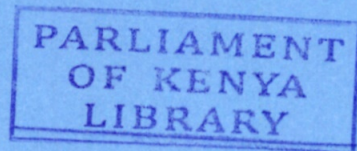


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



OF

THE AUDITOR-GENERAL

ON

TAKABA SUB-COUNTY REFERRAL HOSPITAL

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

COUNTY GOVERNMENT OF MANDERA



OFFICE OF THE AUDITOR GENERAL
NORTH EASTERN REGIONAL OFFICE
11 JUN 2024
RECEIVED
P.O. BOX 88-70100



TAKABA SUB COUNTY REFERRAL HOSPITAL

(Mandera County Government)

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

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

DATE	18/09/24	PAPERS LAID
TABLED BY	Majority leader	
COMMITTEE	—	
CLERK AT THE TABLE	Angela	

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I. Key Entity Information and Management

(a) Background information

Takaba Sub County Referral Hospital is a level (4) hospital domiciled in Mandera County, Mandera west Sub county under the Department of Health service. The hospital is governed by Hospital Management Team.

(b) Principal Activities

Vision

To be a hospital of choice offering easily and affordable, accessible and personalized healthcare services

Mission

To optimize our Healthcare service to achieve equity in healthcare for all our clients.

(c) Key Management

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

- County department of health
- Health Management Team
- Hospital Management team
- Departmental heads.
- Others (*specify*)

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Muktar Maalim Hussein
2	Hospital Administrator	Adan Abdi Ibrahim
2.	Head of finance	Hassan Ali Abdirahman
3.	Head of supply chain	Adan Kassim Abdi




(e) Fiduciary Oversight Arrangements

1. Hospital management team
2. Staff welfare and disciplinary committee
3. Pharmacovigilance committee
4. Infection prevention and control committee
5. Health products and technologies committee.




Key Information and Management (continued)


- (f) Headquarters**
Ministry of health
P.O. Box 13 70300
Mandera, Kenya.
- (g) Contacts**
E-mail: takabareferralhospital@gmail.com
Website: www.takabahospital.go.ke
- (h) Bankers**
Equity Bank A/c no. 1000266572471
- (i) Independent Auditors**
Auditor General
Office of Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya
- (j) Principal Legal Adviser**
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya
- (k) County Attorney**
P.O. Box.13-70300,
Mandera, Kenya.

II. The Board of Management

Ref	Directors	Details
1.	 <p>Mr. Adow Ibrahim Mohamed CCO Medical services</p>	<p>Mr. Adow Ibrahim holds a Bachelor of business management degree. He brings over 20 years' experience from private sector from middle level to high management level. Mr. Adow has strived through own initiatives in acquiring more knowledge, experience and skills thus keeping up with ever increasing professional dynamics</p>
2.	<p>Dr. Muktar Maalim Hussein Academic Qualification- Bachelor of Medicine and Bachelor of surgery.</p> 	<p><u>Medical Superintendent.</u> <u>Duties and Responsibilities</u></p> <ol style="list-style-type: none"> 1. overseeing the overall administration and functioning of the hospital 2. managing and coordinating activities of different department 3. develop and implement policies, procedures. 4. monitor and evaluate performance of staff 5. fostering relationships with healthcare organization 6. ensure compliance with legal and regulatory requirements 7. handling and resolving any patient complain, concerns and grievances 8. participate in staff meetings, committee meetings and other activities
3.	<p>Adan Abdi Ibrahim Bachelor of Business Administration</p> 	<p><u>Hospital Administrator</u> <u>Duties and Responsibilities</u></p> <ol style="list-style-type: none"> 1. leadership and strategic planning 2. financial management 3. operations management 4. human Resource management 5. Quality and patient safety 6. medical staff management 7. community and public relation 8. information management

III. Management Team

Ref	Management	Details
1.	<p>Dr. Muktar Hussein Academic Qualification- Bachelor of Medicine and Bachelor of surgery.</p> 	<p><u>Medical Superintendent.</u> <u>Duties and Responsibilities</u></p> <ol style="list-style-type: none"> 1. overseeing the overall administration and functioning of the hospital 2. managing and coordinating activities of different department 3. develop and implement policies, procedures. 4. monitor and evaluate performance of staff 5. fostering relationships with healthcare organization 6. ensure compliance with legal and regulatory requirements 7. handling and resolving any patient complain, concerns and grievances
2.	<p>Mr. Adan Abdi Ibrahim Bachelor of Business Administration</p> 	<p><u>Hospital Administrator</u> <u>Duties and Responsibilities</u></p> <ol style="list-style-type: none"> 1. leadership and strategic planning 2. financial management 3. operations management 4. human Resource management 5. Quality and patient safety 6. medical staff management 7. community and public relation
3.	<p>Mr. Hassan Ali Abdirahman Bachelor of Business – Accounting Option.</p> 	<p><u>Accountant In-charge</u> <u>Duties and responsibilities</u></p> <ol style="list-style-type: none"> 1. Financial management 2. Accounting processes 3. Financial planning and analysis 4. Cost control and expenses management 5. Financial reporting and compliance 6. Staff management and development

<p>4.</p>	<p>Mr. Adan Mohamed Issack Bachelor of Science in Community nutrition</p> 	<p><u>Nursing Officer - in charge</u> <u>Duties and responsibilities</u></p> <ol style="list-style-type: none"> 1. Provision of quality health care 2. Staff management and development 3. Review and revise care plan & assessments 4. Ensure availability of equipment's for patient management. 5. Ensure high level of infection prevention 6. Ensure high quality nursing care in department 7. Co-ordinate patient care with other department 8. Ensure safe storage of drugs
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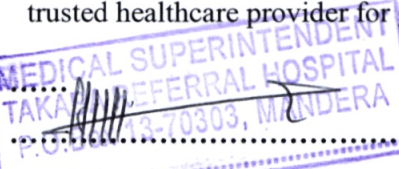
IV. Chairman's Statement

As the Chairman of the Board of Takaba Sub County Referral Hospital, I am honored to highlight the progress of our Hospital with a profound sense of gratitude and responsibility. Our hospital stands as a beacon of hope and healing within our community, providing exceptional care to all who walk through our doors.

In these unprecedented times, our commitment to serving the health needs of our community has never wavered. Despite facing numerous challenges, our dedicated team of healthcare professionals has displayed unwavering resilience and compassion, ensuring that every patient receives the highest standard of care.

I am immensely proud of the tireless efforts of our doctors, nurses, support staff, and volunteers who continue to work selflessly to safeguard the health and well-being of our patients. As we navigate the evolving landscape of healthcare, the Board of Directors remains steadfast in our mission to uphold the highest standards of governance and accountability. We are committed to improving healthcare in the vast area of Takaba Sub county and environs.

I would like to express my sincere appreciation to our patients, their families, and our community partners for their continued trust and support. Together, we will continue to build upon our legacy of excellence and innovation, ensuring that Takaba Sub County Referral Hospital remains a trusted healthcare provider for generations to come.


