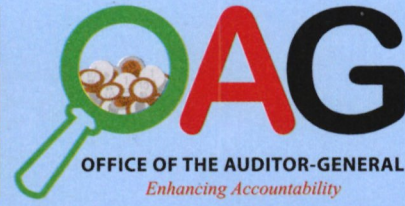
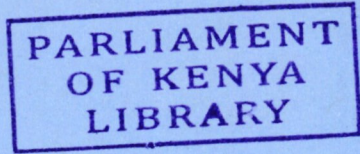


REPUBLIC OF KENYA



**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**HULUGHO SUB-COUNTY HOSPITAL**

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

**COUNTY GOVERNMENT OF GARISSA**

PAPERS LAID	
DATE	12.11.25.
TABLED BY	S.M.L
COMMITTEE	-
CLERK AT THE TABLE	<i>Belinda Angela</i>



---

# **HULUGHO SUB COUNTY HOSPITAL (Garissa County Government)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025**

---

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

**Table of Contents**

1. Acronyms & Glossary of Terms .....	ii
2. Key Entity Information and Management.....	iii
3. The Board of Management.....	vi
4. Key Management Team .....	vii
5. Chairman’s Statement .....	viii
6. Report of The Medical Superintendent .....	ix
7. Statement of Performance Against Predetermined Objectives .....	x
8. Corporate Governance Statement.....	x
9. Management Discussion and Analysis.....	xiii
10. Environmental And Sustainability Reporting.....	xiv
11. Report of The Board of Management.....	xiv
12. Statement of Board of Management’s Responsibilities.....	xvii
13. Report of the Independent Auditor (specify entity name).....	xviii
14. Statement of Financial Performance for The Year Ended 30 June 2025.....	1
15. Statement of Financial Position As At 30 <sup>th</sup> June 2025 .....	2
16. Statement of Changes in Net Asset for The Year Ended 30 June 2025 .....	3
17. Statement of Cash Flows for The Year Ended 30 June 2025 .....	4
18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2025 .....	5
19. Notes to the Financial Statements .....	6
20. Appendices .....	30

**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

Hulugho Sub County Hospital is a level (4) hospital established under gazette notice number 786 and is domiciled in Garissa County under the Health Department. The hospital is governed by a Sub County Health Management Team.

The facility borders Somalia, Lower Jubaland to the East, Lamu County to South and Fafi Constituency to the North. The principal mandate of the hospital is to ensure that the people of Hulugho have access to affordable, easily accessible, community acceptable, technologically updated and quality Health care services.

The facility has a catchment population of 79,216 and 14 active community units linked to it.

Hulugho sub-county Hospital is one of the unique facilities in Garissa since it offers services to clients from Somali republic. The estimated percentage of the cross-border services offered is roughly 7% of the total workload.

### (b) Principal Activities

The principal mandate of the hospital is to ensure that the people of Hulugho have access to affordable, easily accessible, community acceptable, technologically updated and quality health care services.

### (c) Key Management

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

- County department of health
- Sub county department of health
- Medical Superintendent
- Hospital Administrator
- Hospital management board

### (d) 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	Musa Mohamed Said
2.	Head of finance	N/A
3.	Head of supply chain	N/A
4.	Hospital administrator	Abdihakim Mukhtar Muhumed
5.	Nurse in charge	Issa yellow Mohamed

**(e) Fiduciary Oversight Arrangements**

- County Health Management Team.
- Sub County Health Management Team
- Hospital Audit committee
- Hospital management board.
- County Assembly
- Parliamentary committees

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

**(f) HULUGHO SUB COUNTY HOSPITAL  
MINISTRY OF HEALTH**

P.O. Box 8-70105  
Masalani.

**(g) Entity Contacts**

Telephone: (+254)717757729  
E-mail: [Hulughohospital@healthgarissa.go.ke](mailto:Hulughohospital@healthgarissa.go.ke)  
Website: [www.garissa.go.ke](http://www.garissa.go.ke)

**(h) Entity Bankers**

Premier Bank- Garissa

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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


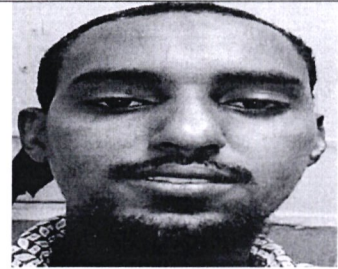

**(k) County Attorney**

Garissa county attorney  
P.O. Box. 57- 70100  
Garissa, Kenya

**3. The Board of Management**

No Board of Management in Place

**4. Key Management Team**

Ref	Management	Details
1.		<p>The medical superintendent key responsibilities include; Application and implementation of hospital policy.</p>
2.		<p>The health administrator, key responsibilities include; Act as the point of contact for all employees, providing administrative support and managing their queries.</p>
3.		<p>The Nurse in charge since 2023.graduate of KECHN</p>

**5. Chairman's Statement**

**No Board of Management in place**

.....

