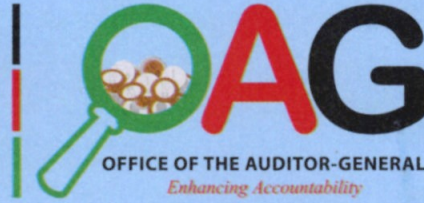


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REPORT

OF

THE AUDITOR-GENERAL

ON

KALACHA LEVEL 4 HOSPITAL

FOR THE YEAR ENDED  
30 JUNE, 2025

COUNTY GOVERNMENT OF MARSABIT

PAPERS LAID	
DATE	19/2/2026
TABLED BY	Anthony W. K.
COMMITTEE	←
CLERK AT THE TABLE	Angel

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## **Kalacha Sub County Level 4 Hospital (County Government of Marsabit)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH JUNE 2025**

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



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**1. Acronyms & Glossary of Terms**

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

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

## 2. Key Entity Information and Management

### (a) Background information

Kalacha level 4 Hospital is a key public health facility located in Kalacha, North Horr Sub- County, Marsabit County, within the arid and *semi-arid lands (ASAL)* of northern Kenya. The hospital serves a predominantly pastoralist population living in remote and underserved areas, characterized by harsh climatic conditions, poor infrastructure, and limited access to basic services.

The facility was upgraded from a health Centre to Level 4 under **gazette notice number 121** and is domiciled in Marsabit county under the health department .The status to respond to the growing health demands of the region, improve access to comprehensive healthcare, and reduce referrals to far-off tertiary hospitals. It now serves as the primary referral center for health facilities in Kalacha and surrounding localities including *Maikona, El Beso, Hurri hills* and parts of *Chalbi Desert*.

### (b)Principal Activities

The principal mandate of kalacha hospital to provide equitable, timely, and patient-centred health services to the people of Kalacha and surrounding areas through committed staff, improve infrastructure and community partnerships.

The hospital offers a range of essential health services including outpatient and inpatient care, maternal and child health services, emergency services, minor surgeries, HIV/AIDS care, TB treatment, immunization, *primary health care services* and including specialized services, *laboratory, Dental, radiology, MNCH, maternity and postnatal*

and public health outreach programs. The facility operates under the Ministry of Health in partnership with the Marsabit County Government and development partners

The hospital provides a wide range of curative and rehabilitative services, promotion and preventive services,

The Hospitals vision is to be a leading provider of accessible, quality, and resilient healthcare services in Marsabit's arid and remote regions.

### (a) Key Management

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

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent/Chief Executive officer
- Management
- Others (*specify*)

### (b) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent (CEO)	BONAYA ADANO

No.	Designation	Name
2.	Head of finance	DAVID DIID JARSO
3.	Head of clinical service	DR. MUKSIN
4.	Hospital administrator	BETHWEL ROTICH
5.	Nursing officer in charge	KABALE

*(Include all positions regarded as top management in your hospital).*

**(c) Fiduciary Oversight Arrangements**

*[Here, provide a high-level description of the key fiduciary oversight arrangements covering (say)]*

- Clinical Research and Standards Committee.
- Audit committee
- Risk Committee
- County Assembly
- Parliamentary committees
- Other oversight committees

**Key Entity Information and Management (continued)**

**(d) Entity Headquarters**

P.O. Box 342-60500  
Marsabit, KENYA

**(e) Entity Contacts**

Telephone: (+254) 723585535  
E-mail: kalachahospital@gmail.com.  
Website: www.go.ke

**(f) Entity Bankers**

Kenya commercial bank  
Equity bank limited

**(g) Independent Auditors**

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

**(h) Principal Legal Adviser**

The Attorney General  
State Law Office

Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya






**(i) County Attorney**

P.O. Box. 384 60500  
Marsabit, Kenya

**3. The Board of Management**

<b>Ref</b>	<b>Directors</b>	<b>Details</b>
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**4. Key Management Team**

<b>Ref</b>	<b>Management</b>	<b>Details</b>
1.	 <p><b>BONAYA ADANO</b>  <b>Bachelor arts in psychology</b></p>	Chief Executive Officer
2.	 <p><b>BETHWEL ROTICH</b>  <b>Bachelor of Record &amp; Information</b></p>	Hospital administrator
3.	 <p><b>ROSEANNA KABALE</b>  <b>Bachelor of nursing</b></p>	Nursing in charge
4.	 <p><b>DR. MUKSIN ABDULLAHI</b>  <b>Bachelor of Medicine &amp; Surgery</b></p>	Medical Superintendent
5.	 <p><b>DAVID DIID JARSO</b>  <b>BCom, CPA level intermediate, diploma banking and finance, member of AKIB</b></p>	Accountant

*(Note: The Med sup and the Entity Secretary will feature both under the 'Board' and 'Management'.)*

**5. Chairman’s Statement/Chief executive officer**

On behalf of the Hospital Management Committee, I am pleased to present this statement highlighting the key achievements, ongoing efforts, and challenges encountered at Kalacha level 4 during the financial year ended 30th June 2025.

Despite our remote setting and operational challenges, Kalacha level 4 has remained steadfast in delivering essential health services to the community. Several milestones were achieved during the year under review:

We made notable progress in strengthening diagnostic services. The hospital currently has two X-ray machines — one fixed and one portable. The portable X-ray machine, which had been out of service for over a year due to a damaged cable, has now been earmarked for repair through cable replacement, which will restore its function. This will significantly enhance our outreach and emergency response capabilities.

One of the key highlights of the year was the successful coordination of an **Eye Camp Medical Outreach**, which provided essential eye care services, including screening, treatment, and minor surgeries, to a large number of residents. This initiative had a transformative impact on individuals who had limited or no access to specialized care.

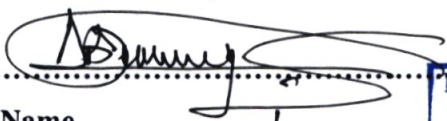

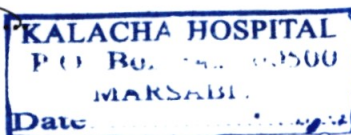
In addition, the hospital received a donation of an oxygen plant, a crucial development that will greatly enhance our capacity to manage emergency and critical care cases. While the plant has not yet been officially commissioned, its installation is a major milestone in advancing our healthcare delivery.

Kalacha Hospital also assisted 50 members desperate and vulnerable families during the year, offering humanitarian support through health facilitation and basic relief. This effort reflects our strong commitment to both clinical and social care within our community.

We are also proud to report an improvement in the subscription and regeneration of **Social Health Insurance fund (SHA)** numbers. Increased SHA registration enables more residents to access services under the national health coverage framework, a step toward achieving Universal Health Coverage in our region.

However, the year was not without challenges. The hospital continued to operate under tight budget constraints and inadequate funding. These financial limitations have slowed down the pace of critical infrastructure upgrades, delayed essential maintenance, and constrained the procurement of key medical supplies and equipment. Limited operational funds also affected our capacity to support staff welfare and expand service outreach. We urge our partners and relevant authorities to support increased investment in rural healthcare to bridge these persistent gaps.

In conclusion, I would like to thank our dedicated health workers, the County Government of Marsabit, development partners, and the wider community for their continued support and collaboration. Together, we will keep striving to improve health outcomes and build a resilient and inclusive healthcare system for Kalacha and beyond.

.....  
  
Name  
Chairman to the Board  

## **6. Report of the Chief Executive officer**

It is my honour to present the Medical Superintendent's report for the 2024/2025 financial year. This period was marked by significant progress in service delivery, infrastructure improvement, and stakeholder engagement, despite persistent budgetary and staffing challenges.

### **1. Service Delivery**

The hospital continued to provide essential clinical, preventive, and emergency health services to the community. We recorded 1583 outpatient visits and 184 inpatient admissions during the year. Maternal and child health services improved, with antenatal clinic coverage reaching 90%. We successfully organised a specialised Eye Camp outreach that benefited 700 patients and 160 underwent eye surgery also strengthened our emergency ambulance services, responding to 90 urgent cases.