 MEDICAL SUPERINTENDENT
 TAKABA REFERRAL HOSPITAL
 P.O. BOX 13-70303, MANDERA

Dr. Muktar Hussein

Board Chairman

V. Report of The Chief Executive Officer

I am pleased to present a comprehensive report on the high level of financial performance of our esteemed hospital. The achievements outlined in this report reflect the dedication and commitment of our management and the entire staff. It's with pride that I share the following information by highlighting the mentioned financial performance and commitment to excellence in healthcare for effective and efficient service delivery.

1. **Cost management** – our hospital has implemented robust cost management strategies resulting in efficient operation and controlled expenses by identifying potential cost saving opportunities and negotiated advantageous contracts with suppliers thus reducing running cost of the hospital and regular monitoring of expenses which has played vital role in achieving favourable financial outcomes.
2. **Cash management** – timely payment of liabilities has resulted in improved hospital operation and acquisition of essential drugs and equipment's before it run out of stock enhancing better service in the hospital prompt payment of casual salaries notwithstanding.
3. **Budgeting** - a proper financial planning has given us insight on diligent focus on managing hospital expenditures, pending bills and efficient resource allocation in the budget for smooth running of the hospital.
4. **Supply chain management**- the hospital has implemented cost effective procurement and inventory management systems resulting reduced cost related to medicinal supplies, pharmaceuticals and maintenance of equipment and all other hospital supplies by streamlining procedures where all departmental heads forward their request to management for approval before an order is made. Thus enabling the practice of PFM Acts and Regulations in the hospital.
5. **Revenue Generation** – our hospital has experienced a significant increase in revenue which is as result of increase in patient volume, improved service offering in all critical departments and effective utilization of available healthcare resource for effective financial management.
In abide to increase the hospital revenues the management embarked on increasing revenue stream including but not limited to NHIF claims of both inpatients and outpatient and Linda mama reimbursement. Liaison with school heads were made to reach out to several students in secondary schools under the cover of EDU AFYA. The paid claims boosted the overall revenues generated by the hospital. The hospital also invested in employment of more clerical officer to NHIF office.
However, inconsistency of release of recurrent AIEs from the treasury has led to accumulation of pending bills in the financial year under review; this demotivated the suppliers and others cancelling their contract while frustrating the efforts of the management. Among the suppliers the hospital owes includes KPLC, food and ration supplies, printing services and water supplies

In conclusion, the high level of financial performance achieved by our hospital is a testament to our unwavering commitment to providing exceptional healthcare services. Moving forward, it's crucial that we explore avenues for increase in revenue generation, optimizing cost on structures and maintaining prudent financial practices. I extend my gratitude to hospital leadership, staff members and other stakeholders for their dedication and teamwork in attaining this remarkable financial performance. It's my humble submission that consistent financing plays a critical role towards provision of health service delivery that is acceptable accessible and affordable to health service seekers of Mandera west Sub County.

Thank you



Dr. Muktar Hussein
Medical Superintendent

VI. Statement Of Performance Against Predetermined Objectives

Takaba sub-county Referral hospital has two strategic pillars/themes/issues and objectives within the current Strategic Plan for the FY 2021/2022- FY 2027/2028. These strategic pillars/ themes/ issues are as follows:

Pillar /theme/issue 1: Operational excellence

Pillar/theme/issue 2: Skilled and organized management team

Takaba sub-county Referral hospital develops its annual work plans based on the above two pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Takaba sub-county hospital achieved its performance targets set for the FY 2021/2022 period for its two strategic pillars, as indicated in the diagram below.

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1: Operational excellence	Make policies	<ul style="list-style-type: none"> ✓ Enhance service delivery ✓ Increase in revenue generation 	<ul style="list-style-type: none"> ✓ Patients receive safe, timely services ✓ Efficient & effective handling of patient with diligence and provide care. 	<ul style="list-style-type: none"> • effective and timely service delivery • efficient utilization of resources
2: Skilled and organized management team	Institutionalize leadership and governance performance	<ul style="list-style-type: none"> ✓ Alignment of governance, leadership, and all employees to the overall strategic objectives of the organization. 	<ul style="list-style-type: none"> ✓ oversight in financial reporting, Safeguarding Hospital assets 	<ul style="list-style-type: none"> ✓ vibrant governance system

1) Achieve operational excellence to deliver speed and efficiency

Takaba sub-county hospital needs to deliver a better overall customer experience by aligning processes, reducing timelines and making the whole customer experience from visit to exit a fast and efficient system. To achieve this goal, the hospital will focus on the following objectives:

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

VII. Corporate Governance Statement

Takaba Sub County Referral Hospital is committed to upholding the highest standards of corporate governance to ensure transparency, accountability, and integrity in all aspects of our operations. As a publicly funded institution entrusted with the health and well-being of our community, we recognize the importance of effective governance practices in fulfilling our mission and serving the public interest.

Governance Structure:

Our governance structure is designed to promote effective oversight, decision-making, and accountability. The Board of Directors, composed of experienced professionals with diverse backgrounds, provides strategic guidance and oversight to the hospital's management team. The Board operates in accordance with its charter, which outlines its responsibilities, composition, and governance processes.

Ethical Standards:

Takaba Sub County Referral Hospital, we adhere to the highest ethical standards in all our activities. Our Code of Conduct sets forth the principles and values that govern the behavior of our directors, executives, employees, and volunteers. We are committed to conducting business with honesty, integrity, and respect for legal and regulatory requirements.

Risk Management:

Managing risk is integral to our governance framework. The Board oversees the hospital's risk management processes, which identify, assess, and mitigate risks that may affect our operations, finances, or reputation. We regularly review and update our risk management policies and procedures to adapt to changing circumstances and emerging threats.

Transparency and Disclosure:

We believe in transparent communication with our stakeholders. We provide regular updates on our financial performance, strategic initiatives, and governance practices through our annual reports, financial statements, and other communications channels. Additionally, we comply with all applicable disclosure requirements to ensure transparency and accountability to the public.

Stakeholder Engagement:

Engaging with our stakeholders is essential to understanding their needs and expectations. We actively seek input from patients, families, employees, healthcare professionals, government agencies, and community organizations to inform our decision-making and improve the quality of our services. We are committed to fostering open dialogue and collaboration with all stakeholders.

Continuous Improvement:

We are dedicated to continuous improvement in governance practices. We regularly evaluate our governance structure, policies, and processes to identify areas for enhancement and implement best practices. Through ongoing learning and development, we strive to strengthen our governance framework and uphold the trust and confidence of our stakeholders.

At Takaba Sub County Referral Hospital, we are committed to maintaining the highest standards of corporate governance to fulfill our mission of providing quality healthcare services to our community. We will continue to uphold the principles of transparency, accountability, and integrity in all our endeavors, guided by our commitment to excellence and the public interest.

