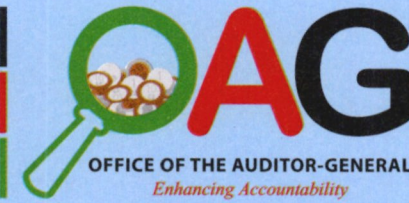
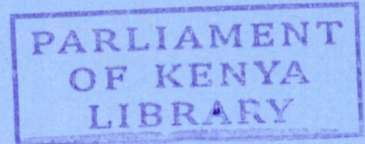


REPUBLIC OF KENYA



REPORT

OF



THE AUDITOR-GENERAL

ON

MODOGASHE SUB-COUNTY HOSPITAL

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

COUNTY GOVERNMENT OF GARISSA

PAPERS LAID	
DATE	27/11/2025
TABLED BY	SMC
COMMITTEE	-
CLERK AT THE TABLE	Mrs. Nabalayo.



The county Government of Garissa

MODOGASHE SUB-COUNTY HOSPITAL

County Government of Garissa

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)

Modogashe sub-county Hospital (County Government of Garissa)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
CHMT	County Health Management Team
ScHMT	Subcounty Health Management Team
HMT	Hospital Management Team
HMB	Hospital Management Board

2. Key Entity Information and Management

(a) Background information

Modogashe sub-county Hospital is a level 4 hospital domiciled in Garissa County under the Health Department. The hospital is governed by a hospital management committee.

(b) Principal Activities

The vision of the hospital is to be a centre of excellence in provision of accessible, affordable and socially acceptable quality healthcare services in the region and beyond.

The mission of the hospital is to provide, rehabilitative and preventive healthcare services to all.

The key objectives of the hospital:

- To provide high quality services
- To act as a hub for primary network within the sub-county.
- To train different cadres
- To mobilize for adequate funding for the hospital

(c) Key Management

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

- County department of health
- Hospital Management committee
- Medical Superintendent
- Hospital Management team
- Hospital administrator

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Medical Superintendent	Dr Muse Kune
2.	Head of Administration	Charles Chege
3.	Head of supply chain	Abdirizak Sigat
4.	Head of Nursing Services	Saveria Njoki
5.	Clinical services incharge	Benard mutwiri
6.	Laboratory in-charge/SCMLC	Stella nduku

- (e) **Fiduciary Oversight Arrangements**
- County Assembly
 - County health management team
 - Subcounty health management team
 - Hospital management team
 - Hospital management board

Key Entity Information and Management (continued)

(f) **Entity Headquarters**

P.O. Box 3-70102,
Modogashe-Lagdera,
Garissa, KENYA

(g) **Entity Contacts**

Telephone: (+254)737648078
E-mail: modogashesubcountyhospital@gmail.com

(h) **Entity Bankers**

BANK: Premier Bank
Garissa Branch

(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

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(k) County Attorney

P.O. Box. 57-70100
Garissa-Kenya

3. The Hospital Management Committee

Ref	Directors	Details
1.	MR RASHID ABDI DIIF	<p>CHAIRMAN</p> <p>Mr Rashid is currently serving as a chairman for the hospital management committee as he was the chairperson on an election done 16th May 2024 and he is waiting gazettelement by the CEC Health. Mr Rashid, holds a bachelor's degree in education and now a retired teacher who served as a senior school principal several years in different schools. He actively participated many activities including eradication of FGM and mass blood drives.</p>
2.	Dr MUSE KUNE HASSAN	<p>SECRETARY</p> <p>Dr Hassan, is the medical superintendent of the hospital and a secretary to the hospital committee. He is 32 years and he has a bachelor's degree (MBChB) from Jomo Kenyatta university (JKUAT).</p>
3.	Mr SIYAT NOOR ISSACK	<p>MEMBER</p> <p>Mr Issack is currently served as the chairperson for the previous hospital board whose term expired. Mr Issack, holds a bachelor's degree in education and now a retired teacher who served as a senior school principal over 20 years. He doubles as board member to the Modogashe boys' secondary school and a</p>

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		stakeholder in Lagdera sub-county education committees.
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		He actively participates in all activities within the hospital.
4.	ABDULLAHI DEKOW MUHUMED	MEMBER Sheikh muhamed a member of the hospital committee and known scholar in Islamic sharia(law) within the Lagdera sub-county.

4. Hospital Management Team

Ref	Management	Details
1.	Dr Muse Kune Hassan	Medical Superintendent
2.	Mr Charles Chege	Hospital Administrator
3.	Ms Saveria Njoki	Nursing officer in-charge
4.	Mr Abdirizack Sigat	Supply assistant
5.	Mr Benard Mutwiri	Clinical officer in-charge
6.	Ms Stella Nduku	Laboratory in-charge
7.	Mr Josphat Nderitu	Pharmacy in-charge
8.	Mr Osman Mowlid	Eye department in-charge
9.	Mr Hassan Bashow	In-charge dental department
10.	Ms Cecilia Wanja	In-charge Record department

5. Chairman's Statement

Modogashe sub-county hospital is a level 4 hospital and achieves to be a centre of excellence in provision of accessible, affordable and socially acceptable quality healthcare services in the region and beyond.

The main mandate of the hospital is to provide, rehabilitative and preventive healthcare services to all and strives to provide quality services that are reachable within the sub-county and the neighbouring counties of Isiolo, Wajir and Meru.

The hospital is now referral hub that accommodate the Lagdera sub-county including the neighbouring counties and for this year every indicator has improved in terms of skilled deliveries.

Achievements

The HMB and hospital management realized great achievement in terms of revenue generation, which has grown compared to the previous financial year 2023/2024, infrastructural development including acquisition of modern kitchen, and Human resource development. The county Government posted a medical officer to the facility to enhance and increase services offered at the hospital.

Challenges

The sub-county received 2 major rainfalls within the year; NOV- DEC 2023 and March-April 2024. As a result of floods there was cut down transport sector leading to occurrence of waterborne diseases i.e cholera. Most services were affected including referral system, this made mothers to deliver at home.

The hospital has severe water shortage and depends on water tracking through FIF also interruption from power outage over the year has affected immediate and on-point service delivery.

Looking into the future

The hospital committee is optimistic that hospital will attain high level of efficient service delivery and will realize its mission standard in years to come.

I thank the committee members by tirelessly working with the hospital management team, stakeholders, partners and the county government to improve the hospital standard.

I greatly appreciate the commitment of the HMT led by the medical superintendent for improvement shown/realized this financial year.


Mr Rashid Diif

**A.g Chairman to the Hospital Management
committee**

6. Report of The Medical Superintendent

A. Background

Modogashe sub-county hospital is a level 4 hospital and has been in existence from early 1980s, grown from modogashe dispensary-modogashe health centre and now sub-county referral facility. The current hospital infrastructural building was constructed in 2012 by DANIDA and the land was part of community land occasioned by them. The hospital achieves to be a centre of excellence in provision of accessible, affordable and socially acceptable quality healthcare services in the region and beyond.

