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REPORT

OF

THE AUDITOR-GENERAL

ON

ISIOLO COUNTY REFERRAL HOSPITAL

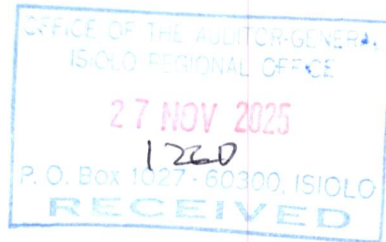
FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF ISIOLO

PAPERS LAID	
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TABLED BY	Minority Whip
COMMITTEE	-
CLERK AT THE TABLE	Angela

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Revised 30th June 2025



**ISIOLO COUNTY REFERRAL HOSPITAL(LEVEL- 5)
(Isiolo County Government)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
ICRH	Isiolo County Referral Hospital
FIF	Facility improvement fund
AIE	Authority to incur expenditure
KEMSA	Kenya medical supplies Authority
HMT	Hospital management team
NON- PHARM	Non -pharmaceuticals
PHARM	Pharmaceutical
SHIF	Social health Insurance Fund

(This list is an indication of the common acronyms and glossary of terms; the entity should include all from the annual report and financial statements prepared)

2. Key Entity Information and Management

(a) Background information

Isiolo County Referral Hospital a a level- 5 hospital that is registered under Kenya Medical practitioners & Dentist council and is domiciled in Isiolo County under the Health Department. The hospital is governed by a Board of Management together with hospital management who runs day to day activities of the facility.

(b) Principal Activities

The principal activity/mission/mandate of the hospital is to provide quality healthcare services that is accessible, equitable and sustainable to the population of Isiolo County and beyond.

(c) Key Management

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

- County Department of Health
- Board of Management
- 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:

No.	Designation	Name
1.	Medical Superintendent	Dr. Hussein Abdi
2.	Head of Finance	Mr Stephen Kimathi
3.	Head of Supply Chain	Ms. Zeinab .T. Guyo
4.	Head of Nursing services	Mrs. Lucy .N. Thomas
5.	Head of Administration	Mr Aden Roba

(e) Fiduciary Oversight Arrangements

This hospital being a facility under the department of health in the County executive, the internal department of the County treasury has fiduciary responsibility in assessing the risks faced by the hospital on an on-going basis. The internal audit evaluates and tests the effectiveness of the internal controls and operational controls and reports to the hospital's board.

In addition to above, Isiolo County Referral Hospital has clear oversight strategy as detailed below.

The Hospital Management team is involved in day-to-day activities of the Hospital in terms of service delivery by availing necessary support to the staff of the Hospital. They make sure the necessary resources are availed which include drugs and non-pharms,

laboratory reagents and any other essentials required for the running of the Hospital. The HMT prepares budgets and the budgets are approved by the Hospital management board and in turn the County chief officer for medical services being the overall accounting officer gives Authority to Incur Expenditure (AIE's) as per approved budget

The Hospital has also established committees to provide oversight role in resource and financial management i.e. Executive Expenditure committee, HMT and others. This committee, give independent findings to the hospital management committee (Board) for assessment and action.

(f) Entity Headquarters

P.O. Box 42-60300
Hospital Buildings
Isiolo – Marsabit Road/Highway
Isiolo, Kenya

(g) Entity Contacts

Telephone: (+254) 0707 915468
E-mail: icrh2018 @gmail.com

(h) Entity Bankers

Consolidated Bank – Isiolo- Branch

(i) Independent Auditors

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

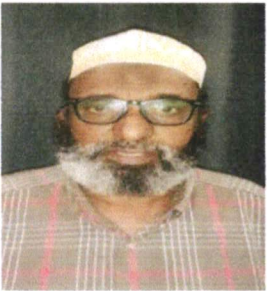

(j) Principal Legal Adviser

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





(k) County Attorney

P.O. Box.36-60300.
Isiolo, Kenya




3. The Board of Management



Ref	Directors	Details
1.		<p>Mr. Hussein Jama is currently serving as the Chairman of Isiolo County Referral Hospital Board. He holds Diploma in business administration. He has over 30 years' experience working in both private and public institutions at management level. He sits on different boards of public institutions. Has actively participated as project coordinator in Community based projects. Currently he is serving as a national director of Kenya National chamber of Commerce and industry (KNCCI) At Nairobi</p>
2.		<p>Mr. Hussein Qolicha is currently Serving as board member of Isiolo County Referral Hospital. He holds Diploma in public health, diploma in food inspection, certificate in building and construction. He has over 22 years' experience serving both in private and public institutions as middle level manager. He also chairs other Non-governmental organizations</p>
3.		<p>Ms Dahabo Wako is currently Serving as board member of Isiolo County Referral Hospital. She is a 'O' level certificate holder. She has over 5 years' experience working as a business lady in and outside Isiolo County</p>
4.		<p>Mr Adan Haro is currently Serving as board member of Isiolo County Referral Hospital. He holds master's in education leadership and management. He has mastered leadership and management skills working over 9 years in public sector at management level.</p>

*Isiolo County Referral Hospital (Level-5). (Isiolo County Government)
Annual Report and Financial Statements for the Year Ended 30th June 2025*

Ref	Directors	Details
5.		<p>Mrs Apayo Scholastica is currently Serving as board member of Isiolo County Referral Hospital. She holds Degree in Hotel and Institution Management. She has over 24years' experience serving at management level in hospitality industry. She is self-driven and transformative leader with skills needed to transform institutions to achieve desired results.</p>
6.		<p>Mr Lene Moore is currently Serving as board member of Isiolo County Referral Hospital. She holds a Master's Degree in Business management. She has over 10 years' experience working in middle level management both in public and private sector.</p>
7.		<p>Mr Abdiaziz boru is currently Serving as Board Member of Isiolo County Referral Hospital. He holds a diploma in ICT from a reputable institution. He has over 10 years' experience working both public and private sector as ICT professional. He is a talented professional with a positive synergy attitude while working on ICT assignments</p>
8.		<p>Dr Hussein Abdi is a Medical Doctor with degree in medicine and surgery and a trained health manager with management skills He has 11 years working experience as Manager in Health Department, Prior to his appointment he served as medical doctor in ICTRH and Garbatulla level 4 hospital.</p> <p>Responsibilities:</p> <p>Provision of visionary and transformative leadership in the management of the hospital: oversee the implementation of the Boards resolutions; prudent management Of resources; and formulation of long-term strategies and business plan.</p>

4. Key Management Team

Ref.	Management	Details
1.	 <p><i>Dr Hussein Abdi Medical Superintendent</i></p>	<p>Dr Hussein Abdi - is Medical Doctor with Degree in Medicine and Surgery and a trained Health Manager with management skills. He has 11 years working experience as Manager in Health Department. Prior to his appointment he served as Medical Doctor in ICTRH and Garbatulla Level 4 Hospital.</p> <p>Responsibilities: Provision of visionary and transformation leadership in the management of the hospital: oversee the implementation of the Boards resolutions; prudent management of resources; and formulation of long-term strategies and business plan.</p>
2.	 <p><i>Mr Stephen Kimathi Head of Accounts</i></p>	<p>Mr. Stephen Kimathi has over 37 years' experience in Finance. Prior to his current appointment, prior to his current position, he served as Revenue Accountant at Isiolo County Referral Hospital. He has also worked as an Account Assistant in Ministry of Health Headquarters (Ministry of health at Afya house). He holds professional accounting qualification from a reputable institution.</p> <p>Responsibilities: Coordinating the preparation of budgets; providing administrative direction as head of the department and provision of transformation leadership to achieve the vision and mandate of the Hospital.</p>
3.	 <p><i>Mr. Aden Roba Head of Administration</i></p>	<p>Mr Aden Roba Has over 11 years' experience in Hospital Administration. He Holds Master's Degree in Business Administration. He is also a certified HR practitioner.</p> <p>Responsibilities: Developing intervention programme; spearheading strategic planning in the Hospital; providing technical and professional guidance to Heads of department and</p>

Ref.	Management	Details
		coordinating performance Management initiatives.
4.	 <p data-bbox="352 775 686 846">Ms. Lucy N. Thomas <i>Head of Nursing Services</i></p>	<p data-bbox="715 427 1422 551">She holds a degree in Nursing and She is also a Kenya Registered nurse. She has 26 years' experience in nursing practice and leadership.</p> <p data-bbox="715 573 927 607">Responsibilities:</p> <p data-bbox="715 618 1422 831">Formulation, review and interpretation of ICRH health care policies relating to nursing services; ensuring to Nursing Statutory and regulatory requirements; facilitating development and review of training programs for nurses in the Hospital.</p>
5.	 <p data-bbox="352 1238 691 1310">Ms Zeinab T. Guyo <i>Head of procurement</i></p>	<p data-bbox="715 922 1422 1180">Ms Zeinab T. Guyo has over 5 years of result-oriented experience in Supply Chain Management. Prior to her appointment, she worked at supply chain management department -County treasury., She is a Graduate Diploma in Purchasing and Supply chain management from a reputable institution.</p> <p data-bbox="715 1202 927 1236">Responsibilities:</p> <p data-bbox="715 1247 1422 1415">Reviewing procurement evaluation reports and provide professional procurement or asset disposal; interpretation, implementation and enforcement of the Public Procurement Regulations</p>

5. Chairman's Statement

It is my pleasure to present the Hospital's Annual Report and Financial Statements for the Year Ended 30th June 2025. The Board of Management is proud of the achievements realized by the hospital in this period

Isiolo County Referral Hospital as the public Hospital of choice in the County and beyond, offers quality specialized health care to patients from within and outside the County. These services include general surgery, orthopedic surgery), intensive care services, new born services, ophthalmology, gynecology, palliative care and renal services among others. Building on the gains made in the previous years, reinforced by clear systems and processes as well as enabling environment, the year ended June,2025 re affirmed our strong sense of purpose in delivering high quality and personalized care.

Management and operations of the hospital is guided by the existing legal, policy, and institutional frameworks that govern health sector to ensure efficient and effective delivery of services in the Hospital

The Hospital has been able to offer services which are affordable, accessible and acceptable and in line with its Vision and Mission. Its core mandate or mission is to promote and participate in the provision of integrated and high quality, promote preventive, curative and rehabilitative health care services to all Isiolo County population.