VIII. Management Discussion and Analysis
Clinical/operational performance

	DESCRIPTION	TOTAL NUMBER/%
1.	Bed Capacity (Medical & Maternity Wards)	57%
2.	Outpatient Attendance	27631
3.	Inpatient Attendance	742
4.	Accident & Emergency Attendance	603
5.	Special Clinic Attendance	50
6.	Average Length of stay for Inpatient	6 days
7.	Bed Occupancy rate	21%
8.	Mortality Rate	0.86%

SURGICAL THEATRE UTILISATION	
PROCEDURE	TOTAL NO.
Amputation	1
Cesarean Section	59
Circumcision	25
Debridement	9
Disarticulation	3
Ear Syringing	5
Excision	11
Fasciotomy	1
Fistulectomy	1
Foreign Body Removal	22
Ganglionectomy	2
Hemorrhoidectomy	5
Hernia Repair	3
Herniorraphy	4
Hydrocelelectomy	5
Incision and Drainage	12
Lipectomy	4
Mastectomy	2
Removal of Retained Placenta	1
Surgical Toilet	6
Vaginal Wall Repair	1

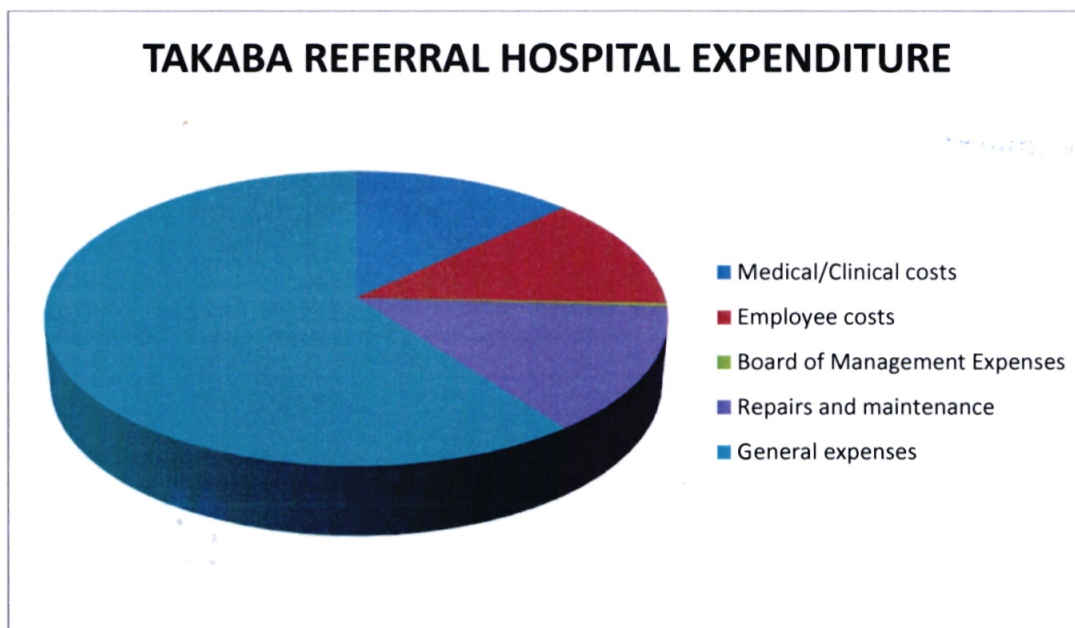
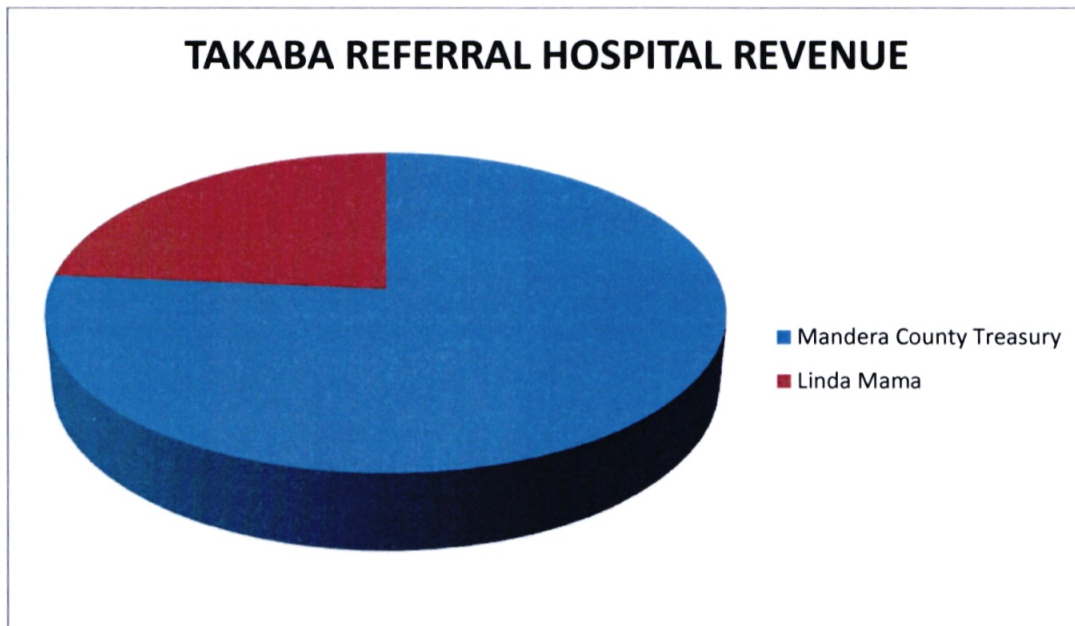
Financial performance

For the year under review Takaba sub county hospital opening balance as at 1st July 2021 is Ksh.1,603.99 and hospital received Ksh.17,600,000 from Mandera county treasury and another Ksh. 2,774,280 from Linda Mama totalling to Ksh. 20,374,280 . This revenue has been utilised for hospital operations as follows; Ksh.3,742,000 used for medical/clinical cost, Ksh.1,393,000 for employee cost, ksh.6,712,000 for repair and maintenance, Ksh.8,006,476 for general expenses of the hospital. Therefore, the surplus for the year ended 30th June 2022 is ksh. 4,804. This shows Takaba sub county hospital have utilized 99.9%% of its revenue for this financial year.

The table below shows the utilization of revenue received during this financial year.

s/n	Particulars	Amount (ksh)	Percentage %
1	Medical/Clinical costs	3,742,000	18.37%
2	Employee costs	1,393,000	6.83%

3	Board of Management Expenses	511,600	2.54%
4	Repairs and maintenance	6,712,000	32.95%
5	General expenses	8,006,476	39.30%
	Grand total	20,369,476	99.99%



a. Revenue sources,

Our Main revenue sources to our hospital are AIE from Mandera county Government. The hospital's budget which is approved by the Chief Officer of Medical Services in collaboration with the County Treasury on quarterly basis based on expenditure. This funding is allocated through the approved budget and plays a crucial role in sustaining the hospital's operations.

