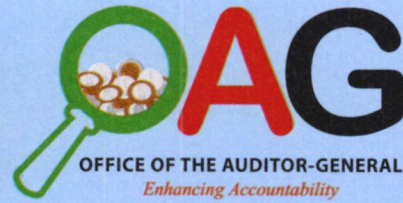
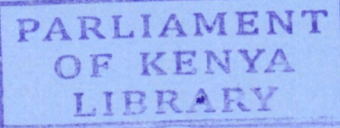


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

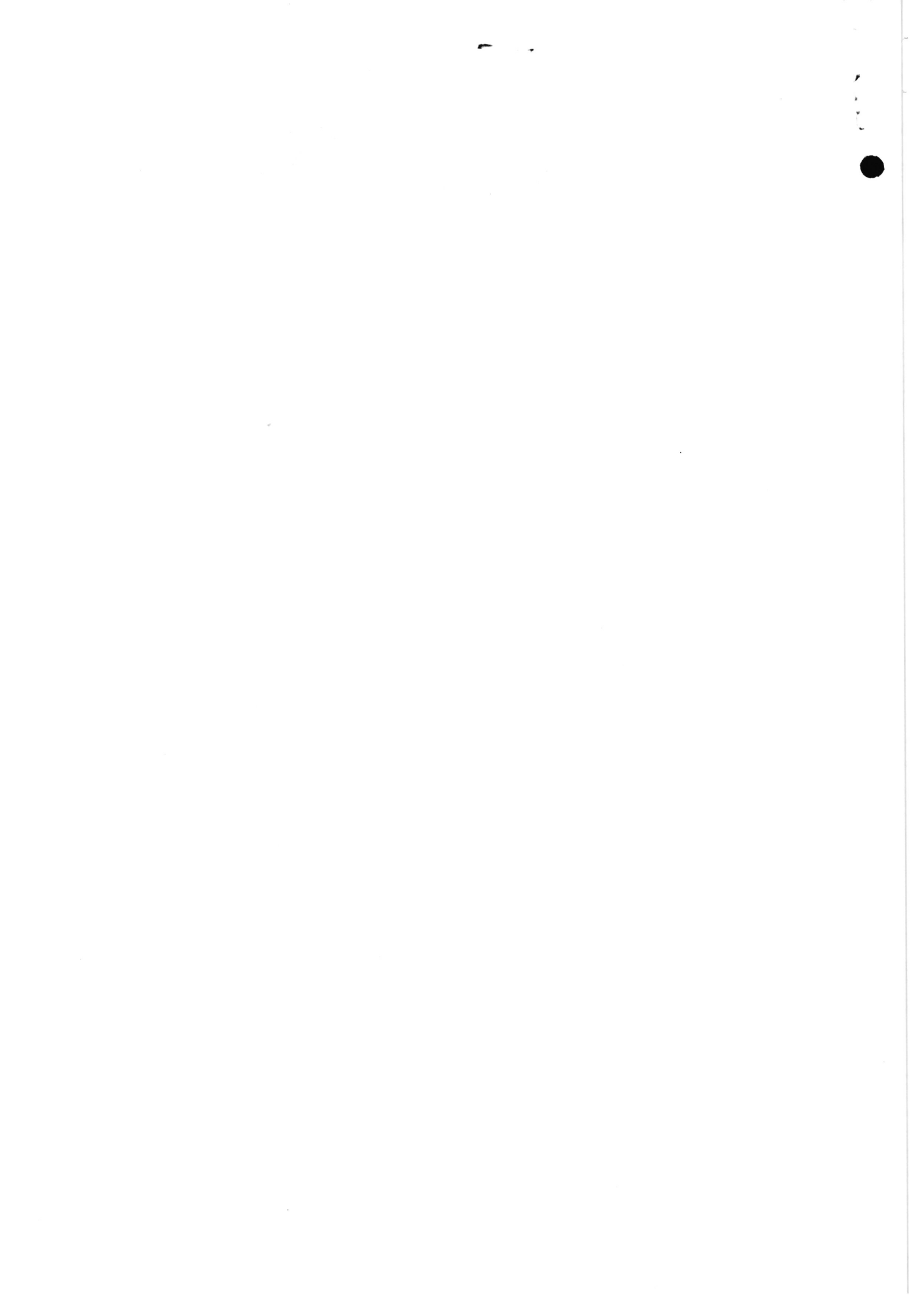
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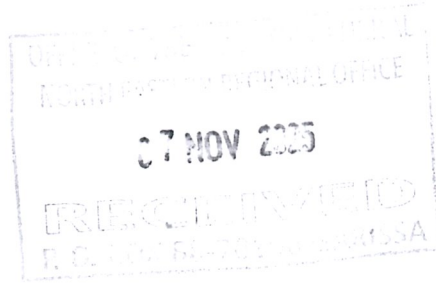
BANISA SUB-COUNTY LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF MANDERA

PAPERS LAID	
DATE	27/11/25
TABLED BY	SM L
COMMITTEE	—
CLERK AT THE TABLE	Ms. Nabalayo





BANISA SUB-COUNTY LEVEL 4 HOSPITAL **(County Government of Mandera)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
SHA	Social Health Authority
NHIF	National Hospital Insurance Fund
BOM	Board of Management
OSR	Own Source Revenue
Fiduciary Management	Key management personnel who have financial responsibility in the hospital.

2. Key Hospital Information and Management

(a) Background information

Banisa Sub-County level 4 hospital established under gazette notice number 786 (4393) and is domiciled in Mandera County under the Health Department. The hospital is governed by Hospital Board of Management. The hospital is located in Banisa ward under Banisa Sub-County.

(b) Principal Activities

The principal activity/mission/ mandate of the hospital is to provide health care services to the citizen.

Vision

Have an efficient, high quality health care system that accessible, equitable and affordable for every Kenyan in Mandera County and beyond.

Mission

Is to promote and lead in the provision of integrated and high quality promotive, preventive, curative and rehabilitative health care services to all Kenyans.

Core Values

The core values of Banisa Sub-County County Hospital.

- Commitment – We are committed to assisting our people access quality healthcare
- Accountability – We believe it is our responsibility to be good agents in the efficient and effective use of Material, Human and Financial resources
- Respect– We are culturally sensitive, value dignity and respect the will of our people
- Integrity – We believe our health services should be delivered in an ethical, trustworthy and transparent way.
- Impartiality – We are unbiased and welcome innovative ideas to move our healthcare system to the highest level possible.

(c) Key Management

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

County department of health.

Ensure universal access to quality health services consisting of promotive, preventive, curative and rehabilitative services to the citizen specially Mandera County.

Board of Management.

- Determine Banisa Sub-County hospital mission, vision, purpose and core values.
- Set and oversees the overall strategy and approve significant policies of the hospital.
- Approve the annual budget of the hospital.
- Monitor the hospital performance and ensure sustainability.
- Ensure effective communication with stakeholders.
- Protect the asset of the hospital.

Accounting Officer/ Medical Superintendent

He is the accounting officer and overall in charge of the hospital activities. He supervises the work of all Medical staffs in the facility and also supervises all financial matters of the facility.

Hospital Management Team (HMT)

Are technical team which plans, implements, supervises, and controls the health services delivery in the Hospital.

Finance Department

Prepares financial documents and facilitate the payments process of the Hospital. Head of finance advices the Medical Superintendent on issues relating to financial matters.

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	Dr. Abdullahi Ibrahim Ismail
2.	Head of finance	Mr. Ali Ibrahim Adan
3.	Head of supply chain	Mr. Mohamed Hussein Adan
4.	Hospital Administrator	Mr. Adan Abdi Ibrahim
5.	Head of Nurse	Mr. Samual Mwita Mburugu

(e) Fiduciary Oversight Arrangements

i) Clinical Research and Standards Committee.