The overall number of patients who visited the Hospital both Outpatient and Inpatient increased from 91,660 to 95,217. This was 3.9 % increase from the number previously recorded in the comparative previous year.

The Hospital has a prudent financial management strategy which as seen accountability of the Hospital resources.

The hospital has profoundly impacted the lives of people in the County through provision of quality health care services across the County. This has reduced social-economic inequalities by giving every deserving patient an opportunity to receive services in all departments.


We believe in supporting the hospital vision and mission, through establishing and nurturing the principle of equitable distribution of resources in line with our values and mission statement. We are highly optimistic of a very bright future of our hospital as the board will always enhance resources and policies to support the management.

Acknowledgement

On behalf of the Board, I would like to thank all our stakeholders especially the department of health, the County executive and development partners for the support they continue to accord the hospital without which our achievements would not have been realized.

I also thank the Isiolo County Executive through County Executive Committee Member (CECM), and County Chief Officer – Health for their continued support by facilitating prompt approval of the FIF funds and their quick interventions on emerging issues in the hospital.

This has increased the institution’s capacity to accommodate many needy patients to access affordable and quality health services in the County. I wish also to thank the board of management and Hospital management team who work tirelessly to offer supportive services and leadership to the institution in order realize its objectives. I appreciate them for what they continue to do to impact lives of Isiolo residents.


THE CHAIRMAN
HOSPITAL MANAGEMENT BOARD
ISIOLO COUNTY TEACHING &
REFERRAL HOSPITAL
P. O. Box 42 - 60300 ISIOLO
Date:.....
.....
Mr. Mussein Jama
Chairman to the Board

6. Report of The Medical Superintendent

I am pleased to present the Hospital's annual report and financial statements for the financial year ended 30th June 2025. The report highlights the hospitals operational and financial performance as well as our strategic direction.

Operational Performance

The hospital provides specialized healthcare services. To meet our patients' needs, we have specialists in most disciplines of medical practice who ensure our customers receive safe, timely, equitable, efficient, effective and patient-centred services. In the financial year ended 30th June 2025, the hospital attended to 95,217 patients of whom 5273 were inpatients.

Units of excellence

The hospital established unit of excellence in the following areas; Renal and palliative care unit, ICU/HDU, NBU. This is in a bid to provide excellent specialized services and improve quality healthcare. The units of excellence will also provide one stop services for the increasing cases referred. In addition the hospital in partnership with development partners is in the process of construction of a state of the earth maternity wing to address the increase in maternity patients.

Embracing Technology

The use of ICT is a priority for ICRH. A need to automate systems to enhance efficiency in services delivery both out-patient and in-patient remains a priority milestone the board and management of the hospital are working towards, Recognizing the importance of specialized services in maternity and laboratory services, the hospital together with health partners through the department of Health have collaborated in face lifting of Laboratory services through provision of specialized, machines and equipment in order to enhance efficiency in laboratory diagnostic services. And construction of modern maternity wing. The completion of this projects has guaranteed high-quality, effective and efficient laboratory services.

The lab was also ISO certified (ISO 1589:2012) thereby enhancing services with quality results.

Effective Communication

ICRH is putting great emphasis in improvement of communication with our patients, their families and other stakeholders in an effective and timely manner. To this end, we have continued to train our employees on customer care and effective communication while

upholding the highest standards of care. In an effort to provide timely and accurate information, we have established mechanisms for receiving and resolving customer feedback in line with mission statement:

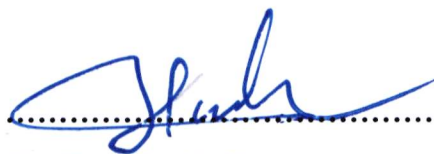
Financial Review

In order to meet the cost of operations and maintenance, the hospital relies on internally generated revenue, the largest component being user fees for services rendered. During the year under review, the hospital generated Ksh. 64,642,937 against a target of Ksh. 70 million. This as a drop by 31.3% compared to the previous year's internally generated revenue. As a result of a drop in revenue, the hospital recorded deficits in budgetary allocations. The performance deficit is attributed to reduced reimbursements from SHA, provision for bad and doubtful debts (waivers) for indigent patients' medical bills, staff industrial actions such as go-slows and strikes, delayed supplies of commodities from KEMSA.

During the year under review, relied on contributions in kind by the County executive to bridge the funding gap and consequently this has continued to adversely affect the financial sustainability of the institution.

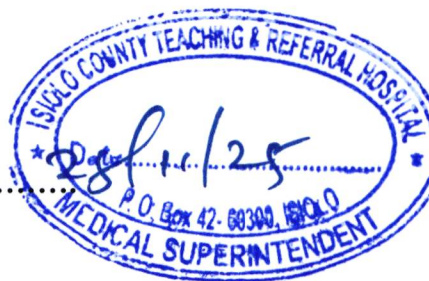
Acknowledgment

The thousands of patients served are a living testament to the care, love and support offered every day by the outstanding commitment of our staff. We are grateful to our stakeholders and sponsors for their kindness, compassion, support, dedication and contributions to ICRH.



Dr. Hussein Abdi

Secretary to the Board



7. Statement of Performance Against Predetermined Objectives

Isiolo County Referral Hospital derives its *strategic* themes and objectives from the current Isiolo County integrated development plan for the FY 2023-2025. These strategic pillars/themes/issues are as follows;

- Elimination of Communicable diseases
- Provision of Essential Health Care
- Provision of adequate and appropriate health infrastructures

The hospital develops its annual work plans based on the above Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The achieved performance targets set for the FY 2024/2025 period for its three strategic pillars are indicated in below;

Strategic Pillar/Theme/ Issues	Objective	Key Performance Indicators	Activities	Achievements
Elimination of Communicable diseases	Reduced incidences of communicable diseases	Proportion of children fully immunized	- Improving health centre service delivery - Equipping of health facilities.	94%
Provision of Essential Health Care	Reduced disease burden to all.	Reduction in number of days essential drugs are out of stock	- Improving health centre service delivery - Equipping the facility with essential drugs	50%
Provision of adequate and appropriate health infrastructures	-improved health infrastructure	Proportion of health infrastructures constructed	- Construction of new health infrastructure. - Renovation of existing health infrastructure	45%
Control and manage no communicable diseases	-reduced incidences of non-communicable diseases	Proportion Number of patients treated	- Coordination and provision of health commodities	95%
Control and manage accidents and injuries	Reduced no. of patients with injuries	Proportion no. of patients treated		90 %

8. Corporate Governance Statement

Introduction

Commitment to good corporate governance is fundamental in ensuring sustainable stakeholder value and meeting their expectations. Our structures, procedures and processes are anchored on accountability, transparency, responsibility and fairness which are the tenets of good corporate governance. Through the Board of Management, Isiolo County Referral Hospital remains steadfast in complying with statutory requirements and the Code of Governance for public institutions among others

The Board of Management

The ICRH Board of Management is constituted in accordance with the provisions of the Facility improvement Fund Act, and is composed of nine members including one member who is an ex-official member. The Constitution of the Board considers diversity in gender, age, ethnicity and culture.

In addition, the current Board of Management has diverse skills and experience in the fields of health, community development, leadership and administration.

Role of the Chairman

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

Role of the Board

The responsibility of driving good corporate governance and stewardship of the Hospital is vested in the Board of Management supported by medical superintendent who is the Secretary of the board. The Board provides strategic direction while the medical superintendent of the hospital assisted by the hospital management team is accountable to the Board for implementing the strategy. Board members are expected to be responsible, prudent and skilful while carrying out their fiduciary duties on behalf of the Hospital

Roles and Responsibility of the Board Members

The hospital's board is ultimately responsible for:

1. Establishing the Hospital's strategic direction and priorities, and adopting business plans proposed by management for the achievement of the strategic objective
2. Monitoring and evaluating the implementation of strategies, policies, management performance criteria and business plans

3. Providing oversight in financial reporting to the Government and communication to stakeholder
4. Ensuring availability of adequate resources for the achievement of the Hospital's objectives
5. Safeguarding Hospital assets by instituting appropriate internal control systems.
6. Overseeing business affairs of the Hospital in light of emerging risks and opportunities
7. Ensuring the Hospital complies with all relevant laws, regulations and codes of best business practices.
8. Approving quarterly budgets.

The Board provides oversight to Management and ensures that staff operates within the Code of Conduct and Ethics, Leadership Integrity Act,

Board work plan and meetings

A work plan that contains an annual schedule of meetings of the Board and its committees is prepared in advance. The Chairman, in conjunction with the med-sup, sets the agenda for each Board meeting which is circulated at least seven days prior to meeting. In the year under review, the Board held a total of 6 meetings to consider approval of quarterly budget and supplementary estimates, discuss pertinent issues relating to strategy, business performance and sustainability of the Hospital

Fund board structure and composition

The board members are appointed by; the County Executive committee member for health services the board shall serve for a renewable term of 3years. The hospital's board comprises a diverse mix of skills, competences and experiences making it easier to discharge their responsibility in an effect manner. The following are the Board members.

Ref.	Names of the Board members	Role in the board	Date of Appointment	Date of Retirement
1.	Mr. Hussein Jama	Chairman	April 2022	April 2025
2.	Mr. Hussein Qolicha	Member	April 2022	April 2025
3.	Ms Dahabo Wako	Member	April 2022	April 2025
4.	Mr. Adan Haro	Ex-official Member	April 2022	April 2025
5.	Mrs Apayo Scholastica	Member	April 2022	April 2025
6.	Mr. Lene Moore	Member	April 2022	April 2025
7.	Mr. Abdiaziz Boru	Member	April 2022	April 2025
8.	Dr. Hussein Abdi	Secretary	-	-

Code of Business Conduct & Ethics

Isiolo County Referral Hospital is committed to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders.

All Board members and employees of the Hospital are expected to avoid activities and financial interests that could undermine their responsibilities to the Hospital.

In addition, the Board applies a Conflict-of-Interest policy. Management with an actual or potential conflict of interest in relation to a matter before the Board is required to disclose such interest and excuse himself or herself from the Board for discussion relating to the matter in question, such conflicts are registered.