NHIF – Linda Mama Fund

NHIF Linda Mama program IS providing free delivery services to all mothers in the hospital's maternity department. The program plays a vital role in generating revenue for the hospital. Under this program, the hospital receives funding from the National Hospital Insurance Fund.

b. Utilisation of funds etc.

Fund is utilized on quarterly basis as per the expenditure and the budget, which is approved by the Chief Officer of Medical Services in collaboration with the County Treasury. This funding is allocated through the approved budget and plays a crucial role in sustaining the hospital's operations. the hospital's budgeting process, which is approved by the County Chief Officer of Medical Services in collaboration with the County Treasury.

Hassan Ali Ibrahim
TAKABA REFERRAL HOSPITAL
P.O. Box 13, MANDERA
ACCOUNTANT IN-CHARGE
Date

IX. Environmental And Sustainability Reporting

Takaba Sub County Referral Hospital exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on Environmental policy and environmental performance: putting the residents/Citizen first, delivering services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

Environmental policy guiding Takaba Sub County Referral Hospital

The Hospital depends on the national and county environmental laws and policies in day-to-day environmental management

1. Environment Management and Coordination Act (EMCA 1999) Amended 2015.
 - The Environmental (Impact Assessment and Audit) Regulations, 2009 Legal Notice No. 101;
 - The Environmental Management and Coordination (Waste Management) Regulations, 2006 Legal Notice No. 121

- The Environmental Management and Coordination (Water Quality) Regulations, 2006 Legal Notice No. 120;
 - The Environmental Management and Coordination (Noise and Excessive Vibration Pollution Control) Regulations, 2009 Legal Notice No. 61;
 - The Environmental Management and Coordination (Air Quality Regulations 2014)
2. National Environment Policy (NEP 2012)
 - The policy sets out important provisions relating to the management of ecosystems and the sustainable use of natural resources, and recognizes that natural systems are under intense pressure from human activities particularly for critical ecosystems including forests, grasslands and arid and semi-arid lands. The objectives of the Policy include developing an integrated approach to Environmental management, strengthening the legal and institutional framework for effective coordination, promoting environmental management tools
 - The NEP applies during construction of infrastructure project i.e. on Environmental & Social Management and Monitoring Plan (ESMMP)
 3. County Environment Action Plan (CEAP 2020-2024) - Intended to provide guidelines on solutions to some environmental impacts in the county.
 4. The Mandera County Climate Change bill 2021

Biodiversity Management

1. **Success;**
 - Increased coverage on medical services
 - Sustainable management of solid waste
2. **Shortcomings**
 - Scarcity of resources
 - Underfunding
3. **Efforts towards biodiversity management**
 - Concerted efforts by government, private institutions and civil society organizations and measures that enhance nature's ability to provide critical ecosystem services.

Policies on waste management;

- National Solid Waste Management strategy (2015)
- Environmental Management and Coordination (Waste Management) Regulations of 2006

X. Report of The Board of Management

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

Principal activities

The principal activities of the Hospital are to receive, treat and care for patients referred and those from the Sub county

Results

The results of the Takaba Aub County Referral Hospital for the year ended June 30 2023 are set out on pages ...1.. to 25..

Board Of Management

The members of the Board who served during the year are shown on page vii. During the year 2021-2022 director retired/ resigned and xxx was appointed with effect from xxxx date.

Auditors

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



Chairman

Board of Management

XI. Statement of Board of Management's Responsibilities

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

The Board of Management is responsible for the preparation and presentation of the Takaba Sub County Referral Hospital financial statements, which give a true and fair view of the state of affairs of the for and as at the end of the financial year (period) ended on June 30, 2023. 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 , (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 ; (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 Takaba Sub County Referral Hospital financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board members are of the opinion that

the 's financial statements give a true and fair view of the state of 's transactions during the financial year ended June 30, 2023, and of the 's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Hospital which have been relied upon in the preparation of the 's financial statements as well as the adequacy of the systems of internal financial control.

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

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 30th June 2022 and signed on its behalf by:

Name: Dr. Muktar Hussein


Accounting Officer
Date:

**MEDICAL SUPERINTENDENT
TAKABA REFERRAL HOSPITAL
P.O. BOX 19-70303, MANDERA**

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON TAKABA SUB-COUNTY REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF MANDERA

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Takaba Sub-County Referral Hospital - County Government of Mandera set out on pages 1 to 24, which comprise of

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

In my opinion, except for the 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 Takaba Sub-County Referral Hospital - County Government of Mandera as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1. Variance in Transfers from Other Government Entities

The statement of financial performance reflects transfers from other Government entities -NHIF Linda Mama Programme of Kshs.2,774,280 as disclosed in Note 7 to the financial statements. However, third party confirmation of the balance from the National Hospital Insurance Fund (NHIF) records revealed payments of Kshs.2,770,000 resulting to a variance of Kshs.4,280. Further, the statement of financial position reflects Nil receivables while NHIF records reflects payables to the Hospital of Kshs.95,017.

In the circumstances, the accuracy and completeness of transfers from other Government entities - NHIF Linda Mama totalling Kshs.2,774,280 could not be confirmed.

2. Failure to Disclose In-Kind Contribution from the County Executive

The statement of financial performance reflects employee costs of Kshs.1,393,000 in respect of casual employees. However, the amount excludes undetermined amounts of salaries and allowances for permanent employees working at the Hospital which were paid by the County Executive of Mandera. Management did not provide satisfactory explanation for the failure to disclose the contribution in-kind in the statement of financial performance.

In the circumstances, the accuracy and completeness of the employee costs of Kshs.1,393,000 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Takaba Sub-County Referral Hospital - County Government of Mandera Management in accordance with ISSAI 130 on 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.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in 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 the Public Sector Accounting Standards Board Template

The financial statements presented for audit did not disclose the Institute of Certified Public Accountants of Kenya (ICPAK) membership number for the Head of Finance who signed the financial statements in the relevant sections. This was contrary to the requirement by the Annual Financial Reporting Template for Level 4 and Level 5 hospitals issued by the Public Sector Accounting Standards Board.

In the circumstances, the financial statements do not comply with the prescribed reporting template.

2. Late Submission of Financial Statements

The financial statements for the financial year ended 30 June, 2022 were submitted on 18 April, 2024 which was twenty-one and a half months after the end of the financial year. This was contrary to Section 149(2)(k) of the Public Finance Management Act, 2012 which provides that an Accounting Officer shall, in respect of the entity concerned not later than three months after the end of each financial year, prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury.

In the circumstances, Management was in breach of the law and the financial statements could not be audited within the statutory period.