The main mandate of the hospital is to provide, rehabilitative and preventive healthcare services to all and strives to provide quality services and a referral hub that accommodate the lagdera sub-county including the neighbouring counties of Isiolo, Wajir and Meru. The hospital serves as a training centre for Nursing students, clinical officers' students and other healthcare workers. The hospital has 43 staff consisting of: 2 medical officers, 6 RCOS, 15 Nurses, 2 pharm-tech, 2 lab-Tech, 1 dental officer, 1 eye-Tech, 10 support staff, 2 revenue clerks, 2 nutrition officers, 1 hospital administrator, 1 supply assistant, 3 HRIOs, 2 SHA clerk, 1 hospital cook, 4 casual workers and 3 watchmen.

B. Financial

a) Revenue

The hospital's revenue is derived from Facility improvement funds (FIF). During this financial year the hospital has realized great improvement of revenue compared to the last financial year 2022/2023 and the operating revenue increased from ksh. **1,293,752 to 2,085,671** on source cash collection and NHIF claim from Ksh. **962,950 to Ksh. 14,154,960** however, NHIF reimbursement received increased from **ksh. 200,450 to Ksh. 8,280,268** of the claims made.

The hospital has not done claims from July 2023 to February 2024 since there was no clerk to do the claims, from March 2024, the hospital hired a clerk to do claims mainly Linda mama through deliveries and ANC visits.

The number of patients' admissions and skilled deliveries has Increased to 69% from 56%. The key drivers of our revenue included Pharmacy, Laboratory, Maternity, and Bed fees which contributed to the total revenue.

b) Expenditure

The total expenditures during the period FY 24/25 increased to **Ksh. 7,143,626 from Ksh. 1,085,253 FY 23/24** representing **88.8%** total sum amount in the Hospital account (both cash and NHIF re-imbursements). Top drivers of the budget were medical drugs, Staff remunerations, non-pharmaceuticals, patient's food, Laboratory, Contracted Services among others. High Utilization rate realized.

c) Deficit

The hospital has a huge deficit of pending bills approximately Ksh. 2.5M leading to a very high financial constraint and accumulative bills of water, electricity and suppliers were not paid by the county government since 2019. This caused suppliers to turn down hospital request and perennial outage of power by KPLC.

d) Strategy

There is a plan intending to sustain a competitive businesslike orientation to achieve improved client satisfaction, financial sustainability, and infrastructure development that reflects modern standards in medical practice.

The strategy is characterized by both Growth and social responsibility and transformative initiatives that will see the hospital grow to become the best level 4 hospital serving clients of diversities.

e) Achievements

The hospital has been facelifted in terms of infrastructure from renovations done the county government of Garissa. this includes:

- Construction of walkways
- Renovation of the hospital kitchen
- Renovation of the general wards and maternity.
- Installation of solar system in maternity.
- Purchase of anaesthetic machine
- Purchasing of autoclave machine

Within the year the hospital received a boost in laboratory equipment including biochemistry machine, gene xpert machine. All investigations i.e UECs, liver function tests, HbA1c, lipid profile and prostate specific antigen.

Also the hospital received alternative power Genset generator up to 180Kv from the Garissa county and this ensured an interrupted power supply to the hospital throughout the day which has contributed to the increase in indicators and service delivery that is continuous.

The hospital received complete dental chair from World Bank and re-opening of dental unit was done by the county government of Garissa.

f) Challenges

Modogashe sub-county hospital based on the population from within sub-county and neighbouring counties that it serves is faced with a lot of challenges ranging from financial constraints, inadequate human resource, water challenges, infrastructural i.e. lack of administration block, and lack of radiology unit for the hospital affecting smooth service delivery.

g) Looking forward

The hospital has embarked on the journey to increase operational efficiencies by operationalizing theatre, 24-hour patient-focused service delivery and informed decision-making aided by skilled intelligence professionals. Crucial to the implementation of the key operational systems is to have

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expanded services of patient reach, that having a radiology unit and uninterrupted power supply will suffice the need to have comprehensive care within the sub-county.

h) Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the Ministry of health, county government of Garissa, development partners, stakeholders, management and staff for their continued support, which made us, achieves these results.

I look forward for your continued support the coming financial year 2025/2026.

MEDICAL SUPERINTENDENT
MODOGASHE SUB-COUNTY HOSPITAL
P. O. Box 3-70100, GARISSA

Date:



Dr Muse Kune

Secretary to the Hospital committee

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 entity's performance against predetermined objectives.

Modogashe Sub-County Hospital has eight 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;

1. Clinical services and products
2. Healthcare financing and sustainability
3. Quality improvement
4. Human resource development
5. Infrastructure development
6. Leadership and governance
7. Health information
8. Research and training

Modogashe Sub-County Hospital develops its annual work plans based on the above *Eight* pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *Hospital* achieved its performance targets set for the FY 2024/2025 period for its eight strategic pillars, as indicated in the diagram below:

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Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Clinical Services Delivery and Infrastructural development	<ul style="list-style-type: none"> To Establish and enhance good clinical governance 	<ul style="list-style-type: none"> Hospital Drug formulary in place No of stock-out tracer drugs No of prescription reviewed Updated SOPs No. of Pharma covigilance conducted 	<ul style="list-style-type: none"> Rational use of Medications Rational use of blood and blood products Provision of Health products Monthly Clinical Audits and mortality Meetings 	<ul style="list-style-type: none"> Hospital Drug formulary in place. %reduction in morbidity and mortality.
	<ul style="list-style-type: none"> To strengthen Emergency Preparedness 	<ul style="list-style-type: none"> Training reports Committee Minutes 	<ul style="list-style-type: none"> Train staff on Emergency preparedness. Form Emergency Preparedness Committee Conduct Annual Emergency Drill 	<ul style="list-style-type: none"> Staff Trained Committee is in existence. Emergency drills conducted.
	<ul style="list-style-type: none"> To Expand work space. 	<ul style="list-style-type: none"> Completion Certificates Survey Reports 	<ul style="list-style-type: none"> To renovate and complete maternity wing. To renovate and complete laboratory. To expand and complete emergency department. To renovate and complete 	<ul style="list-style-type: none"> Maternity wing 100% Laboratory 100% Expansion of emergency and triage unity 100% Staff and patients tiolet 100%complete