**Name**

**Chairman to the Board**

## **6. Report of The Medical Superintendent**

Hulugho Sub-County Hospital, a Level 4 facility, The vision of the hospital is to establish a responsive and efficient people-centered healthcare system, while the mission is to ensure equitable, quality, acceptable, and affordable health care tailored to community needs, fostering sustainable development. It plays a critical role in delivering essential health services to the population of Hulugho ward and surrounding areas including the neighbouring country –Somalia. The hospital serves more than 79,216 people in the Sub County.

The hospital is governed by the policies and regulations set by both national and county government departments responsible for health services.

The hospital derived its revenue from facility improvement fund (FIF) and county grants and hospital has realised great improvements of revenue collection compared to previous financial years. However, the cost of running the facility is high putting the hospitals under financial constrain. The hospital strategic plan is to sustain a competitive business to achieve client satisfaction, financial sustainability and infrastructure development that reflects modern standards in medical practices.

However the hospital is faced with a lot of challenges ranging from global issues, financial constrain, inadequate human resource, environmental challenge, and technological growth that hospital have to adopt in order to fulfil in the health service delivery. However, the management is looking forward to adopt technological transformation in order to increase operational efficiencies, patient focus service delivery and informed decision making.

Despite all the challenges growth has been inevitable in our institution and improving quality of has been the main driver in ensuring continuous improvement of service delivery.

I take this opportunity to express my sincere gratitude and appreciation to the department of health, county government of Garissa, management and staffs for their continued support this made us to achieve this result.

.....  
MOUSE M. MASALANI

**Name**

**Secretary to the Board**

MEDICAL SUPERINTENDENT  
HULUGHO SUB-COUNTY HOSPITAL  
P.O. Box 8-70105,  
MASALANI

## 7. Statement of Performance Against Predetermined Objectives

Hulugho Sub County Hospital has six strategic pillar within the current Strategic Plan for the FY 2024/2025. These strategic pillars/ themes/ issues are as follows:

- i. Curative and rehabilitative health services
- ii. Preventive and Promotive health services
- iii. Healthcare financing and sustainability
- iv. Quality improvement
- v. General administration, Management support and coordination
- vi. Policy ,planning and HMIS

The hospital develops its annual work plans based on the above four pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Clinical Services Delivery and product	<ul style="list-style-type: none"> <li>To Establish and enhance good clinical governance</li> </ul>	<ul style="list-style-type: none"> <li>Hospital Drug formulary in place</li> <li>No of stock-out tracer drugs</li> <li>No of prescription reviewed</li> <li>Updated SOPs</li> </ul>	<ul style="list-style-type: none"> <li>Rational use of Medications</li> <li>Provision of Health products</li> <li>Monthly Clinical Audits and mortality Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Hospital Drug formulary In place.</li> <li>80%reduction in morbidity and mortality.</li> </ul>
	<ul style="list-style-type: none"> <li>To ensure Quality Diagnostic Services</li> </ul>	<ul style="list-style-type: none"> <li>Registers</li> <li>Survey reports</li> <li>Client satisfaction report</li> </ul>	<ul style="list-style-type: none"> <li>Expand the scope of 24 hours specialized services</li> <li>Introduce</li> </ul>	<ul style="list-style-type: none"> <li>Availability of laboratory reagents and diagnostic kits</li> </ul>

			new specialized Services • Adhere to Quality Standards	
Quality Improvement	<ul style="list-style-type: none"> <li>• Enhance Continuous Quality Improvement</li> <li>• Enhance customer care services</li> </ul>	<ul style="list-style-type: none"> <li>• Training Reports</li> <li>• Customer care desks</li> <li>• Minutes of the change Agents</li> </ul>	<ul style="list-style-type: none"> <li>• establish a quality management comitee</li> <li>• Training of staff on KQMH</li> <li>• Customer care desks</li> </ul>	<ul style="list-style-type: none"> <li>• More Staff trained and its continuous</li> <li>• A customer desks introduced at outpatient, at the entrance &amp; Casualty</li> </ul>
			•	

## 8. Corporate Governance Statement

Sub County Health Management Committee is responsible for the corporate governance of the Hospital and is accountable to Ministry of Health, County department of health Garissa County for ensuring that the Hospital complies with the laws and the highest standards of corporate governance and business ethics. The Board members attach great importance to the need to conduct the business and operations of the Hospital with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

a) **Sub County Health Management Committee.** The Sub County Health Management Committee is composed of non-executive members elected by the Governor of Garissa County. The Appointed Sub County Health Management Committee to be held accountable and responsible for the efficient and effective governance of the hospital. Sub County Health Management Committee have a range of skills and experience and each brings an independent judgment and considerable knowledge to the Committee's discussions. The Committee term is three years renewal subject to performance.

Summarized below are the key roles and responsibilities of the Committee

- Approve and adopt strategic plans and annual budgets, set objectives and review key risk and performance areas.
- Resource Mobilization
- Determine overall policies and processes to ensure integrity of the Hospital's management of risk and internal contracts; and
- Review at regular meetings Management's performance against approved budget.