Corruption Prevention Policy

The Board is committed towards zero tolerance to corruption. The Board is committed to conduct its affairs with integrity and transparency; enforce anti-corruption programs in the pursuit of personal and corporate integrity in all activities; provision of required resources for the effective implementation of this Policy and attendant programs and strategies;

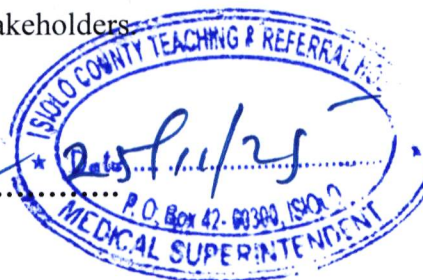
Communication and Marketing Policy

Corporate Communication and Marketing Policy is the Hospital’s blueprint that set direction and describes processes for creating, communicating, and delivering information to customers and managing customer relationships for the benefit of stakeholders.

While the Hospital recognizes that communication is of importance in leveraging corporate image, privacy, health and well-being of patients and their families, staff, volunteers takes precedence over obligations to the media and the public. Considering the need to strategically manage media relationship, facilitate effective internal communication and promote the Hospital services, the staff s adheres to this Policy when interacting with members of the public or the media. This is the first important step towards forging a positive and integrated relationship with clients and stakeholders.

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Mr. Hussein Abdi
Secretary to the Board



9. Management Discussion and Analysis

Clinical/operational performance

Isiolo County Referral Hospitals continue to provide a wide range of highly specialized healthcare services to Isiolo County residents and its surrounding. Specialized services include, specialized outpatient clinics, inpatient care, day care procedures for renal, ENT, ophthalmology, dental amongst other services and specialized accident and emergency that receives emergency, disaster victims and referred patients. The hospital also provides clinical support services that include laboratory, pharmacy and radiology.

Overall patient attendance

The average patient attendance for the financial year ended 30th June, 2025 was 89,944 outpatients and 5,273 in- Patients. There was a decline in the outpatient attendance compared to the previous year's attendance but increase in-patients during the year. This was attributed to the effect of the prolonged industrial action (both nurses and doctor's strike) and closure of walk-in casualty (in pursuit of our mandate to offer referral, emergency services).

Average Length of Stay

The average length of stay (ALOS) is an indicator of efficiency in the provision of inpatient health care in the hospital. Generally, the average length of stay in the hospital remained at 6 days.

Bed occupancy rate.

In the financial year ended 30th June, 2025 the bed occupancy rate averaged 54%. This was attributed to the specialized and quality healthcare services offered in the hospital that attracts clients from across the County and beyond. The flip side of this is overstretching of the hospital facilities and congestion of patients in the wards.

Financial Highlights

Financial performance

The FIF Act allows the hospital to receive revenue funds from; grants from the County government, fee charged for services rendered, rental income, public contributions and donations, grants from development partners and Grants from national government.

Since its inception the hospital has only operating on one source which is user fees, which is against the overall objective of the Act i.e. Improve on hospital funding. However, the hospital has continued getting critical support from County executive through commodity supplies, infrastructural improvement, payment for critical contracted services and employment and payment of hospital staff.

Performance results

Despite the hospital efforts to achieve revenue targets for the year under review, the hospital experienced deficits in departmental revenue targets. This deficit performance is largely attributed to: delays in commodity supplies from KEMSA, staff industrial actions i.e. go-slows and strikes and other macro-economic factors.

Medical Service Contracts Loss

SHIF Contracts Loss This loss arises in cases where the reimbursed rebates as per the existing medical service contracts being lower than the hospital's actual costs of offering services to patients. The terms of these contracts require the hospital to offer comprehensive healthcare services to the SHIF members without co-charging even where the actual cost of medical service offered is higher than the rebate amounts.

Also, the reimbursements are erratic and are not disbursed timely.

Hospital Strategic Direction

Isiolo County Referral Hospital derives its strategic direction from integrated County development plan (2023-2028). These Strategic themes were identified each with a strategic result whose successful execution will enable the Hospital achieve its mission and vision. Annual targets have also been set and indicative budgets proposed for the activities to be implemented in the entire Plan period. The implementation status of the 2023-2028 strategic plan is as follows.

Key Hospital Challenges

The hospital is faced with numerous challenges in fulfilling its mandate;

Automation

In a bid to ensure that ICRH provides efficient and effective services, automated outpatient services were done in the year 2019. Notwithstanding this, automation as an enabler of service delivery has remained a great challenge with the current system having challenges both

inpatient and outpatient services which requires complete overhaul in line with hospital departmental requirements in order to realize the desired outcome and in compliance with the health ministry directive. The Management backed up by the board of management is spearheading this process in collaboration with department of health and national government,

Underprivileged and Indigents medical bills

Most of the patients treated at ICRH are either from the informal sector or unemployed. Therefore, compliance level towards SHA registration has improved due to heightened campaigns and intense mobilization carried out by the national government, however due to high poverty index compliance levels still remain a challenge. Upon clinical discharge, some are unable to settle medical bills and are waived

Inadequate Development Budget Allocation to the Hospital

Most of the hospital medical equipment requires upgrading and replacement to enhance efficiency for sustained provision of better services. Over the years, the allocation towards the capital expenditure has not matched the hospital requirements

Inadequate Employee costs Funding.

The hospital operations and maintenance costs are funded from the internally generated revenue collected from rendering of services. Employee costs are funded by the County government and over the years the gap between the annual allocations of the recurrent grant verses the employee costs has been widening. Consequently, the hospital has been bridging the funding gap through funds that are meant to meet operations and maintenance costs.

Publicity

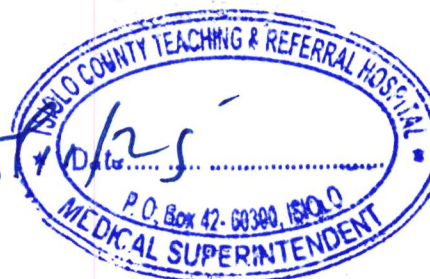
The hospital has been faced by the negative publicity arising from incidents and/or perceptions on certain occurrences within the hospital. This has affected the ICRH corporate image.

Industrial Action

Industrial action within the health sector, adversely affect the delivery of service and revenue generation for hospital

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Dr. Hussein Abdi
Secretary to the Board



10. Environmental And Sustainability Reporting

Sustainability Report

This year's report is our third sustainability report to reflect the hospital's performance as well as the hospital strategy and vision for the future. As a County teaching and Referral Hospital, we recognize that we must conduct our operations in a manner that considers the environmental and social impact to ensure the success and longevity of the business. We are committed to being transparent, candid and open about our business and this report is a reflection of that commitment.

At ICRH, we have a pragmatic approach to sustainability. We focus on identifying and putting into practice initiatives and programs that deliver real world and lasting benefits under the three areas of our sustainability activities. These areas include; maintaining a sustainable supply chain, minimizing our environmental footprint and caring for our people.

Stakeholder engagement

Engaging with stakeholders informs our decision making, strengthens our relationships and helps us deliver our commitments and succeed as a business. In order to achieve these goals, we recognize that we must work in partnership with other interested stakeholders who share our commitment and have a stake in our business.

We actively engage with Government, regulators, customers, suppliers, investors and individual citizens to create an environment that is supportive of solutions.

Maintaining a sustainable supply chain Our Commitment

ICRH has over 200 suppliers that supply good and services. When we engage multiple service providers for our operations and projects, our own reputation as service provider is always a top priority. For that reason, we are focused on ensuring our suppliers comply with best practice and adhere to our contract agreement for all services and goods offered.

Minimizing our environmental footprint

Our initiatives

In our offices and clinical areas, we continue to encourage employees to help reduce energy consumption by switching of their computers and lights at the end of the day. We have encouraged each department to identify ways to reduce our carbon footprint and help to implement initiatives across Isiolo County Referral Hospital.

In packaging of medicine, we are using environmentally friendly bags. In medical waste, we are also using bags which are clearly marked for clinical waste, bottles and left over foods. Staffs are also provided with personal protective equipment.

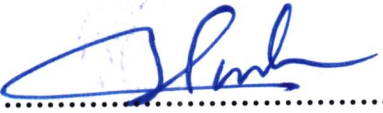
Social Capital

Our Initiatives

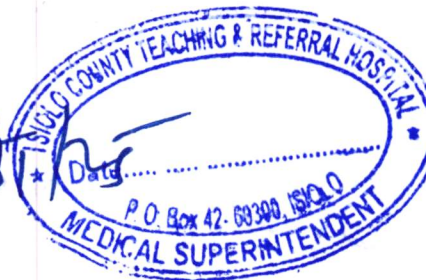
We invest in providing the best working environment for our employees. Recognition and appreciation of our employees is a core part of this. Our employee Reward a policy allows all employees to recognize their teammates for demonstrating one or more of our corporate value behavior with a recognition awards.

ICRH invests heavily in learning and development program for employees. These include facilitating continuous medical educations on leadership, management and technical competencies relevant to each employee.

We also support programs for employees seeking to further short-term training advance knowledge and expertise on their areas of specialization.


.....

Dr. Hussein Abdi
Medical superintendent



11. Report of The Board of Management

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

Principal activities

The principal activities of the entity are to provide quality healthcare services equitable and sustainable to the population of Isiolo County and beyond.

Results

The results of the entity for the year ended June, 30 2025 are set out on pages 1 to 7.

Board of Management

The members of the Board who served during the year are shown on page XV.

Auditors

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

By Order of the Board



Dr. Hussein Abdi

Secretary to the Board



12. Statement of Board of Management's Responsibilities

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

The Board of Management is responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* 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 *entity*; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accepts responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Isiolo County facility *improvement Fund Act*). The Board members are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2025 and of the *entity's* financial position as at that date.

The Board members further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, they have assessed the Fund's ability to continue as a going concern

Nothing has come to the attention of the Board of management to indicate that the *entity* 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 25/11/25 and signed on its behalf by

THE CHAIRMAN
HOSPITAL MANAGEMENT BOARD
ISIOLO COUNTY TEACHING &
REFERRAL HOSPITAL
P. O. Box 42 - 60300 ISIOLO
Date:

Mr. Hussein Jama
**Chairperson, Board of Management
Isiolo County Referral Hospital**

ISIOLO COUNTY TEACHING & REFERRAL HOSPITAL
Date:

Dr. Hussein Abdi
**Medical Superintendent
Isiolo County Referral Hospital**

REPUBLIC OF KENYA



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

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

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

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 Isiolo County Referral Hospital set out on pages 1 to 58, which comprise of the statement of financial position as at

Report of the Auditor-General on Isiolo County Referral Hospital for the year ended 30 June, 2025 - County Government of Isiolo

30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Isiolo 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 County Governments Act, 2012, the Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Non-disclosure of In-Kind Contributions from the County Government

The statement of financial performance and Note 7 to the financial statements reflect in-kind contributions from the County Government of Kshs.29,787,007 in respect to medical supplies- drawings rights (KEMSA). However, the same note reflects nil in-kind amounts on salaries and wages despite the fact that all hospital employees are on Isiolo County Government payroll. In addition, the County procured assorted pharmaceuticals and Non-Pharmaceuticals Supplies (other supplies) for the Hospital but the same was not equally reflected as In-kind contributions under note 7.