Review any changes on policy issues on standards, quality assurance and research Liaise with the medical advisory committee on matters of quality health service. Identifying health care service problem in the hospital and ensuring that they resolve.

ii) Audit committee

Monitory and reviewing the effectiveness of the hospital's internal audit function;
 Reviewing quarterly, semi-annually and annual financial statements before submission to the board.
 Reviewing the performance, objectivity and independence of external auditors;
 Consideration of audit findings by external auditors.

iii) Risk Committee

Approval of applicable risk policies and review of certain associated frameworks, analysis and reporting established by the management. They also oversees reputational risks and conduct risks within its scope of responsibility.

iv) County Assembly

Considers all matters relating to health sector at council of governors. Investigate, inquire into, and report on all matters relating to the mandate, management, activities, admiration, operation and estimate of assigned departments.

v) Parliamentary committees

Parliamentary health committee consider all matters relating to medical and public health and sanitation.

vi) Other oversight committees

Other oversight committees is quality assurance committee. They are responsible of reviewing and recommending a multi- year strategic quality plan with long – term and annual improvement targets. Reviewing and recommending quality/safety – related policies and standards.

Key Hospital Information and Management

(f) Banisa Sub-County Level 4 Hospital

P.O. Box 75 – 70303,
TAKABA, KENYA

(g) Contacts

Telephone: (+254) 795466695/725342754
E-mail: banisasubcountyhospital@gmail.go.ke
Website: www.manderacounty.go.ke

(h) Bankers

Equity bank limited Kenya

(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

P.O. Box. 13–70300,
Mandera, Kenya




3. The Board of Management


Ref	Directors	Details
1.	 <p>Mr. Abdikafar Hassan Musa - He holds bachelor in Business Administration.</p>	<p>Mr. Abdikafar Hassan Mussa – Board Chairman Born in 1989, Currently he is the director of Mandera county youth Bunge. He holds bachelor in business administration. He has leadership management and financial management skills. He worked as a clerical in the office of interior and coordination of national government. He also worked with IEBC as a presiding officer and save the children as registration officer. He worked as board of governance teacher at Elwak mixed day secondary school.</p>
2.	 <p>Mr. Ali Hassan Edin – He holds Masters of Education.</p>	<p>Mr. Ali Hassan Edin – vice chairman Banisa Sub County Hospital. Born 1990, he holds bachelor degree in Education from MKU and Masters of Education from same University. He was a teacher at sheikh Ali High School from 2014-2015, later promoted to Deputy principal and transferred to Wayam boys secondary school from 2016-2019. He was later promoted to principal and transferred to Senior Chief Abdullahi girls (kiliwehiri) from 2020-2023 and transferred again to Banisa Girls where he is currently working.</p>
3.	 <p>Mr. Abdiaziz Birik Hussein – He holds Diploma in community health.</p>	<p>Mr. Abdiaziz Birik Hussein – board member Banisa Sub County Hospital. Born in 1996, he holds diploma in social work and community development and he also holds diploma in community health. He worked for Mandera county government from 2022 to date as ward manager. Currently he is Banisa Sub - County hospital board of management.</p>

<p>4.</p>	 <p>Mr. Mohameddin Aden Ali – He holds bachelor in Business Management.</p>	<p>Mr. Mohameddin Aden Ali – board Member Banisa Sub-County Hospital. Born in 1993. He holds bachelor in business management specialised in Supplies and procurement option. He worked with IEBC during 2022 general election as presiding officer, he was a clerk during Huduma mass registration. He also worked for agriculture program named vijana kilimo base sponsored by world food program as enumerator.</p>
<p>5.</p>	 <p>MR. Adan Mohamed Hassan – he holds bachelor degree in Education Arts</p>	<p>Mr. Adan Mohamed Hassan – Board member Banisa Sub County Hospital. He was born 1999, he holds bachelor degree in Education Arts. He was working in the field of education for the last 5 years as a teacher. Currently working at Banisa Boarding Primary School as A teacher.</p>
<p>6.</p>	 <p>Mss. Fatuma Issak Issak – She holds bachelor of Education Arts.</p>	<p>Mss. Fatuma Issak Issak – board Member Banisa Sub - County hospital, Born in 1997, she holds bachelor in Education Arts. She was teaching Wayam Secondary School before she was transferred to her Current working station. Currently she is teaching kiliwehiri Girls Secondary schools. She had 3 years of experience in the field of teaching.</p>

<p>7.</p>	 <p>Mr. Ibrahim Abbey Mohamud – he holds bachelor of Education</p>	<p>Mr. Ibrahim Abbey Mohamud – board member Born 1996, he holds bachelor of Education and he was a teacher for two (2) years and later promoted to head teacher were he is Currently working as a head teacher.</p>
<p>8.</p>	 <p>Mr. Issack Hillow Dima – he holds bachelor in Islamic Law.</p>	<p>Mr. Issack Hillow Dima – Board member Banisa Sub – County hospital. Born in 1977, he holds bachelor in Islamic Law. He is madarasa teacher for the last 15 years. He was also abusinssman before he join his current job as a teacher.</p>
<p>9.</p>	 <p>Dr. Abdullahi Ibrahim Ismail He holds bachelor of medicine and surgery.</p>	<p>Dr. Abdullahi Ibrahim Ismail – Medical superintendent Banisa Sub County Hospital. He holds bachelor of medicine and surgery from Nile valley university in Sudan. He worked as medical intern in Moi County referral hospital at Voi. He worked with Ngo in Somali as General doctor and he also worked as medical doctor at Takaba Sub County referral hospital before he was transferred to Banisa Sub County Hospital as medical superintendent.</p>

4. Key Management Team

Ref	Management	Details
1.	 <p>Dr. Abdullahi Ibrahim Ismail He holds bachelor of medicine and surgery.</p>	<p>Medical Superintendent- Banisa Sub-County Hospital</p>
2.	 <p>Mr. Adan Abdi Ibrahim He holds bachelor degree in commerce – accounting option.</p>	<p>Hospital administrator – Banisa Sub-County Hospital</p>
3.	 <p>Mr. Ali Ibrahim Adan He holds Bachelor Degree in commerce – accounting option.</p>	<p>Head of Finance – Banisa Sub-County Hospital.</p>

4.	 <p>Mr. Smual Mwita Mburugu - He holds diploma in Community Health and Nursing.</p>	Head of Nursing – Banisa Sub-County Hospital.
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5. Chairman's Statement

It is my pleasure to report that Banisa Sub County Hospital's 2024/2025 annual report and Financial Statement. The Board of Management is proud of the achievements realized by the hospital in this period towards achieving hospital goals. I am particularly impressed by the "can do attitude" of staff coupled with their commitment to delivering the best possible healthcare service to patients. Banisa Sub County hospital as the only public Hospital of choice in Banisa Sub County and beyond, offers quality specialized health care to patients within Banisa Sub County.

The year 2024/2025 reaffirmed our strong sense of purpose in delivering high quality, personalized care with sharp edge of innovations. Regulatory environment Management and operations of the hospital is guided by the existing legal, policy, and institutional frameworks that govern health sector to ensure efficient and effective delivery of services in the Hospital.

Banisa Sub County Hospital in the health sector, the Board is committed to ensure continued quality service delivery to the citizens. The Hospital's operations are also influenced by various global, regional and national strategies aimed at promoting, restoring, and maintaining the health care service delivery.

Strategy and Performance During the period under review, the hospital completed the implementation of the 4st Banisa sub county Hospital Annual Report and Financial Statements for the Year Ended June 30, 2024/2025.

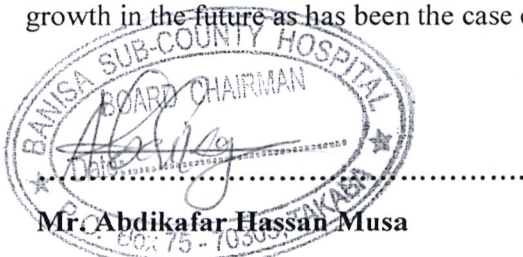
Further, I am happy to report that the Management not only achieved most of the Performance targets pursuant to the Performance Contract with the Ministry of Health, but also put emphasis on the measures that are directed at realizing the Banisa Sub County Hospital Vision.

The hospital has continued to experience challenges and changing business environment which calls for continuous improvement of the quality of services to the customers. In response to this, the Board remains focused on providing resources and supporting initiatives that will sustain Banisa Sub County Hospital in a leadership position in the healthcare sector.