The full Board meets at least 4 times a year with a few special meetings. The Board members are given appropriate and timely information so that they can maintain full and effective control over

strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Chief Executive Officer. The Board nonetheless retains responsibility for establishing and maintaining the Hospital's overall internal control, financial, operational and compliance framework.

b) **Committee Meetings.** The Board as per the Annual work plan meets quarterly or additionally when necessary to consider matters of overall control of the hospital. The Board agenda and work plan are prepared early in the year and adequate notice, agenda and Board papers are circulated within stipulated timelines.

c) **Committee Remuneration.** Non-Executive Members provide services to the hospital to which they are entitled to allowances, the allowance is paid as per the government of Kenya allowance circulars.

d) **Committees of the Board.** The Board has four standing committees, which meet regularly under the terms of reference set by the Committee. The standing committees as follows:

- Finance & Administration sub-committee
- Quality and Development Committee
- Audit & Risk Sub Committee

## **9. Management Discussion and Analysis**

The considerations in restructuring an organization are effective coordination of roles and responsibilities to avoid overlap and duplication of roles and effort; clear accountability for results; enhanced teamwork and effective communication; and career development for staff. Appropriate structures also allow the organization to resource and sustain essential skills and expertise in the organization. The institution began the financial year with a lot of goodwill from the County Government by reviving most departments that were close to shutting down in providing services e.g. laboratory among many others. This improved service delivery and confidence of the community to come and seek for services in the facility shown by the increment in patient numbers and increment in revenue collected by the facility during this period. Robust investment in resources to rehabilitate the wards will be important and engaging corporate clients will increase our competitive mark in offering specialised services in the region.

A research in the market and alternative options of supply chain management will be key in cutting cost measures and adopting an electronic information management will ensure accurate data capture, check n revenue collection and accountability in supply chain management.

### **Clinical/operational performance**

During the financial year 2024-2025 a total of 3,263 patients were treated in the outpatient departments. This was 105% outpatient service utilization in a hospital catchment population of 85,578 persons during the year.

The hospital bed capacity for the year was 20 bed shared as maternity -5 beds and general ward-15 beds,

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

The hospital generated revenue amounting to KShs. 155,669,400 from user fees charged on patients during the year. The income was from cash paying clients and insurance companies mainly social health authority- SHA. The hospital did not receive transfer from the county government. By the close of the financial year the funds utilization was at 67%

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

### ***i) Sustainability strategy and profile***

The Hospital and its stakeholders are increasingly emphasizing important need to secure sustainability for both its business and resource mobilisation and financing capability with objective of ensuring that the Hospital is going concern facility. The hospital has reviewed its current resource mobilization strategies and proposed feasible sustainable financing options:

- Enhancing client satisfaction through offering quality services
- Bringing on board more financial institutions e.g. banks and donors

### ***ii) Environmental performance***

Hospitals and care systems should make environmental sustainability a priority and create a culture of change to achieve lasting results. Implementing lasting sustainability initiatives in hospitals and care systems requires participation from multiple leaders across multiple departments, from senior executives to department-level advocates.

The hospital has coloured coded bins at all departmental levels and general cleanliness of the hospital is well maintained in both indoors and the ground. There is a challenge of high cost of fuel for incinerator for waste disposal.

### ***iii) Employee welfare***

The employment process involves bringing new employees into the organization. This is the mandate of county public service board in line with public service commission, human resource manual and procedures which provides guidelines governing recruitment and appointment of new officers

Improvement of employee skills and career management is done through employee sponsorship to further their studies in line with their careers. Capacity building of the employee is done through training programmes with government institutions who are offering short related courses in order improve performance, rewards for good performance and action for poor performance. Human Resource manual procedures provides for guidelines and standards for prevention and protection of officers against accident

and occupational hazard arising at work place in relation of compensation for work related injuries and accident while in the course of employment.

**iv) Market place practices-**

*The organisation should outline its efforts to:*

**a) Responsible competition practice.**

It's done through use of available of available website for advertisement.

**b) Responsible Supply chain and supplier relations**

Involvement of suppliers in the tendering process and giving them feedback in good time explaining to them reasons of award and rejections.

**c) Responsible marketing and advertisement or Responsible engagement with citizens**

It's done through use of website and local newspapers and community engagement.

**d) Product stewardship or Awareness Creation**

The Hospital seeks to impact people's lives through its Corporate Social Responsibility (CSR) initiatives.

The initiatives are aimed at improving lives and enhance engagement with the public. Central to this philosophy is the commitment to enhance the quality of life of people from marginalised and vulnerable communities, by empowering them and catalysing change through creating awareness on diseases and available interventions.

**v) Corporate Social Responsibility / Community Engagements**

The Hospital seeks to impact people's lives through robust outreach and disease surveillance.

The initiatives are aimed at improving lives and enhance engagement with the public. Central to this philosophy is the commitment to enhance the quality of life of people from marginalised and vulnerable communities, by empowering them and catalysing change through creating awareness on diseases and available interventions.

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

The board members submit their report together with the audited financial statements for the year that ended June 30, 2025, which show the state of the hospital's affairs.