### **2. Health Infrastructure**

This year saw notable milestones in infrastructure enhancement. The long-standing non-functional portable X-ray machine is now restored, with a replacement cable procured after seven months of inactivity. We received a donated oxygen plant, a major boost to our critical care capacity. Routine maintenance was carried out for theatre, ultrasound, and laboratory equipment.

### **3. Leadership and Governance**

We strengthened hospital governance through four quarterly board meetings and consistent monthly departmental meetings. Compliance with operational policies improved by 20%, and we deepened collaboration with the County Health Department to align priorities and budget allocations. Stakeholder engagement with community leaders and partners fostered stronger trust and shared responsibility in improving local healthcare.

### **4. Sustainability**

Revenue generation and resource mobilisation were key focus areas. We collected Ksh 2,282,558.0 from non-exchange transactions and secured Ksh 2,350,258.0 in-kind contributions from the County Government, including essential supplies and support services. Partnerships with NGOs facilitated outreach activities and provision of health commodities. However, financial constraints remain a challenge in meeting the growing demand for services.

### **5. Technologies and Health Products**

Efficient supply chain management reduced the stock-out rate for essential medicines to below 10%. The donated oxygen plant was installed and tested, while the patient record system was upgraded to improve data retrieval and reporting efficiency. We continued to ensure proper maintenance and optimal use of diagnostic and treatment equipment.

### **6. Human Resources for Health**

Staffing remains a critical determinant of service quality. The hospital reduced its vacancy rate from 35% to 25% through targeted recruitment, filling positions for two nurses, one lab technologist, and one clinical officer. We conducted five in-service training sessions in emergency care, infection

prevention, and equipment handling. Staff morale was boosted through recognition initiatives, though further investment in personnel is essential.

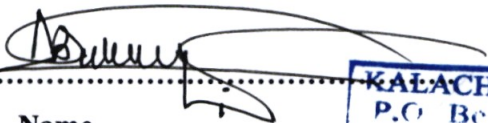
**Way forward**


In financial year 2025-2026 we plan Upgrade health infrastructure Renovate maternity ward, roof, and OPD block, come up with KMTC student hostel and construct perimeter wall to hospital compound

We plan also to increase our own source of revenue to 10 million yearly through aggressive SHIF enrolment campaign to our patient, improve staff welfare and ensuring no stock out especially for pregnant mothers.

**Conclusion**

In summary, the year 2024/2025 was one of both progress and resilience. We achieved important milestones in restoring critical equipment, expanding service coverage, and building stronger partnerships, despite financial and staffing constraints. As we move into the next year, our focus will remain on enhancing patient care, upgrading infrastructure, and mobilising sustainable resources to meet the health needs of our community.

  
.....  
Name  
Chief Executive Officer



**7. Statement of Performance Against Predetermined Objectives**

Kalacha level 4 hospital has six strategic pillars and objectives within the current Strategic Plan for the FY 2024- FY 2025. These strategic pillars are as follows:

- Pillar 1: **Delivery of service**
- Pillar2: **Human resource for health**
- Pillar 3: **Health infrastructures**
- Pillar 4: **leadership and governance**
- Pillar5: **Sustainability& Technologies**
- Pillar6: **Health products and vaccines**

The hospital has developed its annual work plans based on the above six pillars. Assessment of the fiduciary performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2024/2025 period for its six strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
<b>Delivery of service</b>	Improve access and quality of clinical and preventive health service	Outpatient visit per month inpatient admission per quarter immunization coverage rate (%) -number of outreaches conducted	Conduct medical outreach programs -strengthening maternal& child health service -improve emergency response	Conducted eye camp outreach serving 700 patients -expand maternal health service, achieving % antenatal coverage -treated 1583 outpatients and 184 inpatients

				-provide emergency ambulance service for 23 cases
<b>Health infrastructures</b>	Enhance and maintains hospital physical infrastructure and equipment	The number of functional diagnostics machines maintenance turnaround time(days)- new infrastructure project completed	Repair and maintenance of existing equipment -upgrade essential facilities -procure additional medical equipment	Portable x-ray machine cable replacement initiated after 7 months of non- used -received donation of oxygen plant from Amref in collaboration with national government -maintained theatre, ultrasound and lab equipment in working order
<b>leadership and governance</b>	Strengthening of hospital management system, accountability and stakeholders' engagement	Frequency of management meeting -compliance with the policies and procedures	Conduct quarterly board and management meetings -implement policy	Held 3 quarterly board meeting and monthly department meeting -improved documentation

**Kalacha Sub County level 4 Hospital (Marsabit County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

		engagements and sessions held	compliance monitoring -Engage local leaders and partners	and compliance reporting by 20% partner with county health office for budget review
<b>Health products and Technologies</b>	Increase availability and efficient use of medical technologies and essential health products	Stock out-rate for essential drugs -number of functioning medical devices -Time taken to repair equipment	Strengthening procurement planning Ensure regular maintenance train staff on equipment use	Maintained <10%stock-out rate for essential drugs -installed tested oxygen plant system -upgrade patient record system
<b>Sustainability</b>	Improve hospital financial sustainability and resource mobilization	Total revenue generated - number of partnerships- Cost recovery ratio	Enhance revenue collection system -strengthen donor and partner engagement -Develop cost sharing initiative	Generated ksh <b>2,282,558.70</b> mobilize <b>Ksh 2,350,258.7</b> d-kind support from the county government
<b>Human resource for health</b>	Increase number of trainings	Number of trainings		The hospital received 11 new staffs.

				7 nurse, 1 theatre technologists, 1 radiologist, 3 MO's
--	--	--	--	---

## **8. Corporate Governance Statement**

### **1. Governance Framework**

Kalacha level 4 operates under the direct oversight of the County Department of Health and is currently managed through an executive and fiduciary management structure in the absence of a formally constituted Board of Management. The governance framework is designed to ensure compliance with applicable laws, regulations, and health service delivery standards while safeguarding accountability and transparency in the use of public resources.

### **2. Executive Management**

- The executive management team, led by the Chief executive office, is responsible for:
- Strategic and operational decision-making.
- Oversight of financial and human resources.
- Implementation of Ministry of Health and County Government policies.
- Monitoring of service quality, safety, and efficiency.
- Regular coordination meetings are held to review performance indicators, resource allocation, and compliance with statutory obligations.

### **3. Fiduciary Oversight**

- Fiduciary management focuses on prudent utilisation of financial resources and safeguarding of hospital assets. Key fiduciary controls include:
- Segregation of duties in revenue collection, accounting, and procurement.
- Monthly financial reporting to the County Department of Health.
- Compliance with Public Finance Management (PFM) Act requirements.
- Internal audits conducted periodically by the County internal audit team.

### **4. Stakeholder Engagement**

Despite the absence of a Board of Management, the hospital engages stakeholders through: Community Health Committees and local leaders to ensure health services respond to community needs.

Collaboration with NGOs, faith-based organisations, and development partners for resource mobilisation and outreach services.

Public participation forums to gather feedback and share progress on hospital initiatives.

### **5. Ethical Standards and Accountability**

The hospital upholds ethical conduct, integrity, and professionalism in all operations. Staff are bound by the Public Service Code of Conduct, Ministry of Health guidelines, and professional regulatory bodies' ethics codes.

Mechanisms to ensure accountability include:

- Patient feedback and complaint resolution channels.
- Transparent procurement processes in line with Public Procurement and Asset Disposal Act.
- Adherence to occupational health and safety standards.

### **6. Way Forward**

Plans are underway to advocate for the establishment of a formal Board of Management to strengthen governance, enhance strategic oversight, and foster greater stakeholder representation. This will further align the hospital's governance with national health sector guidelines and improve long-term sustainability.