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			<ul style="list-style-type: none"> Patient and staff toilets. Construction of modern kitchen. 	<ul style="list-style-type: none"> Modern kitchen 100% complete
	<ul style="list-style-type: none"> To ensure Quality Diagnostic Services 	<ul style="list-style-type: none"> Registers Survey reports Client satisfaction report EMR 	<ul style="list-style-type: none"> Expand the scope of 24 hours specialized services Introduce new specialized Services Adhere to Quality Standards 	<ul style="list-style-type: none"> Ultrasound services on call 24 hours UECs, LFTS, HbA1C Culture sensitivity etc done 24 hours Digital X-RAY Installation on progress
	<ul style="list-style-type: none"> To Enhance Effective Internal and External Referral Systems 	<ul style="list-style-type: none"> Survey Reports Meeting Minutes EMR Client Satisfaction report 	<ul style="list-style-type: none"> Implement referral guidelines Review and implement internal and external referral protocols 	<ul style="list-style-type: none"> Referral guidelines implementation on progress.
	<ul style="list-style-type: none"> To enhance Routine Maintenance of Infrastructures 	<ul style="list-style-type: none"> Job Card Reports Project Committee and Public Health Reports Completion Certificates 	<ul style="list-style-type: none"> Renovation of Laboratory Renovation of Maternity Ward Renovation of administration Servicing of Photocopier Machines Servicing of Various Medical Equipment's 	<ul style="list-style-type: none"> Laboratory renovation completed Administration 70% Complete Photocopiers serviced and functioning Laboratory, Dental and Theatre equipment's serviced and

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			<ul style="list-style-type: none"> • Servicing and Maintenance of Laundry Machine. 	<p>operational</p> <ul style="list-style-type: none"> • Laundry machine serviced and working.
	<ul style="list-style-type: none"> • To provide Modern Medical Equipment, plants and Machinery 	<ul style="list-style-type: none"> • Delivery notes • Inspection acceptance report 	<ul style="list-style-type: none"> • Procure one Anaesthetic Machine • Procure patient monitor • Procure Sunction Machines • Procure Assorted Medical Equipment's 	<ul style="list-style-type: none"> • One Anaesthetic machine procured and functional • Sunction Machines Procured and functional • Small assorted such as thermo gun, nursing trolley, digital BP Machines etc procured and functional.
Healthcare Financing and Sustainability	<ul style="list-style-type: none"> • To increase revenue Generation 	<ul style="list-style-type: none"> • Revenue Reports • %increase in revenue 	<ul style="list-style-type: none"> • Diversify Revenue Streams • Review User Fee Charges • Increase Customer Base • Develop Concept papers and proposals to development partners 	<ul style="list-style-type: none"> • Revenue improved compared to previous year • Review of user fees continuous and on progress • New institutions to be brought on board and MOUs Signed with other institutions to boost revenue collection. • New services introduced, Taifacare. • More patients have been

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				registered to SHA
	<ul style="list-style-type: none"> Facilitate prudent Financial Management 	<ul style="list-style-type: none"> Financial Reports % increase in Resource allocation to departments 	<ul style="list-style-type: none"> Provide E and M-Payment Strengthen use of financial and procurement policies and guidelines 	<ul style="list-style-type: none"> M-payment at the Linkage Stage Financial and procurement policies and guidelines in place
Quality Improvement	<ul style="list-style-type: none"> Enhance Continuous Quality Improvement Enhance customer care services 	<ul style="list-style-type: none"> Training Reports Customer care desks Minutes of the change Agents 	<ul style="list-style-type: none"> Training of staff on KQMH Customer care desk Minutes of the change Agents 	<ul style="list-style-type: none"> More than 20 Staff trained and its continuous One customer desks introduced at outpatient, at the entrance & Casualty Monthly meeting for change Agents Achieved.
Human Resource Development	<ul style="list-style-type: none"> Improved performance management 	<ul style="list-style-type: none"> Human Resource Reports Staff Appraisal Reports 	<ul style="list-style-type: none"> Establish Human Resource Department Conduct Quarterly and Annual Staff Appraisal 	<ul style="list-style-type: none"> Human Resource Department to be instituted. Staff Appraisals Done
	<ul style="list-style-type: none"> To develop Staff 	<ul style="list-style-type: none"> % staff trained Training Needs Report Key Competencies Identified 	<ul style="list-style-type: none"> Carry out and Implement training Needs Assessment Training of Staff on specialized 	<ul style="list-style-type: none"> Training needs Identified Staffs Trained on emergency

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preparedness and hands-on skills

		and developed	Areas	<ul style="list-style-type: none"> • Introduction of OJT on FP and post-abortal care
	<ul style="list-style-type: none"> • Staff Motivation 	<ul style="list-style-type: none"> • Staff Satisfaction Report • Client Satisfaction • Minutes 	<ul style="list-style-type: none"> • Staff Recognition and rewards • Annual Staff Party • Improving The staff Levels • Staff involvement on decision making 	<ul style="list-style-type: none"> • All staffs awarded at an annual staff party • Annual staff party was done successfully • All Staffs are involved in decision making through various committees, HMT, Departmental meeting, staff meeting days,
Leadership and Governance	<ul style="list-style-type: none"> • Enhance policy formulation, dissemination and implementation 	<ul style="list-style-type: none"> • %increase in hospital performance • No of staff Meetings • No of HMB meetings 	<ul style="list-style-type: none"> • Monthly staff meeting • Quarterly Board meeting • Implementation of strategic plan 	<ul style="list-style-type: none"> • Quarterly board meetings Achieved with Few Special Meetings • HMT monthly meeting

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	<ul style="list-style-type: none"> Enhanced Leadership and Governance Capacity 	<ul style="list-style-type: none"> Management Audit Report Board of Survey report 	<ul style="list-style-type: none"> Capacity Building for board, senior and middle level managers Develop and implement internal controls 	<ul style="list-style-type: none"> Capacity building to be in all level of management Internal controls development continuous
	<ul style="list-style-type: none"> Enhance and maintain 	<ul style="list-style-type: none"> MOUs Signed 	<ul style="list-style-type: none"> Develop and implement partnership Policy 	<ul style="list-style-type: none"> Mous signed with KMTC, EMKF

	Partnership	<ul style="list-style-type: none"> No of projects initiated through partnership. 	<ul style="list-style-type: none"> Develop key gaps that require PPP intervention 	<ul style="list-style-type: none"> CHEP on free EYE camp EMKF did BLS and ACLS training Regional Blood satellite did blood donation drive
	<ul style="list-style-type: none"> Networking and Collaboration 	<ul style="list-style-type: none"> No of meetings held with partners No of stakeholders identified MOUs Signed 	<ul style="list-style-type: none"> Mapping of stakeholders Exchange and Benchmarking program Consultative meetings with partners and stakeholders 	<ul style="list-style-type: none"> Several Meetings Held Benchmarking with other Sub- County hospitals
Health information and Research and Training	<ul style="list-style-type: none"> Strengthen, coordinate and manage health information 	<ul style="list-style-type: none"> ICT Policy document System Maintenance register 	<ul style="list-style-type: none"> Develop and implement ICT policy Maintain ICT infrastructure to ensure full functionality of the system 	<ul style="list-style-type: none"> Quarterly servicing and maintenance of the system done