**Principal activities**

The principal activities of the entity are to provide quality and affordable preventive, promotive and curative health services in hulugho Sub County.

**Results**

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

**Board of Management**

There was no Board of Management during the financial year 2024-2025

**Auditors**

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

By Order of the Board

..... *MUSE M. SINDIGA* .....

**Name**

**Secretary to the Board**

**HOSPITAL SUPERINTENDENT  
HULUGHO SUB-COUNTY HOSPITAL  
P. O. Box 8-70105,  
MASALANI**

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

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

The Board of Management accepts responsibility for the hospital’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board members are of the opinion that the hospital’s financial statements give a true and fair view of the state of entity’s transactions during the financial year ended June 30, 20xx, 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 hospital, which have been relied upon in the preparation of the hospital’s financial statements as well as the adequacy of the systems of internal financial control.

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

### **Approval of the financial statements**

The Hospital’s financial statements were approved by the Committee on \_\_\_\_\_ and signed on its behalf by:

.....

**Name:**  
**Chairperson**  
**Sub County Health Management Committee**

..... *Muse M. 5/23* **SUPERINTENDENT**  
**HULUGHO SUB-COUNTY HOSPITAL**  
**P. O. Box 8-70105,**  
**MASALANI**

# 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 HULUGHO SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF GARISSA**

---

### **PREAMBLE**

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

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

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 Hulugho Sub-County Hospital set out on pages 1 to 34, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net

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

In my opinion, except for the 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 Hulugho Sub-County Hospital as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the County Governments Act, 2012, the Health Act, 2017 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unsupported Medical Service Income**

The statement of financial performance reflects rendering of services - medical service income amounting to Kshs.1,556,694 as disclosed in Note 6 to the financial statements. However, the supporting schedule for the income showing details such as date, description amount and payee was not provided for audit review.

In the circumstances, the accuracy and completeness of rendering of services - medical service income amounting to Kshs.1,556,694 could not be confirmed.

#### **2. Unconfirmed Inventory Balance**

The statement of financial position does not reflect balance in respect to inventories. However, during the year under review, the Hospital procured food items, office stationery and supplies, pharmaceuticals and non-pharmaceuticals for its operations. The supplies were received and recorded in the stores before being dispensed to laboratory, pharmacy, wards, kitchen, offices and outpatient units amongst others. However, there was no evidence that the annual stock take was conducted as at 30 June, 2025 to establish the inventory balance.

In the circumstances, the accuracy and completeness of the nil inventory balance could not be confirmed.

#### **3. Failure to Disclose In-Kind Contribution from the County Executive**

The statement of financial performance did not disclose expenses paid by the County Executive of Garissa on behalf of the Hospital. The expenses include salaries and allowances for staff working at the Hospital, purchase of pharmaceuticals and non-pharmaceutical supplies, stationery and catering supplies.

In the circumstances, the accuracy and completeness of total expenses amounting to Kshs.1,013,825 could not be confirmed.

#### **4. Unsupported and Non-Disclosure of Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs.44,625 as disclosed in Note 14 to the financial statements. The balance was in respect of furniture, fittings and office equipment which were, however, not supported by an asset register or a depreciation policy. In addition, review of the Hospital records revealed existence of various assets including land, buildings and civil works, motor vehicles, furniture, fittings and office equipment, ICT equipment and plant and medical equipment which were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.44,625 could not be confirmed.

#### **5. Unreconciled and Unsupported Cash and Cash Equivalent Balance**

The statement of financial position reflects cash and cash equivalents balance of Kshs.811,549 as disclosed in Note 13 to the financial statements. Review of cashbook and reconciliation statement disclosed a balance of Kshs.821,938, resulting in an unexplained variance of Kshs.10,390. Further, certificate of bank balance was not provided for audit review.

In the circumstance, the accuracy and completeness of cash and cash equivalents balance of Kshs.811,548 could not be confirmed.

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

#### **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 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 Matters**

Various prior year audit issues remained unresolved as at 30 June, 2025 as analyzed below:

S/No.	Financial year	Issue
1	2023/2024	Failure to prepare and submit financial statements for prior years
2	2023/2024	Non-disclosure of employee costs paid by the County Executive
3	2023/2024	Non-disclosure of other expenses paid by the County Executive
4	2023/2024	Undisclosed property, plant and equipment
5	2023/2024	Unconfirmed inventory balance
6	2023/2024	Late submission of financial statements
7	2023/2024	Non-compliance with the financial reporting template
8	2023/2024	Failure to prepare estimates of income and expenditure
9	2023/2024	Deficiencies in implementation of Universal Health Coverage
10	2023/2024	Lack of internal audit function and audit committee
11	2023/2024	Lack of key management policies
12	2023/2024	Lack of staff establishment and human resource compliment controls
13	2023/2024	Weaknesses in administration and collection of revenue
14	2023/2024	Lack of Hospital Management Board

### **Other Information**

The Management is responsible for the Other Information set out on page iii to xvii which comprise of Key Entity Information and Management, The Board of Management, Management Team, Chairman's Statement, Report of the Medical Superintendent, Corporate Governance Statement, Statement of Performance Against Predetermined Objectives, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of Board of Management and Statement of Board of Management 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 and I am required to report that fact. Based on the audit procedures performed and the matters described in my Basis for Qualified Opinion, I confirm that Other Information is not materially inconsistent with the financial statements.

### **Unsupported Performance in the Statement of Performance Against Predetermined Objectives**

The achievements of over 80% of children being immunized and the number of households registered under Universal Health Coverage during the year under review as

disclosed in the statement of performance against predetermined objectives was not supported by documentary evidence.

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 USE OF PUBLIC RESOURCES

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Failure to Prepare Estimates of Income and Expenditure**

The Hospital operated without an approved budget during the year under review. This is contrary to Section 149(2)(h) of the Public Finance Management Act, 2012 which provides that an accounting officer shall in respect of the entity concerned prepare estimates of expenditure of the entity in conformity with the strategic plan of the entity.

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

#### **2. Failure to Prepare Annual Procurement Plan**

During the year under review, the Hospital did not have an annual procurement plan and a list of pre-qualified suppliers was not maintained. This is contrary to Section 53(2) of the Public Procurement and Asset Disposal Act, 2015 which provides that an accounting officer shall prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation process.

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

#### **3. Non-Compliance with Gender Equality**

Review of the staff report data presented for the audit revealed that the Hospital had thirty (30) employees, where four (4) were casuals. Twenty-two (22) employees or 73% were of male gender while eight (8) or 27% were of female gender. This is contrary to Section B.22(2) of the Human Resource Policies and Procedures Manual for the Public Service, issued in May, 2016, which states that the Government will endeavor to have a gender

balanced civil service by ensuring that not more than two thirds of positions in its establishment are filled by either gender.

In the circumstances, Management was in breach of the Human Resource Policies and Procedures Manual for the Public Service, May, 2016.

#### **4. Failure to Meet Recruitment Thresholds for Persons with Disabilities**

Review of staff records revealed that none of the employees, or 0% of the workforce, were persons living with disabilities. This is contrary to Section 13 of the Persons with Disabilities Act, 2003, which requires that a minimum of 5% of all casual, emergency, and contractual positions be reserved for persons with disabilities in both the public and private sectors.

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

#### **5. Failure to Comply with the Public Sector Accounting Standards Board Template**

Review of the Financial Statements presented for audit revealed non-compliance with the format prescribed by the Public Sector Accounting Standards Board for Level 4 and Level 5 Hospitals financial reporting (Revised 30 June, 2025) as analyzed below:

- i) Hospital management team members names have not been disclosed.
- ii) The Financial Statements were not signed by the chairman of the board of management and head of finance.
- iii) The table of contents is referring to page numbers which are inconsistent with the actual pages as detailed below:

<b>S/No</b>	<b>Item</b>	<b>Page Reference as per Table of Contents</b>	<b>Actual Page Number</b>
1	Corporate Governance Statement	x	xi
2	Report of the Board of Management	xiv	xvi
3	Appendices	30	32

In the circumstances, the Financial Statements were not compliant with the template prescribed by the Public Sector Accounting Standards Board.

#### **6. Lack of Quarterly Revenue Reports**

The statement of financial performance reflects revenue from exchange transactions amounting to Kshs.1,556,683 as disclosed in Note 6 to the Financial Statements. However, the Management did not provide evidence to confirm that quarterly reports were prepared and submitted to the County Treasury with a copy to the Auditor-General as per the requirement of Regulations 64(1) of the Public Finance Management (County) Regulations, 2015 which requires the Accounting Officer or Receiver of Revenue or Collector of Revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

## 7. Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health policy guidelines due to staff deficits by ninety-nine (99) staff or a deficit of 98% of the authorized establishment as analyzed below:

Staffing Requirement	Level 4 Standard	Number In Hospital	Variance	Percentage Deficit %
Medical Officers	16	0	16	100%
Anesthesiologists	2	0	2	100%
General Surgeons	2	0	2	100%
Gynecologists	2	0	2	100%
Pediatricians	2	0	2	100%
Radiologists	2	0	2	100%
Registered Community Health Nurses	75	2	73	97%
<b>Total</b>	<b>101</b>	<b>2</b>	<b>99</b>	<b>98%</b>

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

Service	Level 4 Hospital Standard	Actuals In the Hospital	Variance	Percentage Deficit%
Beds	150	40	110	73%
New Born Unit Cots	5	2	3	60%
New Born Units Incubators	5	1	4	80%
Resuscitator (2 in Labour and 1 in Theatre)	2	1	1	50%
Functional ICU Beds	6	0	6	100%
High Dependency Unit (HDU) Beds	6	0	6	100%
Renal Unit with at least 5 Dialysis Machine	5	0	5	100%
Two Functional Operational Theaters – Maternity & General	2	0	2	100%

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

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

## **8. Climate Change and Financing**

During the audit review, it was noted that the Hospital did not make any expenditure allocations or financing provisions for climate change initiatives during the year under review. This indicates non-prioritization of climate change actions, contrary to the requirements of the Climate Change Act, 2016 and the National Development Agenda on climate resilience.

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 THE 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 the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1. Lack of Hospital Board of Management**

During the year under review, the Hospital did not have a Board of Management in place. Although the Financial Statements disclosed some names purported to be members of the Board of Management, there was no evidence provided to support their appointment or record of work executed by the Board.

In the circumstances, it was not possible to confirm the effectiveness of governance systems at the Hospital.

#### **2. Lack of Internal Audit**

During the year under review, the Hospital did not have internal audit arrangements, contrary to Section 155 of the Public Finance Management Act, 2012, which states that a County Government entity shall ensure that it complies with the Act and has appropriate

arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, it was not possible to confirm the effectiveness of internal controls, risk management and governance systems in the Hospital.

### **3. Lack of Risk Management Policy and Disaster Recovery Plan**

The Hospital did not put in place risk management policies, strategies, disaster recovery plan and risk register to mitigate against risk.

In the circumstances, the effectiveness of risk management system at the Hospital could not be confirmed.

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

### **Responsibilities of the Management and Hospital Board of Management**

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

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

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

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

The Board of Management is responsible for overseeing the Hospital's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to governance and risk management and ensuring the adequacy and effectiveness of the control environment.

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

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

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

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

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

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

**Nairobi**

**29 October, 2025**

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

Description	Note	2024-2025	2023-2024
		KSh	KSh
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	6	1,556,694	461,392
<b>Revenue from exchange transactions</b>		<b>1,556,694</b>	<b>461,392</b>
<b>Total revenue</b>		<b>1,556,694</b>	<b>461,392</b>
<b>Expenses</b>			
Medical/Clinical costs	7	394,700	178,510
Employee costs	8	162,000	8,000
Board of Management Expenses	9	0	124,800
Depreciation and amortization expense	10	6,375	0
Repairs and maintenance	11	63,200	156,300
General expenses	12	387,550	230,390
<b>Total expenses</b>		<b>1,013,825</b>	<b>698,000</b>
<b>Net Surplus / (Deficit) for the year</b>		<b>542,869</b>	<b>(236,608)</b>

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

.....

**Chairman**

**Board of Management**

.....

**Head of Finance**

**ICPAK No:**

**MEDICAL SUPERINTENDENT**  
**HULUGHO SUB-COUNTY HOSPITAL**

*[Signature]* P. O. Box 8-70105, ...

**Medical Superintendent**

**MASALANI**

**15. Statement of Financial Position As At 30<sup>th</sup> June 2025**

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	811,549	313,305
<b>Total Current Assets</b>		<b>811,549</b>	<b>313,305</b>
<b>Non-current assets</b>			
Property, plant, and equipment	14	44,625	-
<b>Total Non-current Assets</b>		<b>44,625</b>	<b>-</b>
<b>Total assets (A)</b>		<b>856,174</b>	<b>313,305</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
<b>Total Current Liabilities</b>		<b>0</b>	<b>0</b>
<b>Non-current liabilities</b>			
<b>Total non-current liabilities</b>		<b>0</b>	<b>0-</b>
<b>Total Liabilities (B)</b>		<b>0</b>	<b>0</b>
<b>Net assets (A-B)</b>		<b>856,174</b>	<b>313,305</b>
<b>Represented by:</b>			
Accumulated surplus/Deficit		<b>856,174</b>	313,305
<b>Net Assets</b>		<b>856,174</b>	<b>313,305</b>

The notes on pages 23 to 30 form an integral part of the Annual Financial Statements.

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

.....  
**Chairman**  
**Board of Management**

.....  
**Head of Finance**  
**ICPAK No:**

.....  
**MEDICAL SUPERINTENDENT**  
**HULUGHO SUB-COUNTY HOSPITAL**  
**P.O. Box 8-70105,**  
**MATALANI**

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

<b>Description</b>	<b>Accumulated surplus/Deficit</b>	<b>Capital Fund</b>	<b>Total</b>
<b>As at July 1, 2023</b>	<b>549,913</b>	<b>0</b>	<b>549,913</b>
Surplus/(deficit) for the year	(236,608)	-	(236,608)
Capital/Development grants	-		-
<b>As at June 30, 2024</b>	<b>313,305</b>	<b>0</b>	<b>313,305</b>
<b>At July 1, 2024</b>	<b>313,305</b>	<b>-</b>	<b>313,305</b>
Surplus/(deficit) for the year	542,869	-	542,869
Capital/Development grants	-	0	-
<b>At June 30, 2025</b>	<b>856,174</b>	<b>0</b>	<b>856,174</b>

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Rendering of services- Medical Service Income		1,555,294	461,392
<b>Total Receipts</b>		<b>1,555,294</b>	<b>461,392</b>
<b>Payments</b>			
Medical/Clinical costs		394,700	178,510
Employee costs		162,000	8,000
Board of Management Expenses		0	124,800
Repairs and maintenance		63,200	156,300
General expenses		387,550	230,390
<b>Total Payments</b>		<b>1,007,450</b>	<b>698,000</b>
<b>Net cash flows from operating activities</b>		<b>549,244</b>	<b>(236,608)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment		51,000	0
<b>Net cash flows used in investing activities</b>		<b>51,000</b>	<b>0</b>
<b>Cash flows from financing activities</b>			
<b>Net cash flows used in financing activities</b>		<b>0</b>	<b>0</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>498,244</b>	<b>(236,608)</b>
Cash and cash equivalents as at 1 July		<b>313,305</b>	549,913
<b>Cash and cash equivalents as at 30 June</b>		<b>811,549</b>	<b>313,305</b>

**18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 20XX**

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>	
<b>Receipts</b>						
Rendering of services- Medical Service Income	1,650,000	Xxx	1,650,000	1,556,694	93,306	94%
<b>Total receipts</b>	<b>1,650,000</b>	<b>Xxx</b>	<b>1,650,000</b>	<b>1,556,694</b>	<b>93,306</b>	<b>94%</b>
<b>Payments</b>						
Medical/Clinical costs	480,000	Xxx	480,000	394,700	85,300	99%
Employee costs	280,000	Xxx	280,000	162,000	118,000	90.00%
Repairs and maintenance	260,000	Xxx	260,000	63,200	196,800	87%
General expenses	630,000	Xxx	630,000	387,550	242,450	97%
<b>Total Operational Expenditure paid</b>	<b>1,650,000</b>		<b>1,650,000</b>	<b>1,007,450</b>	<b>642,550</b>	<b>95%</b>
<b>Surplus</b>	<b>0</b>			<b>549,244</b>		<b>%</b>

:

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

### **1. General Information**

Hulugho Sub County Hospital is established by and derives its authority and accountability from PFM Act. The entity is wholly owned by the Garissa County Government and is domiciled in Garissa County in Kenya. The entity's principal activity is of the entity is to provide quality and affordable preventive, promotive and curative health services in northern region.

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

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

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

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

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

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

<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 cash flows 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>
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>
IPSAS 45- Property Plant and Equipment	<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</p>

Standard	Effective date and impact:
	<p>criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><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>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 of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></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</p>

Standard	Effective date and impact:
	for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<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>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1<sup>st</sup> January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ul>

*iii) Early adoption of standards*

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

**4. Summary of Significant Accounting Policies**

**a. Revenue recognition**

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

**Transfers from other Government entities**

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

**ii) Revenue from exchange transactions**

**Rendering of services**

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

**Sale of goods**

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

**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 FY 2024-2025 was approved by Board. 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. The hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

**c. Taxes**

**Sales tax/ Value Added Tax**

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

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

*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 **10** 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. Biological Assets**

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

**i. Research and development costs**

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

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

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

**j. Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

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

## **Financial assets**

### **Classification of financial assets**

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

**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.

## **Financial liabilities**

### **Classification**

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

#### **k. Inventories**

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

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

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

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

#### **l. Provisions**

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

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

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

*Notes to the Financial Statements (Continued)*

**m. Social Benefits**

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

**n. Contingent liabilities**

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

**o. Contingent assets**

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

**p. Nature and purpose of reserves**

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

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

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

*Notes to the Financial Statements (Continued)*

**r. Employee benefits**

**Retirement benefit plans**

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

**s. Foreign currency transactions**

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

**t. Borrowing costs**

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

**u. Related parties**

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

**v. Service concession arrangements**

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

**w. Cash and cash equivalents**

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

**x. Comparative figures**

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

**y. Subsequent events**

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

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**Estimates and assumptions.**

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

**Useful lives and residual values**

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

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

**Provisions**

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

**Notes to Financial Statements Continued**

**6. Rendering of Services-Medical Service Income**

Description	2024-2025	2023-2024
	Kshs	Kshs
Pharmaceuticals	484,581	132,700
Non-Pharmaceuticals	323,453	74,750
Laboratory	551,789	103,942
Inpatient services	196,871	0
Reproductive health	0	150,000
<b>Total revenue from the rendering of services</b>	<b>1,556,694</b>	<b>461,392</b>

**7. Medical/ Clinical Costs**

Description	2024-2025	2023-2024
	Kshs	Kshs
Laboratory chemicals and reagents	72,150	178,510
Food and Ration	0	0
Dressing and Non-Pharmaceuticals	124000	0
Pharmaceutical supplies	150,000.00	0
Sanitary and cleansing Materials	48,550	63,040
<b>Total medical/ clinical costs</b>	<b>394,700</b>	<b>241,550</b>

**8. Employee Costs**

Description	2024-2025	2023-2024
	Kshs	Kshs
Salaries, wages, and allowances	162,000	8,000
<b>Employee costs</b>	<b>162,000</b>	<b>8,000</b>

**9. Depreciation and Amortization Expense**

Description	2024-2025	2023-2024
	Kshs	Kshs
Furniture, fittings, and office equipment	6,375	0
<b>Total depreciation and amortization</b>	<b>6,375</b>	<b>0</b>

**10. Repairs And Maintenance**

Description	2024-2024	2023-2024
	Kshs	Kshs
Property- Buildings	49,200	91,100
Medical equipment	14,000	65,200
<b>Total repairs and maintenance</b>	<b>63,200</b>	<b>156,300</b>

**11. General Expenses**

Description	2024-2025	2023-2024
	Kshs	Kshs
Electricity expenses	5,000	0
Catering	73,625	40,500
Travel and accommodation allowance	171,000	0
Printing and Publishing	80,000	53,850
Hire of transport	28,000	0
Stationery	0	73,000
Bank Charges	13,575	
Telephone and mobile phone services	16,350	0
<b>Total General Expenses</b>	<b>387,550</b>	<b>167,350</b>

**12. Cash And Cash Equivalents**

Description	2024-2025	2023-2024
	KShs	KShs
Current accounts	811,549	313,305
<b>Total cash and cash equivalents</b>	<b>811,549</b>	<b>313,305</b>

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

Description		2024-2025	2023-2024
Financial institution	Account number	KShs	KShs
a) Current account			
Premier Bank	0009577001	811,549	313,305
<b>Grand total</b>		<b>811,549</b>	<b>313,305</b>

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

*Notes to the Financial Statements (Continued)*

**13. Property, Plant and Equipment**

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
<b>Cost</b>							
At 1 July 2023	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0
<b>At 30<sup>th</sup> Jun 2024</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
At 1 July 2024	0	0	0	0	0	0	0
Additions	0	0	0	51,000	0	0	0
<b>At 30<sup>th</sup> Jun 2025</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>51,000</b>	<b>0</b>	<b>0</b>	<b>51,000</b>
<b>Depreciation and impairment</b>		2%	12.50%	12.50%	33.33%	5%	
At 1 July 2023		0	0	0	0	0	0
Depreciation for the year		0	0	0	0	0	0
<b>At 30 June 2024</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
At July 2024		0	0	0	0	0	0
Depreciation		0	0	6,375	0	0	6,375
<b>At 30<sup>th</sup> June 2025</b>		<b>0</b>	<b>0</b>	<b>6,375</b>	<b>0</b>	<b>0</b>	<b>6,375</b>
<b>Net book values</b>							
At 30 <sup>th</sup> Jun 2024	0	0	0	0	0	0	0

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

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
At 30 <sup>th</sup> Jun 2025	0	0	0	44,625	0	0	44,625

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

**14. Cash Generated from Operations**

Description	2024-2025	2023-2024
	KShs	KShs
Surplus for the year before tax	498,244	(236,608)
<b>Adjusted for:</b>		
Depreciation	6,375	0
<b>Net cash flow from operating activities</b>	<b>504,619</b>	<b>(236,608)</b>

**15. 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.

**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.

**(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.

**(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.

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

---

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

**Foreign currency sensitivity analysis**

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

**b) Interest rate risk**

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

**Management of interest rate risk**

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

**Sensitivity analysis**

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

**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.

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

**16. 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.

xxx 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

**17. Events after the Reporting Period**

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

**18. Ultimate and Holding Entity**

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

**19. Currency**

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

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

**20. Appendices**

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Failure to prepare and submit Financial statements for prior years		<i>Not Resolved</i>	April 2026
2	Non-Disclosure of Employee Costs paid by the County Government		<i>Not Resolved</i>	April 2026
3	Non-Disclosure of Employee Costs of other expenses paid by the County Government		<i>Not Resolved</i>	April 2026
4	Undisclosed Property, Plant and Equipment		<i>Not Resolved</i>	April 2026
5	Unconfirmed Inventory Balance		<i>Not Resolved</i>	April 2026
6	Late Submission of Financial statements		<i>Not Resolved</i>	April 2026
7	Non-Compliance with Financial Reporting Template		<i>Not Resolved</i>	April 2026

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
8	Failure to Prepare Estimates of Incomes and Expenditure		<i>Not Resolved</i>	April 2026
9	Deficiencies in Implementation of Universal Health Coverage		<i>Not Resolved</i>	April 2026
10	Lack of Internal Audit Function and Audit Committee		<i>Not Resolved</i>	April 2026
11	Lack of Key Management Policies		<i>Not Resolved</i>	April 2026
12	Lack of Staff Establishment		<i>Not Resolved</i>	April 2026
13	Weakness in administration and Collection of Revenue		<i>Not Resolved</i>	April 2026
14	Lack of Hospital Management Board		<i>Not Resolved</i>	April 2026

.....  
 Accounting Officer

**MEDICAL SUPERINTENDENT**  
**HULUGHO SUB-COUNTY HOSPITAL**  
 P. O. Box 8-70105,  
 MASALANI

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

---

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

**Projects**

No Projects implemented by the Hospital Funded by development partners



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

---

**Appendix IV Reporting of Climate Relevant Expenditures**

**No Climate relevant expenditures**

**Appendix V: Disaster Expenditure Reporting Template**

No disaster related expenditure