The environment of Banisa Sub County hospital is operating has changed compared to previous years due to introduction of SHA and own source revenue that are collected and used in the operations of the hospital through FIF act. The hospital revenue increased compared to the previous years and therefore, increasing healthcare service delivery in the hospital.

Acknowledgement

On behalf of the Board, I would like to thank all our stakeholders especially the Ministry of Health and county treasury for the support they continue to accord the hospital without which our achievements would not have been realized. As we move into a new year, I would like to express my gratitude to Banisa Sub County Hospital staffs, team leaders and the Board, who take such pride in their work, and who exemplify our hospital's mission and values each day. Finally, I strongly believe that our strategy and the staffs in place will consistently drive our growth in the future as has been the case over the years.



The image shows an official circular stamp of the Banisa Sub-County Hospital. The outer ring of the stamp contains the text "BANISA SUB-COUNTY HOSPITAL" at the top and "BOARD CHAIRMAN" at the bottom. In the center of the stamp, there is a handwritten signature in blue ink. A horizontal dotted line extends from the right side of the stamp across the page.

Mr. Abdikafar Hassan Musa

Chairman to the Board

Bansa Sub-County Level 4 Hospital

6. Report of The Medical Superintendent

I am pleased to present Banisa Sub -County Hospital's annual report and financial statements for the financial year 2024/2025. The report highlights the hospitals operational and financial performance as well as our strategic direction.

Operational Performance

The hospital provides specialized healthcare services. To meet our patients' needs, we have Medical doctors who ensure our customers receive safe, timely, equitable, efficient, effective and patient-centred services. The hospital has operation theatre, radiology, well equipped laboratory, maternity, wards and outpatient department that are on operations for 24hours. In 2024/2025 financial year, Banisa Sub county hospital attended to overall patients of 34,608. Out of 34,608 patients 32,331 are outpatient and 2,277 patient were inpatients. The hospital Accident and emergency attendance during the year was 137 patients and special clinic attendance that were attended to was 703 patients. The clinicians and nurses worked tirelessly in order to improve the service and to minimise the rate of motility in the hospital.

Centre of Excellence

The Banisa hospital established centres of excellence in the following areas: diabetes, Infectious Diseases; HIV medicine and TB. This is in a bid to provide excellent specialized services and improve quality healthcare.

Recognizing the importance of laboratory services, the management equipped and renovates the hospital laboratory in order to enhance efficiency in laboratory diagnostic services. The Hospital has created the department of Quality Healthcare (QHC) whose operations encompass patient safety, clinical governance, infection prevention & control, as well as monitoring and evaluation.

Effective Communication

Banisa Sub County Hospital is putting great emphasis in improvement of communication with our patients, their families and other stakeholders in an effective and timely manner. To this end, we have continued to train our employees on customer care and effective communication while upholding the highest standards of care. In an effort to provide timely and accurate information, we have established mechanisms for receiving and resolving customer feedback. Further, we have

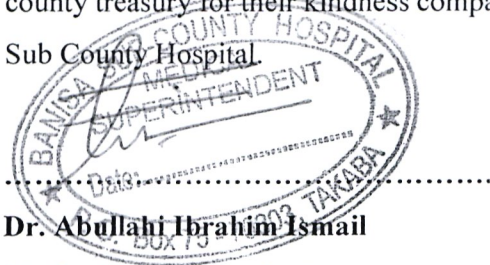
strengthened customer care services and process improvement with a view to enhance patients-care giver engagement.

Financial Review

Most of the hospital Revenue source for the period under review were was; Balance carried over from the last financial year, Authority to incur expenses (AIE) from the County Government of mandera, National Hospital Insurance Fund (NHIF), Social Health Authority (SHA) and Own Source Revenue (OSR) collected at the source. For The financial year ended 30th June 2025, Banisa Sub-County hospital as at 1st July 2024 has opening balance of **Kshs.50,946**. The Received **kshs. 3,000,000** from Mandera county Treasury as Authority to Incur Expenditure (AIE), **Kshs.2,683,260** from NHIF, **kshs. 17,393,171** from SHA and **kshs.1,398,000** from own Source Revenue collection. For the financial year 2024/2025 the receivables was **kshs.3,265,040** and payables was **kshs.165,773**. The total Revenue Receipt including the balance brought over from the last financial year for the period was **kshs.24,525,377**. Therefore, the hospital was greatly increased compared to previous years and this increase was caused by introduction of SHA in the health system. However, at the end of the FY2024/2025 the closing balance of the hospital was **Kshs.5,604**. The hospital utilized 99.9% of its revenue received during this financial year for Medical cost, Employee cost, Maintenance and building, Board of Management Expenses and General expenses of the hospital.

Acknowledgment

The thousands of patients served are a living testament to the care, love and support offered every day by the outstanding commitment of our staff. We are grateful to our stakeholders and Mandera county treasury for their kindness compassion, support, dedication and contributions to Banisa Sub County Hospital.



Dr. **Abullahi Ibrahim Ismail**

Medical Superintendent

Banisa Sub-County Level 4 Hospital

7. Statement of Performance Against Predetermined Objectives

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County Government of Mandera’s performance against predetermined objectives.

Banisa Sub County Hospital has 3 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2024- FY 2025. These strategic pillars/ themes/ issues are as follows;

Pillar /theme/issue 1: Information.

Pillar/theme/issue 2: Human resources

Pillar/theme/issue 3: Financing

Banisa sub county hospital develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on annually basis.

Banisa sub county hospital achieved its performance targets set for the FY 2024/2025 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1:	Information	Operational excellence	Enhance efficiency in the provision of health care	Seamless, effective and timely service delivery and efficient utilization of resources
Pillar/theme/issue 2:	Human Resources	Excellence in clinical outcomes	Improve the availability of essential health services	Improved quality healthcare
Pillar/theme/issue 3:	Financing	Business growth	Enhance hospital to cater for its operations	Improved financial sustainability

8. Corporate Governance Statement

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

The Banisa Sub County hospital Board of Management is constituted in accordance with the provisions of the State Corporation Act, Chapter 446 of the Laws of Kenya and Legal Notice No.109 of 1987 and is composed of ten (9) members of whom two (1) are the hospital management team and the other eight (8) are independent non- executive members. Constitution of the Board considers diversity in gender, age, ethnicity and culture. In addition, the current Board of Management has diverse skills and experience in the fields of medicine, finance, community development as well as administration. External specialists and independent professional advisors are consulted when need arises.

The hospital board is comprises of ten (9) members including Medical Superintendent and hospital administrator. Eight (8) members are independent non-executive including the chairman all drawn from the private and other sectors. The board of management position are advertised, shortlisted, vetted upon and appointed based on qualification and experience.

The board members are appointed by the County Executive Committee member for health Services in exercise of the powers conferred by the provisions of section 12 of the Mandera County Health services Improvement Financing Act, 2024. They are appointed on contract for a period of three years. The board board's removal are done by County Executive Committee member of health services.

The board is well composed in terms of range and diversity of skills, knowledge, academic qualifications, gender, age and experience in the various sectors which makes it effective and provides balance for the oversight role of the board's mandates. The position of chief Executive officer is occupied by the Medical Superintendent of the hospital.

Roles and Responsibilities of the board

The primary responsibility of the board is to provide leadership and strategic direction to the hospital to enhance value. The board directors are expected to exercise the highest degree of care, skills, and diligence in discharging their duties. The roles and responsibilities of the board and medical superintendent remain distinct and separate which ensures a balance of power of authority and provides for checks and balance such that no on individual has unfettered power of decision making. The board provides oversight to the hospital's top management and has unrestricted access to timely and relevant information.

The chairman provide overall leadership without limiting the principles of collective responsibility for board's decisions. The chairman builds an effective board and sets the board agenda in consultation with the Medical Superintendent and ensures effective communication to stakeholders.

The Medical Superintendent takes the overall responsibility for the day to day management of the hospital. He also recommend the strategy of the board and implements it and makes operational decisions. The Medsup also ensures appropriate and timely information flows within the board, its committees and management.