3. Failure to Prepare Estimates of Income and Expenditure

The Hospital operated without an approved budget during the year under review. This was contrary to Section 149(2)(h) of the Public Finance Management, 2012 which provides that an Accounting Officer shall in respect of the entity concerned prepare estimates of expenditure of the entity in conformity with the strategic plan of the entity. Although a statement of comparison of budget and actual amounts which reflected budgeted receipts and budgeted expenditure of Kshs.21,994,930 and Kshs.21,990,126 respectively, was included in the financial statements, the source of the amounts reflected could not be confirmed.

In the circumstances, Management was in breach of the law and the regularity of the expenditure could not be confirmed.

4. Failure to Maintain Fixed Assets Register

Management had not prepared an asset register contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

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

5. Lack of Annual Procurement Plan

During the year under review, the Hospital did not have an annual procurement plan. This was contrary to Section 45(3)(a) of the Public Procurement and Asset Disposal Act, 2015 which provides that all procurement processes shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan.

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

6. Inadequacies in Universal Health Coverage

Review of records maintained by the facility and physical inspection of healthcare services and medical equipment available at the facility revealed that the Hospital does not meet the requirements to offer medical services by a Level 4 hospital as provided by the first schedule of the Health Act, 2017 as listed below.

		Minimum Required	In Position	Surplus/ (Deficit)
i	Staffing Requirement			
	Medical Officers	16	3	(13)
	Anesthesiologists	2	0	(2)

		Minimum Required	In Position	Surplus/ (Deficit)
	General Surgeons	2	0	(2)
	Gynaecologists	2	0	(2)
	Pediatricians	2	0	(2)
	Radiologists	2	0	(2)
	Registered Community Health Nurses	75	25	(50)
	Total	101	28	(73)
ii	Equipment & Machines			
	baby cots	5	0	(5)
	Incubators	5	4	(1)
	Resuscitaire	3	4	1
	ICU beds	6	0	(6)
	HDU beds	6	2	(4)
	Dialysis machine	5	0	(5)
	Operating theatres	2	2	0
	X - Ray	1	0	(1)
	CT Scan	1	0	(1)
	MRI Machine	1	0	(1)
	mammography machine	1	0	(1)
	Total	36	12	(24)
iii	Bed Capacity	150	30	(120)

In addition, the Hospital experienced insufficient water supply resulting to lack of running water in the wards and also lacked proper drainage and sewerage system.

In the circumstances, the Hospital was not in a position to deliver health service expected from a level 4 hospital thus affecting the achievement of Universal Health Coverage and Management was in breach of the law.

7. Unsupported Waiver of Patients Bills

Examination of the Hospital revenue records revealed that waivers of unknown amounts were granted by the social workers on hospital patient's bills. However, the basis, documentation to support the process and approvals for the waivers were not provided for audit. Further, Management did not provide for audit review written delegated authority to the social workers who granted the waivers.

In the circumstances, the regularity of waivers on patients' bills granted could not be confirmed.

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

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on effectiveness of internal controls, risk management and governance, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Failure to Establish Hospital Board of Management

The financial statements disclosed three members of the Board of Management, however, no evidence of appointment of the Board members was provided. Further, two of the members listed are in the Management team. The Hospital therefore operated without a functional Board. This was contrary to Section 8(1) of the Mandera County Health Services Act, 2019 which provides that every County and Sub-County hospital shall be governed by a Hospital Board.

In the circumstances, the existence of effective governance structures in the Hospital could not be confirmed.

2. Weaknesses in Collection and Administration of Revenue

Review of revenue documents provided revealed that revenue was collected through an automated Revenue Management System for all the Hospital revenue streams. However, the following weaknesses in the revenue management system were identified.

- i. The revenue management system could not generate reports for each revenue stream to support the daily and monthly collections.
- ii. Management did not maintain a cashbook yet the Hospital had eight revenue collection points with only one supervisor for the revenue collection and who did not have access to the daily or monthly collection reports.
- iii. There were no cash safe boxes and the cash collected was deposited into the personal M-pesa accounts of the revenue clerks and later transferred to the hospital revenue collection account.

In the circumstances, the effectiveness of internal controls in the revenue collection system could not be confirmed.

3. Lack of Land Ownership Documents

Management did not provide ownership documents for the land on which the Hospital buildings and structures sit. This was contrary to Regulation 133(1) of the Public Finance Management (County Governments) Regulations, 2015 which require that an Accounting Officer shall be responsible for the proper custody, care and use of government inventories under their control.

In the circumstances, ownership and measures put in place to ensure security of the Hospital's land could not be confirmed.

4. Failure to Establish Internal Audit Function and Audit Committee

The Hospital did not establish an audit committee as required. This was contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which provides that each County Government entity shall establish an audit committee. In addition, the Hospital did not have an internal audit unit. This was contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which provides that a County Government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the effectiveness of checks and balances in the Hospital could not be confirmed.

5. Lack of Approved Staff Establishment and Scheme of Service

During the year under review, Management did not have an approved staff establishment and scheme of service in place to provide guiding framework for human resources management. It was therefore not possible to confirm the basis for staff recruitment and promotions in the Hospital.

In the circumstances, the existence of effective human resources management controls could not be confirmed.

6. Lack of Risk Management Policy and Disaster Recovery Plan

The Hospital did not put in place risk management policies, strategies, disaster recovery plan and risk register to mitigate against risk. This was contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting Officer shall ensure that; (a) the County Government entity develops risk management strategies, which include fraud prevention mechanisms; and (b) the County Government entity develops a system of risk management and internal control that build robust business operations.

In the circumstances, the existence of an effective risk management system could not be confirmed.

The audit was conducted in accordance with the 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 the Board of Management

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

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions

of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

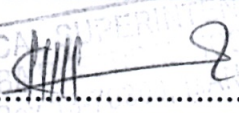

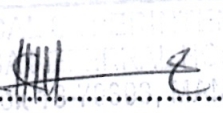
18 June, 2024

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

Description	Note	FY 2021-2022	FY 2020-2021
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	17,600,000.00	0.00
Transfers from other Government entities – NHIF Linda Mama Program	7	2,774,280.00	0.00
Receipts from Rendering of services	8	1,620,650.00	0.00
Total revenue		21,994,930.00	0.00
Expenses			
Medical/Clinical costs	9	3,742,000.00	0.00
Employee costs	10	1,393,000.00	0.00
Board of Management Expenses	11	511,600.00	0.00
Repairs and maintenance	12	6,712,000.00	0.00
General expenses	13	8,010,876.00	0.00
Transfers to CRF	14	1,620,650.00	0.00
Total expenses		21,990,126.00	0.00
Total other gains/(losses)		0.00	0.00
Net Surplus / (Deficit) for the year		4,804.00	0.00

(The notes set out on pages 6 to 26 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 30th June 2022 and signed on its behalf by:

<p>Dr. Muktar Hussein</p>  <p>Chairman Board of Management</p>	<p>Hassan Ali Ibrahim</p>  <p>Head of Finance ICPAK No:</p>	<p>Dr. Muktar Hussein</p>  <p>Medical Superintendent</p>
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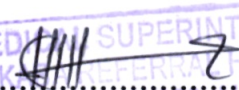
XIV. Statement of Financial Position as of 30th June 2022

Description	Note	2021 – 2022	2020 – 2021
		FY. Ksh	FY. Ksh
Assets			
Current assets			
Cash and cash equivalents	15	4,804.00	0.00
Total Current Assets		4,804.00	0.00
Non-current assets			
Property, plant, and equipment		0.00	0.00
Total Non-current Assets		0.00	0.00
Total assets		4,804.00	0.00
Liabilities			
Trade and Other payables		0.00	0.00
Total Current Liabilities		0.00	0.0
Non-current liabilities			
Total Non-current liabilities		0.00	0.0
Total Liabilities		0.00	0.0
Net assets		4,804.00	0.00
Revaluation reserve		0.00	0.00
Accumulated surplus/Deficit		4,804.00	0.00
Capital Fund		0.00	0.00
Total Net Assets and Liabilities		4,804.00	0.00

(The notes set out on pages 6 to 25 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 30th June 2022 and signed on its behalf by:

Dr. Muktar Hussein


Chairman
 Board of Management

Hassan Ali Ibrahim


Head of Finance
 ICPAK No:
 Date:

Dr. Muktar Hussein


Medical Superintendent

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020 (previous year)	0.00	0.00	0.00	0.00
Surplus/(deficit) for the year	0.00	0.00	0.00	0.00
Capital/Development grants	0.00	0.00	0.00	0.00
As at June 30, 2021 (previous year)	0.00	0.00	0.00	0.00
At July 1, 2021 (current year)		0.00	0.00	0.00
Revaluation gain	0.00	0.00	0.00	0.00
Surplus/(deficit) for the year	0.00	4,084.00	0.00	4,084.00
Capital/Development grants	0.00	0.00	0.00	0.00
At June 30, 2022 (current year)	0.0	4,804.00	0.00	4,804.00

(The notes set out on pages 6 to 26 form an integral part of the Annual Financial Statements.)


The Hospital's financial statements were approved by the Board on 30th June 2022 and signed on its behalf by:

<p>Dr. Muktar Hussein</p>  <p>Chairman</p> <p>Board of Management</p>	<p>Hassan Ali Ibrahim</p>  <p>Head of Finance</p> <p>ICPAK No:</p>	<p>Dr. Muktar Hussein</p>  <p>Medical Superintendent</p>
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XVI. Statement of Cash Flows for The Year Ended 30 June 2022

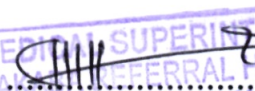
Description	Note	FY 2021-2022	FY 2020-2021
		Ksh	Ksh
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	17,600,000.00	0.00
Transfers from other Government entities – Nhif Linda Mama.	7	2,774,280.00	0.00
Receipts from Rendering of services	8	1,620,650.00	0.00
Total Receipts		21,994,930.00	0.00
Payments			
Medical/Clinical costs	9	3,742,000.00	0.00
Employee costs	10	1,393,000.00	0.00
Board of Management Expenses	11	511,600.00	0.00
Repairs and maintenance	12	6,712,000.00	0.00
General expenses	13	8,010,876.00	0.00
Transfers to CRF	14	1,620,650.00	0.00
Total Payments		21,990,126.00	0.00
Net cash flows from operating activities		4,804.00	0.00
Cash and cash equivalents as at 1 July	15	0.00	0.00
Cash and cash equivalents as at 30 June	15	4803.99	0.00

The notes set out on pages 6 to 26 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 30th June 2022 and signed on its behalf by:

Dr. Muktar Hussein

Chairman
Date:.....
Board of Management

Hassan Ali Ibrahim

Head of Finance
Date:.....
ICPAK No:

Dr. Muktar Hussein

Medical Superintendent
Date:.....

XVII. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2022

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	A	B	c=(a+b)	D	e=(c-d)	f=d/c%
	Ksh	Ksh	Ksh	Ksh	Kshs	
Revenue						
Transfers from the County Government	17,600,000.00	0.00	17,600,000.00	17,600,000.00	0.00	100%
Transfers from other Government entities Nhif – Linda Mama	2,774,280.00	0.00	2,774,280.00	2,774,280.00	0.00	100%
Receipts from Rendering of services	1,620,650.00	0.00	1,620,650.00	1,620,650.00	0.00	100%
Total income	21,994,930.00	0.00	21,994,930.00	21,994,930.00	0.00	100%
Expenses						
Medical/Clinical costs	3,742,000.00	0.00	3,742,000.00	3,742,000.00	0.00	100%
Employee costs	1,393,000.00	0.00	1,393,000.00	1,393,000.00	0.00	100%
Board of Management Expenses	511,600.00	0.00	511,600.00	511,600.00	0.00	100%
Repairs and maintenance	6,712,000.00	0.00	6,712,000.00	6,712,000.00	0.00	100%
General expenses	8,010,876.00	0.00	8,010,876.00	8,010,876.00	0.00	100%
Transfers to CRF	1,620,650.00	0.00	1,620,650.00	1,620,650.00	0.00	100%
Total Expenditure	21,990,126.00	0.00	21,990,126.00	21,990,126.00	0.00	100%
Surplus for the period	4,804.00	0.00	4,804.00	4,804.00	0.00	0.00
Capital expenditure	0.00	0.00	0.00	0.00	0.00	0.00

The notes set out on pages 1 to 26 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 30th June 2022 and signed on its behalf by:

Dr. Muktar Hussein

 P.O. Chairman
 Board of Management

Hassan Ali Ibrahim

 Head of Finance
 ICPAK No:

Dr. Muktar Hussein

 Medical Superintendent

XVIII. Notes To the Financial Statements

1. General Information

Takaba sub county Referral hospital is a level 4 health facility established by the County government of Mandera in fulfilment of its constitutional mandate pursuant to the fourth schedule of the constitution of Kenya 2010. Takaba sub county hospital is wholly owned by the Mandera county government and its principal activity is provision of county health care services

2. Statement Of Compliance And Basis Of Preparation

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

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

3. Adoption of New and Revised Standards

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

Notes to the Financial Statements (Continued)

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

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

<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</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>
<p>IPSAS 44: Non-Current Assets</p>	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p>

Held for Sale and Discontinued Operations	Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
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ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in the year 2021/2022.

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.

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

Notes to the Financial Statements (Continued)

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Hospital's right to receive payments is established.

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 2021-2022 was approved by Board on ~~xxxx~~. 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 Hospital recorded no additional appropriations on the FY 2021-2022 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 financial performance has been presented under section ~~xxx~~ of these financial statements.

Notes to the Financial Statements (Continued)

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.