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	Ethical Research Activities	<p>done</p> <ul style="list-style-type: none"> • School Registration Certificate • No of protocols reviewed • No of scientific conference 	<p>Strengthen Ethics and research Committees</p> <ul style="list-style-type: none"> • Hold Scientific Conferences • Promote internally driven research 	<ul style="list-style-type: none"> • Committee to be constituted as Radiology, nursing, occupational, pharmaceuticals, physiotherapy, social works etc. • QIC and WIC constituted
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		held		
Medical products, Vaccines and Technology	<ul style="list-style-type: none"> • Strengthen coordinate and manage medical products supply chain • Enhance ethical research activities 	<ul style="list-style-type: none"> • % reduction on stock outs • HMIS report • Bin cards • Complete registers • Sops in place. 	<ul style="list-style-type: none"> • Annual Forecasting • Prepare monthly and Annual Report • Develop SOPs for inventory management • Prepare documentation of services provided 	<ul style="list-style-type: none"> • Forecasting done • Annual and monthly reports done • Stock outs reduced by 30% • SOPs already developed and functional
	<ul style="list-style-type: none"> • Timely provision of health products 	<ul style="list-style-type: none"> • Client Satisfaction • Availability of Products • % of reduction in stock-out 	<ul style="list-style-type: none"> • Strengthening of procurement process • Implementation of procurement plan • Strengthen Commodity Management cycle 	<ul style="list-style-type: none"> • Procurement plan in place and functioning • Reduction in stock out by approximately 30%

1) Achieve operational excellence to deliver speed and efficiency

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

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

2) Strengthen hospital leadership and corporate governance

Modogashe Sub County Hospital has a young, skilled and energetic management team and a board that exudes wisdom. The hospital is committed to strengthen its capacity in leadership and governance in line with its mission and purpose. This will ensure alignment of governance, leadership, and all employees to the overall strategic objectives of the organization. To achieve this goal, the hospital will focus on the following objectives:

- Develop a focused capacity building program for both the board and the hospital management
- Streamline and strengthen the capacity of board committees
- Institutionalize leadership and governance performance measurement and appraisal systems

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, Modogashe Sub County Hospital remains steadfast in complying with statutory requirements and the Code of Governance for State Corporations (Mwongozo Code 2015) among others.

Role of the Chairman

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

The roles and responsibilities of the Board include:

- i. Planning and monitoring, clinical services and preventive services.
- ii. Providing oversight in financial reporting to the County government and communication to stakeholders.
- iii. Safeguarding Hospital assets by instituting appropriate internal control systems.
- iv. Ensuring the Hospital complies with all relevant laws and regulations.
- v. Approve the annual budget of the Hospital.
- vi. Monitor the Hospital performance and ensure sustainability
- vii. Ensure availability of adequate resources for the achievement of the Hospital objectives.

Accountability and audit

The Board prepares annual financial statements which reflect a true and fair view of the hospital's financial position as at the end of each fiscal year. The Board of Management ensures that suitable accounting policies supported by reasonable and prudent judgments and estimates are consistently applied. The Board also ensure that financial statements for each financial year are audited. During the year, the Board ensured that the Hospital maintained proper, reasonable and accurate accounting records showing and explaining the transactions and financial position of the Hospital in compliance with the Public Finance Management Act No.18 of 2012 and the prescribed accounting standards. The Hospital Financial Statements are audited by the Office of the Auditor-General. The Auditor-General is an independent office whose role and responsibilities are defined under the Constitution of Kenya. The Board in furtherance of its duties, ensures that the process, structure and internal controls are maintained and adhered to and has internal risk and audit staffs to carry out such functions.

9. Management Discussion and Analysis

Modogashe Sub County Hospitals provide healthcare services Lagdera Sub County residents and patients from neighbouring sub-counties. Services include, outpatient clinics, inpatient care, accident and emergency. The hospital also provides clinical support services that include laboratory and pharmacy.

The hospital strives to ensure that the clinical services provided are safe, timely, appropriate, innovative, effective and evidence-based. Clinical governance continues to be strengthened to improve patient safety and ensure quality healthcare. The hospital patient attendance continues to increase despite the many challenges i.e. lack of enough doctors, nurses, pharmacists, RCOs and budgetary constraints.

Clinical/operational performance

Modogashe Sub County Hospital continues to provide a wide range of highly specialized healthcare services to Kenyans, patients from within Garissa County, and neighboring counties. Specialized services include, specialized outpatient clinics, inpatient care, day care procedures for surgery, amongst other services and specialized accident and emergency that receives emergency, disaster victims and referred patients. The hospital also provides clinical support services that include general medicine service, laboratory, and pharmacy. The hospital strives to ensure that the clinical services provided are safe, timely, appropriate, innovative, effective, evidence-based and in line with modern technological advances. Clinical governance continues to be strengthened to improve patient safety and ensure quality healthcare. In addition, the hospital plays a leading role regionally in the management of disasters and emergencies. The hospital patient attendance continues to increase despite the many challenges like budgetary constraints and lack of personnel.

Below is a summary of the clinical/operational performance

- *Bed capacity of the hospital. 56*
- *Overall patient attendance during the year for both inpatient and outpatient. 4,500*
- *Accident and Emergency attendance 600*
- *Specialised clinic attendance 5,600*
- *Average length of stay for in patient. 3.3*
- *Bed occupancy rate 76 %*
- *Mortality rate 3.85%*

Financial performance that includes

Revenue sources


The revenue source was purely the revenue from rendering services of **Ksh. 10,961,297.53** and in-kind contribution from the County Government of Garissa.

Utilisation of funds; -

- ✓ Medical/clinical cost amounting to Kshs. 3,225,268
- ✓ Employee costs amounting to Kshs. 576,000

Modogashe sub-county Hospital (County Government of Garissa)
Annual Report and Financial Statements for The Year Ended 30th June 2025

- ✓ Repair and maintenance amounting to Kshs. 1,710,565
- ✓ General expenses amounting to Kshs. 1,631,793

MEDICAL SUPERINTENDENT
MODOGASHE SUB-COUNTY HOSPITAL
P. O. Box 3-70100, GARISSA
Date:.....


Dr. Muse Kune

.....
Secretary to the Hospital Committee

10. Environmental And Sustainability Reporting.

Modogashe 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.

i) Sustainability strategy and profile

Modogashe Sub County Hospital and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that Modogashe Sub County Hospital going concern is secured. The hospital has conducted a basic assessment of available options for feasible financing tools that would assure the hospital of its long-term sustainability. The hospital has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options, which include:

- Introduction of new specialized services such as routine theatre days for elective surgeries
- Public Private Partnership
- Upgrading the hospital to Level IV referral to get more funding
- Enhancing Client satisfaction through quality service care
- Bringing on board more financial institutions like lobbying for more engagement with other insurance firm

ii) Environmental performance

Modogashe Sub County Hospital is using the National Health Care Waste Management policy guideline which is guiding us in the management of the waste that we generate in the organization and we have a copy of the policy.