In the circumstances, the accuracy and completeness of In-kind Contributions from the County Government of Kshs.29,787,007 could not be confirmed.

2. Non-Disclosure of Land and Lack of Ownership Documents

The statement of financial position and Note 32 to the financial statements reflect property, plant and equipment amounting to Kshs.15,400,069. However, the value of the parcel of land on which the Hospital is situated was not included or disclosed in the financial statements. The omission of this asset resulted in an understatement of property, plant and equipment balance. Further, ownership documents for the piece of land were not provided for audit.

In the circumstances, the accuracy, ownership, and completeness of property, plant and equipment balance of Kshs.15,400,069 could not be confirmed.

3. Doubtful Outstanding Receivables on Transition from NHIF to SHA

The statement of financial position and Note 29 to the financial statements reflect receivables from exchange transactions amounting to Kshs.16,316,373. Audit of the NHIF

and SHA portals and related documentation revealed that NHIF (including Linda Mama) claims submitted during the year totalled Kshs.6,619,700, while outstanding claims brought forward from the prior year amounted to Kshs.16,560,000. Out of the combined claims, only Kshs.12,816,108 was settled during the year, leaving an unpaid balance of Kshs.10,363,592. Upon the transition from NHIF to the Social Health Authority (SHA), the likelihood of these claims being honored remains uncertain.

In the circumstances, the accuracy and recoverability of receivables amounting to Kshs.10,363,592 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Isiolo 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 budgeted receipts of Kshs.89,094,013 against actual receipts of Kshs.77,980,577, resulting in a shortfall of Kshs.5,113,436, or 6% of the budgeted receipts. Similarly, the Hospital spent Kshs.76,944,770 against actual receipts of Kshs.77,980,577, resulting to under absorption of Kshs.1,035,807 or 1% of the actual receipts.

The shortfall in receipts and under-absorption affected planned activities and may have impacted negatively on service delivery in the hospital.

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 effect of matters 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's 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. Review of the status during

audit of the Hospital in 2024/2025 revealed that the following matters remained unresolved;

	Audit Issue
1	Inaccuracies in the Financial Statements
2	Errors in Presentation and Disclosure on the Financial Statements
3	Non-Disclosure of Property, Plant and Equipment
4	Budgetary Control and Performance
5	Late Submission of Financial Statements
6	Inadequate Management of Medical Drugs
7	Inadequate Health Management Information System
8	Non-Compliance with Universal Health Care (UHC) Requirements
9	Lack of an Internal Audit Function and Internal Audit Committee

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on

Report of the Auditor-General on Isiolo County Referral Hospital for the year ended 30 June, 2025 - County Government of Isiolo

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. Non-Compliance with Universal Health Care (UHC) and Kenya Quality Model for Health (KQMH) Requirements

Review of the services offered, available equipment, and staffing levels at the Hospital revealed significant deficiencies. As at the time of audit on November, 2025, the Hospital had shortages in critical medical personnel, inadequate essential medical equipment, and insufficient service capacity as compared to the minimum requirements for a Level 5 hospital.

1.1 Staffing Shortfall

Cadre	Required	Available	Shortfall
Medical Officers	50	9	(41)
General Surgeons	4	2	(2)
Hospital Anesthesiologists	7	0	(7)
Pediatricians	4	3	(1)
Radiologists	4	1	(3)
Kenya Registered Community Health Nurses	250	144	(106)

2.2 Equipment and Service Capacity Shortfall

Facility/Equipment	Required	Available/ Functional	Deficiency
HDU Cots (Newborn Unit)	Required	Not available	Not available
ICU Beds	12	8	(4)
HDU Beds	12	8	(4)
Operating Theatres	7	4	(3)
Total Bed Capacity	500	301	(199)
Maternity Delivery Coaches	6	2	(4)
Newborn Incubators	10	8	(2)

Further, although the Hospital had been licensed by the Medical Practitioners and Dentists' Council on 13 September, 2024 as a Level 5 facility, it had not been gazetted by the Ministry of Health as a Level 5 hospital as at the time of audit.

In the circumstances, the Hospital's ability to provide comprehensive and quality healthcare services expected of a Level 5 facility was significantly constrained, and the adequacy of service delivery could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in

the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Strategic Plan and Risk Management Policy

Review of the internal control environment revealed that the Hospital had not developed an approved organizational strategic plan. In the absence of such a plan, the Hospital lacks a structured framework to guide its priorities, resource allocation, and achievement of institutional goals and objectives. Further, the Hospital did not have an approved Risk Management Policy to identify, assess, and mitigate risks that may affect operations and service delivery.

In the circumstances, the effectiveness of the Hospital's internal controls, strategic direction, and risk management processes could not be confirmed.

2. Lack of Disaster Recovery Plan and Emergency Response Procedures

Review of the internal control environment revealed that the Hospital had neither an approved Disaster Recovery Plan nor formal, documented, and tested emergency procedures in place. In the absence of a Disaster Recovery Plan, the Hospital may be unable to restore operations in the event of a system or service interruption. Further, without documented and tested emergency procedures, staff may be unaware of their roles during emergencies, increasing the risk of operational disruption and compromised service delivery.

In the circumstances, the adequacy and effectiveness of the Hospital's internal controls and emergency preparedness could not be confirmed.

3. Weaknesses in Management of Medical Claims

The statement of financial performance and Note 11 to the financial statements reflect Kshs.64,642,937 as income from rendering of medical services. However, audit verification of NHIF and SHA portals and related documentation revealed the following discrepancies:

- i. NHIF (including Linda Mama) claims submitted during the year amounted to Kshs.6,619,700, with outstanding claims from the previous year totaling Kshs.16,560,000. Only Kshs.12,816,108 was paid, leaving long-outstanding and unreconciled balances of Kshs.10,363,592, with no controls in place to track, follow up, or confirm recoverability. With the transition to the Social Health Authority (SHA), it remains unclear whether these pending claims will be honored or settled.
- ii. Payments reflected in the SHA system totaled Kshs.37,891,914, while Hospital records showed Kshs.37,207,858, resulting in an unreconciled variance of Kshs.684,056.
- iii. SHA rejected claims totalling Kshs.2,317,860, yet the Hospital lacked an internal control mechanism to monitor rejected claims, initiate follow-ups, or document reasons for rejection, as the system did not contain an appeals process.

In the circumstances, the adequacy and effectiveness of internal controls over medical claims processing, reconciliation, monitoring, and revenue assurance could not be confirmed.

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

Responsibilities of Management and Board of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Management is responsible for overseeing the Hospital's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 December, 2025

Report of the Auditor-General on Isiolo County Referral Hospital for the year ended 30 June, 2025 - County Government of Isiolo

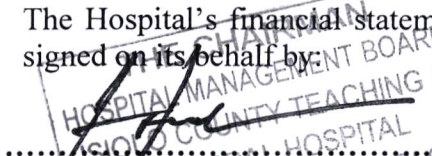
*Isiolo County Referral Hospital (Level-5) (Isiolo County Government)
Annual Report and Financial Statements for the Year Ended 30th June 2025*


14. Statement of Financial Performance for The Year Ended 30 June 2024

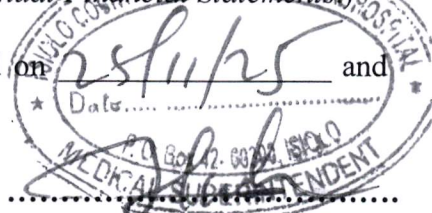
Description	Note	2024-2025	2023-2024
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	-	-
In- kind contributions from the County Government	7	29,787,007	-
Grants from donors and development partners	8	-	-
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	64,642,937	94,032,381
Revenue from rent of facilities	12	-	-
Finance /Interest Income	13	-	-
Miscellaneous Income	14	-	-
Revenue from exchange transactions			
Total revenue		94,429,944	94,032,381
Expenses			
Medical/Clinical costs	15	56,148,551	32,087,297
Employee costs	16	-	-
Board of Management Expenses	17	784,000	1,142,000
Depreciation and amortization expense	18	1,942,728	1,328,503
Repairs and maintenance	19	6,800,948	6,288,039
Grants and subsidies	20	-	-
General expenses	21	44,572,627	32,084,683
Finance costs	22	-	30,698.60
Total expenses		110,248,854	72,961,221
		(15,818,910)	21,071,160
Other gains/(losses)			
Gain/Loss on disposal of non-Current assets	23	-	-
Unrealized gain on fair value of investments	24	-	-
Medical services contracts Gains/Losses	25	(925,700)	-
Gain on foreign exchange transactions		-	-
Total other gains/(losses)		-	-
Net Surplus / (Deficit) for the year		(16,744,610)	21,071,160

(The notes set out on pages 8 to 48 form an integral part of the Annual Financial Statements.)