Notes to the Financial Statements (Continued)

f) Leases

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

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

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

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

g) Intangible assets

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

h) Research and development costs

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

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

Notes to the Financial Statements (Continued)

- The ability to measure reliably the expenditure during development.

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

i) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments

or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Notes to the Financial Statements (Continued)

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

i) Inventories

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

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

Notes to the Financial Statements (Continued)

- 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.

j) 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.

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.

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.

k) Nature and purpose of reserves

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

Notes to the Financial Statements (Continued)

l) 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.

m) 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.

n) Foreign currency transactions

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

o) 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.

p) Related parties

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

Notes to the Financial Statements (Continued)

q) 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.

r) 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.

s) Comparative figures

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

t) 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, 2023.

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.

Notes to the Financial Statements (Continued)

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Notes to the Financial Statements (Continued)

6. Transfers From The County Government

Description	FY 2021-2022	FY 2020-2021
	Ksh	Ksh
Transfer from county Government of Mandera Treasury	17,600,000.00	0.00
Total Transfers	17,600,000.00	0.00

7. Transfers from other Government entities

Description	FY 2021-2022	FY 2020-2021
	Ksh	Ksh
Transfer from National Government NHIF Linda Mama Program	2,774,280.00	0.00
Total Transfers	2,774,280.00	0.00

8. Receipts from Rendering of services

Description	FY 2021-2022	FY 2020-2021
	Ksh	Ksh
Receipts from rendering of medical services	1,620,650.00	0.00
Total Transfers	1,620,650.00	0.00

9. Medical/Clinical costs

Description	FY 2021-2022	FY 2020-2021
	Ksh	Kshs
Laboratory chemicals and reagents	200,000.00	0.00
Food and Ration	1,500,000.00	0.00
Uniform and linen	142,000.00	0.00
Dressing and Non pharmaceuticals	1,900,000.00	0.00
Total medical/ clinical costs	3,742,000.00	0.00

10. Employee Costs

Description	FY2021-2022	FY 2020-2021
	Ksh	Ksh
Salaries, wages, and allowances	1,285,000.00	0.00
Staff medical expenses and Insurance cover	108,000.00	0.00
Employee costs	1,393,000.00	0.00

11. Board of Management Expenses

Description	FY2021-2022	FY 2020-2021
	Ksh	Ksh
Travel and accommodation	323,600.00	0.00
Airtime allowances	188,000.00	0.00
Employee costs	511,600.00	0.00

12. Repairs and Maintenance

Description	FY2021-2022	FY2020-2021
	Ksh	Ksh
Computers and accessories	125,000.00	0.00
Property- Building	2,740,000.00	0.00
Maintenance of civil works	3,847,000.00	0.00
Total repairs and maintenance	6,712,000.00	0.00

13. General Expenses

Description	FY 2021-2022	FY 2020-2021
	Ksh	Ksh
Firewood	170,000.00	0.00
Bank charges	23,000.00	0.00
Electricity expenses	2,041,876.00	0.00
Fuel and Lubricants	1,360,000.00	0.00
Printing and stationery	2,116,000.00	0.00
Hire charges	720,000.00	0.00
Water and sewerage costs	1,130,000.00	0.00
Internet expenses	180,000.00	0.00
Catering services	270,000.00	0.00
Total General Expenses	8,010,876.00	0.00

14. Transfers to CRF

Description	FY2021-2022	FY2020-2021
	Ksh	Ksh
Transfers to CRF	1,620,650.00	0.00
Total	1,620,650.00	0.00

15. Cash And Cash Equivalents

Description	FY2021-2022	FY2020-2021
	Ksh	Ksh
Current accounts	4,803.99	0.00
Cash in hand	0.00	0.00

Others(<i>specify</i>)- Mobile money	0.00	0.00
Total cash and cash equivalents	4,803.99	0.00

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

Description		FY2021-2022	FY2020-2021
Financial institution	Account number	Ksh	Ksh
a) Current account			
Equity Bank, etc.	1000266572471	4,803.99	0.00
Sub- total		4,803.99	0.00
b) Others(<i>specify</i>)		0.00	0.00
cash in hand		0.00	0.00
Sub- total		0.00	0.00
Grand total		4,803.99	0.00

16. Financial Risk Management

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

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

(i) Credit risk

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

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

(ii) Liquidity risk management

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

(iii) Market risk

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

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

a) Foreign currency risk

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

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.

Foreign currency sensitivity analysis

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

Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

iv) Capital Risk Management

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	0.00	0.00
Retained earnings	4,084.00	0.00
Capital reserve	0.00	0.00
Total funds	4,084.00	0.00
Total borrowings	0.00	0.00
Less: cash and bank balances	(0.00)	(0.00)
Net debt/ (<i>excess cash and cash equivalents</i>)	0.00	0.00
Gearing	0.00%	0.00%

17. Related Party Balances

Nature of related party relationships

Entities and other parties related to the entity include those parties who have the ability to exercise control or exercise significant influence over its operating and financial decisions.

Related parties include management personnel, their associates, and close family members.

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

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

18. Events after the Reporting Period

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

19. Ultimate and Holding Entity

Takaba Sub County Referral Hospital is a Level 4 Hospital under Mandera County Health Department. Its ultimate parent is the County Government of Mandera.

20. Currency

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

XIX. Appendices

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

TAKABA SUB-COUNTY REFERRAL HOSPITAL

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

COUNTY GOVERNMENT OF MANDERA

TAL

DERA

REPUBLIC OF KENYA



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REPORT OF THE AUDITOR-GENERAL ON TAKABA SUB-COUNTY REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 - COUNTY GOVERNMENT OF MANDERA

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Takaba Sub-County Referral Hospital - County Government of Mandera set out on pages 1 to 24, which comprise of

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

In my opinion, except for the 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 Takaba Sub-County Referral Hospital - County Government of Mandera as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

Basis for Qualified Opinion

1. Variance in Transfers from Other Government Entities

The statement of financial performance reflects transfers from other Government entities -NHIF Linda Mama Programme of Kshs.2,774,280 as disclosed in Note 7 to the financial statements. However, third party confirmation of the balance from the National Hospital Insurance Fund (NHIF) records revealed payments of Kshs.2,770,000 resulting to a variance of Kshs.4,280. Further, the statement of financial position reflects Nil receivables while NHIF records reflects payables to the Hospital of Kshs.95,017.

In the circumstances, the accuracy and completeness of transfers from other Government entities - NHIF Linda Mama totalling Kshs.2,774,280 could not be confirmed.

2. Failure to Disclose In-Kind Contribution from the County Executive

The statement of financial performance reflects employee costs of Kshs.1,393,000 in respect of casual employees. However, the amount excludes undetermined amounts of salaries and allowances for permanent employees working at the Hospital which were paid by the County Executive of Mandera. Management did not provide satisfactory explanation for the failure to disclose the contribution in-kind in the statement of financial performance.

In the circumstances, the accuracy and completeness of the employee costs of Kshs.1,393,000 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Takaba Sub-County Referral Hospital - County Government of Mandera Management in accordance with ISSAI 130 on 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.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in 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 the Public Sector Accounting Standards Board Template

The financial statements presented for audit did not disclose the Institute of Certified Public Accountants of Kenya (ICPAK) membership number for the Head of Finance who signed the financial statements in the relevant sections. This was contrary to the requirement by the Annual Financial Reporting Template for Level 4 and Level 5 hospitals issued by the Public Sector Accounting Standards Board.

In the circumstances, the financial statements do not comply with the prescribed reporting template.

2. Late Submission of Financial Statements

The financial statements for the financial year ended 30 June, 2022 were submitted on 18 April, 2024 which was twenty-one and a half months after the end of the financial year. This was contrary to Section 149(2)(k) of the Public Finance Management Act, 2012 which provides that an Accounting Officer shall, in respect of the entity concerned not later than three months after the end of each financial year, prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury.

In the circumstances, Management was in breach of the law and the financial statements could not be audited within the statutory period.

3. Failure to Prepare Estimates of Income and Expenditure

The Hospital operated without an approved budget during the year under review. This was contrary to Section 149(2)(h) of the Public Finance Management, 2012 which provides that an Accounting Officer shall in respect of the entity concerned prepare estimates of expenditure of the entity in conformity with the strategic plan of the entity. Although a statement of comparison of budget and actual amounts which reflected budgeted receipts and budgeted expenditure of Kshs.21,994,930 and Kshs.21,990,126 respectively, was included in the financial statements, the source of the amounts reflected could not be confirmed.

In the circumstances, Management was in breach of the law and the regularity of the expenditure could not be confirmed.

4. Failure to Maintain Fixed Assets Register

Management had not prepared an asset register contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

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

5. Lack of Annual Procurement Plan

During the year under review, the Hospital did not have an annual procurement plan. This was contrary to Section 45(3)(a) of the Public Procurement and Asset Disposal Act, 2015 which provides that all procurement processes shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan.

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

6. Inadequacies in Universal Health Coverage

Review of records maintained by the facility and physical inspection of healthcare services and medical equipment available at the facility revealed that the Hospital does not meet the requirements to offer medical services by a Level 4 hospital as provided by the first schedule of the Health Act, 2017 as listed below.

		Minimum Required	In Position	Surplus/ (Deficit)
i	Staffing Requirement			
	Medical Officers	16	3	(13)
	Anesthesiologists	2	0	(2)

		Minimum Required	In Position	Surplus/ (Deficit)
	General Surgeons	2	0	(2)
	Gynaecologists	2	0	(2)
	Pediatricians	2	0	(2)
	Radiologists	2	0	(2)
	Registered Community Health Nurses	75	25	(50)
	Total	101	28	(73)
ii	Equipment & Machines			
	baby cots	5	0	(5)
	Incubators	5	4	(1)
	Resuscitaire	3	4	1
	ICU beds	6	0	(6)
	HDU beds	6	2	(4)
	Dialysis machine	5	0	(5)
	Operating theatres	2	2	0
	X - Ray	1	0	(1)
	CT Scan	1	0	(1)
	MRI Machine	1	0	(1)
	mammography machine	1	0	(1)
	Total	36	12	(24)
iii	Bed Capacity	150	30	(120)

In addition, the Hospital experienced insufficient water supply resulting to lack of running water in the wards and also lacked proper drainage and sewerage system.

In the circumstances, the Hospital was not in a position to deliver health service expected from a level 4 hospital thus affecting the achievement of Universal Health Coverage and Management was in breach of the law.

7. Unsupported Waiver of Patients Bills

Examination of the Hospital revenue records revealed that waivers of unknown amounts were granted by the social workers on hospital patient's bills. However, the basis, documentation to support the process and approvals for the waivers were not provided for audit. Further, Management did not provide for audit review written delegated authority to the social workers who granted the waivers.

In the circumstances, the regularity of waivers on patients' bills granted could not be confirmed.

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

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on effectiveness of internal controls, risk management and governance, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Failure to Establish Hospital Board of Management

The financial statements disclosed three members of the Board of Management, however, no evidence of appointment of the Board members was provided. Further, two of the members listed are in the Management team. The Hospital therefore operated without a functional Board. This was contrary to Section 8(1) of the Mandera County Health Services Act, 2019 which provides that every County and Sub-County hospital shall be governed by a Hospital Board.

In the circumstances, the existence of effective governance structures in the Hospital could not be confirmed.

2. Weaknesses in Collection and Administration of Revenue

Review of revenue documents provided revealed that revenue was collected through an automated Revenue Management System for all the Hospital revenue streams. However, the following weaknesses in the revenue management system were identified.

- i. The revenue management system could not generate reports for each revenue stream to support the daily and monthly collections.
- ii. Management did not maintain a cashbook yet the Hospital had eight revenue collection points with only one supervisor for the revenue collection and who did not have access to the daily or monthly collection reports.
- iii. There were no cash safe boxes and the cash collected was deposited into the personal M-pesa accounts of the revenue clerks and later transferred to the hospital revenue collection account.

In the circumstances, the effectiveness of internal controls in the revenue collection system could not be confirmed.

3. Lack of Land Ownership Documents

Management did not provide ownership documents for the land on which the Hospital buildings and structures sit. This was contrary to Regulation 133(1) of the Public Finance Management (County Governments) Regulations, 2015 which require that an Accounting Officer shall be responsible for the proper custody, care and use of government inventories under their control.

In the circumstances, ownership and measures put in place to ensure security of the Hospital's land could not be confirmed.

4. Failure to Establish Internal Audit Function and Audit Committee

The Hospital did not establish an audit committee as required. This was contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which provides that each County Government entity shall establish an audit committee. In addition, the Hospital did not have an internal audit unit. This was contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which provides that a County Government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the effectiveness of checks and balances in the Hospital could not be confirmed.

5. Lack of Approved Staff Establishment and Scheme of Service

During the year under review, Management did not have an approved staff establishment and scheme of service in place to provide guiding framework for human resources management. It was therefore not possible to confirm the basis for staff recruitment and promotions in the Hospital.

In the circumstances, the existence of effective human resources management controls could not be confirmed.

6. Lack of Risk Management Policy and Disaster Recovery Plan

The Hospital did not put in place risk management policies, strategies, disaster recovery plan and risk register to mitigate against risk. This was contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting Officer shall ensure that; (a) the County Government entity develops risk management strategies, which include fraud prevention mechanisms; and (b) the County Government entity develops a system of risk management and internal control that build robust business operations.

In the circumstances, the existence of an effective risk management system could not be confirmed.

The audit was conducted in accordance with the 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 the Board of Management

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

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions

of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

18 June, 2024