1 Successes

- We are having colour-coded bins [receptacles] at all generation points in the departments.
- There are segregation posters alongside the receptacles to guide in the segregation of waste.
- We have waste treatment equipment within the organization that helps us treat our waste and we only dispose off non-contaminated waste to the dumping site.
- The general cleanliness of the organization is well maintained both indoors and grounds.

2 Challenges

- Frequent breakdown of the equipment and the cost of repair.
- High-cost electricity bill.
- Shortage of staffs.
- Delay of funds disbursement.

iii) Employee welfare

Hiring process involves bringing new employees on board. This is the mandate of the County Public Service Board for the recruitment and appointment of new Health care workers.

Improvement of employee skills and career management is done through employee sponsorship to further their studies in line with their careers. This is done by sponsorship and supporting employees to attend both short and long courses offered by various institutions.

Training programs are based on the identified needs from the training needs assessments and are emphasized for performance improvement addressing both individual and organizational goals.

iv) Market place practices-

a) *Responsible competition practice.*

This is effectively done through proper use of the available website for advertisement purposes as well as making good use of the instituted internal committees to help minimize anticorruption.

b) *Responsible Supply chain and supplier relations*

Ensures best involvement of suppliers in the tendering process and feedback given to suppliers in good time.

c) *Responsible marketing and advertisement*

Effectively done through the use of website and notice boards

v) *Corporate Social Responsibility / Community Engagements*

- The hospital offers free medical camps
- The hospital provides waiver services for the less vulnerable
- The department captured more indigents into the NHIF system

11. Report of the Health Management Committee

The Health Management Team members submit their report of Financial Statements for the year ended June 30, 2025, which show the state of the hospital's affairs.

Principal activities

The principal activity of the hospital is to receive in-patient and out-patient and to provide them medical services.

Results

The results of the hospital for the year ended 30th June, 2025 are set out on page 1 to 9.

Board Of Management

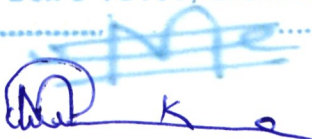
The Board of Management is not constituted awaiting implementation of FIF bill, however during the year the hospital was managed by the Hospital Management shown on page viii.

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. Muse Kune

MEDICAL SUPERINTENDENT
MODOGASHE SUB-COUNTY HOSPITAL
P. O. Box 3-70100, GARISSA
Date:.....



.....
Secretary of the Board

12. Statement of Board of Management’s Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires the Health Management Team to prepare financial statements in respect of 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 Health Management Team is also required to ensure that the Modogashe Sub County 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 Health Management Team 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, 2024. 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 Health Management team accepts responsibility for the hospital’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Health Management team 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, 2024, 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.

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Nothing has come to the attention of the Health 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 28th August, 2025 and signed on its behalf by:



.....

Name: Mr. Rashid Diif
a.g Hospital Board chairman.

MEDICAL SUPERINTENDENT
MODOGASHE SUB-COUNTY HOSPITAL
P. O. Box 3-70100, GARISSA
Date:



Name: Dr. Muse Kune
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 MODOGASHE SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF GARISSA

PREAMBLE

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

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

An Adverse Opinion is issued when the Auditor-General determines that the financial statements are materially misstated and are not fairly presented in accordance with the applicable financial reporting framework. The Report on the 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

Adverse Opinion

I have audited the accompanying financial statements of Modogashe Sub-County Hospital set out on pages 1 to 37, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

Report of the Auditor-General on Modogashe Sub-County Hospital for the year ended 30 June, 2025 - County Government of Garissa

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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Modogashe Sub-County Hospital as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the County Government Act, 2012, the Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Failure to Prepare and Submit Financial Statements for Prior Years

The Hospital Management did not prepare and submit financial statements for financial year 2021/2022 and 2022/2023. This was contrary to Section 149(2)(K) of the Public Finance Management Act, 2012 which provides that in carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned not later than three months after the end of each financial year, prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury.

In the circumstances, the accuracy and completeness of comparative balances presented in the financial statements for the financial year ended 30 June, 2025 could not be confirmed.

2. Unsupported Revenue from Exchange Transactions

The statement of financial performance reflects revenue from exchange transactions of Kshs.10,365,939, as disclosed in Notes 6 and 7 to the financial statements. However, Management did not provide supporting documentation such as ledgers, schedule of transactions indicating date, source and amount of revenue, miscellaneous receipts or other source documents to support the disclosed revenue.

In the circumstances, the accuracy and completeness of the revenue balance of Kshs.10,365,939 could not be confirmed.

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

The statement of financial performance reflects casual employees' costs of Kshs.576,000 as disclosed in Note 8 to the financial statements. However, the amount excludes salaries and allowances for permanent employees working at the Hospital which were paid by the County Executive of Garissa. Management did not provide satisfactory explanation for the failure to disclose the in-kind contributions from the County Executive in the statement of financial performance.

In the circumstances, the accuracy and completeness of the employees' costs of Kshs.576,000 could not be confirmed.

4. Unsupported Inventory Balance

The statement of financial position reflects a balance of Kshs.13,388,220 in respect of inventories as disclosed in Note 14 to the financial statements. However, Management did not support the balances with details on quantity of the stocks held and their values. In addition, the disclosed balance was not supported by annual stock take records.

In the circumstances, the valuation, accuracy and completeness of inventory balance of Kshs.13,388,220 could not be confirmed.

5. Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects a balance of Kshs.45,555,470 in respect of property, plant and equipment as disclosed in Note 15 to the financial statements. However, the Hospital Management did not maintain a fixed asset register containing all key asset details including description of the assets, identification or serial numbers, acquisition date, cost of acquisition and location. In addition, Management did not provide ownership documents for the land on which the Hospital buildings and structures sits.

In the circumstances, the ownership, completeness and accuracy of property, plant and equipment balance of kshs.45,555,470 could not be confirmed.

6. Inaccuracies in the Accumulated Surplus Balance

The statement of financial position reflects a balance of Kshs.69,309,629 in respect to accumulated surplus as at 30 June 2025. However, the corresponding balance in the statement of changes in net assets was Kshs.3,877,231 resulting in an explained variance of Kshs.65,432,398. In addition, accumulated surplus balance did not include the previous and the current year surplus balances disclosed in the statement of financial performance.

In the circumstances, the accuracy and completeness of the accumulated balance of Kshs.69,309,629 could not be confirmed.