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


Hussein Jama
Chairman
Board of Management
Isiolo County Referral Hospital
P.O. Box 42 - 60300 ISILO


Jibril Hassan
Head of Finance
ICPAK No: 21034


Hussein Abdi
Medical Superintendent
Board of Management
Isiolo County Referral Hospital

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

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	27	17,595,537	29,653,743
Receivables from exchange transactions	29	16,316,373	16,560,000
Receivables from non-exchange transactions	30	-	-
Inventories	31	706,461	74,860
Total Current Assets		34,618,371	46,288,603
Non-current assets			
Property, plant, and equipment	32	15,400,069	15,228,897
Intangible assets	33	-	-
Investment property	34	-	-
Biological Assets	35	-	-
Total Non-current Assets		15,400,069	15,228,897
Total assets (A)		50,018,440	61,517,500
Liabilities			
Current liabilities			
Trade and other payables	36	7,168,050	1,922,500
Refundable deposits from customers/Patients	37	-	-
Provisions	38	-	-
Finance lease obligation	39	-	-
Current portion of deferred income	40	-	-
Current portion of borrowings	41	-	-
Social Benefits		-	-
Total Current Liabilities		7,168,050	1,922,500
Non-current liabilities			
Provisions	38	-	-
Non-Current Finance lease obligation	39	-	-
Non-Current portion of deferred income	40	-	-
Non - Current portion of borrowings	41	-	-
Service concession Arrangements	42	-	-
Social Benefits		-	-
Total non-current liabilities		-	-
Total Liabilities (B)		7,168,050	1,922,500
Net assets (A-B)		42,850,390	59,595,000
Represented by:			
Revaluation reserve		-	-
Accumulated surplus/Deficit		26,215,530	42,960,140

Isiolo County Isiolo Hospital (Level-5) (Isiolo County Government)
Annual Report and Financial Statements for the Year Ended 30th June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Capital Fund		16,634,860	16,634,860
Net Assets		42,850,390	59,595,000

(The notes on pages 8 to 48 form an integral part of the Annual Financial Statements.) (Prior year's adjustments on opening cash and cash equivalents was to reinstate the correct cash and cash equivalent which was erroneously overstated due to reliance of unreconciled bank certificate balance as cash and cash equivalent)

The Hospital's financial statements were approved by the Board on 25/6/25 and signed on its behalf by:

THE CHAIRMAN
HOSPITAL MANAGEMENT BOARD
ISIOLO COUNTY TEACHING &
REFERRAL HOSPITAL
Hussein Jama
Chairman
Box 42 - 60300 ISIOLO
Board of Management
Isiolo County Referral Hospital

Jibril Hassan
Jibril Hassan
Head of Finance
ICPAK No: 21034

Hussein Abdi
Hussein Abdi
Medical Superintendent
Board of Management
Isiolo County Referral Hospital

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2023	-	23,078,980	7,588,060	30,667,040
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	21,071,160	-	21,071,160
Fund received during the year	-	-	9,046,800	16,634,860
As at June 30, 2024	-	44,150,140	16,634,860	60,785,000
Revaluation gains	-	-	-	-
Prior year's adjustments	-	1,190,000	-	1,190,000
As at June 30, 2024	-	42,960,140	16,634,860	59,595,000
Surplus/(deficit) for the year	-	(16,744,610)	-	(16,744,610)
Funds received during the year	-	-	-	-
At June 30, 2025		26,215,530	16,634,860	42,450,390

(Prior year's adjustments on opening of accumulated surplus was done to reinstate the corresponding accumulated retained earnings /accumulated surplus which was erroneously overstated)

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

Description	Note	2024-2025	2023-2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts		-	-
Transfers from the County Government		-	-
Grants from donors and development partners		-	-
Transfers from other Government entities		-	-
Public contributions and donations		-	-
Rendering of services - Medical Service Income	11	64,886,564	94,032,381
Revenue from rent of facilities		-	-
Accounts receivables			-
Total Receipts		64,886,564	94,032,381
Payments			
Medical/Clinical costs	15	23,683,909	32,087,297
Employee costs		-	-
Board of Management Expenses	17	784,000	1,142,000
Repairs and maintenance		6,422,296	6,288,039
Grants and subsidies		-	-
General expenses	21	42,023,164	32,084,683
Finance costs		-	30,698.60
Accounts payable		1,922,501	(1,922,501)
Total Payments		74,835,870	69,710,217
Net cash flows from operating activities	43	(9,949,306)	24,322,164
Cash flows from investing activities			
Purchase of property, plant, equipment		(2,108,900)	(16,235,400)
Purchase of intangible assets		-	-
Net cash flows used in investing activities		(2,108,900)	(16,235,400)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Capital grants received		-	-
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		(12,058,900)	8,086,764
Cash and cash equivalents as at 1 July	27	-	22,756,980
Cash and cash equivalents as at 30 June	27	29,653,743	30,843,743
Prior year's adjustments	27	-	(1,190,000)
Reinstated Cash and cash equivalent as at June		17,595,537	29,653,743

(PSASB has now prescribed the direct method of cash flow presentation for all entities under the IPSAS Accrual basis of accounting). (Prior year's adjustments on opening cash and cash equivalents was to reinstate the correct cash and cash equivalent which was erroneously overstated due to reliance of un-reconciled bank certificate balance as cash and cash equivalent)

Hussein Jama
Chairman
Board of Management
Isiolo County Referral Hospital

Jibril Hassan
Head of Finance
ICPAK No: 21034

Hussein Abdi
Medical Superintendent
Board of Management
Isiolo County Referral Hospital

*Isiolo County Referral Hospital (Level-5). (Isiolo County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025*

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	13,094,013		13,094,013	13,094,013	-	-
Receipts						-
Transfers from the County Government	-	-	-	-	-	-
Grants from donors and development partners	-	-	-	-	-	-
Transfers from other Government entities	-	-	-	-	-	-
Public contributions and donations	-	-	-	-	-	-
Rendering of services- Medical Service Income	70,000,000	-	70,000,000	64,886,564	5,113,436	92.69%
Revenue from rent of facilities	-	-	-	-	-	-
Finance / interest income	-	-	-	-	-	-
Miscellaneous receipts (<i>specify</i>)	-	-	-	-	-	-
Total receipts	83,094,013		83,094,013	77,980,577	5,113,436	93.84%
Payments						
Medical/Clinical costs	27,200,000	-	27,200,000	25,183,850	2,016,150	92.59%
Employee costs	-		-	-	-	
Board of Management Expenses	884,013	-	884,013	784,000	100,013	88.69%
Repairs and maintenance	7,900,000		7,900,000	6,422,296	1,477,704	81.29%
Grants and subsidies	-		-	-	-	
General expenses	45,000,000		45,000,000	42,445,724	2,554,276	94.32%
Finance costs	-		-	-	-	-
Refunds	-		-	-	-	-
Total Operational Expenditure paid	80,984,013		80,984,013	74,835,870		-
Capital Expenditure paid	2,110,000		2,110,000	2,108,900	1,100	99.95%
Surplus	-		-	1,035,807	-	%

(Budget carryovers this is for entities whose budget lapses at year-end, but the surpluses are not legally required to be remitted to the Exchequer. Budget carryovers should not include third-party funds such as contractors' retention.*

Budget notes

Budget Reconciliation

Description of Particulars	Amount in Kshs.
Actual Surplus Amounts as per the statement of Budget	1,035,807
Add: Unspent income receipts for (April/May/June, 2024	16,559,730
Un presented cheques at per 30 th June, 2025	558,400
Closing Cash and Cash Equivalent as per the statement of Cash flow	18,153,937

19. Notes to the Financial Statements

1. General Information

Isiolo County Referral Hospital entity is established by and derives its authority and accountability from Isiolo County Facility improvement fund Act. The entity is wholly owned by the Isiolo County Government and is domiciled in Isiolo County in Kenya. The entity’s principal activity is to provide quality healthcare services that is accessible, equitable and sustainable to the population of Isiolo County and beyond.

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

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

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

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

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

Standard	Effective date and impact:
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
<p>IPSAS 45: Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g., valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46: Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47: Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish</p>

**Isiolo County Referral Hospital(Level -5) (Isiolo County Government)
Annual Report and Financial Statements for the Year Ended 30th June 2025**

Standard	Effective date and impact:
	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.
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.
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.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	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: <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

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 *Entity* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the asset that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies 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 2024/2025 was approved by Board on 15th July 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *entity* recorded no additional appropriations of on the FY 2024/2025 budget following the Board's approval. The *entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

c. Taxes

Sales tax/ Value Added Tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d. Investment property

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

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

e. Property, plant and equipment

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

f. Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased

property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

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

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

g. Intangible assets

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

h. Biological Assets

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

Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

i. Research and development costs

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

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

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

j. Financial instruments

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

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

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 Entity.

l. Provisions

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

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

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

m. Social Benefits

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

n. Contingent liabilities

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

o. Contingent assets

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

p. Nature and purpose of reserves

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

q. Changes in accounting policies and estimates

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

r. Employee benefits

Retirement benefit plans

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

s. Foreign currency transactions

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

t. Borrowing costs

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

u. Related parties

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

v. Service concession arrangements

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

w. Cash and cash equivalents

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

x. Comparative figures

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

y. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

(Include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	2024-2025	2023-2024
	KShs	KShs
Unconditional grants		
Operational grant	-	-
Level 4/5 grants	-	-
Unconditional development grants	-	-
Other grants (<i>specify</i>)	-	-
	-	-
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	-	-

6(b) Transfers from the County Government

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
Isiolo County Government	-	-	-	-	-
Total	-	-	-	-	-

(Ensure that the amount recorded above as having been received from the County fully reconciles to the amount recorded by the amount recorded as transferred by the County. An acknowledgement note/receipt should be raised in favour of the sending County Government. The details of the reconciliation have been included under appendix xxx).

**Amount recognised in the statement of financial performance should be the recurrent grant and the development grant to the extent that there are no conditions attached. Total of column 1 should tie to note 6(the part on unconditional grants).*

**Isiolo County Referral Hospital(Level -5) (Isiolo County Government)
Annual Report and Financial Statements for the Year Ended 30th June 2025**

Notes to Financial Statements (Continued)

7. In Kind Contributions from The County Government

Description	2024-2025	2023-2024
	KShs.	KShs.
Salaries and wages	-	-
Medical supplies-Drawings Rights (KEMSA)	29,787,007	-
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	-	-
Utility bills	-	-
Total grants in kind	29,787,007	-

(These include payments made directly by the County Governments for staff salaries and medical drugs. These should be recorded both as income and expense for completeness of financial statements)

8. Grants From Donors and Development Partners

Description	2024-2025	2023-2024
	KShs.	KShs.
Cancer Centre grant- DANIDA	-	-
World Bank grants	-	-
Paediatric ward grant- JICA	-	-
Research grants	-	-
Other grants (<i>specify</i>)	-	-
Total grants from development partners	-	-

(Provide brief explanation for this revenue)

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
Donor e.g., DANIDA	-	-	-	-	-
JICA	-	-	-	-	-
World Bank	-	-	-	-	-
Total	-	-	-	-	-

Notes to Financial Statements Continued

9. Transfers From Other Government Entities

Description	2024-2025	2023-2024
	KShs.	KShs.
Transfer from xxx National Hospital	-	-
Transfer from xxx Institute	-	-
Total Transfers	-	-

10. Public Contributions and Donations

Description	2024-2025	2023-2024
	KShs.	KShs.
Public donations	-	-
Donations from local leadership	-	-
Donations from religious institutions	-	-
Donations from other international organize and individuals	-	-
Other donations(<i>specify</i>)	-	-
Donations in kind-amortised	-	-
Total donations and sponsorships	-	-

(Provide brief explanation for this revenue)

10 (a) Reconciliations of amortised grants

Description	2024-2025	2023-2024
	KShs	KShs
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Amortised and transferred to revenue	-	-
Conditions to be met – remain liabilities	-	-

*Isiolo County Referral Hospital(Level -5) (Isiolo County Government)
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Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Description	2024-2025	2023-2024
	KShs.	KShs.
MCH	334,050	64,800
Casualty	232,200	393,270
NHIF/SHA (to all departments)	49,780,340	72,059,806
X-Ray	2,201,500	3,880,408
Lab	2,677,320	3,301,200
Dental	306,600	576,900
Admin	216,200	157,550
Revenue	204,750	405,250
Med-Engineering	3,000	17,500
Theatre	748,000	1,647,000
Mortuary	361,900	428,300
Physiotherapy	264,150	277,250
Outpatient department	1,033,600	1,135,550
Pharmacy	591,650	1,492,640
Paediatric	335,300	777,707
Female	264,000	823,900
Male Ward	455,300	947,200
Amenity ward	303,690	530,250
Mental	173,100	325,350
Eye Unit	430,550	1,127,800
Orthopaedic	17,800	8,400
Eye Nose, Throat	157,350	236,100
Records	1,552,902	1,893,650
Occupational Therapy	500	2,500
Clinics	489,950	360,750
Ambulance	35,000	11,000
CSSD	17,150	23,850
Incinerator	101,800	77,700
Renal Unit	26,500	65,000
ICU/HDU	356,000	864,600
Maternity	586,500	0
Disability Assessment	58,800	71,600
Palliative Care	33,850	20,750
Miscellaneous	278,035	-
Other Medical Service fees	13,600	26,850
Total Rendering of Services-Medical Service Income	64,642,937	94,032,381

(Other medical services fee relates to Nutrition, dermatology, plaster, speech therapy and c.pysy.clinics})

Notes to Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	2024-2025	2023-2024
	KShs	KShs
Residential property	-	-
Commercial property	-	-
Total Revenue from rent of facilities	-	-

(Provide brief explanation for this revenue)

13. Finance /Interest Income

Description	2024-2025	2023-2024
	KShs	KShs
Interest income from Cash investments and fixed deposits	-	-
Interest income from short- term/ current deposits	-	-
Interest income from Treasury Bills	-	-
Interest income from Treasury Bonds	-	-
Interest from outstanding debtors	-	-
Total finance income	-	-

14. Miscellaneous Income

Description	2024-2025	2023-2024
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender	-	-
Services concession income	-	-
Sale of goods (water, publications, containers etc)	-	-
Write backs (Deposits, payments in advance etc)	-	-
Bad debts recovered	-	-
<i>Others (Specify)</i>	-	-
Total Miscellaneous income	-	-

(NB: All income should be classified as far as possible in the relevant classes and miscellaneous income should be used to recognise income not elsewhere classified).

Isiolo County Referral Hospital(Level -5) (Isiolo County Government)
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Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	2024-2025	2023-2024
	KShs.	KShs.
Dental costs/ materials	-	-
Laboratory chemicals and reagents	5,076,356	4,186,526
Public health activities	814,000	70,000
Food and Ration	-	675,000
Uniform, clothing, and linen	-	-
Dressing and non-pharmaceuticals	25,041,805	13,066,796
Pharmaceutical supplies	24,318,040	12,300,600
Health information stationery	319,000	400,000
Reproductive health materials	-	-
Sanitary and cleansing Materials	579,350	-
Purchase of Medical gases	-	1,388,375
X-Ray/Radiology supplies	-	-
Other medical related clinical costs (<i>specify</i>)	-	-
Total medical/ clinical costs	56,148,551	32,087,297

(Other medical/clinical related costs refers to all other costs involved in management of the patients directly not analysed above.)

16. Employee Costs

Description	2024-2025	2023-2024
	KShs.	KShs.
Salaries, wages, and allowances	-	-
Contributions to pension schemes	-	-
Service gratuity	-	-
Performance and other bonuses	-	-
Staff medical expenses and Insurance cover	-	-
Group personal accident insurance and WIBA	-	-
Social contribution	-	-
Other employee costs (<i>specify</i>)	-	-
Employee costs	-	-

(Social contribution relates to expenses incurred by the employer towards social welfare of Employees)

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	2024-2025	2023-2024
	KShs.	KShs.
Chairman's Honoraria	-	-
Sitting allowance	784,000	1,142,000
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	-
Airtime allowances	-	-
Total	784,000	1,142,000

18. Depreciation and Amortization Expense

Description	2024-2025	2023-2024
	KShs.	KShs.
Property, plant and equipment	1,942,728	1,328,503
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	1,942,728	1,328,503

19. Repairs And Maintenance

Description	2024-2025	2023-2024
	KShs.	KShs.
Property- Buildings	-	-
Medical equipment	4,225,165	2,207,545
Office equipment	-	-
Furniture and fittings	-	-
Computers and accessories	527,630	1,015,470
Motor vehicle expenses	1,108,333	1,448,982
Maintenance of civil works	939,820	1,616,042
Total repairs and maintenance	6,800,948	6,288,039

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Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Description	2024-2025	2023-2024
	KShs.	KShs.
Community development and social work	-	-
Education initiatives and programs	-	-
Free/ subsidised medical camp	-	-
Disability programs	-	-
Free cancer screening	-	-
Social benefit expenses	-	-
Other grants and subsidies(<i>specify</i>)	-	-
Total grants and subsidies	-	-

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42.

21. General Expenses

Description	2024-2025	2023-2024
	KShs	KShs
Catering expenses	2,019,760	1,708,935
Airtime allowance	500,000	700,000
Contracted professional services	3,250,000	2,790,000
Fuel and Lubricants	6,256,064	5,596,649
Contracted Technical services	1,125,000	1,125,000
Internet Services	570,720	-
Travel and accommodation allowance	2,803,500	3,302,605
General office supplies	1,542,840	1,902,490
Printing and publishing	1,531,100	890,200
Bank charges	32,456	-
Electricity	17,734,581	-
Rent expenses	122,600	294,100
Staff training and development	1,155,900	2,354,124
Other administrative costs	5,928,106	11,420,580
Total General Expenses	44,572,627	32,084,683

(Other Administration costs include; courier and postal services, purchase of kitchen staff uniform, refill of cooking gas, purchase of kitchen wares, security guard allowances and sundry costs}

22. Finance Costs

Description	2024-2025	2023-2024
	KShs.	KShs.
Borrowings (amortized cost) *	-	-
Bank Charges and commission	-	30,698.60

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Interest on Bank overdrafts/Guarantees	-	-
Interest on loans from commercial banks	-	-
Total finance costs	-	30,698.60

(Borrowing costs that relate to interest expense on acquisition of non- current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)

23. Gain/Loss on Disposal of Non-Current Assets

Description	2024-2025	2023-2024
	KShs.	KShs.
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised (<i>specify</i>)	-	-
Total gain on sale of assets	-	-

24. Unrealized Gain on Fair Value Investments

Description	2024-2025	2023-2024
	KShs.	KShs.
Investments at fair value	-	-
Total gain	-	-

25. Medical Services Contracts Gains /Losses

Description	2024-2025	2023-2024
	KShs.	KShs.
Comprehensive care contracts with NHIF/SHA	-	-
Non- Comprehensive contracts care with NHIF/SHA	-	-
Linda Mama Program	-	-
Waivers and Exemptions	(925,700)	-
Total Gain/Loss	(925,700)	-

26. Impairment Loss

Description	2024-2025	2023-2024
	KShs.	KShs.
Property, plant, and equipment	-	-
Intangible assets	-	-
Investments	-	-
Total impairment loss	-	-

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27. Cash And Cash Equivalents

Description	2024-2025	2023-2024
	KShs	KShs
Current accounts	17,595,537	29,653,743
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others(<i>specify</i>)- Mobile money	-	-
Total cash and cash equivalents	17,595,537	29,653,743

*(The amount should agree with the closing and opening balances as included in the statement of cash flows)
(Pror year's adjustments on opening cash and cash equivalents was to reinstate the correct cash and cash equivalent which was erroneously overstated by ksh.1,190,000 due to reliance of unreconciled bank certificate balance as cash and cash equivalent as per schedule below.*

S/no	Figure as per bank certificate as at June ,2024	Balance as per cash book as at 30 th June 2024	Overstated amount
1.	30,843,743	29,653,743	1,190,000

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

Description	Account number	2024-2025	2023-2024
		KShs.	KShs.
Financial institution			
a) Current account			
Consolidated bank		17,595,537	29,653,743
Equity Bank, etc.		-	-
Sub- total		17,595,537	29,653,743
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc.		-	-
Sub- total			
c) Fixed deposits account			
Bank Name		-	-
Sub- total			
d) Others(<i>specify</i>)			
cash in hand		-	-
Mobile money- M-Pesa, Airtel money		-	-
Sub- total			
Grand total		17,595,537	29,653,743

Provide disclosure on any restricted cash that the entity is holding.

28. Prepayments

Description	2024-2025	2023-2024
	KShs.	KShs.
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Others specify	-	-
Total	-	-

29. Receivables From Exchange Transactions

Description	2024-2025	2023-2024
	KShs.	KShs.
Medical services receivables	16,316,373	16,560,000
Rent receivables	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total receivables	16,316,373	16,560,000

(Entity to state the expected credit loss rates for various categories of its receivables. The entity should also disclose how ECL was arrived at in line with provisions of IPSAS 41.)