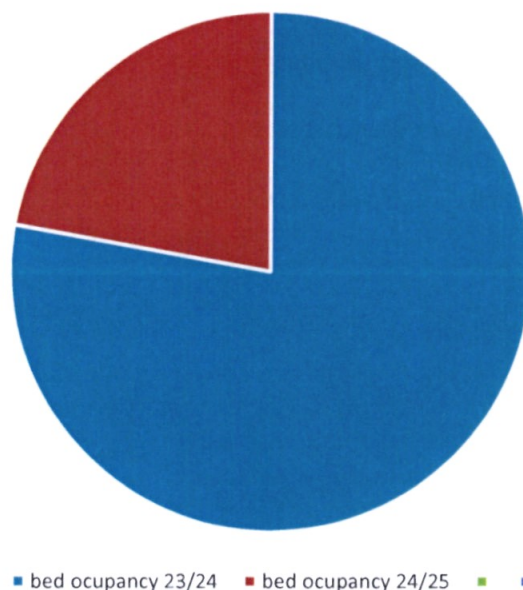
## 9. Management Discussion and Analysis

### Overview

During the year under review, Kalacha Level (IV) Hospital continued to serve as the main referral facility for North Horr Sub-County and surrounding pastoral communities. The hospital operated under an executive and fiduciary management structure in the absence of a formal Board of Management, with oversight from the County Department of Health. This MD&A provides an overview of the hospital's operational and financial performance, key developments, compliance with statutory requirements, and challenges encountered during the reporting period.

### 2. Clinical/operational performance

Indicator	2023/2024	2024/2025	Remarks
Bed capacity	62	70	Number of beds has increased
Overall patient attendance	4312	1583	Decline in attendance 2024/2025
Inpatient admission	220	184	decreased
Outpatient visit	4092	1399	Slightly dropped
Accidents and emergency cases	0	0	No A&E
Specialized clinical attendance	244	191	Hi attendance in 23/24 specialized clinic
Average Length of stay(days)	3 days	1 day	Notable reduction 24/25
Bed occupancy rate	66.2%	18.8%	Reduced inpatient utilization
Mortality rate	1.01%	0.25%	Reduction
Surgical theatre utilization	0	3	Increased
Sponsorship and partnership	5	5	constant
The differences above was due to non-functioning of X-ray machines and lack of MO's for the specialized medical attention.			



### 3. Financial performance

#### (a) Revenue

Source	2023/2024	2024/2025	%Change
SHIF reimbursement, District health care fund, primary health care		922,800.50 800,000 61,482.15 21,550.50	
User-fee(cost-sharing)		380,925.55	
In-kind contribution (county govnt )		2,350,258.7	
Donation and grant		-	
<b>Total revenue</b>		<b>4,537,017.4</b>	

#### (b) Utilization of fund

Funds were applied to key areas including:

- Staff costs & general expenses – 16.4%
- Drugs and medical supplies – 59.3%
- Infrastructure repairs & maintenance – 11.04%
- Grant and subsidies –1 %
- Salary and wages – 7.8%

### 4. Key Projects and Investments

Received and began installation of a donated oxygen generation plant.

Renovated maternity ward and repainted outpatient block.  
Initiated procurement process for portable X-ray machine cable replacement.  
Partnered with NGOs for an Eye Camp and malnutrition screening campaign.

#### **5. Compliance with Statutory Requirements**

Kalacha Level 4 complied with key statutory obligations under the Public Finance Management Act, Ministry of Health service delivery guidelines, and labour laws. Regular financial reports were submitted to the County Department of Health, and procurement adhered to the Public Procurement and Asset Disposal Act.

#### **6. Major Risks and Challenges**

No Board of Management, limiting strategic oversight and stakeholder representation.  
Staff shortages, particularly in radiology, theatre, and laboratory services.  
Budget constraints due to delayed county disbursements.  
Inadequate infrastructure, including insufficient staff housing and congested outpatient areas.

#### **7. Outlook for 2025/2026**

The hospital will prioritise:

- Establishment of a formal Board of Management.
- Completion of oxygen plant installation and X-ray machine repair.
- Recruitment of specialised medical personnel.
- Expansion of SHIF registration campaigns to increase insurance penetration.
- Scaling up community outreach and preventive health programmes.

#### ***Financial performance that includes: -***

- *Revenue sources,*
- *Utilisation of funds etc*

## **10. Environmental And Sustainability Reporting**

### **Environmental Sustainability Strategy**

On a green economy and biodiversity management and sustainability, Kalacha hospital largely rely on clean green energy through the following ways bellow

Install solar panels to power essential services (lighting, refrigeration, maternity).

Target: 50% of hospital lighting to be fully solar-powered by 2028.

Introduce rainwater harvesting systems.

Repair and maintain existing borehole infrastructure.

Promote water-saving devices like low-flow taps and leak repairs

implement proper segregation of medical waste (infectious, sharps, general).

Partner with Marsabit County Health Department for safe disposal.

Train staff on safe waste handling procedures.

Develop early warning protocols for drought-related health impacts.

Planted over 700 drought-resistant trees around hospital compound for shade and dust control, also

the has already started initiative of donating 250 drought resistant trees nursery every rainy season as a mitigation measure to impact of climate change

### **4. Economic Sustainability Strategies**

Implement routine stock audits to reduce wastage.

Encourage digital recordkeeping to cut stationery costs.

Strengthen SHA enrollment and claims management and

Seek support from NGOs, churches, and donors for in-kind contributions (drugs, beds, equipment).

Advocate for increased budget allocation from Marsabit County.

### **3. Promote Local Procurement**

Source non-medical supplies (uniforms, catering, and carpentry) from local providers to stimulate the local economy.

### **4. Cost-Effective Infrastructure Maintenance**

Train in-house technicians for basic maintenance.

Develop a preventive maintenance schedule for all equipment.

Collaborate with Community Health Volunteers (CHVs) to deliver preventive health messages.

Conduct quarterly community outreaches targeting immunization, maternal health, and NCDs like diabetes and ulcers.

### **2. Staff Welfare & Development**

The safety and protection of health care worker is key in ensuring the safety of the patients as well as 144 functioning health and other potential risk posed to hazardous material and contaminated sharp objects and implementation of existing laws, regulation and policies and support health workers safety as well as quality of care to all, support continuous medical education (CMEs) and refresher training.

Advocate for hardship allowances, staff housing, and rotation relief.

Establish a staff wellness committee to promote mental health and stress management. *safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)*

### **3. Gender Equity and Inclusion**

Promote women's participation in hospital committees and decision-making.  
Ensure gender-sensitive care and privacy

#### ***i) Market place practices-***

*The organisation should outline its efforts to:*

- a) Responsible competition practice.***
- b) Responsible Supply chain and supplier relations***
- c) Responsible marketing and advertisement***
- d) Product stewardship***

### **Corporate Social Responsibility / Community Engagements**

In the absence of a formally established Board of Management, Kalacha Level 4 Hospital, under the leadership of the chief executive officer and the Marsabit County Department of Health, undertook various Corporate Social Responsibility (CSR) and community engagement activities during the financial year.

These initiatives were aimed at improving community health, supporting vulnerable groups, and fostering strong relationships between the Hospital and the surrounding community. Key CSR and community engagement activities during the year included:

1. Eye Camp Medical Outreach – Conducted a specialised eye screening and treatment outreach, benefiting residents of Kalacha and surrounding villages, with over 700 patients receiving free consultations and treatment.
2. Support to Vulnerable Families – Provided food and essential supplies to 50 desperate families in the community as part of the Hospital's humanitarian support.
3. Charitable Health Services – Offered free health check-ups, immunisation drives, and maternal health awareness campaigns targeting underserved areas.
4. Community Health Education – Organised sensitisation forums on preventive health practices, including hygiene, nutrition, and management of chronic illnesses such as diabetes and hypertension.
5. Partnerships and Donations – Received and coordinated the installation of a donated oxygen plant to strengthen healthcare delivery in Marsabit County, benefiting the broader community.

These activities have contributed to enhancing access to quality healthcare, improving health outcomes, and strengthening the trust between

### **11. Report of The Board of Management**

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

**Disclaimer: The hospital has no Board. Plans are underway to establish the Board.**

#### **Principal activities**

The principal activities of the entity are:

- 1) Provision of health care services
- 2) Staff welfare
- 3) Infection Prevention Control (IPC)
- 4) Social Responsibility activities
- 5) Prudent Financial Management
- 6) Integrity and Accountability

#### **Results**

The results of the entity for the year ended June 30th 2025 are set out on pages 1 to pages 58 of this document.