Board Membership and attendance of meeting

The boards hold regular meeting at least one every quarter and supplementary meeting are held as and when necessary. In case of non-attendance due to other commitments, such information is communicated to the chairman prior to the date of the scheduled meeting.

Boards' Remuneration

During every board meeting present members are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable within the government set limits for state corporations as outlined in government circular.

9. Management Discussion and Analysis

1. Clinical/operational performance

Banisa Sub County hospital attended to 34,608 patients both inpatient and outpatient for the financial year 2024/2025. The number of inpatient are 2,277 while outpatient was 32,331, this is an increased compared to the last financial.

Outpatient department

The total number of outpatient clients for the year under review stood at 32,331 patients showing an increase from previous year which was attributed to improved efficiency on services delivery as well as SHA inpatient and outpatient cover.

In-patient services

- Bed occupancy rate stood at 53.8% on average during the year this is attributed to efficiency service delivery in the hospital.
- Average length of stay for inpatients clients is 5 days for financial year ended 30th June 2025. This shows increase compared to previous year and it is attributed by improved efficiency and adoption new strategies in patient care. Among the strategies deployed are;
 - Adherence to patient referral protocols
 - Effective performance measurement and monitoring for improvement
 - Availing adequate drugs and supplies
 - Operationalization of the theatre and Radiology department
 - Operationalization of 24hours working system
 - Deployment of more health staffs by the county.
 - Social health authority that assisted patient not to pay cash instead pay through SHA.

Reproductive Health

During the year under review a total of 733, deliveries were conducted hence increase in delivery compared to previous year. This come as a result of opening of new maternity building which can accommodate more mothers than old maternity, it is also cause by educating mothers importance of delivering in hospital. This increase is also caused by referrals from rural facilities from within the Sub County in need of specialized maternity service and support from government of Kenya through SHA and Linda Mama scheme which had allowed mothers to deliver at Banisa Sub County hospital without having to personally incur any cost and availability of operation theatre in case of CS for mothers with complications.

1. Current trends in the health sector

The constitution of Kenya 2010 through the bill of rights recognises health as primary right and tasks the health sector with the responsibility to realize this right. Vision 2030 and the Kenya health policy 2015-2030 that aimed to provide equitable and affordable health care of the highest standards to Kenyans are other key instruments that signal the government commitment to ensure that Kenyans have access to quality, affordable health care.

- Universal healthcare (UHC) is one of the key pillars of the current government to ensure that all people and communities in Kenya can access quality and effective health care services they need despite ability to pay.
- On access to quality health care service Banisa Sub County Hospital provides specialized patient – centred services through ensuring optimum availability of specialized healthcare personnel in all disciplines and provision of training for healthcare personnel for basic and post basic course.

Challenges and Opportunities

1. Physical infrastructure and equipment

Banisa Sub County hospital has bed capacity of 32beds hence cannot accommodate the increasing number of impatient in the hospital, most of medical equipment in the hospital are ageing and of obsolete technology. Therefore, there is need for continuous investment to improve the physical infrastructure and modernization of equipment. However, there are operational theatre, Radiology, Paediatric ward, Male ward and Female ward that are constructed and completed during this period under review. There is also ongoing projects such as oxygen plants so on and so forth.

2. Health care insurance cover

Most Kenyans have no forms of health insurance cover and hence find it difficult to access health care when needed due to inability to pay. Banisa Sub County Hospital cannot deny Medical care to Kenyan finances hence find itself often waiving bills due. This affect hospital ability to offer optimal service therefore need to scale up awareness to increase the uptake of health insurance especially NHIF and SHA that cover almost all Kenyan citizens.

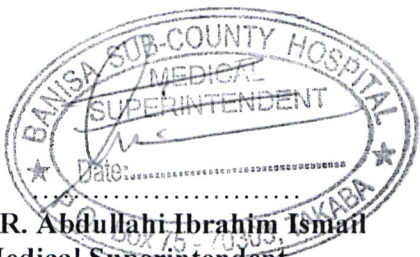
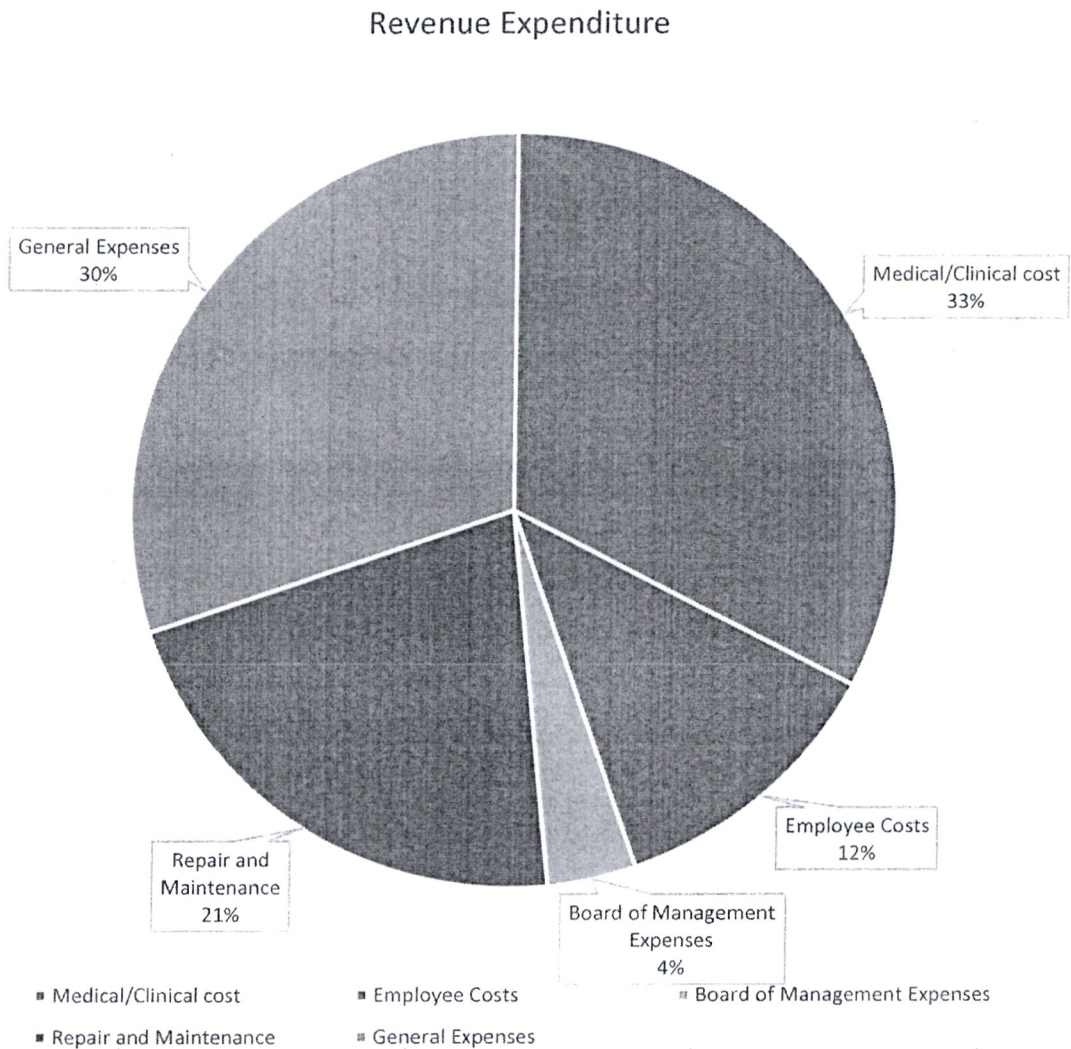
2. Linda mama programme and Social Health Authority (SHA)

The government of Kenya implemented free maternity programme which have assisted delivering mother and the hospital claims as Linda mama and SHA from national government hence benefitting both the society and the hospital.

