES) equipment outsourced by the Ministry of Health. However,	Given the expiry of MES contract, the Hospital engaged and worked closely with the health department to immediately engage a relevant service provider to ensure	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)*
	physical verification in the month of November, 2024 revealed that the contracts between maintenance service providers and the Ministry had expired. Therefore, the CT scan machine was not functioning as it had not been serviced as at 10 November, 2024.	timely servicing and functional status of critical medical equipment such as the CT scan machine. Currently the CT scan has been serviced and is working		
2.3 Grounded, Obsolete and unserviceable items	The statement of financial position reflects Kshs.18,146,271 in respect of property, plant and equipment held by Lodwar County Referral Level 4 Hospital. As disclosed under Note 31 to the financial statements, this balance includes furniture, ICT and plant and medical equipment held by the Hospital. Audit inspection at the Hospital established existence of a large number of grounded, obsolete and unserviceable items including motor vehicles, generators and other medical equipment that	The hospital is working on developing an asset disposal policy to ensure consistent handling of items that have reached the end of their useful life. We expect to complete the process within the financial year 2025-2026. Finalization of these key processes will enable the hospital to onboard the assets in the subsequent financial statements.	Not Resolved	FY 25/26

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)*
	continue to degrade as a result of continued exposure to elements of weather.			
3. Lack of authorized staff establishment	Review of the Hospital's records revealed that the Hospital operated without an authorized staff establishment which should be aligned with the approved organogram for the Hospital and there were no structures to manage staffing, posting, training, skill retention, and succession plans. Further, the Hospital does not maintain proper monthly Compliment data and payrolls of the officers deployed by the Ministry of Health and Sanitation to work at the Hospital. The complete listing of officers seconded to work at the Hospital was not provided for audit.	The Hospital has a draft staff establishment and organogram that will be considered in the next Board meeting scheduled to happen in May,2025 The Hospital has 414 staff recruited by the Turkana County Public Service Board and seconded to the Hospital. A Payroll of county staff is managed centrally by the Department of Public Service.	Not Resolved	FY 25/26

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)*
4 Failure to meet level 4 hospital requirements	The deficiencies especially on the medical equipment contravenes First Schedule of the Health Act, 2017 and imply that accessing 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. Where there are excess staff, the Management should consider redeployment to other county hospitals with deficit in medical staff.	The hospital has made significant strides in meeting the requisite standards as per the Health Act, 2017 and WHO standards. The Hospital commits to progressively address staffing and equipment gaps to guarantee the highest attainable standard of Health as per Article 43(1) of the Constitution of Kenya, 2010. The Hospital's pending request for staff is under consideration by the County Department of Health	Resolved	
1 Lack of internal Audit unit	During the year ended 30 June 2024, Lodwar County Referral Hospital had not established an internal audit function with a substantive internal auditor as required by the law and as per the approved organogram. This is contrary to regulation 153(1) of the Public Finance Management (County Government) Regulation, 2015	In the year ended 30 June 2024, the Hospital received audit support from the county government's internal audit department. The county government internal audit directorate continues to offer support to LCRH. The directorate has seconded an auditor to LCRH. In the long term, the Hospital Board will recruit an auditor(s) to be in charge of the audit function at the hospital level.	Not 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)*
	which provides that internal auditors shall review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in county government entities, give reasonable assurance through audit committee on state of risk management, control and governance and review effectiveness of the financial and non-financial performance management systems of the entities.			
2 Lack of internal audit committee	During the year ended 30 June 2024, Lodwar County Referral Hospital did not have an audit Committee in place which is required to monitor the entity governance process, accountability process and control systems of the entity and offering objective advice on issues concerning risk, control, regulatory	At the apex of the LCRH organogram is the Hospital Board of Management, which executes its mandate through sub-committees. The Board, through the finance and audit sub-committee reviews internal audit reports as part of Board oversight as required by Section 155 (1) of the PFM Act, 2012.	Not Resolved	FY 25/26

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)*
	requirement and governance of the Hospital. Further, the Hospital's approved organogram was not updated to include the functional reporting to the Audit Committee by the Head of the Internal Audit Function and administratively to the Accounting Officer.			

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report.

(ii) Obtain the "Issue/Observation" and "management comments", required above, from the final external audit report that is signed by Management.

(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your hospital responsible the for implementation of each issue.

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

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Accounting Officer

Appendix II: Projects Implemented by The Entity

Projects

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

There were no projects funded by development partners

Status of Projects completion

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

The hospital did not undertake any project

Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity.....Turkana County Government.....

Name of Beneficiary entity.....Lodwar County Referral Hospital.....

Confirmation of amounts received by Lodwar County Referral Hospital as at 30th June 2025					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
FT24292W38MT	18/Oct/2024	16,000,000.00		16,000,000.00	
FT2429890BP7	24/Oct/2024	55,523,260.75		55,523,260.75	
FT250236DYV3	23/Jan/2025	55,523,260.75		55,523,260.75	
FT251637B4VM	12/Jun/2025	75,053,535.85		75,053,535.85	
Total		202,100,057.35		202,100,057.35	

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

Head of Accounts Department - Disbursing Entity:

Name .....Benson Emuton..... Sign .....[signature]..... Date 16/10/2025

Head of Accounts Department - Beneficiary Entity:

Name .....[illegible]..... Sign .....[signature]..... Date 16/10/2025