Analysis of Receivables from Exchange Transactions

Description	2024-2025		2023-2024	
	KShs.		KShs.	
	2024-2025	% of the total	2023-2024	% of the total
Less than 1 year	16,316,373	100%	16,560,000	100%
Between 1- 2 years		%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	16,316,373	%	16,560,000	100%

**Isiolo County Referral Hospital(Level -5) (Isiolo County Government)
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Notes to the Financial Statements (Continued)

30. Receivables From Non-Exchange Transactions

Description	2024-2025	2023-2024
	KShs.	KShs.
Transfers from the County Government	-	-
Undisbursed donor funds	-	-
Other debtors (<i>non-exchange transactions</i>)	-	-
Less: impairment allowance	-	-
Total	-	-

(Undisbursed donor funds refer to funds expected where conditions for disbursements have been met by the recipient as at the reporting date)

Analysis of Receivables from Non-Exchange Transactions

Description	2024-2025		2023-2024	
	Kshs	% of the total	Kshs.	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

31. Inventories

Description	2024-2025	2023-2024
	KShs.	KShs.
Pharmaceutical and Non Pharm supplies	545,675	41,000
Maintenance supplies	-	-
Food supplies	-	16,000
Linen and clothing supplies	-	-
Cleaning materials supplies	54,450	17,860
General supplies	106,336	-
Less: provision for impairment of stocks	-	-
Total	706,461	74,860

Detailed disclosure on inventories

Description	2024-2025	2023-2024
	KShs.	KShs.
Opening balance	74,860	74,860
Additional Inventory in the year	34,416,252	-
Inventory expensed in the year	(33,779,651)	-
Write-downs in the year	-	-
Others specify	-	-
Closing	706,461	74,860

*Isiolo County Referral Hospital(Level -5) (Isiolo County Government)
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Notes to the Financial Statements (Continued)

32. 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
Cost									
At 1 July 2023	-	-	-	-	-	368,000	-	-	368,000
Additions	-	-	-	2,025,000	4,056,800	10,153,600	-	-	16,235,400
Disposals	-	-	-	-	-	-	-	-	-
Transfer/adjustments									
At 30th Jun 2024		-		2,025,000	4,056,800	10,521,600			16,235,400
At 1 July 2024	-	-	-	2,025,000	4,056,800	10,521,600			16,235,400
Additions	-	-	-	349,600	498,000	1,266,300	-	-	2,113,900
Disposals	-	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-						
At 30th June 2025		-		2,374,600	4,554,800	11,787,900			18,717,300
Depreciation and impairment									
At July 2023	-	-	-	-	-	46,000	-	-	46,000
Depreciation for the year	-	-	-	100,156	637,420	590,927		-	1,328,503
Disposals		(-)	(-)	(-)	(-)	(-)	(-)	-	(-)
Impairment	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-
At 30th June 2024	-	-	-	100,156	637,420	636,927	-	-	1,374,503

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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
At July 2024				100,156	637,420	636,927	-	-	1,374,503
Depreciation	-	-	-	302,856	300,154	1,339,719	-	-	1,942,728
Disposals		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Impairment	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-
At 30th June 2025	-	-	-	403,012	937,574	1,976,646			3,317,231
N.BV At 30 th June 2024		-	-	1,924,844	3,419,380	9,884,673	-	-	15,228,897
NBV At 30th June 2025		-		1,971,588	3,617,226	9,811,254			15,400,069

Notes to the Financial Statements (Continued)

33. Intangible Assets-Software

Description	2024-2025	2023-2024
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
Additions–Internal development	-	-
Disposal	(-)	(-)
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization for the period	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

34. Investment Property

Description	2024-2025	2023-2024
	KShs	KShs
At beginning of the year	-	-
Additions	-	-
Disposals during the year	(-)	(-)
Fair value gain	-	-
Depreciation (<i>where investment property is at cost</i>)	(-)	(-)
Impairment	(-)	(-)
At end of the year	-	-

(For investment property held at fair value, changes in fair value should go through the statement of financial performance. Where cost model is elected, depreciation and impairment should not be charged. Investment measured at fair value should be evaluated at the end of the reporting period for changes in fair value.). Entity should disclose the independent valuers, rental income from the investment property if any and the direct costs attributed to the investment property. Any charges on the investment property as well as any difficulty in classifying this asset as an investment property.

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Notes to the Financial Statements (Continued)

35. Biological Assets

Description	2024-2025	2023-2024
	KShs	KShs
Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Others specify	-	-
Total	-	-

36. Trade and other Payables

Description	2024-2025	2023-2024
	KShs	KShs
Trade payables	7,163,050	1,922,501
Other payables (unpaid balance from acquisition of medical equipment.)	5,000	-
Third-party payments (e.g. unremitted payroll deductions)	-	-
Audit fee	-	-
Doctors' fee	-	-
Total trade and other payables	7,168,050	1,922,501

Ageing analysis:

Description	2024-2025		2023-2024	
	KShs.	% of the total	Kshs.	% of the total
Under one year	7,168,050	75%	1,922,501	100%
1-2 years	-	25%	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	7,168,050	100%	1,922,501	100%

37. Refundable Deposits from Customers/Patients

Description	2024-2025	2023-2024
	KShs	KShs
Medical fees paid in advance	-	-
Credit facility deposit	-	-
Rent deposits	-	-
Others (specify)	-	-
Total deposits	-	-

Notes to the Financial Statements (Continued)

Ageing analysis:

Description	2024-2025		2023-2024	
	Kshs.	% of the Total	Kshs.	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

38. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs.	KShs.	KShs.	KShs.
Balance at the beginning of the year	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	(-)	(-)	(-)	(-)
Change due to discount & time value for money	(-)	(-)	(-)	(-)
Total provisions	-	-	-	-
Current Provisions	-	-	-	-
Non-Current Provisions	-	-	-	-
Total Provisions	-	-	-	-

39. Finance Lease Obligation

Description	2024-2025	2023-2024
	KShs	KShs
Current Lease obligation	-	-
Long term lease obligation	-	-
Total	-	-

40. Deferred Income

Description	2024-2025	2023-2024
	KShs	KShs
Current Portion	-	-
Non-Current Portion	-	-
Total	-	-

Isiolo County Referral Hospital(Level -5) (Isiolo County Government)
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Notes to the Financial Statements (Continued)

40 (a) The deferred income movement is as follows:

Description	National government	International funders/donors	Public contributions and donations	Total
Balance b/f	-	-	-	-
Additions during the year	-	-	-	-
Transfers to Capital fund	(-)	(-)	(-)	(-)
Transfers to statement of financial performance	(-)	(-)	(-)	(-)
Other transfers (<i>Specify</i>)	(-)	(-)	(-)	(-)
Balance C/F	-	-	-	-

41. Borrowings

Description	2024-2025	2023-2024
	KShs.	KShs.
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the year	(-)	(-)
Repayments of domestic borrowings during the year	(-)	(-)
Balance at end of the period	-	-

41. (a) Breakdown of Long- and Short-Term Borrowings

Description	2024-2025	2023-2024
	KShs.	KShs.
Current Obligation	-	-
Non-Current Obligation	-	-
Total	-	-

(Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

Notes to the Financial Statements (Continued)

42. Service Concession Arrangements

Description	2024-2025	2023-2024
	KShs.	KShs.
Fair value of service concession assets recognized under PPE	-	-
Accumulated depreciation to date	(-)	(-)
Net carrying amount	-	-
Service concession liability at beginning of the year	-	-
Service concession revenue recognized	(-)	(-)
Service concession liability at end of the year	-	-

43. Cash Generated from Operations

Description	2024-2025	2023-2024
	KShs	KShs
Surplus for the year before tax	(16,744,610)	21,071,160
Adjusted for:		
Depreciation	1,942,728	1,328,503
Non-cash grants received	(-)	(-)
Impairment	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working Capital adjustments		
Increase in inventory	(631,601)	
Decrease in receivables	243,627	
Increase in deferred income		
Increase in payables	5,240,550	1,922,501
Increase in payments received in advance		
Net cash flow from operating activities	(9,949,306)	24,322,164

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

Notes to the Financial Statements (Continued)

44. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2024	-	-	-	-
Receivables from exchange transactions	16,560,000	16,560,000	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	29,653,743	29,653,743	-	-
Total	46,213,743	46,213,743	-	-
At 30 June 2025	-	-	-	-
Receivables from exchange transactions	16,316,373	16,316,373	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	17,595,537	17,595,537	-	-
Total	33,911,910	33,911,910	-	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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 entity has significant concentration of credit risk on amounts due from xxxx. The board of management sets the hospital’s credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2024				
Trade payables	1,922,501	-	-	1,922,501
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	1,922,501	-	-	1,922,501
At 30 June 2025				
Trade payables	7,168,050			7,168,050
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				

(iii)Market risk

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

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

a) Foreign currency risk

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2025			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2025			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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 (previous year)			
Euro	10%	-	-
USD	10%	-	-
2025 (current year)		-	-
Euro	10%	-	-
USD	10%	-	-

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

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 xxx (20xx: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs xxx (20xx – KShs xxx).

iv) Capital Risk Management

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

Description	2024-2025	2023-2024
	KShs	KShs
Revaluation reserve	-	-
Retained earnings	24,293,029	42,960,140
Capital reserve	16,634,860	16,634,860
Total funds	40,927,889	59,595,000
Total borrowings	-	-
Less: cash and bank balances	17,595,537	29,653,743
Net debt/ (<i>excess cash and cash equivalents</i>)		
Gearing	42.9%	49.7%

45. Related Party Balances

Nature of related party relationships

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

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

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

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Description	2024-2025	2023-2024
	KShs	KShs
Transactions with related parties		
a) Services offered to related parties		
Services to xxx	-	-
Sales of services to xxx	-	-
Total	-	-
b) Grants from the Government		
Grants from County Government	-	-
Grants from the National Government Entities	-	-
Donations in kind from county government	29,787,007	-
Total	29,787,007	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	-	-
Compensation to the medical Sup	-	-
Compensation to key management	-	-
Total	29,787,007	-

46. Segment Information

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

47. Contingent Liabilities

Contingent liabilities	2024-2025	2023-2024
	KShs	KShs
Court case against the hospital	-	-
Bank guarantees in favour of subsidiary	-	-
Total	-	-

(Give details)

48. Capital Commitments

Capital Commitments	2024-2025	2023-2024
	KShs.	KShs.
Authorised For	-	-
Authorised And Contracted For	-	-
Total	-	-

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

49. Events after the Reporting Period

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

50. Ultimate and Holding Entity

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

51. Currency

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

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	<p>Inaccuracies in the Financial Statements</p> <p>Note 15 to the financial statements reflects Kshs. 32,087,297 in respect of medical and laboratory equipment which includes nil balance in respect of laboratory chemicals while the supporting ledger reflects a balance of resulting to un reconciled variance of Kshs.4, 186,526. In addition, the Note 15 to the financial statements reflects nil comparative balance in respect of laboratory chemicals while statements reflect a balance of resulting to unexplained and un reconciled variance of Kshs.349,947</p> <p>Further, Note 28 to the financial statements reflects receivables from exchange transactions comparative</p>	<p>The management takes note of auditor general’s observation regarding Note.15 of the financial statements. This was an error of omission while capturing ledger balances in Note 15 in the financial statements.</p> <p>However, the management confirms that the errors have been corrected in subsequent year’s financial statements.</p> <p>Further, the management Concur with the auditor’s general observation on Note 28 to the financial statements which reflects errors in comparative figure of receivables from exchange transactions</p> <p>The errors have since been corrected in the amended of financial statements of the year ended 30th June, 2024</p>	Resolved	End of June 2025

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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)
	<p>balance of Kshs.3,516,076 while the prior year financial statements reflect a balance of Kshs.7,513,200 resulting to unexplained and unreconciled variance of Kshs.3,997,124.</p> <p>In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.</p>			
1.2	<p>Errors in Presentation and Disclosure on the Financial Statements</p> <p>The financial statements were signed by the Head of Finance who is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) but at the time of the audit was not in good standing.</p> <p>In the circumstances, the financial statements as prepared and presented do not comply with the reporting format prescribed by the Public Sector Accounting Standards Board (PSASB).</p>	<p>The management confirms that the head of finance is in good standing.</p>	Resolved	End of June 2025
2.0	<p>Non-Disclosure of Property, Plant and Equipment</p> <p>The statement of financial position and</p>	<p>The management confirms that the hospital assets purchased through County Government of Isiolo and those bought</p>	Partly Resolved	End of June 2025

*Isiolo County Referral Hospital(Level -5) (Isiolo County Government)
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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)
	<p>Note 31 to the financial statements reflects property, plant and equipment. Balance of Kshs.15, 228,897 in respect of furniture fittings and office equipment, ICT equipment, plant and medical equipment. However, review of documents and physical inspection revealed that the Hospital is in possession of several vehicles which were not included in property, plant and equipment.</p> <p>In the circumstances, the accuracy, ownership and valuation of property, plant and equipment balance of Kshs.15, 228,897 could not be confirmed.</p>	<p>before devolution by the ministry of health, ownership and recognition was done in County executive financial statements this includes Motor vehicles, equipment, Building, and some furniture. Therefore, they are part of Property, plant and equipment (PPE) in County executive balance sheet. Hence non recognition in the the institution financial statements.</p>		
	<p>Budgetary Control and Performance</p> <p>The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis amounting to Ksh.100, 173,500 and Kshs.94, 032,381 respectively resulting to an under-funding of Kshs.6,141,119 or 6% of the budget.</p> <p>Further, the Hospital spent Kshs.71,</p>	<p>The management agrees with the auditor general’s observations on under-funding experienced during the period under review. This was attributed to factors such as staff strikes/go slows, delayed supplies from KEMSA which impacted revenue generation. The macro-economic factors such as drought, and poverty also impacted negatively on revenues leading to</p>	Resolved	End of June 2025

*Isiolo County Referral Hospital(Level -5) (Isiolo County Government)
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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)
	<p>632,717 against actual receipts of Kshs.94, 032,381 resulting to an under-utilization of Kshs.22, 399,663 or 23.8% of actual receipts.</p> <p>The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.</p>	<p>underfunding.</p> <p>Further, the management agrees with the auditor’s general observations of under-utilization of approved budgets. This was as a result of income cycle differs with expenditures cycles for the year under review. Therefore, leading to underutilization.</p>		
	<p>Late Submission of Financial Statements</p> <p>The financial statements for the year under review were submitted to the Office of the Auditor-General on 3 October, 2024, three (3) days after the statutory date of 30 September, 2024. This was contrary to Section 164(4) of the Public Finance Management Act, 2012 which requires that within three months after the end of each financial year, the Accounting Officer for an entity shall submit the entity’s financial statements to the Auditor-General.</p>	<p>The management concurs with the auditor’s observations on late submission and is regrettable. The management further, confirms that this being the first time the institution was reporting as a semi-autonomous entity it experienced capacity gap challenges in processing of financial statements.</p> <p>However, the management is committed to comply with submission timelines in subsequent submissions.</p>	Resolved	End of June 2025
	<p>Inadequate Management of Medical</p>	<p>The management has taken note of auditor</p>	Resolved	End of June 2025

*Isiolo County Referral Hospital(Level -5) (Isiolo County Government)
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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)
	<p>Drugs</p> <p>The statement of financial performance and as disclosed in Note 15 to the financial statements reflects medical/clinical costs balance of Ksh.32,087,297 in respect of expenditure on medical and clinical items. However, it was observed that there were frequent stock outs of drugs, therefore affecting service delivery at the Hospital.</p> <p>Further, the store management system was not functional at the time of audit and it was not possible to establish whether the issuance of drugs to different departments in the Hospital used the principle of First Expiry First Out (FEFO) method of issuing drugs as per the Ministry of Health Guidelines on Management of Health Products and Technologies, 2020.</p>	<p>general’s observations on Expenditures in respect of medical and clinical items incurred which was based on allocation from hospital facility improvement fund. However, due to delays from KEMSA coupled with budgetary constraints the hospital experienced frequent stock out which affects service delivery.</p> <p>The management confirms that through the support of the County executive it has addressed some of the challenges of stock-outs and is committed to lobby for more budgetary allocations to alleviate the problem of stock outs.</p> <p>Further, the management can confirm that the store management system was fixed and is now working efficiently.</p>		
	<p>Inadequate Health Management Information System</p> <p>The statement of financial performance</p>	<p>The management has taken note of the auditor general observations on contract maintenance agreement of the installed</p>	Resolved	End of June 2025

*Isiolo County Referral Hospital(Level -5) (Isiolo County Government)
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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)
	<p>and Note 21 to the financial statements reflects general expenses balance of Kshs.32, 084,683. Included in the balance is Kshs.1, 500,000 paid to a local company for support and maintenance of the Hospital electronic medical record systems. However, the contract agreement was open ended and did not have contractual timelines. In addition, the system did not generate reports on income generated per revenue stream and the Hospital relied on the supplier's servers for backup. This was contrary to Section 149(1)(a)(b) of the Public Finance Management Act, 2012 which states that an accounting officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized and effective, efficient, economical and transparent</p>	<p>hospital revenue system which is open ended. This was due to the company which developed and installed the system has exclusive rights on maintenance as per contract agreement signed.</p> <p>However, the management through ICT department assessment report on the current revenue system, has commenced to adopt its recommendations by a process of procuring a robust system to replace the existing system which has system challenges on bulk report generation. (Annex 3/B: letter to the principal secretary for the recommendation of standard revenue system</p>		
	<p>Non-Compliance with Universal Health Care (UHC) Requirements Verification of services offered,</p>	<p><i>The management has engaged the County service board through the County chief officer of health for recruitment and</i></p>	Not Resolved	End of June 2026

*Isiolo County Referral Hospital(Level -5) (Isiolo County Government)
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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)
	<p>equipment used and number of members of staff at the Hospital revealed that the Hospital did not have anaesthesiologists. The Hospital had five (5) medical officers against the required fifty (50), one (1) general surgeon against the required four (4), three (3) gynaecologists against the required four (4), two (2) paediatrics against the required four (4), one (1) radiologist against the required four (4) and one hundred and thirty-eight (138) Kenya registered community health nurses against the required two hundred and fifty (250).</p> <p>In addition, the Hospital did not have HDU cots for the new born unit. Also, the Hospital had two (2) function ICU beds against the required twelve (12), two (2) functional HDU beds against the required twelve (12), three (3) functional theatres against the required seven (7), two hundred and fifty (250) bed capacity of against the required five hundred (500), two (2) maternity delivery</p>	<p>deployment of critical staff to optimize service delivery. (Refer Annex 4: request letter for staff recruitment and deployment and staff establishment plan). Further, the management notes that due to the budgetary constraints and high wage bill above required standard the County was unable to meet the optimal staffing requirement for level 5 despite continuously employing staff in different carders during the years.</p> <p>The functional ICU/HDU beds are sixteen however those that are in use are 2 ICU beds and 4 HDU beds due to shortage of personnel required to operate it.</p>		

*Isiolo County Referral Hospital(Level -5) (Isiolo County Government)
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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)
	<p>coaches against the required six (6) and eight (8) new born incubators against the required ten (10).</p> <p>In the circumstances, service delivery may have been affected due to failure to meet the requirements of Kenya Quality Model for Health Policy Guidelines.</p>			
	<p>Lack of an Internal Audit Function and Internal Audit Committee</p> <p>During the year under review, the Hospital operated without a functional internal audit department and an internal audit committee. This was contrary to Section 155(5) of the Public Finance Management Act, 2012 which states that a County government entity shall establish an internal auditing committee whose composition and functions are to be prescribed by the regulations.</p> <p>In the circumstances, the effectiveness of the internal controls, risk management and overall governance for the Hospital could not be confirmed.</p>	<p>The management has noted auditor general’s observations on formation of internal audit and formation of internal audit committee.</p> <p>The management confirms that there exist arrangements with the County executive internal audit unit to carry out periodic audit reviews as a mechanism for assessing and mitigating financial and operational risks.(See Annex 5/A: Request letter to County Executive Committee Member -Finance through County executive committee member-for health).The management further Confirms it has written to County executive committee member for health to constitute internal audit committee `as prescribed by the regulations, (Refer Annex 5/B: Request letter to County</p>	Not Resolved	End of June 2026

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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)
		executive committee member for health)		

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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 entity 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.


.....
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.						

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)

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

Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 th June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

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

Head of Accounts Department - Disbursing Entity:
 Name Sign Date

Head of Accounts Department - Beneficiary Entity:
 Name Sign Date.....

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Appendix IV Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

XX Hospital (XX County Government)
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Appendix V: Disaster Expenditure Reporting Template

Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