3. Financial performance

For the year under review Banisa Sub County hospital opening balance as at 1st July 2024 was **Kshs.50,946**. The hospital Received Revenue from the following source: **Ksh.3,000,000** from Mandera County treasury, **Kshs.2,683,260** from NHIF, **Kshs.17,393,171** from SHA Inpatient and Outpatient Claims and **Kshs.1,398,000** from own source revenue collection totalling to **Ksh.24,525,377** (twenty four million five hundred and twenty five thousand three hundred and seventy seven). This revenue has been utilised for the hospital operations as follows; Medical/Clinical cost, **Kshs.8,006,150**, Employee cost, **ksh.2,947,000**, Board of Management Expenses **Kshs.920,400** Repair and Maintenance **Kshs.5,237,700** and General Expenses **Kshs.7,408,523**. Therefore, the surplus for the year ended 30th June 2025 was **kshs.5,604**. This shows Banisa Sub County hospital have utilized 99.9% of its revenue Received for this financial year. The hospital receivables for the year under review was **kshs.3,265,040** and has liabilities of **kshs.165,773**.

The pie chart below shows utilisation of revenue received during the financial year 2024/2025.



DR. Abdullahi Ibrahim Ismail
Medical Superintendent
Banisa Sub-County Level 4 Hospital

10. Environmental And Sustainability Reporting

Banisa Sub County Hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability Strategy and Profile

Banisa sub county hospital is owned by Mandera county Government. The hospital management separated the activities of the hospital into department in order to facilitate the hospital operations. This departmental are; outpatient department, in patient, pharmacy and medical records departments. The outpatient is very helpful because patient in critical conditions is kept in the ward as they receive medication hence less mortality rate.

Moreover, the hospital receives money from the county to cater for the hospital expenditure hence sustainable development. Mandera county public board recruits qualified and competent medical staffs that contribute to sustainable development of the hospitals. The county built more wards i.e paediatric, female, male and maternity with modern structures hence improvement of healthcare services.

ii) Environmental performance

Banisa sub county hospital set a strategy whereby the hospital management team plant trees in the facility in order to support the forestation and to control soil erosion. There is septic tank that are used to drain all waste material that are in liquid form. The hospital has incinerator for burning hazardous materials in combustion chamber. They are also designed to protect the environment from contaminants which may present in those materials.

iii) Employee welfare

Banisa Sub county hospital has a strategy to employ hospital casual labours to do most activities in the hospitals like cleaning, guarding gates so on and so forth. When employing the vacancy will be advertised on advertisement board, they applied and management will sit and select the most qualified personnel and call for interviews. The management employs the most qualified person after the interview. One third of employee must be female hence gender balance is considered. They are trained and equipped with skills hence enhance smooth service delivery. The employee is rewarded and promoted according to their work.

iv) Market place practices

Banisa Sub County hospital has made the efforts to responsible competition practice, responsible supply chain and supplier relation, responsible market and advertisement and product stewardship in market place practices.

a. Responsible competition practice

Banisa sub county hospitals compete with other hospitals in Mandera county fair competition and has respect for its competitors by providing best healthcare services to Kenyans who are living in Banisa sub county hospital and beyond. The hospital operations are free from corruption.

b. Responsible Supply Chain and Supplier Relations

Banisa sub county hospital supply chain is working with hospital suppliers well responsibly, the supply chain officer raises LPO/LSO to the supplier which act as abiding agreement between the hospital and suppliers hence good business practice. Supply chain officers give contract to the suppliers who are more competitive and qualified to supply the hospital. The hospital pays its suppliers on quarterly bases without any delay hence treating its own Suppliers responsibly.

c. Responsible marketing and advertisement

Banisa sub county hospital practice ethical marketing practices in the following ways;

- Transparency -- the hospital management are transparent when dealing with patient/client
- They protect client data and privacy.
- The hospital team commit to sustainability and human right
- Management and other staffs of the hospital responds meaningfully to client concerns.

d. Product Stewardship.

Banisa sub county hospital safeguard consumer right and interest by providing to citizen the right to basic medications and right to safety from any diseases. The hospital management provide healthy environment to work on to their client and the staff of the hospital hence right to healthy environment.

v) Corporate Social Responsibility/Community Engagements

Corporate social responsibility main goal is to create a positive image of the hospital, do healthcare services in a sustainable and ethical way without comprising comfort and quality for client, while always striving to improve their experience.

The hospital engaged community on importance of tree planting in the society and educate them how to maintain those trees. The hospital also educates the society on how to prevent corona and other disease that are communicable.

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 Banisa Sub-County Hospital's affairs.

Principal activities

The principal activities of the Hospital are;

- a. To receive patients on referral from rural facilities within the sub county for specialized health care.
- b. To refer patient with critical conditions to the county referral hospital.

Results

The results of the hospital for the year ended June 30 2025 are set out on pages xix to xxi

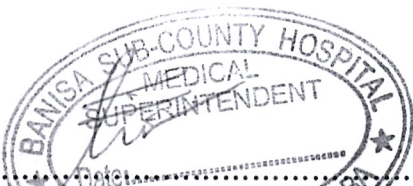
Board of Management

The members of the Board who served during the year are shown on page vi to ix. During the year, there were no director(s) retired/ resigned, and 8 director (s) was appointed with effect from 1st February 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



DR. Abdullahi Ibrahim Ismail

Medical Superintendent

Banisa Sub County Level 4 Hospital

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.

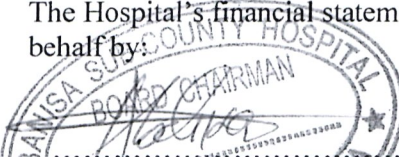
The Board of Management is responsible for the preparation and presentation of the hospital’s financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) maintaining 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 hospital, (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.

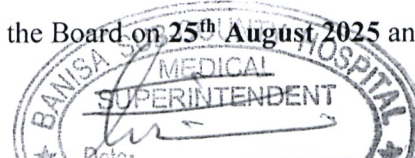
The Board of Management accepts responsibility for the hospital’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the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

In preparing the financial statements, the Directors have assessed the Fund’s ability to continue as a going concern. Nothing has come to the attention of the Board of management to indicate that the hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital’s financial statements were approved by the Board on **25th August 2025** and signed on its behalf by:


.....
Name: Abdikafar Hassan Musa
Chairperson
Board of Management


.....
Name: Abdullahi Ibrahim Ismail
Accounting Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON BANISA SUB-COUNTY LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF MANDERA

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Banisa Sub-County Level 4 Hospital set out on pages 1 to 31, which comprise of the statement of financial position

Report of the Auditor-General on Banisa Sub-County Level 4 Hospital for the year ended 30 June, 2025 – County Government of Mandera

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 Banisa Sub-County Level 4 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 Government Act, 2012, the Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Loss of Revenue Due to In-Patient Mismanagement

The statement of financial performance reflects medical services income of Kshs.24,739,471 as disclosed in Note 8 to the financial statements. The Facility's monthly service workload reports indicated that thirty nine (39) anonymous in-patients who had accumulated undisclosed amounts of Hospital bills absconded from the Hospital wards before making payments. It was also noted that the cases were not reported to Management for action. Management did not constitute policies and safeguards to deter such cases from occurring and to avoid losing revenue.

In the circumstances, the accuracy and completeness of the revenue from exchange transactions balance of Kshs.24,739,471 could not be confirmed.

2. Non-Disclosure of Other Expenses Paid by the County Government

The statement of financial performance reflects medical and clinical expenditure of Kshs.8,006,150 as disclosed in Note 9 to the financial statements. The County of Mandera procured and paid on behalf of the Hospital pharmaceuticals and non-pharmaceuticals. However, the expenditure on these items was not disclosed in the financial statements as in-kind contribution.

In the circumstances, the accuracy and completeness of the medical and clinical costs of Kshs.8,006,150 could not be confirmed.

3. Non-Disclosure of Employees Costs Paid by the County Government

The statement of financial performance reflects employees' costs of Kshs.2,947,000 in respect of casual employees and locum as disclosed in Note 10 to the financial statements. However, the amount excludes salaries and allowances of unknown amount

for permanent employees working at the Hospital which were paid by the County Executive of Mandera.