7. Unconfirmed Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalent balance of Kshs.2,085,671. However, Note 12 to the financial statements disclosed a balance of Kshs.3,877,671 resulting in an unreconciled variance of Kshs.1,792,000. In addition, the statement of cash flows has an unconfirmed negative adjustment in the form of bank charges of Kshs.40,245 which was not supported with bank statement entries

In the circumstances, the accuracy and validity of the disclosed balance of Kshs.2,085,671 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.16,240,631 and Kshs.10,365,939 respectively resulting to an under-funding of Kshs.5,874,692 or 36% of the budget. Similarly, the Management spent Kshs.7,143,626 against actual revenue of Kshs.10,375,939 resulting to under expenditures of Kshs.3,222,313 or 31% of available funds.

The under-funding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other matter

Unresolved Prior Year Issues

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Hospital in 2024/2025 revealed that the following thirteen (13) matters remained unresolved:

No.	Financial Year	Audit Issue
1.	2023/2024	Failure to Prepare and Submit Financial Statement for Prior Years
2.	2023/2024	Non-Disclosure of Employee Cost Paid by County Government
3.	2023/2024	Non-Disclosure of Inventory
4.	2023/2024	Non-Disclosure of Property, Plant and Equipment
5.	2023/2024	Failure to Prepare Estimates of Income and Expenditure.
6.	2023/2024	Late Submission of Financial Statement

No.	Financial Year	Audit Issue
7.	2023/2024	Deficiencies in Implementation of Universal Health Coverage
8.	2023/2024	Lack of Unapproved Budget
9.	2023/2024	Lack of Appointment Letters and Gazette Notice of Board of Management
10.	2023/2024	Failure to Establish Internal Audit Unit and Audit Committee
11.	2023/2024	Lack of Approved Staff Establishment and Scheme of Services
12.	2023/2024	Lack of Risk Management Policy and Disaster Recovery Plan
13.	2023/2024	Failure to Maintain Fixed Asset Register

Other Information

The Management is responsible for the Other Information set out on page iii to xxx which comprise of Key Entity Information and Management, the Hospital Management Committee, Hospital 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 Health Management Committee 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. Based on the audit procedures performed, because of the significance of the matters described in my Basis for Adverse Opinion, I confirm that the Other Information is materially inconsistent with the financial statements.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources sections of my report, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Prepare Estimates of Income and Expenditure

The Management did not prepare estimates of income and expenditure and submit the same to the respective County Executive Committee Members as required. The Hospital operated without an approved budget during the year under review. This was contrary to Section 149(2) (h-i) of the Public Finance Management, 2012 which provides that an accounting officer shall, in respect of the entity concerned prepare estimates of expenditure of the entity in conformity with the strategic plan of the entity and submit the estimates of an entity, which is not a county corporation to the County Executive Committee Member for Finance.

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

2. Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of Hospital records and interviews conducted on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of the Kenya Quality Model for Health Policy Guidelines due to staff and equipment deficits as analyzed below:

Staffing Requirement	Required	Available	Deficit
Medical Officers	16	2	14
Radiologists	2	0	2
General Surgeons	2	0	2
Gynecology	2	0	2
Anesthesiologists	2	0	2
Pediatricians	2	0	2
Registered Community Health Nurses	75	15	60
Total	101	17	84
Bed Capacity	150	56	94
Equipment and Machines			
Baby Cots	5	2	3
Incubators	5	1	4
Resuscitare in Theatre	1	1	0
Resuscitare in Labour Ward	2	1	1
Functional ICU Beds	6	0	6
HDU Beds	6	0	6
Renal unit with dialysis machine	5	0	5
Functioning operating theatres, Maternity and General	2	1	1
Services Not Offered			
Gynaecology Services			
Renal Services			

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

Further, this contravened the Kenya Quality Model for Health Policy Guidelines and hindered the realization of the Government program on Universal Health Coverage (UHC).

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

3. Inconsistencies in the Notes and Balances in the Financial Statements

The amended financial statements provided for audit revealed the following anomalies:

- i. The statement of financial performance reflects medical services income of Kshs.2,085,671. However, Note 6 on page 22 discloses an income of Kshs.10,365,939, resulting in an unreconciled variance of Kshs.8,280,268.
- ii. The statement of financial position discloses receivables from exchange transactions of Kshs.8,280,268. However, the Note on page 26 discloses Kshs.5,874,692, resulting in an unreconciled variance of Kshs.2,405,576.

In the circumstances the financial statements did not adhere to the reporting template as provided by the Public Sector Accounting Standards Board.

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

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

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Hospital Management Board

The Board of Management that is supposed to direct the Hospital in achieving its strategic objectives was not constituted.

In the circumstances, the Hospital may not achieve its strategic objectives.

2. Lack of Internal Audit Function

The Hospital did not have an internal audit function. This is contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which provides that a County Government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

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

3. Lack of Audit Committee

The Hospital did not have an audit committee. This is contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which provides that each County Government entity shall establish an audit committee.

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

4. Lack of Key Management Policies

The Hospital had not put in place key policies like Human Resource Policy Manual, Credit Management Policy, Finance Manual, Risk Management Policy and Business Continuity Plan during the year under review.

Lack of key policies and manuals may result to the Hospital deviating from its goals and overall strategic objectives which may affect overall governance of the Hospital.

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 control, 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 Hospital Management Committee

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 Hospitals' 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 Hospital Management Committee 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

19 November, 2025

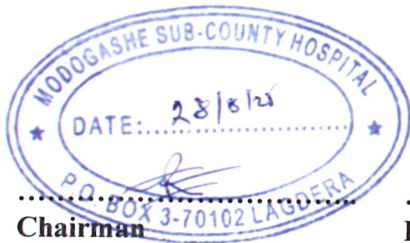
*Modogashe sub-county Hospital (County Government of Garissa)
Annual Report and Financial Statements for The Year Ended 30th June 2025*

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Revenue from exchange transactions			
Rendering of services- Medical Service Income	6	2,085,671	1,293,752
NHIF/SHIF	7	8,280,268	200,400
Total revenue		10,365,939	1,494,152
Expenses			
Medical/Clinical costs	8	3,225,268	485,923
Employee costs	9	576,000	75000
Repairs and maintenance	10	1,710,565	163,500
General expenses	11	1,631,793	360,830
Total expenses		7,143,626	1,085,253
Net Surplus / (Deficit) for the year		3,222,313	408,499

(The notes set out on pages 6 to 36 form an integral part of the Annual Financial Statements.)