#### **Board of Management**


Since the Hospital has no Board in place, The County Health Executive oversee the operations of the Hospital.

The Executive is responsible for oversight until a Board is established.

#### **Auditors**

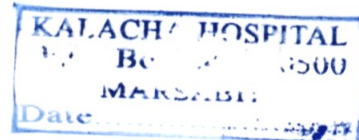
The Auditor General is responsible for the statutory audit of the Kalacha Sub-County Level 4 Hospital in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

**Disclaimer: The Hospital has no Board in place as at the date of signing the financial statements**

.....  


Name

Chief Executive Officer



**12. Statement of Board of Management’s Responsibilities**

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

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

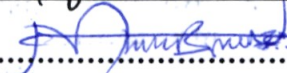
The Board of Management accepts responsibility for the *entity’s* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the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

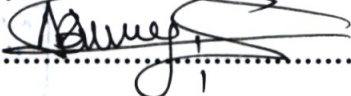
In preparing the financial statements, the Directors have assessed the Fund’s ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*) OR

Nothing has come to the attention of the Board of management to indicate that the *Kalacha 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 County Health Executive on 18.11.2025 and signed on its behalf by:

.....  
  
Name:  
CECM  
Health Services

.....  
  
Name:  
Chief Executive Officer



# 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 KALACHA LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF MARSABIT**

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### **PREAMBLE**

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kalacha Level 4 Hospital set out on pages 1 to 54, which comprise of the statement of financial position as at

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*Report of the Auditor-General on Kalacha Level 4 Hospital for the year ended 30 June, 2025 - County Government of Marsabit*

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kalacha Level 4 Hospital at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Marsabit County Health Services Act, 2016 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Undisclosed Property, Plant and Equipment**

The statement of financial position and Note 31 to the financial statements reflect nil balance in respect of property, plant and equipment. However, review of documents and physical inspection revealed that the Hospital was in possession of land, buildings, furniture and fittings, motor vehicles, and plant and medical equipment which were not included in property, plant and equipment. No explanation was provided for the non-disclosure of the assets in the financial statements.

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

#### **2. Unsupported Trade and Other Payables**

The statement of financial position and Note 35 to the financial statements reflect trade and other payables balance of Kshs.335,000. However, the balance was not supported with the payables aging analysis and ledger showing invoice numbers, vendor names, transaction descriptions, dates, amounts owed, payments made and due dates.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.335,000 could not be confirmed.

#### **3. Unsupported Inventories**

The statement of financial position and Note 30 to the financial statements reflect inventories balance of Kshs.361,000. However, the balance was not supported with an annual stock take report, store inventory records and reconciliations between the stock take and inventory records.

In the circumstances, the accuracy and completeness of inventories balance of Kshs.361,000 could not be confirmed.

#### **4. Unsupported Receivables from Exchange Transactions**

The statement of financial position and Note 28 to the financial statements reflect receivables from exchange transactions balance of Kshs.264,960 in respect of claims from the Social Health Authority. However, the balance was not supported with a ledger that recorded and summarized transactions upon which the financial statements were prepared. Further, the balance could not be verified from the Social Health Authority database.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.264,960 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kalacha Level 4 Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Emphasis of Matter**

##### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.8,000,000 and actual on comparable basis amount of Kshs.3,215,504, resulting to a shortfall of Kshs.4,784,496, or 60% of the budget.

The shortfall affected the Hospital's planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

##### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

##### **Other Matter**

##### **Unresolved Prior Year's Audit Matters**

The following issues raised on the Hospital in the previous year audit report remain unresolved. The matters include;

1. Inaccuracies in the Financial Statements
2. Unsupported Cash and Cash Equivalents

3. Unconfirmed Own Source Generated Revenue
4. Failure to Submit Monthly Bank Reconciliation Statements
5. Irregular Cash Withdrawals
6. Lack of a Hospital Management Committee and Board of Management
7. Non-Compliance with Public Sector Accounting Standards Board (PSASB) Reporting Requirements
8. Late Submission of Financial Statements
9. Failure to Establish an IT System and Control Policies
10. Failure of Organizational Strategic Plan, Recovery Plan and Risk Management Framework
11. Lack of Internal Audit Service in the Hospital
12. Failure to Value and Record Inventories
13. Failure to Meet Level 4 Requirements
14. Non-Preparation of an Itemized Budget

### **Other Information**

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

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

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

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

#### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I

confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Lack of Annual Budget Estimates**

The statement of financial performance reflects total revenue of Kshs.3,215,504 and total expenditure of Kshs.3,148,551. However, Management did not prepare and approve annual budget estimates for both revenue and expenditure, contrary to Section 149(2)(h) of the Public Finance Management Act, 2012 which requires the Accounting Officer to prepare estimates of expenditure of the entity in conformity with the entity's strategic plan.

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

### **2. Non-Compliance with Universal Health Coverage Requirements**

Review of services offered, available equipment and staffing levels at the Hospital revealed deficiencies as compared to the requirements of the Kenya Quality Model for Health. The Hospital lacked key specialists, including anesthesiologists, general surgeons, gynecologists, pediatrics, and radiologists against the required two specialists for each category. Further, only one (1) Medical Officer was available against the required sixteen (16) and seventeen (17) Registered Community Health Nurses instead of the required seventy-five (75).

In addition, the Hospital did not have functional Intensive Care Unit (ICU) beds, High Dependency Unit (HDU) bed and renal unit with at least 5 dialysis machines against the required five, six and five respectively. Also, the Hospital had seventy (70) hospital beds against the required one hundred and fifty (150).

This was contrary to the First Schedule of the Health Act, 2017, which outlines the minimum staffing and facility standards for Level 4 hospitals, and undermines the realization of Article 43(1)(a) of the Constitution of Kenya, 2010, which guarantees the right to the highest attainable standard of health, including reproductive health care.

In the circumstances, the Hospital's capacity to provide adequate and quality healthcare services to the public as required in the Kenya Quality Model for Health Policy Guidelines could not be confirmed.

### **3. Failure to Establish Hospital's Board of Management**

As previously reported, review of the annual report and financial statements revealed that the Hospital's Board of Management had not been established. This was contrary to Section 6(1) of the Marsabit County Health Services Act, 2016 which provides for the establishment and composition of Sub-County Referral Hospital Management Board which is to be constituted and gazetted by the County Executive Member for Health in consultation with the Governor and other stakeholders.

In addition, the annual report and financial statements were signed by the County Executive Committee Member for Health Services in place of the Chairman of the Board, contrary to the requirements of the Public Sector Accounting Standards Board (PSASB) reporting template.

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

#### **4. Failure to Register with the Office of the Data Protection Commissioner**

The Hospital had not registered with the Office of the Data Protection Commissioner (ODPC) as a data controller and data processor, despite actively collecting, processing and storing personal data of staff, service providers and patients during the year under review. This was contrary to Section 18(1) of the Data Protection Act, 2019 requires that data controllers and data processors who process personal data must register with the Office of the Data Protection Commissioner (ODPC).

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

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

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **1. Lack of Risk Management Policy**

Management did not provide evidence of the existence of Risk Management Policy to guide its Management on risk management assessment and formulation of risk mitigation strategies in the year under review. This was contrary to the Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires Accounting Officer to develop risk management strategies which include fraud prevention mechanisms and internal control that builds robust business operation.

In the circumstances, the effectiveness of the internal controls on the Hospital's financial and operational systems could not be confirmed.

## **2. Failure to Carry out Internal Audit Function**

During the year under review, the Hospital did not conduct any internal audit activities which helps assess the effectiveness of internal controls, compliance with laws and policies, and the efficiency of operations. This was contrary to Section 155(1) of the Public Finance Management Act, 2012 requiring County Government entities to have appropriate arrangements for conducting internal audits.

In the circumstances, the effectiveness of internal controls, risk management and governance of the Hospital could not be confirmed.

## **3. Weaknesses in IT Controls**

During the year under review, it was observed that the Hospital lacked Information Technology (IT) strategic plan, policies on IT security and upgrades, disaster management and recovery, and continuity plan.

In the circumstances, the effectiveness of ICT internal controls and risk management could not be confirmed.

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

## **Responsibilities of Management and 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 continue as a going concern, disclosing, as applicable, matters related to going concern and the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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


### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

  
FCPAI Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**09 December, 2025**

*Kalacha Sub County level 4Hospital (Marsabit County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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

Description	Note	FY 24-25	FY 23-24
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	5		
In- kind contributions from the County Government	6	932,946	1,900,000
Grants from donors and development partners	7	-	-
Transfers from other Government entities	8	-	-
Public contributions and donations		-	-
		-	
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	10	2,282,558	932,895
Revenue from rent of facilities	11		-
Finance /Interest Income	12		-
Miscellaneous Income	13		
<b>Revenue from exchange transactions</b>			
<b>Total revenue</b>		<b>3,215,504</b>	<b>2,832,895</b>
<b>Expenses</b>			
Medical/Clinical costs	14	1,680,736	
Employee costs	15	360,000	
Board of Management Expenses		-	
Depreciation and amortization expense		-	
Repairs and maintenance	18	413,040	
Grants and subsidies		-	
General expenses	20	694,775	
Finance costs		-	
<b>Total expenses</b>		<b>3,148,551</b>	
Gain/Loss on disposal of non-Current assets			
Unrealized gain on fair value of investments			

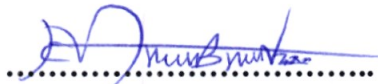
**14. Statement of Financial Performance for The Year Ended 30 June 2025**

Description	Note	FY 24-25	FY 23-24
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	5		
In-kind contributions from the County Government	6	932,946	1,900,000
Grants from donors and development partners	7	-	-
Transfers from other Government entities	8	-	-
Public contributions and donations		-	-
		-	
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	10	2,282,558	932,895
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General expenses	20	694,775	
Finance costs		-	
<b>Total expenses</b>		<b>3,148,551</b>	
Gain/Loss on disposal of non-Current assets			
Unrealized gain on fair value of investments			

**Kalacha Sub County level 4 Hospital (Marsabit County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

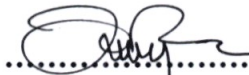
Description	Note	FY 24-25	FY 23-24
		Kshs	Kshs
Medical services contracts Gains/Losses			
Impairment loss			
Gain on foreign exchange transactions			
<b>Total other gains/(losses)</b>			
<b>Net Surplus / (Deficit) for the year</b>		<b>66,953</b>	<b>42,670</b>

The Hospital's financial statements were approved by the Board on 18.11.2025 and signed on its behalf by:



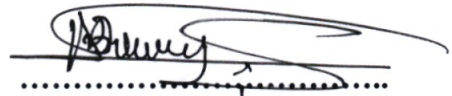
**CECM**

**Health Services**



**Accountant**

**ICPAK No:** AKB 1924



**Chief Executive Officer**



**16. Statement of Financial Position as at 30<sup>th</sup> June 2025**

Description	Note	FY 24-25	FY 23-24
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	26	109,623	42,670
Prepayments	27		
Receivables from exchange transactions	28	264,960	
Receivables from non-exchange transactions	29	-	
Inventories	30	361,000	
<b>Total Current Assets</b>		<b>735,585</b>	<b>42,670</b>
<b>Non-current assets</b>			
Property, plant, and equipment	31	-	-
Intangible assets	32	-	-
Investment property	33	-	-
Biological Assets	34		
<b>Total Non-current Assets</b>		<b>-</b>	
<b>Total assets (A)</b>		<b>735,585.0</b>	<b>42,670</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	35	335,000	
Refundable deposits from Patients/Prepayments	36		
Provisions	37		
Finance lease obligation	38		
Current portion of deferred income	39		
Current portion of borrowings	40		
<b>Total Current Liabilities</b>		<b>335,000</b>	
<b>Non-current liabilities</b>			
Provisions	37		
Non-Current Finance lease obligation	38		
Non-Current portion of deferred income	39		

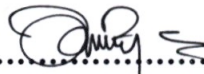
**Kalacha Sub County level 4 Hospital (Marsabit County Government)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

Description	Note	FY 24-25	FY 23-24
		Kshs	Kshs
Non – Current portion of borrowings	40		
Service concession Arrangements	41		
Social Benefits			
<b>Total non-current liabilities</b>			
<b>Total Liabilities (B)</b>		<b>335,000</b>	
<b>Net assets (A-B)</b>		<b>400,583</b>	<b>42,670</b>
<b>Represented by:</b>			
Revaluation reserve			
Accumulated surplus/Deficit		109,623	42,670
Capital Fund		290,960	
<b>Net Assets</b>		<b>400,583</b>	<b>42,670</b>

The Hospital's financial statements were approved by the Board on 18.11.2025 and signed on its behalf by:

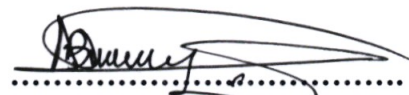


**CECM**  
**Health Services**



**Accountant**  
**ICPAK No:**

*AKIB 19241*



**Chief Executive Officer**



**17. Statement of Changes in Net Asset for The Year Ended 30 June 2025**

<b>Description</b>	<b>Revaluation reserve</b>	<b>Accumulated surplus/Deficit</b>	<b>Capital Fund</b>	<b>Total</b>
<b>As at July 1, 2023 (previous year)</b>				
Revaluation gain				
Surplus/(deficit) for the year				
Capital/Development grants				
<b>As at June 30, 2024 (previous year)</b>				
<b>At July 1, 2024 (current year)</b>		<b>42,670</b>		<b>42,670</b>
Revaluation gain		-		-
Surplus/(deficit) for the year		66,953		66,953
Capital/Development grants		-	290,960	290,960
<b>At June 30, 2025(current year)</b>		<b>109,623</b>	<b>290,960</b>	<b>400,583</b>

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

Description	Note	FY 24-25	FY 23-24
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government			1,900,000
Grants from donors and development partners			-
Transfers from other Government entities			-
Public contributions and donations			-
Rendering of services- Medical Service Income		2,282,558	-
Revenue from rent of facilities			-
Finance / interest income			-
Miscellaneous receipts( <i>specify</i> )			932,895
<b>Total Receipts</b>		<b>2,282,558</b>	<b>2,832,895</b>
<b>Payments</b>			
Medical/Clinical costs		927,790	
Employee costs		180,000	
Board of Management Expenses			
Repairs and maintenance		413,040	
Grants and subsidies			
General expenses		694,775	
Finance costs			
Refunds paid out			
<b>Total Payments</b>		<b>2,215,605</b>	<b>2,668,437</b>
<b>Net cash flows from operating activities</b>	42	<b>66,953</b>	
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment			
Purchase of intangible assets			
Proceeds from the sale of PPE			
Acquisition of investments			
<b>Net cash flows used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from borrowings			
Repayment of borrowings			

***Kalacha Sub County level 4Hospital (Marsabit County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025***

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<b>Description</b>	<b>Note</b>	<b>FY 24-25</b>	<b>FY 23-24</b>
		<b>Kshs</b>	<b>Kshs</b>
Capital grants received			-
<b>Net cash flows used in financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>66,953</b>	
Cash and cash equivalents as at 1 July	26	42,670	
<b>Cash and cash equivalents as at 30 June</b>	26	<b>109,623</b>	<b>42,670</b>