In the circumstances, the accuracy and completeness of the employees' costs of Kshs.2,947,000 could not be confirmed.

4. Unconfirmed Inventory Balance

The statement of financial position reflects current assets balance of Kshs.3,270,644. However, the stock take report indicated that there were unutilized pharmaceuticals and non-pharmaceutical of undetermined value at the closure of the financial year which was not disclosed in the statement of financial position.

In the circumstances, the accuracy of current assets balance of Kshs.3,270,644 could not be confirmed.

5. Non-Disclosure of Property, Plant and Equipment

The statement of financial position did not disclose property, plant and equipment balance. However, review of the Hospital's records revealed that the Hospital had in its control property, plant and equipment of undetermined value, including land and buildings, motor vehicles and equipment which were not disclosed in the financial statements. Management did not provide satisfactory explanation for the failure to disclose the property, plant and equipment owned and under the control of the Hospital. In addition, the fixed asset register maintained by the Hospital did not contain all key asset details including description of the asset, identification or serial numbers, acquisition date, cost of acquisition, accumulated depreciation, net book value, location, class and the current status.

Further, the Management did not provide ownership documents for the land on which the Hospital buildings and structures are situated.

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

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.30,050,946 and Kshs.24,525,377 respectively, resulting in an under funding of Kshs.5,525,569 or 18% of the budget. Similarly, the

Hospital spent Kshs.24,519,773 against available funds of Kshs.24,525,377 resulting in 100% absorption of available funds.

The under-collection of revenue affected the planned activities thereby negatively impacting on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

1. Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements and Effectiveness of Internal Controls, Report of Lawfulness and Effectiveness in the Use of Public Resources, and Risk Management and Governance, respectively. Review of the status during the audit of the Fund in 2024/2025 revealed that the following eleven (11) issues remained unresolved:

No.	Financial Year	Audit Issue
1.	2023/2024	Non-Disclosure of Employees Cost Paid by the County Government
2.	2023/2024	Non-Disclosure of Other Expenses Paid by the County Government
3.	2023/2024	Unconfirmed Inventory Balance
4.	2023/2024	Undisclosed Property, Plant and Equipment
5.	2023/2024	Incorrect Presentation of the Statement of Performance Against Pre-Determined Objectives
6.	2023/2024	Failure to Prepare Estimates of Income and Expenditure
7.	2023/2024	Deficiencies in Implementation of Universal Health Coverage (UHC)
8.	2023/2024	Irregular Engagement of Casual Employee
9.	2023/2024	Lack of Hospital Board
10.	2023/2024	Lack of Internal Audit Function and Audit Committee
11.	2023/2024	Incomplete Details of Assets and Lack of Ownership Documents

2. Inadequate Disclosure and Measurability in the Statement of Performance Against Predetermined Objectives

The statement of performance against predetermined objectives reflects three key strategic pillars (Information, Human Resources and Financing) drawn from the strategic

plan of the Hospital. The statement further highlights the objectives, outcomes, indicators and performance under each pillar. However, the outcomes and performances achieved were not stated in specific and measurable terms making it hard to establish any performance deviations.

Further, the performance achieved was not disclosed in a manner that can be objectivity measured through the actual performance outcomes.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Deficiencies in the Implementation of Universal Health Coverage

Review of the Hospital records and interview of services offered revealed equipment used and number of members of staff at the Hospital revealed that during the year under

review, the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guideline as shown below:

1.1 Failure to Offer Essential Services

During the year under review the Hospital indicated that it offered essential services including, minor surgical services, pediatric services, gynecology services and radiology services. However, the capacity of the Hospital to offer such services may be in doubt since the Hospital did not have experts in those fields. In addition, the Hospital did not offer renal services contrary to requirements of the Kenya Quality Assurance Model for Health for Level 4 Hospitals.

1.2 Understaffing of Health Workers and Lack of Key Medical Equipment

The Hospital lacked key medical equipment used and medical specialists and thereby did not meet the requirements of the Kenya Quality Model for Health Policy Guidelines as detailed below:

1.2.1 Lack of Key Personnel

Staff Requirements	Level 4 Hospital Standard	Number in Hospital	Variance	Percentage %
Medical Officers	16	2	14	87.5
Anesthesiologist	2	0	2	100
General Surgeons	2	0	2	100
Gynecology	2	0	2	100
Pediatrics	2	0	2	100
Radiologist	2	0	2	100
Kenya Registered Community Health Nurses	75	37	38	50.7
Total	101	39	62	

1.2.2 Lack of Key Medical Equipment

The Hospital lacked the necessary equipment and machines and thereby did not meet the requirements of the Kenya Quality Model for Health Policy Guidelines as detailed below:

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	110	40	26.7
New Born Unit Cots	5	3	2	40
Functional ICU Beds	6	0	6	100
High Dependency Unit (HDU) Beds	6	0	6	100
Renal Unit with at Least 5 Dialysis Machines	5	0	5	100

1.2.3 Equipment Not in Working Condition

Physical inspection conducted in the month of October, 2025 revealed that motor vehicles, motor cycles, medical and other equipment were not in working condition as detailed below:

Name	Number	Reg no	Remarks
Yamaha Motorcycle	1	GKA 483X	Obsolete/faulty
Yamaha Motor Cycle	1	GKA 278P	Obsolete/faulty
Suzuki	1	KBZ 655D	Obsolete/faulty
Suzuki	1	KBZ 652D	Obsolete/faulty
Wheel Chair	2		Obsolete/faulty
Weighting Scale Digital	3		Obsolete/faulty
Desktop Computer	1		Obsolete/faulty
Weighting Scale Digital	3		Obsolete/faulty
Examination Lump	6		Obsolete/faulty
Refrigerator	1		Obsolete/faulty
Infant Weighting Machine	17		Obsolete/faulty

These deficiencies contravene the First Schedule of Health Act, 2017 and imply that accessing the highest attainable standard of health, which includes the right of 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.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Non-Functional Internal Audit

Review of the operations and records of the internal audit unit revealed that the Hospital had made internal audit arrangements with the Internal Audit Department of the County Government of Mandera. However, no evidence was provided indicating that internal audit reports were submitted and recommendations issued to Management for corrective action.

In the circumstances, the effectiveness of the internal audit unit could not be confirmed.

2. Lack of Approved Internal Audit Charter

Review of the governance structures at the Hospital, revealed that the Hospital did not have an approved internal audit charter that spells out the internal audit purpose, authority and responsibility.

In the circumstances, the effectiveness of the internal audit unit could not be confirmed.

3. Lack of Risk Management Policy and Disaster Recovery Plan

The Hospital did not put in place a risk management policy, strategies, disaster recovery plan and risk register to mitigate against risk. Further, the Hospital did not have an IT strategy committee, IT steering committee and IT continuity plan. This may result in inadequacy in IT governance, which forms a critical part of the Hospital governance structure. In addition, the Hospital did not have policies covering physical access to IT environments and environmental controls. This could result in loss to information assets due to damages or theft.

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

4. Failure to Collect Deposits from Customers/Patients

The audit established that in-patients were not required to pay deposits before admission in the Hospital. This resulted to absconders leaving the Hospital without making due payment and resulting to loss of revenue.

In the circumstances, the effectiveness of internal controls for management of inpatients could not be confirmed.

5. Expired Drugs

Physical inspection conducted in the Month of October, 2025 revealed that the Hospital had five (5) commodities of drugs of unknown value that had expired. It was also noted that the Hospital did not have a policy on disposal of the expired drugs. Further, some drugs were out of stock thereby hampering service delivery.

The expired medical items represent a financial loss danger to the public if consumed.

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 the Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

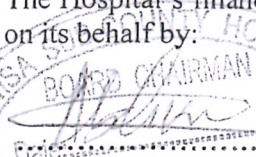
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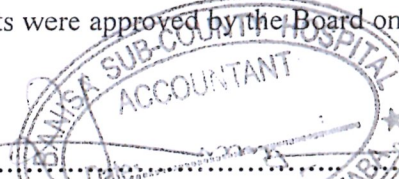
Banisa Sub-County Hospital (County Government of Mandera)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Note	FY: 2024/2025	FY: 2023/2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	3,000,000	6,600,000
Transfers from other Government entities	7	0.00	1,054,958
		3,000,000	7,654,958
Revenue from exchange transactions			
Rendering of services- Medical Service Income	8	24,739,471	0.00
Revenue from exchange transactions		24,739,471	0.00
Total revenue		27,739,471	7,654,958
Expenses			
Medical/Clinical costs	9	8,006,150	2,096,500
Employee costs	10	2,947,000	2,702,000
Board of Management Expenses	11	920,400	0.00
Repairs and maintenance	12	5,237,700	0.00
General expenses	13	7,574,296	2,845,774
Total expenses		24,685,546	7,644,274
Net Surplus / (Deficit) for the year		3,053,925	10,684

The Hospital's financial statements were approved by the Board on 25th August 2025 and signed on its behalf by:


Chairman
 Board of Management


Head of Finance
 ICPAK No: 24524

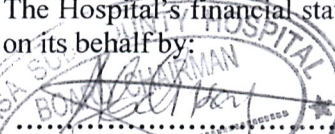

Medical Superintendent

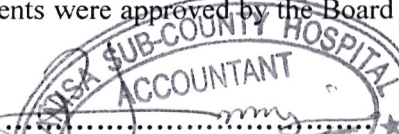
Banisa Sub-County Hospital (County Government of Mandera)
Annual Report and Financial Statements for The Year Ended 30th June 2025

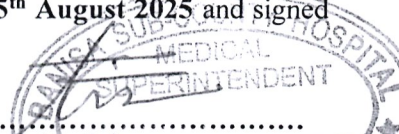
15. Statement of Financial Position as At 30th June 2025.

Description	Note	FY: 2024/2025	FY: 2023/2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	14	5,604	50,946
Receivables from exchange transactions	15	3,265,040	0.00
Total Current Assets		3,270,644	50,946
Total assets (A)		3,270,644	50,946
Liabilities			
Current liabilities			
Trade and other payables	16	165,773	0.00
Total Current Liabilities		165,773	0.0
Total Liabilities (B)		165,773	0.00
Net assets (A-B)		3,104,871	50,946
Represented by:			
Accumulated surplus/Deficit		3,104,871	50,946
Net Assets		3,104,871	50,946

The Hospital's financial statements were approved by the Board on 25th August 2025 and signed on its behalf by:


Chairman
Board of Management
 P.O. Box 75 - 70303, TAKABA


Head of Finance
ICPAK No:24524
 P.O. Box 75 - 70303, TAKABA


Medical Superintendent
 P.O. Box 75 - 70303, TAKABA

Banisa Sub-County Hospital (County Government of Mandera)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2023 (previous year)	0.00	40,262	0.00	40262
Surplus/deficit for the year	0.00	10,684	0.00	10,684
As at June 30, 2024 (previous year)	0.00	50,946	0.00	50,946
At July 1, 2024 (current year)	0.00	50,946	0.00	50,946
Surplus/(deficit) for the year	0.00	3,053,925	0.00	3,053,925
At June 30, 2025 (current year)	0.00	3,104,871	0.00	3,104,871

Banisa Sub-County Hospital (County Government of Mandera)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Note	FY: 2024/2025	FY: 2023/2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		3,000,000	6,600,000
Transfers from other Government entities		0.00	1,054,958
Rendering of services- Medical Service Income		21,474,431	0.00
Total Receipts		24,474,431	7,654,958
Payments			
Medical/Clinical costs		8,006,150	2,096,500
Employee costs		2,947,000	2,702,000
Board of Management Expenses		920,400	0.00
Repairs and maintenance		5,237,700	0.00
General expenses		7,408,523	2,845,774
Total Payments		24,519,773	7,644,274
Net increase/(decrease) in cash and cash equivalents from operating activities		(45,342)	10,684
Net increase/(decrease) in cash and cash equivalents		(45,342)	10,684
Cash and cash equivalents as at 1 July		50,946	40,262
Cash and cash equivalents as at 30 June		5,604	50,946

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	B	c=(a+b)	D	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year		50,946	50,946	50,946	0.00	100%
Receipts						
Transfers from the County Government	5,000,000	0.00	5,000,000	3,000,000	2,000,000	60%
Rendering of services- Medical Service Income	25,000,000	0.00	25,000,000	21,474,431	3,525,569	86%
Total receipts	30,000,000	50,946	30,050,946	24,525,377	5,525,569	82%
Payments						
Medical/Clinical costs	9,700,000	50,946	9,750,946	8,006,150	1,744,796	82%
Employee costs	3,600,000	0.00	3,600,000	2,947,000	653,000	82%
Remuneration of directors	1,150,000	0.00	1,150,000	920,400	229,600	80%
Repairs and maintenance	6,400,000	0.00	6,400,000	5,237,700	1,162,300	82%
General expenses	9,150,000	0.00	9,150,000	7,408,523	1,741,477	81%
Total Operational Expenditure paid	30,000,000	50,946	30,050,946	24,519,773	5,531,173	82%
Surplus/ (Deficit)	0.00	0.00	0.00	5,604	(5,604)	%

Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	5,604
Closing Cash and Cash Equivalent as per the statement of Cash flows	5,604

19. Notes to the Financial Statements

1. General Information

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

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

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

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

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

Standard	Effective date and impact:
IPSAS 43	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 the Hospital. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45- Property Plant and Equipment	The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or

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Standard	Effective date and impact:
	under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47- Revenue	<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 hospital 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>
IPSAS 48- Transfer Expenses	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49- Retirement Benefit Plans	<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>

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Standard	Effective date and impact:
IPSAS 50: Exploration For & Evaluation of Mineral Resources	The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> <li data-bbox="496 434 1350 517">i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. <li data-bbox="496 533 1350 663">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 data-bbox="496 678 1350 904">iii. Disclosures that identify and explain the amounts in the hospital's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The Hospital 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 hospital 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 hospital.

Interest income

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

Rental income

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

b. Budget information

The original budget for FY 2024/2025 was approved by Board on 24th of June 2024. 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 hospital upon receiving the respective approvals in order to conclude the final budget. Accordingly, the hospital recorded additional appropriations of **kshs.50,946** on the FY 2024/2025 budget following the Board's approval. The hospital budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

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

c. Taxes

Sales tax/ Value Added Tax

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

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

d. Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 3 years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e. Property, plant and equipment

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

f. Leases

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

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

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

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

g. Intangible assets

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

h. Biological Assets

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

i. Research and development costs

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

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

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

j. Financial instruments

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

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that

is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

k. Inventories

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

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

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

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

l. Provisions

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

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

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

m. Social Benefits

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

n. Contingent liabilities

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

o. Contingent assets

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

p. Nature and purpose of reserves

The hospital does not creates and maintains any reserves in terms of specific requirements.

q. Changes in accounting policies and estimates

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

r. Employee benefits

Retirement benefit plans

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

s. Foreign currency transactions

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

t. Borrowing costs

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

u. Related parties

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

v. Service concession arrangements

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

w. Cash and cash equivalents

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

x. Comparative figures

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

y. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. 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.

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6. Transfers from the County Government

Description	FY: 2024/2025	FY: 2023/2024
	KShs	KShs
Unconditional grants		
Operational grant from Mandera County Treasury	3,000,000	6,600,000
Total government grants and subsidies	3,000,000	6,600,000

7. Transfers From Other Government Entities

Description	FY: 2024/2025	FY: 2023/2024
	KShs	KShs
Transfer from National Government (Ministry of Health)	0.00	1,054,958
Total Transfers	0.00	1,054,958

8. Rendering of Services-Medical Service Income

Description	FY: 2024/2025	FY: 2023/2024
	Kshs	Kshs
Laboratory	468,200	0.00
Pharmaceutical	376,650	0.00
Radiology	555,800	0.00
NHIF	2,683,260	0.00
SHA	20,655,561	0.00
Total revenue from the rendering of services	24,739,471	0.00

9. Medical/ Clinical Costs

Description	FY: 2024/2025	FY: 2023/2024
	Kshs	Kshs
Food and Ration	1,668,400	1,140,000
Dressing and Non-Pharmaceuticals	650,000	0.00
Pharmaceutical supplies	2,546,200	0.00
Health information stationery	1,995,600	468,500
Sanitary and cleansing Materials	1,145,950	488,000
Total medical/ clinical costs	8,006,150	2,096,500

10. Employee Costs

Description	FY: 2024/2025	FY: 2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	2,947,000	2,678,000
Staff Medical expenses and insurance cover	0.00	24,000

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Employee costs	2,947,000	2,702,000
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11. Board of Management Expenses

Description	FY: 2024/2025	FY: 2023/2024
	Kshs	Kshs
Sitting allowance	70,000	0.00
Travel and accommodation allowance	850,400	0.00
Total	920,400	0.00

12. Repairs And Maintenance

Description	FY: 2024/2025	FY: 2023/2024
	Kshs	Kshs
Property- Buildings	939,000	0.00
Labelling of Hospital building	50,000	0.00
Furniture and fittings	850,000	0.00
Computers and accessories	550,000	0.00
Hospital upgrading expenses(operationalization)	910,700	0.00
Maintenance of civil works	1,938,000	0.00
Total repairs and maintenance	5,237,700	0.00

13. General Expenses

Description	FY: 2024/2025	FY: 2023/2024
	Kshs	Kshs
Catering expenses	53,200	50,000
Bank charges	10,855	7,174
Electricity expenses	1,010,273	320,000
Fuel and Lubricants	835,000	479,000
Travel and accommodation allowance	796,400	615,200
Printing and stationery	476,350	217,600
Car Hire charges	495,000	0.00
Water and sewerage costs	2,700,000	1,101,800
Internet expenses	106,000	0.00
Staff training and development	197,618	0.00
Firewood and Charcoal	85,000	0.00
CCTV Installation	200,000	0.00
Staff Motivation	349,000	0.00
HMT Airtime allowance	0.00	55,000
Meat and Vegetables	259,600	0.00
Total General Expenses	7,574,296	2,845,774

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14. Cash And Cash Equivalents

Description	FY: 2024/2025	FY: 2023/2024
	KShs	KShs
Current accounts	5,604	50,946
Total cash and cash equivalents	5,604	50,946

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

Description		FY: 2024/2025	FY: 2023/2024
Financial institution	Account number	KShs	KShs
a) Current account			
Equity Bank, etc	1000266566 576	5,604	50,946
Sub- total		5,604	50,946
Grand total		5,604	50,946

15. Receivables From Exchange Transactions

Description	FY: 2024/2025	FY: 2023/2024
	KShs	KShs
Medical services receivables	3,265,040	0.00
Total receivables	3,265,040	0.00

Analysis of Receivables From Exchange Transactions

Description	FY: 2024/2025		FY: 2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	3,265,040	100%	0.00	0%
Total (a+b)	3,265,040	100%	0.00	0%

16. Trade and other Payables

Description	FY: 2024/2025		FY: 2023/2024	
	KShs		KShs	
Trade payables	165,773		0.00	
Total trade and other payables	165,773		0.00	
Ageing analysis:	FY: 2024/2025	% of the Total	Compa rative FY	% of the total
Under one year	165,773	100%	0.00	%
Total	165,773	100%	0.00	%

17. Cash Generated from Operations

Description	FY: 2024/2025		FY: 2023/2024	
	KShs		KShs	
Surplus for the year	3,053,925		10,684	
Working Capital adjustments				
Increase in receivables	(3,265,040)		(0.00)	
Increase in payables	165,773		0.00	
	(3,099,267)		(0.00)	
Net cash flow from operating activities	(45,342)		10,684	

18. Financial Risk Management

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

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

(i) Credit risk

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

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Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024 (previous year)				
Receivables from exchange transactions	0.00	0.00	0.00	0.00
Bank balances	50,946	50,946	0.00	0.00
Total	50,946	50,946	0.00	0.00
At 30 June 2025 (current year)				
Receivables from exchange transactions	3,265,040	3,265,040	0.00	0.00
Bank balances	5,604	5,604	0.00	0.00
Total	3,270,664	3,270,664	0.00	0.00

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The hospital has no significant concentration of credit risk on amounts due from July 2024. The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Trade payables	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00
At 30 June 2025				
Trade payables	0.00	165,773	0.00	165,773
Total	0.00	165,773	0.00	165,773

(iii) Market risk

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

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

a) Foreign currency risk

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

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

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

Management of interest rate risk

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

Sensitivity analysis

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

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

iv). Capital Risk Management

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

19. Related Party Balances

Nature of related party relationships

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

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

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

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Description	FY: 2024/2025	FY: 2023/2024
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from County Government	3,000,000	6,600,000
Total	3,000,000	6,600,000
b) Key management compensation		
Directors' emoluments	920,400	0.00
Total	920,400	0.00

20. Events after the Reporting Period

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

21. Ultimate and Holding Hospital

The hospital is a County a Semi- Autonomous Government Agency under the Department of health services. Its ultimate parent is the County Government of Mandera.

22. Currency

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

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

REPORT ON FINANCIAL STATEMENTS

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	Non-disclosure of property plant and equipment.	The county has not fully delegated the functions to the facility and has not transferred the ownership of the Property plant and Equipment	Not Resolved	12/01/2026
2	Non-disclosure of employee costs paid by the county government.	It's true that the financial statement does not show employee costs paid by the county government. It's worth noting that the payroll is run centrally and is not devolved either.	Not Resolved	12/01/2026
3	Non –disclosure of revenue from rendering of services.	Some functions have not been fully devolved to the hospital. The bill is currently being discussed at the county assembly regarding the use of revenue collected at the source.	Not resolved	12/01/2026

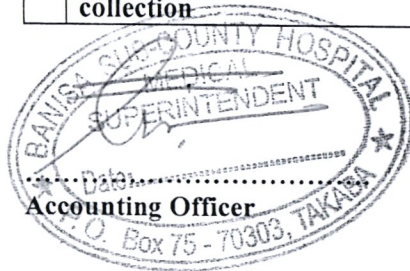
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REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES.

1	Deficiencies in implementation of universal health coverage(UHC)	This issue stems from the town's status and geographical location, which pose difficulties in both attracting and maintaining specialized medical practitioners. Budget constraints present is a significant hurdle	Not resolved	12/01/2026
2	Lack of Quarterly revenue report	The hospital is not fully independent and revenue collected goes to county revenue collection account that are centralised.	Not Resolved	12/01/2026

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

1	Lack of hospital management Board	The process of establishing the Board of Management is currently underway	Not Resolved	12/01/2026
2	Lack of updated fix asset register-	The County Executive has not fully delegated the functions to the facility, as the facility is still under the executive branch. Therefore, Updated asset register with complete record of all hospital assets property, plant, and equipment are managed by the County Executive.	Not Resolved	12/01/2026
3	Weak controls in Revenue collection	There exists a legislative gap regarding the full authority granted to the hospital administration for revenue collection.	Not Resolved	12/01/2026



 Date:

 Accounting Officer

 P.O. Box 75 - 70303, TAKABA

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Appendix II: Inter-Entity Confirmation Letter

Name of Transferring: Mandera County Treasury.

Name of Beneficiary: Banisa Sub County Level 4 Hospital

Confirmation of amounts received by Banisa Sub County level 4 Hospital as at 30 th June (FY: 2024/2025)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
A0341705/01/24/25	15/10/2024	200,000	0.00	200,000	Confirmed
A0341705/01/24/25	16/10/2024	1,500,000	0.00	1,500,000	Confirmed
A0341705/02/24/25	3/12/2024	1,300,000	0.00	1,300,000	Confirmed
Total	FY: 2024/2025	3,000,000	0.00	3,000,000	Confirmed

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

Head of Accounts Department - Disbursing Entity:
 Name Hassan M. Abdou Sign [Signature] Date 25/8/2025

Head of Accounts Department - Beneficiary Hospital:
 Name Ali Ibrahim Adan Sign [Signature] Date 25/8/2025