The Hospital's financial statements were approved by the Board on 28-08-2025 and signed on its behalf by:



Chairman
Board of Management

Arjuna
.....
Head of Finance
ICPAK No: *23392*

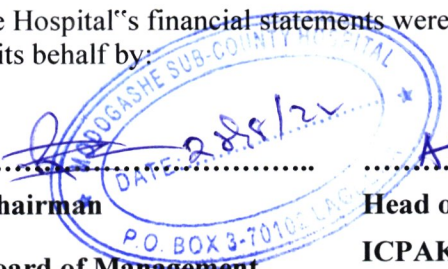
MEDICAL SUPERINTENDENT
MODOGASHE SUB-COUNTY HOSPITAL
P. O. Box 3-70100 GARISSA
Date: *28/8/25*
[Signature]
Medical Superintendent

Modogashe sub-county Hospital (County Government of Garissa)
Annual Report and Financial Statements for The Year Ended 30th June 2025

15. Statement of Financial Position for The Year Ended 30 June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	12	2,085,671	1,293,752
Receivables from exchange transactions	13	8,280,268	200,450
Inventories	14	13,388,220	0
Total Current Assets		23,754,159	1,494,152
Non-current assets			
Property, plant, and equipment	15	45,555,470	0
Total Non-current Assets		45,555,470	0
Total assets		69,309,629	0
Liabilities			
Current liabilities			
Trade and other payables	16	0	0
Total Current Liabilities		0	0
Total Liabilities		0	0
Net assets		69,309,629	0
Revaluation reserve		0	0
Accumulated surplus/Deficit		69,309,629	0
Total Net Assets and Liabilities		69,309,629	1,494,152

The Hospital's financial statements were approved by the Board on 28/06/25 and signed on its behalf by:



.....
Chairman
 Board of Management

.....
Head of Finance
 ICPAK No: 23392

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Medical Superintendent

Modogashe sub-county Hospital (County Government of Garissa)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2023 (previous year)		213,933.33	□	213,933.33
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
As at June 30, 2024 (previous year)	-	695,164.43	-	695,164.43
At July 1, 2024 (current year)	-	695,164.43	-	695,164.43
Revaluation gain	-		-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
At June 30, 2025(current year)	-	3,877,231.53		3,877,231.53

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Rendering of Service- medical income (cash)	6	2,085,671	1,293,752
NHIF/SHIF- Received as fee for service	7	8,280,268	200,400
Total Receipts		10,365,939	1,494,152
Payments			
Medical/Clinical costs	8	3,225,268	485,923
Employee costs	9	576,000	75,000
Repairs and maintenance	10	1,710,565	163,500
General expenses	11	1,631,793	360,830
Adjusted for decrease/increase (Asset -Liabilities-bank charges)		(40,245)	
Total Payments		7,183,871	1,085,253
Net cash flows from operating activities		3,182,068	408,499
Cash flows from investing activities		3,182,068	-
Purchase of property, plant, equipment & intangible assets		0	0
Acquisition of investments		0	0
Net cash flows used in investing activities		3,182,068	408,499
Cash flows from financing activities			
Proceeds from borrowings		0	0
Capital grants received		0	0
Net cash flows used in financing activities		3,182,068	408,499
Net increase/(decrease) in cash and cash equivalents		3,182,068	408,499
Cash and cash equivalents as at 1 July		695,164	213,933.13
Cash and cash equivalents as at 30 June	12	3,877,232	695,164.43

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Rendering of services- Medical Service Income	2,085,671	0	2,085,671	2,085,671	0	100%
Other receipts (NHIF/SHA)	14,154,960	0	14,154,960	8,280,268	5,874,692	41.5%
Total income	16,240,631	0	16,240,631	10,365,939	5,874,692	63.8%
Expenses						
Medical/Clinical costs	3,500,000	0	3,500,000	3,225,268	274,732	92.2%
Employee costs	600,000	0	600,000	576,000	24,000	96%
Repairs and maintenance	2,000,000	0	2,000,000	1,710,565	289,435	85.5%
General expenses	2,000,000	0	2,000,000	1,631,793	368,207	81.6%
Total Expenditure	8,100,000	0	8,100,000	7,143,626	948,997	88.2%
Surplus for the period				3,222,313		40%

Budget notes

1. The budget underperformance was as a result of late SHA re-imburement and huge outstanding SHA balance of Ksh. 5,874,692.

19. Notes to the Financial Statements

1. General Information

Financial statement entity is established by and derives its authority and accountability from FIF Act. The entity is wholly owned by the Garissa County Government and is domiciled in Garissa County in Kenya. The entity's principal activity is provision of medical services to the people of Modogashe Sub County.

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 accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Hospital. The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

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

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

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires:-</p> <ol style="list-style-type: none"> i. 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: ii. 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.

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

Notes to the Financial Statements (Continued)

b. Budget information

The original budget for FY 2023/2024 was approved by Board on 30 April, 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Hospital did not record additional appropriations. 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 financial performance has been presented on page 5 under section 18 of these financial statements.

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Research and development costs

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

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

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

i. Financial instruments

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

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

Notes to the Financial Statements (Continued)

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

Notes to the Financial Statements (Continued)

j. Inventories

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

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

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

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

k. Provisions

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

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

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

Notes to the Financial Statements (Continued)

l. Social Benefits

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

m. Contingent liabilities

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

n. Contingent assets

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

o. Nature and purpose of reserves

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

p. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

q. Employee benefits

Retirement benefit plans

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

r. Foreign currency transactions

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

s. Borrowing costs

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

t. Related parties

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

Notes to the Financial Statements (Continued)

u. Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *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.

v. Cash and cash equivalents

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

w. Comparative figures

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

x. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

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Notes to Financial Statements Continued

6. Rendering of Services-Medical Service Income

Description	2024-2025	2023-2024
	Kshs	Kshs
Pharmaceuticals	741,350	721,420
Laboratory	1,156,270	427,950
Maternity services		
Outpatient Services		
▪ Records- files	43,478	32,222
Theatre		112,160
Dental	51,100	
Ward services	139,473	
Due from NHIF/SHIF (Receivable)	8,280,268	200,450
Total revenue from the rendering of services	10,365,939	1,494,202

7. Transfers From Other Government Entities

Description	2024/2025	2023/2024
	Kshs	Kshs
NHIF/SHIF claims received	8,280,268	200,450
Total	8,280,268	200,450

Month	Amount	Remittance Number
July 2024	62880	FT235G8ZFS2
August 2024	00	-
September 2024	65880	FT23761CP42H
October 2024	370,440	FT23871N4VKY
November 2024	00	-
December 2024	395,302	FT24362C5632
January 2025	379,142	FT250347V2JY
February 2025	1,391,828	P752501158918078
March 2025	2,115,004	FT25084CJ6QN
April 2025	1,833,714	FT25119Z60FJ
May 2025	605,218	FT25135G8ZB2
June 2025	1,060,860	FT25167L89CF
Total	8,280,268	

Monthly NHIF/SHA remittance FY 24/25

7. Medical/ Clinical Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Dental costs/ materials	79,800	31,750
Laboratory chemicals and reagents	614,980	59,898
Food and Ration	700,600	101,190
Uniform, clothing, beds and bed linen	280,000	0
Dressing and non-pharmaceuticals	171,650	54,675
Pharmaceutical supplies	660,888	78,410
Health information stationery	265,000	100,000
Sanitary and cleansing Materials	110,050	60,000
Medical equipment supplies	342,300	0
Total medical/ clinical costs	3,225,268	485,923