**19. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2025**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	<b>a</b>	<b>b</b>	<b>c=(a+b)</b>	<b>D</b>	<b>e=(c-d)</b>	<b>f=d/c%</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Budget carryovers from the previous year						
<b>Receipts</b>						
Transfers from the County Government	4,500,000		4,500,000	932,946	3,567,054	20.7%
Grants from donors and development partners						
Transfers from other Government entities						
Public contributions and donations						
Rendering of services- Medical Service Income	3,500,000		3,500,000	2,282,558	1,217,442	65.20%
Revenue from rent of facilities						
Finance / interest income						
Miscellaneous receipts ( <i>specify</i> )						
<b>Total receipts</b>	<b>8,000,000</b>		<b>8,000,000</b>	<b>3,215,504</b>	<b>4,784,496</b>	<b>40.19%</b>
<b>Payments</b>						
Medical/Clinical costs	1,200,000		1,200,000	927,790	272,210	77.30%
Employee costs	650,000		650,000	180,000	470,000	22.70%
Remuneration of directors						
Repairs and maintenance	790,000		790,000	413,040	376,960	52.30%
Grants and subsidies						
General expenses	1,300,000		1,300,000	694,775	595,919	54.20%
Finance costs						
In kind Contribution	3,780,000		3,780,000	932,946	2,847,054	24.70%

***Kalacha Sub County level 4Hospital (Marsabit County Government)***  
***Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025***

<b>Total Operational Expenditure paid</b>	<b>7,720,000</b>		<b>7,720,000</b>	<b>3,148,551</b>	<b>4,562,143</b>	<b>40.9%</b>
<b>Capital Expenditure paid</b>						
<b>Surplus/Deficit</b>				<b>66,953</b>		

**Budget Reconciliation**

<b>Actual Surplus as per Budget Statement</b>		<b>66,953</b>
Cash and cash equivalents as at 1 July 2024		42,670
<b>Cash and cash equivalents as at 30 June 2025</b>		<b>109,623</b>

## **20. Notes to the Financial Statements**

### **1. General Information**

Kalacha hospital is established by and derives its authority and accountability from Health Act of Kenya and Marsabit Health Bill 2016. The entity is wholly owned by the Marsabit County Government and is domiciled in Marsabit County in Kenya. The entity's principal activity is provision of Health services in Marsabit County and its Environs.

### **2. Statement of Compliance and Basis of Preparation**

#### **Statement of Compliance**

The financial statements of Kalacha Level 4 Hospital have been prepared in accordance with the requirements of the Public Finance Management Act, 2012 of the Laws of Kenya, the Public Sector Accounting Standards Board (PSASB) pronouncements, and are compliant with the International Public Sector Accounting Standards (IPSAS) under the accrual basis of accounting.

These statements present fairly the financial performance and position of the Hospital for the year ended 30<sup>th</sup> June 2025, and reflect all material transactions and balances to the best of management's knowledge.

#### **Basis of Preparation**

The financial statements have been prepared on a going concern basis and under the historical cost convention, except where IPSAS requires fair value measurement for specific assets and liabilities. The functional and presentation currency is the **Kenya Shilling (Ksh)**, and all amounts are rounded to the nearest shilling unless otherwise stated.

The preparation of these financial statements is in compliance with:  
IPSAS Accrual Basis, as issued by the International Public Sector Accounting Standards Board (**IPSASB**).

Public Finance Management Act, 2012 and related regulations.

Public Sector Accounting Standards issued by the Public Sector Accounting Standards Board (**PSASB**) of Kenya.

The Hospital does not currently have a Board of Management established under the **County Health Services Act**; operations are therefore managed under the direct oversight of the Marsabit County Department of Health.

#### **Use of Estimates and Judgements**

In preparing these financial statements, management has made judgements, estimates, and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates, and such differences are recognised in the period in which they occur.

#### **Compliance Responsibility**

The accounting officer and hospital management acknowledge their responsibility for ensuring that these financial statements comply with IPSAS and the PFM Act, and

**Adoption of New and Revised Standards**

***i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024***

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

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

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></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><b><i>The Hospital will adopt the standard as where appropriate)</i></b></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><b><i>The Hospital will adopt the standard as where appropriate)</i></b></p>

Standard	Effective date and impact:
<p>IPSAS 45- Property Plant and Equipment</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><b><i>The Hospital will adopt the standard as where appropriate)</i></b></p>
<p>IPSAS 46 Measurement</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><b><i>The Hospital will adopt the standard as where appropriate)</i></b></p>
<p>IPSAS 47- Revenue</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users</p>

Standard	Effective date and impact:
	<p>of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>The Hospital will adopt the standard as where appropriate</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>The Hospital will adopt the standard as where appropriate)</i></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>The Hospital will adopt the standard as where appropriate)</i></p>

***Early adoption of standards***

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

**3. Summary of Significant Accounting Policies**

**a. Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other Government entities**

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

**ii) Revenue from exchange transactions**

**Rendering of services**

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

**Sale of goods**

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

**Interest income**

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

**Rental income**

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

*Notes to the Financial Statements (Continued)*

**b. Budget information**

The original budget for FY2024 -2025 was approved by the management team. 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 additional appropriations of finance on the FY 2025 budget following the Board's approval. The Kalacha hospital budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 1 under section 90 of these financial statements.

**c. Taxes**

**Sales tax/ Value Added Tax**

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

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

*Notes to the Financial Statements (Continued)*

**d. Investment property**

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

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

**e. Property, plant and equipment**

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

*Notes to the Financial Statements (Continued)*

**f. Leases**

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

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

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

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

**g. Intangible assets**

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

*Notes to the Financial Statements (Continued)*

**h. Research and development costs**

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

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

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

**i. Financial instruments**

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

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

*Notes to the Financial Statements (Continued)*

**Financial assets**

**Classification of financial assets**

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

**Subsequent measurement**

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

**Amortized cost**

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

*Notes to the Financial Statements (Continued)*

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

**Impairment**

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

**Financial liabilities**

**Classification**

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

***Notes to the Financial Statements (Continued)***

**j. Inventories**

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

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

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

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

**k. Provisions**

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

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

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

*Notes to the Financial Statements (Continued)*

**l. Social Benefits**

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

**m. Contingent liabilities**

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

**n. Contingent assets**

**Property, Plant and Equipment Not Yet Valued**

Kalacha Level 4 Hospital currently owns and utilizes various assets including:

Motor vehicles

Land

Buildings

Furniture and equipment

Medical equipment

These assets have been acquired over time through government allocations and support from development partners. However, no valuation has been undertaken to determine their fair value as required under IPSAS 17 Property, Plant and Equipment.

**Accordingly:**

1. The hospital has not recognized these assets in the Statement of Financial Position, since their cost or fair value could not be reliably measured.
2. The hospital has disclosed this information in line with IPSAS requirements, and management intends to initiate a comprehensive valuation exercise in collaboration with the County Government of Marsabit to ensure recognition and fair presentation in future financial statements.
3. Once valuation is completed, the assets will be capitalized and appropriate revaluation reserves will be created in accordance with IPSAS.

Despite the non-recognition, the hospital continues to use the above assets in service delivery, and they are under the custody and control of management

**o. Nature and purpose of reserves**

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

**p. Changes in accounting policies and estimates**

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

*Notes to the Financial Statements (Continued)*

**q. 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.

**r. 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.

**s. 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.

**t. 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)*

**u. 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.

**v. 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.

**w. Comparative figures**

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

**x. Subsequent events**

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

#### **4. Significant Judgments and Sources of Estimation Uncertainty**

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

##### **Estimates and assumptions.**

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

##### **Useful lives and residual values**

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

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

##### **Provisions**

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

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

**Notes to Financial Statements Continued**

**5. Transfers from the County Government**

Description		FY 2024-2025	FY 2023-2024
		KShs	KShs
<b>Unconditional grants</b>			
Operational grant			
Level 4/5 grants			
Unconditional development grants			
Other grants ( <i>specify</i> )			
<b>Conditional grants</b>			
User fee forgone			
Transforming health services for Universal care project (THUCP)			
DANIDA			
Wards Development grant			
Paediatric block grant			
Administration block grant			
Laboratory grant			
<b>Total government grants and subsidies</b>			

**5 b Transfers from The County Government**

Name of the Entity sending the grant	Amount recognized to of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
			KShs	KShs	KShs
Marsabit County Government	932,946	-	-	-	
<b>Total</b>	<b>932,946</b>	<b>-</b>	<b>-</b>	<b>-</b>	

**Notes to Financial Statements Continued**

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

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Salaries and wages	180,000	
Medical supplies-Drawings Rights (KEMSA)	752,946	
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)		
Utility bills		
<b>Total grants in kind</b>	<b>932,946</b>	

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

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

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

Name of the Entity sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA					
JICA					
World Bank					
<b>Total</b>					

**Notes to Financial Statements Continued**

**8. Transfers From Other Government Entities**

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Transfer from National Government (Ministry of Health)		
<b>Total Transfers</b>		

**9. Rendering of Services-Medical Service Income (NHIF/SHA)**

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
NHIF/SHA Reimbursements		
<b>Total Medical Income -NHIF/ SHA</b>		

**10. Rendering of Services-Medical Service Income (FIF)**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Pharmaceuticals	520,000	932,895
Non-Pharmaceuticals	-	
Laboratory	683,000	
Radiology	540,000	
Orthopedic and Trauma Technology	134,000	-
Theatre	96,859	-
Accident and Emergency Service	-	-
Anesthesia Service	-	-
Ear Nose and Throat service	-	-
Nutrition service	-	-
Cancer centre service	-	-
Dental services	97,558	
Reproductive health	30,000	-
Paediatrics services	94,000	-
Farewell home services	-	-
Ambulance services	86,700	-
Other medical services income	-	-
<b>Total revenue from the rendering of services</b>	<b>2,282,558</b>	<b>932,895</b>

**11. Revenue From Rent of Facilities**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Residential property		
Commercial property		
<b>Total Revenue from rent of facilities</b>		

**12. Finance /Interest Income**

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

**13. Miscellaneous Income**

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

**Notes to the Financial Statements (Continued)**

**14. Medical/ Clinical Costs**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Dental costs/ materials		
Dental costs/ materials	35,000.	
Laboratory chemicals and reagents	25,000	
Public health activities	-	
Food and Ration	360,000	
Uniform, clothing, and linen		
Dressing and non-pharmaceuticals	-	
Pharmaceutical supplies	487,790	
Health information stationery	-	
Reproductive health materials	-	
Sanitary and cleansing Materials	20,000	
Purchase of Medical gases	-	
X-Ray/Radiology supplies	-	
Other medical related clinical costs ( <i>specify</i> )	-	
In Kind contribution - KEMSA	752,946	
<b>Total medical/ clinical costs</b>	<b>1,680,736</b>	

**15. Employee Costs**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Salaries, wages, and allowances		
Salaries, wages, and allowances	180,000	
Contributions to pension schemes	-	
Service gratuity		
Performance and other bonuses		
Staff medical expenses and Insurance cover	-	
Group personal accident insurance and WIBA		
Social contribution		
Other employee costs ( <i>specify</i> )		
In Kind contribution - Wages	180,000	
<b>Employee costs</b>	<b>360,000</b>	

**Notes to the Financial Statements (Continued)**

**16. Board of Management Expenses**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Chairman's Honoraria		
Sitting allowance		
Mileage		
Insurance expenses		
Induction and training		
Travel and accommodation allowance		
Airtime allowances		
<b>Total</b>		

**17. Depreciation and Amortization Expense**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Property, plant and equipment		
Intangible assets		
Investment property carried at cost		
<b>Total depreciation and amortization</b>		

**18. Repairs And Maintenance**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Property- Buildings		
Property- Buildings	-	
Medical equipment	100,000	
Office equipment	-	
Furniture and fittings	-	
Computers and accessories	-	
Motor vehicle expenses	313,040	
Maintenance of civil works	-	
<b>Total repairs and maintenance</b>	<b>413,040</b>	

**Notes to the Financial Statements (Continued)**

**19. Grants And Subsidies**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Community development and social work		
Education initiatives and programs		
Free/ subsidised medical camp		
Disability programs		
Free cancer screening		
Social benefit expenses		
Transfer to other hospital-Uhc Transfers		
<b>Total grants and subsidies</b>		

**20. General Expenses**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Advertising and publicity expenses		
Advertising and publicity expenses		
Catering expenses		
Waste management expenses		
Insecticides and rodenticides		
Audit fees		
Bank charges	6,590	
Conferences and delegations		
Consultancy fees		
Contracted services		
Electricity expenses		
Fuel and Lubricants	398,285	
Insurance		
Research and development expenses		
Travel and accommodation allowance		
Legal expenses		
Licenses and permits		
Courier and postal services		
Printing and stationery	267,900	
Hire charges		
Rent expenses		
Water and sewerage costs	22,000	

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Skills development levies		
Telephone and mobile phone services		
Internet expenses		
Staff training and development		
Subscriptions to professional bodies		
Subscriptions to newspapers periodical, magazines, and gazette notices		
Library books/Materials		
Parking charges		
<b>Total General Expenses</b>	<b>694,775</b>	

#### 21. Finance Costs

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Borrowings (amortized cost) *		
Finance leases (amortized cost)		
Interest on Bank overdrafts/Guarantees		
Interest on loans from commercial banks		
<b>Total finance costs</b>		

#### 22. Gain/Loss on Disposal of Non-Current Assets

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

#### 23. Unrealized Gain on Fair Value Investments

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Investments at fair value		
<b>Total gain</b>		

**Notes to the Financial Statements (Continued)**

**24. Medical Services Contracts Gains /Losses**

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Comprehensive care contracts with NHIF/SHA		
Non- Comprehensive contracts care with NHIF/SHA		
Linda Mama Program		
Waivers and Exemptions		
<b>Total Gain/Loss</b>		

**25. Impairment Loss**

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Property, plant, and equipment		
Intangible assets		
Investments		
<b>Total impairment loss</b>		

**26. Cash And Cash Equivalent**

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Current accounts	102,623	42,670
On - call deposits		
Fixed deposits accounts		
Cash in hand	7,000	
Others( <i>specify</i> )- Mobile money		
<b>Total cash and cash equivalents</b>	<b>109,623</b>	<b>42,670</b>

**Notes to the Financial Statements (Continued)**

**26 (b). Detailed Analysis of Cash and Cash Equivalents**

Description		FY 2024-2025	FY 2023-2024
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
Kenya Commercial bank	1153947048	6,000	
Equity Bank, etc	1010269997909	96,623	42,670
<b>Sub- total</b>		<b>102,623</b>	
<b>On - call deposits</b>			
Kenya Commercial bank		-	
<b>b) Equity Bank – etc</b>		-	
<b>Sub- total</b>		-	
<b>Fixed deposits account</b>			
Bank Name		-	
<b>c) Sub- total</b>		-	
<b>Others(specify)</b>		-	
cash in hand		7,000	
<b>d) Mobile money- Mpesa, Airtel money</b>		-	
<b>Sub- total</b>			
<b>Grand total</b>		<b>109,623</b>	<b>42,670</b>

**27. Prepayments**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Insurance		
Rent		
Water		
Internet		
Others specify		
Total		

**28. Receivables From Exchange Transactions**

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Medical services receivables	264,960	
Rent receivables	-	
Other exchange debtors	-	
Less: impairment allowance		
<b>Total receivables</b>	<b>264,960</b>	

**Analysis of Receivables From Exchange Transactions**

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
	2024/25 FY	% of the total		
Less than 1 year	264,960.0	100%		
Between 1- 2 years	-	-		
Between 2-3 years	-	-		
Over 3 years	-	-		
<b>Total (a+b)</b>	<b>264,960</b>			

**29. Receivables From Non-Exchange Transactions**

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

**Analysis of Receivables From Non-Exchange Transactions**

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year				
Between 1- 2 years				
Between 2-3 years				
Over 3 years				
<b>Total (a+b)</b>				

**30. Inventories**

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Pharmaceutical supplies		
Pharmaceutical supplies	361,000	
Maintenance supplies		
Food supplies		
Linen and clothing supplies		
Cleaning materials supplies		
General supplies		
Less: provision for impairment of stocks		
<b>Total</b>	<b>361,000</b>	

**Detailed disclosure on inventories**

	<b>FY 2024-2025</b>	<b>FY 2023-2024</b>
Opening balance		
Additional Inventory in the year		
Inventory expensed in the year		
Write-downs in the year		
Others specify		
Closing balance		

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**31. Property, Plant and Equipment**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (Oxygen Plant)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
<b>Cost</b>									
At 1 July 2023 (previous year)									
Additions									
Disposals									
Transfers/adjustments									
Revaluation Adjustments									
<b>At 30<sup>th</sup> Jun 2024</b>									
<b>At 1 July 2024(current year)</b>									
Additions									
Disposals									
Transfer/adjustments									
Revaluation Adjustments									
<b>At 30<sup>th</sup> Jun 2025</b>									

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Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Other Assets (Oxygen Plant)	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh		Ksh	Ksh
<b>Depreciation and impairment</b>									
At 1 July 2023(previous year)									
Depreciation for the year									
Disposals									
Impairment									
<b>At 30 June 2024</b>									
At July 2024 (current year)									
Depreciation									
Disposals									
Impairment									
Transfer/adjustment									
<b>At 30<sup>th</sup> June 2025</b>									
<b>At Cost</b>									
At 30 <sup>th</sup> Jun 2024 (previous)									
At 30 <sup>th</sup> Jun 2025(current)									

**Notes to the Financial Statements (Continued)**

**32. Intangible Assets-Software**

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
<b>Cost</b>		
<b>At beginning of the year</b>		
Additions		
Additions-Internal development		
Disposal		
<b>At end of the year</b>		
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>		
Amortization for the period		
Impairment loss		
<b>At end of the year (At Cost)</b>		

**33. Investment Property**

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

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**34. Biological Assets**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Trees in a plantation forest		
Animals: Dairy Cattle, Pigs, Sheep		
Others specify		
<b>Total</b>		

**35. Trade and other Payables**

Description	FY 2024-2025		FY 2023-2024	
	KShs		KShs	
Trade payables	335,000			
Employee dues				
Third-party payments (e.g. unremitted payroll deductions)				
Audit fee				
Doctors' fee				
<b>Total trade and other payables</b>	<b>335,000</b>			
<b>Ageing analysis:</b>	<b>2024/25 FY</b>	<b>% of the Total</b>		
Under one year	335,000	100 %		
1-2 years				
2-3 years				
Over 3 years				
<b>Total</b>	<b>335,000</b>			

**36. Refundable Deposits from Customers/Patients**

Description	FY 2024-2025		FY 2023-2024	
	KShs		KShs	
Medical fees paid in advance				
Credit facility deposit				
Rent deposits				
Others ( service not available				
<b>Total deposits</b>				
<b>Ageing analysis:</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>

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Under one year				
1-2 years				
2-3 years				
Over 3 years				
<b>Total</b>				

**37. Provisions**

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

**38. Finance Lease Obligation**

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Current Lease obligation		
Long term lease obligation		
<b>Total</b>		

**39. Deferred Income**

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Current Portion		
Non-Current Portion		
<b>Total</b>		

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**Notes to the Financial Statements (Continued)**

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

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

**40. Borrowings**

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
<b>Balance at beginning of the period</b>		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the year		
Repayments of domestic borrowings during the year		
<b>Balance at end of the period</b>		

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

Description	FY 2023-2024	FY 2023-2024
	KShs	KShs
Current Obligation		
Non-Current Obligation		
<b>Total</b>		

**Notes to the Financial Statements (Continued)**

**41. Service Concession Arrangements**

Description	FY 2023-2024	FY 2023-2024
	KShs	KShs
Fair value of service concession assets recognized under PPE		

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Accumulated depreciation to date		
Net carrying amount		
Service concession liability at beginning of the year		
Service concession revenue recognized		
Service concession liability at end of the year		

**42. Cash Generated from Operations**

Description	2024-2025	2023-2024
	KShs	KShs
Surplus for the year before tax	57,647	
<b>Adjusted for:</b>		
Depreciation		
Non-cash grants received		
Impairment		
Gains and losses on disposal of assets		
Contribution to provisions		
Contribution to impairment allowance		
<b>Working Capital adjustments</b>		
Increase in inventory		
Increase in receivables		
Increase in deferred income		
Increase in payables		
Increase in payments received in advance		
<b>Net cash flow from operating activities</b>	<b>57,647</b>	

**Notes to the Financial Statements (Continued)**

**43. Financial Risk Management**

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

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

**(i) Credit risk**

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

Description	Total amount	Fully performing	Past due	Impair ed
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024 (previous year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
<b>Total</b>				
At 30 June 2025 (current year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
<b>Total</b>				

**Notes to the Financial Statements (Continued)**

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

**(ii) Liquidity risk management**

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2024</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
<b>Total</b>				
<b>At 30 June 2025</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
<b>Total</b>				

**Notes to the Financial Statements (Continued)**

**(iii) Market risk**

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

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

**a) Foreign currency risk**

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

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

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

**Notes to the Financial Statements (Continued)**

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

**Foreign currency sensitivity analysis**

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

Description	Change in currency rate	Effect on Profit before tax	Effect on Equity
	Kshs	Kshs	Kshs
<b>2024(previous year)</b>			
Euro			
USD			
<b>2025(current year)</b>			
Euro			
USD			

**b) Interest rate risk**

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

**Management of interest rate risk**

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

**Notes to the Financial Statements (Continued)**

**Sensitivity analysis**

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs (2025: KShs). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs (2025 – KShs).

**iv) Capital Risk Management**

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

Description	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve		
Retained earnings		
Capital reserve		
<b>Total funds</b>		
Total borrowings		
Less: cash and bank balances		
Net debt/ <i>(excess cash and cash equivalents)</i>		
<b>Gearing</b>		

**Notes to the Financial Statements (Continued)**

**44. 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.

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

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

Description	2024-2025	2023-2024
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Services offered to related parties</b>		
Services to		
Sales of services to		
<b>Total</b>		
<b>b) Grants from the Government</b>		
Grants from County Government		
Grants from the National Government Entities		
Donations in kind from County Government		
<b>Total</b>		
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees		
Payments for goods and services for		
<b>Total</b>		
<b>d) Key management compensation</b>		

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Description	2024-2025	2023-2024
	Kshs	Kshs
Directors' emoluments		
Compensation to the medical Sup		
Compensation to key management		
<b>Total</b>		

**45. Segment Information**

**46. Contingent Liabilities**

Contingent liabilities	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Court case against the hospital		
Bank guarantees in favour of subsidiary		
<b>Total</b>		

**47. Capital Commitments**

Capital Commitments	2024-2025	2023-2024
	Kshs	Kshs
Authorised For		
Authorised And Contracted For		
<b>Total</b>		

**48. Events after the Reporting Period**

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

**49. Ultimate and Holding Entity**

The entity is a County Semi- Autonomous, under the Department of Health Services. Its ultimate parent is the County Government of Marsabit.

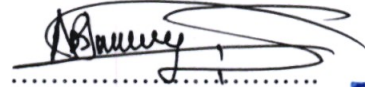
**50. Currency**

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

**21. Appendices**

**Appendix 1: Progress on Follow Up of Auditor Recommendations**

On the prior issues raised by the external auditor, we have nominated focal persons to resolve the various issues. Further we are waiting to appear in the senate or Marsabit County Assembly when called.



.....  
Accounting Officer



**Appendix II: Projects Implemented by The Entity**

**Projects**

Projects implemented by the Hospital Funded by development partners

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

**Status of Projects completion**

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

*Kalacha Sub County Hospital Marsabit County Government)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

**Appendix III: Inter-Entity Confirmation Letter**

Name of Transferring entity.....

Name of Beneficiary entity.....

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

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

**Head of Accounts Department - Disbursing Entity:**  
 Name ..... Sign ..... Date .....

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

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**Appendix IV Reporting of Climate Relevant Expenditures**

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

**Appendix V: Disaster Expenditure Reporting Template**

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