8. Employee Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Salaries, wages, and allowances (permanent employees)	5,898,640	-
Employee costs (casual workers only)	576,000	75,000

Officer / Category	Unit × Count / Additions	Amount
Clinical Officers	132,900 × 6	797,400
Nurses	123,000 × 15	1,845,000
M.O (Medical Officer)	168,000 × 1	168,000
HRIOs	123,380 × 3	370,140
Nutrition	123,820 × 2	247,640
PHOs	128,900 × 2	257,800
Pharmacist	123,820 + 80,000	203,820
Support Staff	27,600 × 15	414,000
Clerks	65,280 × 1	65,280
Admin	136,000 × 1	136,000
Orthopedic tech	65,280 × 1	65,280
Medical Officer (locum)	120,000 × 1	120,000
Dental tech	65,280 × 1	65,280
Drivers & CHWs	(118,000 × 9) + 80,000	1,142,000
Total		5,898,640

9. Repairs And Maintenance

Description	2024-2025	2023-2024
	Kshs	Kshs
Property- Buildings	1,466,050	105,000
Medical equipment & plant maintenance	135,815	20,000
Office equipment		38,500
Computers and accessories	108,700	00
Total repairs and maintenance	1,710,565	163,500

10. General Expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Catering expenses	0	10,000
Fuel and Lubricants	917,272	80,080
Travel and accommodation allowance	221,600	148,200
Printing and stationery- office	30,000	72,550
Water and sewerage costs	394,321	40,000
Telephone and mobile phone services	0	10,000
Other general expenses (System installation, WIFI)	68,600	0
Total General Expenses	1,631,793	360,830

Notes to the Financial Statements (Continued)

11. Cash And Cash Equivalents

Description	2024-2025	2023-2024
	KShs	KShs
Current accounts	3,877,232	695,164.43
On - call deposits	0	0
Fixed deposits accounts	0	0
Cash in hand	0	0
Others(<i>specify</i>)- Mobile money	0	0
Total cash and cash equivalents	3,877,232	695,164.43

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

Description		2024-2025	2023-2024
Financial institution	Account number	KShs	KShs
a) Current account			
Premier Bank	0009577101	3,877,232	695,164.43
b) Others(<i>specify</i>)			
cash in hand		0	0
Mobile money- Mpesa, Airtel money		0	0
Sub- total		3,877,232	695,164.43
Grand total		3,877,232	695,164.43

13. Receivables From Exchange Transactions

Description	2024-2025	2023-2024
	KShs	KShs
Medical services receivables as outstanding SHA balance due	5,874,692	200,450
Total receivables	5,874,692	200,450

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Notes to the Financial Statements (Continued)

14. Inventories

Description	2024-2025	2023-2024
	Kshs	Kshs
Pharmaceutical supplies	3,404,564	00
Maintenance supplies	1,686,600	00
Food supplies	200,000	00
Non-Pharmaceuticals	1,280,000	00
Laboratory Supplies	4,231,256	00
Radiology and Imaging	660,000	00
Dental Supplies	785,000	00
Other Fuels	44,500	00
Printing and Publishing	623,500	00
Linen and clothing supplies	78,000	00
Cleaning materials supplies	44,500	00
General supplies	350,300	00
Total	13,388,220	00

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15. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
Cost								
At 1 July 2024	0	0	0	0	0	0	0	0
Additions	0	37,938,000	0	1,084,670	366,400	6,166,400	0	45,555,470
Disposals	0	0	0	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0	0	0	0
At 30th Jun 2025		37,938,000		1,084,670	366,400	6,166,400		45,555,470
Net book values								
At 30 th Jun 2025(current)	0	37,938,000	0	1,084,670	366,400	6,166,400	0	45,555,470

Notes to the Financial Statements (Continued)

1. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Receivables from exchange transactions	0	0	0	0
Receivables from –non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	695,164.43	0.00	0.00	0.00
At 30 June 2025 (current year)				
Receivables from exchange transactions	5,874,692	0.00	0.00	0.00
Receivables from –non-exchange transactions	0.00	0.00	0.00	0.00
Bank balances	3,877,231.53	0.00	0.00	0.00
Total	9,751,923.53	0.00	0.00	0.00

Notes to the Financial Statements (Continued)

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

(ii) Liquidity risk management

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

The table below represents cash flows payable by the company 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 20xx				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0
At 30 June 20xx				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

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

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 20xx			
Financial assets (investments, cash, debtors)	0	0	0
Liabilities		0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

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

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Notes to the Financial Statements (Continued)

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2024			
Financial assets (investments, cash, debtors)	3,877,232	0	0
Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2023 (previous year)			
Euro	10%	0	0
USD	10%	0	0
2024 (current year)			
Euro	10%	0	0
USD	10%	0	0

b) Interest rate risk

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

Management of interest rate risk

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

Notes to the Financial Statements (Continued)

Sensitivity analysis

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

iv) Capital Risk Management

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

Description	Current Period	Comparative Period
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	0	0
Capital reserve	0	0
Total funds	0	0
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt/ (<i>excess cash and cash equivalents</i>)	0	0
Gearing	0	0

Notes to the Financial Statements (Continued)

2. Related Party Balances

Nature of related party relationships

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

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

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

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

Description	2023-2024
	Kshs
Directors' emoluments	0
Compensation to the medical Sup	0
Compensation to key management	0
	0
Total	-

3. Contingent Liabilities

Contingent liabilities	2023-2024
	Kshs
Court case against the Hospital	0
Bank guarantees in favour of subsidiary	0
Total	0

4. Events after the Reporting Period

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

5. Ultimate and Holding Entity

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

6. Currency

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

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from the final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



 Accounting Officer

APPENDIX I: Projects Implemented by the Entity Projects

Projects implemented by the Hospital Funded by development partners

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. Oxygen plant		AMREF	6 months	2,000,000.00	YES	NO

APPENDIX II: Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Modern Kitchen	1,250,000		100%	1,250,000	1,250,000	County
2	Maternity Ward renovation	650,000		100%	610,000	607,000	Hospital FIF
3	Laboratory renovation	650,000		100%	640,000	633,500	Hospital FIF
4.	Pit latrines/Toilet renovation	200,000		100%	200,000	180,000	Hospital FIF

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APPENDIX Reporting of Climate Relevant Expenditures

Name of the Organization _____ N/A _____

Telephone Number _____ N/A _____

Email Address _____ N/A _____

Name of Medical Supp/MD/Head _____ N/A _____

Name and contact details of contact person (in case of any clarifications)

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

APPENDIX IV Disaster Expenditure Reporting Template

Date:						
Entity						
Period to which this report refers (FY)	Year			Quarter		
Name of Reporting Officer						
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments