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REPORT

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OF

THE AUDITOR-GENERAL

ON

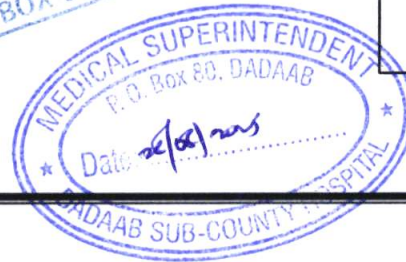
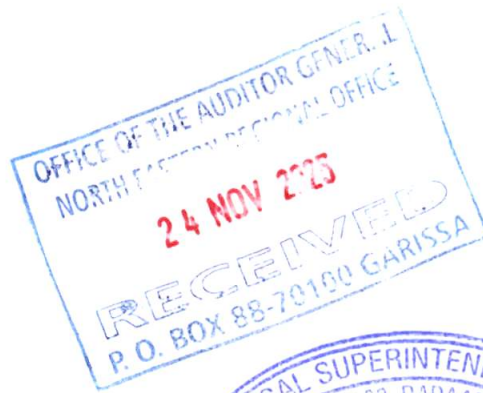
DADAAB SUB-COUNTY HOSPITAL

FOR THE YEAR ENDED  
30 JUNE, 2025

COUNTY GOVERNMENT OF GARISSA

PAPERS LAID	
DATE	17/02/2026
TABLED BY	WELWEL
COMMITTEE	
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**DADAAB SUB-COUNTY HOSPITAL**  
**Garissa County Government**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025**

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

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## **1. Acronyms & Glossary of Terms**

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

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

## **2. Key Entity Information and Management**

### **(a) Background information**

Dadaab 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 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Medical Superintendent	<b>Dr Abdullahi Mohamed mohamud</b>
2.	Head of Administration	<b>Heykal Osman Hidik</b>
3.	Head of supply chain	<b>Acting :Heykal Osman Hidik</b>
4.	Head of Nursing Services	<b>Ronald kenyanya</b>
5.	Clinical services incharge	<b>Festus mulu</b>
6.	Laboratory in-charge/SCMLC	<b>Henry nyaga Ileri</b>

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

- (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 80-70103,  
DADAAB,  
Garissa, KENYA

(g) **Entity Contacts**

Telephone: 0722442491  
E-mail: [dadaabsch6@gmail.com](mailto:dadaabsch6@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

**3. The Board of Management**

Ref	Directors	Details
1.	 Mr HUSSEIN MOHAMED DUALE	<p><b>CHAIRMAN</b></p> <p>Hussein is currently serving as a chairman for the hospital management committee as an acting capacity since the term expiry of the previous committee. He actively participates in all activities within the hospital and community at large.</p>
2.	 Dr ABDULLAHI MOHAMED	<p><b>SECRETARY</b></p> <p>Dr Abdullahi, is the medical superintendent of the hospital and a secretary to the hospital committee. He is 34 years and he has a bachelor's degree (MBChB) from Kampala international university (KIU).</p>
3.	 MRS.FARHIYA HASSAN HILOWLE	<p><b>MEMBER</b></p> <p>Mrs farhiya , is an active member of the hospital committee and has diploma in bachelor's degree in education and now a ret</p>
4.	 SHAFFI DUBOW	<p><b>MEMBER</b></p> <p>Sheikh Shaffi is a member of the hospital committee and known scholar in Islamic sharia(law) within the Dadaab sub-county.</p>

#### 4. Key Management Team

Ref	Management	Details
1.	Dr Abdullahi Mohamed mohamud	Medical Superintendent
2.	Mr Heykal Osman hidik	Hospital Administrator
3.	Ms Ronald kenyanya	Nursing officer in-charge
4.	Mr heykal Osman hidik	Supply assistant in acting, capacity
5.	Mr festus mulu	Clinical officer in-charge
6.	Ms henry nyaga	Laboratory in-charge
7.	Mr Fredrick odipo	Pharmacy in-charge
8.	Mr peter maguche	Orthopaedics department
9.	Mr Marry wangu	In-charge dental department
10.	Ms nelson gitobu	In-charge Record department

## **5. Chairman’s Statement**

Dadaab 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 refugees complex at large.

The hospital is now referral hub that accommodate the Dadaab sub-county including the refugees complex (IFO-1, IFO -2, Dagahley and Hagadera Camp) for this year every indicator has improved in terms of skilled deliveries.

### **Achievements**

The Hospital management board and hospital management committee realized great achievement in terms of revenue generation, which has grown compared to the previous financial year 2022/2023, infrastructural development including acquisition of modern kitchen, and Human resource development, internet installation, water connection, supply and delivery of new electrolyte machine and general repair and maintenance in different cadre. The county Government posted consultant to the hospital to enhance and increase services offered at the sub-county hospital.

### **Challenges**

The sub-county received 2 major rainfalls within the year; NOV- DEC 2023 and March-April 2025. 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. 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 HUSSEIN MOHAMED DUALE**

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

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

### **A. Background**

Dadaab sub-county hospital is a level 4 hospital and has been in existence from early 1980s, grown from Dadaab dispensary-Dadaab health centre and now sub-county referral facility. The current hospital infrastructural building was constructed in 2012 by government 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 Dadaab sub-county including the neighbouring counties of Wajir and refugee camp. The hospital serves as a training centre for Nursing students, clinical officers' students and other healthcare workers. The hospital has staff consisting of: 2 medical officer, 3 RCOS, 13 Nurses, 2 pharm-tech, 3 lab-Tech, 1 dental officer, 1, 12 support staff, 2 revenue clerks, 2 nutrition officers, 1 hospital administrator, , 2 HRIOs, 1 NHIF clerk, 1 hospital cook, 2 casual workers and 2 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 2023/2024 and the operating revenue increased to a total of ksh.8,047,444 on source cash collection and SHA claim.

As of the financial year 2024/2025, the hospital is staffed with a multidisciplinary team supporting both clinical and operational functions. The workforce comprises **16 nurses, 3 clinical officers, 2 medical officers, 3 laboratory technicians, 2 pharmacy technicians, 2 orthopaedic technicians, 2 clinical and nurse anesthetists, and 2 sonographers**, along with **1 surgeon and 1 community oral health officer**. The hospital also has **2 nutrition officers, 1 public health officer, 2 community health assistants, and 3 health records officers** to ensure accurate documentation and community outreach. Administrative and support staff include **1 hospital administrator, 2 revenue clerks, 3 gate men/watchmen, 1 cook, 1 driver, and 8 cleaners**, all contributing to the smooth operation of the facility. This staffing structure supports the delivery of quality healthcare services across the hospital's departments.

#### **b) Expenditure**

The total expenditures during the period FY 24/25 amounted to **Ksh. 5,091,454** representing 63% total sum amount in the Hospital account (both cash and NHIF re-imburements). 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) surplus**

During the financial year the hospital made surplus of kshs.

**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**

During the financial year 2024/2025, the hospital successfully constructed a new facility through the support of the County Executive on a 2.5 km by 1.5 km parcel of land, with approximately 60% of the space remaining unoccupied for future expansion. The newly developed facility has a total bed capacity of 250 and is equipped to provide a wide range of medical services, including outpatient care (consultations, pharmacy, laboratory, and observation), casualty and emergency services, maternity care (antenatal, postnatal, delivery, and newborn units), radiology (ultrasound, X-ray, and CT scan), a renal dialysis unit, and five inpatient wards with washrooms and showers. Surgical capacity is supported by a theatre with two operating tables, and an intensive care unit (ICU) is currently under development. The facility also includes a modern kitchen, laundry, warehouse, incinerator, administration block, power house with two generators, oxygen plant, and solar power system. In addition, the hospital houses maternal and child health (MCH) services, special clinics, a nutrition unit, and staff quarters—ensuring comprehensive service delivery and long-term operational sustainability.

**Challenges**

Dadaab 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.

**f) 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 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.

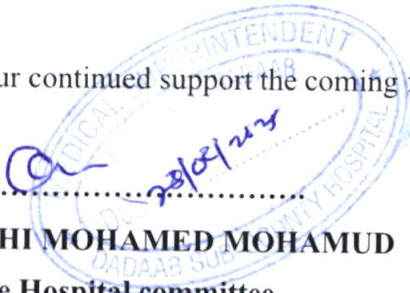
**g) Appreciation**

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.

*Dadaab Sub-County Hospital*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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



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**Dr ABDULLAHI MOHAMED MOHAMUD**  
Secretary to the Hospital committee

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

Dadaab sub-county hospital has two strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2024/2025- FY 2027/2028. These strategic pillars/ themes/ issues are as follows:

- a) Pillar /theme/issue 1: Operational excellence
- b) Pillar/theme/issue 2: Skilled and energetic management team

Dadaab sub-county hospital develops its annual work plans based on the above two pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Dadaab sub-county hospital achieved its performance targets set for the FY 2024/2025 period for its two strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Pillar/ theme/ issue 1 1: Operational excellence	Reengineering, policies	Enhance service delivery	customers receive safe, timely, equitable, efficient, effective and patient-centred services.	effective and timely service delivery and efficient utilization of resources
Pillar/ theme/ issue 1: Skilled and energetic management team	Institutionalize leadership and governance performance	alignment of governance, leadership, and all employees to the overall strategic objectives of the organization.	oversight in financial reporting, Safeguarding Hospital assets	vibrant governance system

## **8. Corporate Governance Statement**

### **Two-to-three pages**

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

#### **Governance Structure:**

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

#### **Ethical Standards:**

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

#### **Risk Management:**

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

#### **Transparency and Disclosure:**

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

#### **Stakeholder Engagement:**

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

#### **Continuous Improvement:**

We are dedicated to continuous improvement in governance practices. We regularly evaluate our governance structure, policies, and processes to identify areas for enhancement and implement best practices. Through ongoing learning and development, we strive to strengthen our governance framework and uphold the trust and confidence of our stakeholders. At Dadaab Sub County Referral Hospital, we are committed to maintaining the highest standards of corporate governance to fulfill our mission of providing quality healthcare services to our community.

We will continue to uphold the principles of transparency, accountability, and integrity in all our endeavors, guided by our commitment to excellence and the public interest.

**9. Management Discussion and Analysis**  
**Clinical/Operational performance**

DESCRIPTION	TOTAL NUMBER/%
Bed Capacity (Medical & Maternity Wards)	58%
Outpatient Attendance	22671
Inpatient Attendance	1462
Accident & Emergency Attendance	1132
Special Clinic Attendance	3065
Average Length of stay for Inpatient	8 days
Bed Occupancy rate.	15.63%
Mortality Rate.	0.79%

**Surgical theatre utilization**

PROCEDURE	TOTAL NO.
Amputation	0
Cesarean Section	61
Circumcision	144
Debridement	18
Disarticulation	2
Ear Syringing	11
Excision	0
Fasciotomy	4
Fistulectomy	26
Foreign Body Removal	2
Ganglionectomy	5
Hemorrhoidectomy	2
Hernia Repair	2
Herniorrhaphy	0
Hydrocelectomy	2
Incision and Drainage	10
Lipectomy	3
Mastectomy	0
Removal of Retained Placenta	2
Surgical Toilet	2

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

**Two-to-three pages)**

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

We are committed to provide high quality health care services while minimizing its environmental impact, recognizing the importance of sustainability strategy aligned with international best practices. This strategy encompasses various initiatives and mandates that promote environmental stewardship, social responsibility and economic viability. The following are measures taken to promote sustainability practice.

#### **Waste management.**

Waste management is essential in to minimize the environmental impact of the hospital. We have adopted waste segregation practice and recycling program. The newly constructed incinerator has helped us in reducing pile up and timely proper disposal of hazardous waste.

#### **Sustainable procurement**

The hospital follows sustainable procurement practices by giving preference to suppliers who prioritize environmental friendly products and services. This includes sourcing locally produced goods, considering product life cycle and selecting suppliers with strong sustainability credential.

### **ii) Environmental performance**

This present assessment of the environmental performance of the hospital such as environmental policy that serve as a guiding framework for its sustainability efforts such as reducing resource consumption, waste generation and emissions. It also emphasize compliance with environmental regulations and continuous improvement through monitoring and evaluation.

### **iii) Employee welfare**

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

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

The hospital recognizes the importance of social responsibility in its sustainability efforts. It actively promotes employee well-being diversity and inclusion, community engagement and ethical practices. The hospital also supports local community initiatives by collaborating with NGO's and take part in health education and awareness programs.

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

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

**Principal activities**

The principal activities of the hospital is to offer inpatient and outpatient services and provide them with medical service

**Results**

The results of Dadaab sub-county hospital for the year ended June 30<sup>th</sup>, 2025 are set out on pages 1 to 37

**Board of Management**

The members of the Board who served during the year are shown on page v. During the year, 2024/2025

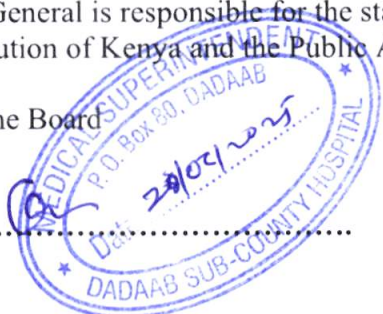
**Auditors**

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

By Order of the Board

.....  
**Name**

**Secretary to the Board**



## **12. Statement of Board of Management's Responsibilities**

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

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

The Board of Management accepts responsibility for the Hospital financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Board members are of the opinion that the Hospital financial statements give a true and fair view of the state of Hospitals transactions during the financial year ended June 30, 2025, and of the hospitals 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 financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

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


.....  
**Hussein Mohamed Duale**  
**Chairperson**  
**Board of Management**


.....  
**Dr. Abdullahi Mohamed Mohamud**  
**Medical Superintendent**

# REPUBLIC OF KENYA

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

## REPORT OF THE AUDITOR-GENERAL ON DADAAB SUB-COUNTY HOSPITAL FOR THE YEAR ENDED 30 JUNE 2025 - COUNTY GOVERNMENT OF GARISSA

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Dadaab Sub-County Hospital set out on pages 1 to 35, 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

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*Report of the Auditor-General on Dadaab 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Dadaab Sub-County Hospital as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the County Governments Act, 2012, the Health Act, 2017 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

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

The Hospital did not prepare and submit financial statements for financial year 2021/2022 and 2022/2023. Management did not provide satisfactory explanation for the failure to prepare and submit the financial statements to Auditor-General. 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 (3) 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 Cash and Cash Equivalent Balance**

The statement of financial position reflects cash and cash equivalent balance of Kshs.3,928,976 as disclosed in Note 11 to the financial statements. However, review of cash management records revealed that the current account cashbook was not being updated regularly. Instead of recording daily cash collections, mobile money deposits to bank and receipts from the Social Health Insurance Fund (SHIF) was recorded as a single lump sum entry amounting to Kshs.8,047,444 covering the period from July, 2024 to 30 June, 2025 without providing any details. This was contrary to Regulations 100 of Public Finance Management Act (County Government) Regulations, 2015 which requires maintenance of cashbook which shows transaction of receipts and payments.

In the circumstances, the accuracy and completeness of the rendering of services - medical service income of Kshs.8,047,444 and accuracy of cash and cash balance could not be confirmed.

### 3. Non-Disclosure of Inventory Balance

The statement of financial position did not reflect any inventory as at 30 June, 2025. However, review of stock records provided for audit revealed that the Hospital held inventory balances relating to pharmaceutical and non-pharmaceuticals items of undetermined values as at 30 June, 2025.

In addition, there was no evidence provided to confirm that annual stock take was conducted to confirm the closing balances of inventories as at 30 June, 2025.

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

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

#### Key Audit Matters

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

#### Other Matter

#### Unresolved Prior Year Matters

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 Dadaab Sub County level 4 Hospital in 2024/2025 revealed that the following fourteen (14) issues 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
14.	2023/2024	Lack of Integrated Financial Management System

### Other Information

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

In connection with my audit on the Hospital's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. Based on the audit procedures performed and the matters described in my Basis for Qualified Opinion, I confirm that Other Information is not materially inconsistent with the financial statements.

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

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

#### Conclusion

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

## Basis for Conclusion

### 1. Non-Compliance with the Financial Reporting Template

The Institute of Certified Public Accountants of Kenya (ICPAK) membership number for the accountant who signed the financial statements was not disclosed. This was contrary to the requirement of the Annual Financial Reporting Template issued by the Public Sector Accounting Standards Board that requires disclosure of ICPAK membership number of the Head of Finance who signs the financial statements.

In the circumstances, the financial statements were not fully compliant with the Annual Financial Reporting Template.

### 2. Failure to Prepare Estimates of Income and Expenditure

The Management of the Hospital did not prepare estimates of income and expenditure and submit the same to the respective County Executive Committee Member 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.

### 3. 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 deficits as analyzed:

Staff Requirements	Level 4 Standard	Number in Hospital	Variance
Medical Officers	16	2	14
Anesthesiologist	2	2	0
General Surgeons	2	1	1
Gynecology	2	1	1
Pediatrics	2	0	2
Radiologist	2	1	1
Kenya Registered Community Health Nurses	75	11	64
<b>Total</b>	<b>101</b>	<b>6</b>	<b>83</b>

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

Equipment Required	Level 4 Hospital Standard	Number in the Hospital	Variance
Beds	150	24	126
Resuscitative (2 in Labor & 1 in Theatre)	3	0	3
New Born Unit Incubators	5	1	5
New Born Unit Cots	5	2	5
Functional ICU Beds	6	0	6
High Dependency Unit (HDU) Beds	6	0	6
Renal Unit with at Least 5 Dialysis Machines	5	0	5
Two Functional Operational Theatres - Maternity & General	1	1	1

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.

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

The Hospital did not have a duly constituted Board of Management during the year under review. Even though there were profiles in the annual report and financial statements of individuals purported to be member of the Hospital Board, records to support their appointment were not provided for audit review. Consequently, key governance and oversight roles, including budget approval, performance monitoring, and financial and operational report review, were not effectively carried out.

In the circumstances, the effectiveness of governance structures at the Hospital could not be confirmed.

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

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

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for

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

## **Basis for Conclusion**

### **1. Out of Essential Medical Supplies**

The statement of financial position reflects nil inventory balance. Audit inspection of stores carried out on 5 October, 2025 indicated that thirty-nine (39) categories of medical commodity items were out of stock. In addition, there were no policy guidelines on the required reorder levels, hence not possible to confirm whether commodities were within the required stock levels.

In the circumstance, the effectiveness of internal controls on the management of pharmaceuticals and non-pharmaceuticals inventory to achieve the Hospital mandate could not be confirmed.

### **2. Lack of Functional Audit Committee**

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

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

### **3. Lack of Internal Audit Function and Audit Committee**

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

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

### **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.

In the circumstances, the Hospital lacked the tools for effective policy implementation.

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 Board of Management**

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

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

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

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

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

The Board of the Hospital 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 ISSAIs requires 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**

**26 November, 2025**

**Dadaab Sub-County Hospital**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**


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


Description	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Revenue from exchange transactions</b>			
Rendering of services- Medical Service Income	6	8,047,444	2,952,357.00
In Kind contribution from County Executive	6	5,300,860	
<b>Total revenue</b>		<b>13,348,304</b>	<b>2,952,357.00</b>
<b>Expenses</b>			
Medical/Clinical costs	7	2,129,074	1,981,254
Employee costs	8	5,712,860	72,000
Repairs and maintenance	9	452,030	300,965
General expenses	10	2,098,350	684,390
<b>Total expenses</b>		<b>10,392,314</b>	<b>3,038,609</b>
<b>Net Surplus / (Deficit) for the year</b>		<b>2,955,990</b>	<b>-86,252</b>

*(The notes set out on pages 1 to 37 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**

  
**Head of Finance**  
 ICPAK No: 22932

  
**Medical Superintendent**

**Dadaab Sub-County Hospital**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	3,928,976	972,986
<b>Total Current Assets</b>			
<b>Non-current assets</b>			
Property, plant, and equipment		0	0
<b>Total Non-current Assets</b>			
<b>Total assets (A)</b>		<b>3,928,976</b>	<b>972,986</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables			0
<b>Total Current Liabilities</b>			
<b>Non-current liabilities</b>			
<b>Total non-current liabilities</b>			<b>0</b>
<b>Total Liabilities (B)</b>			<b>0</b>
<b>Net assets (A-B)</b>		<b>3,928,976</b>	<b>972,986</b>
<b>Represented by:</b>			
Revaluation reserve			
Accumulated surplus/Deficit		3,928,976	972,986
Capital Fund			-
<b>Net Assets</b>		<b>3,928,976</b>	<b>972,986</b>

(The notes set out on pages 1 to 37 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**

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

.....  
**Medical Superintendent**

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

<b>Description</b>	<b>Revaluation reserve</b>	<b>Accumulated surplus/Deficit</b>	<b>Capital Fund</b>	<b>Total</b>
<b>As at July 1, 2023(previous year)</b>		<b>1,059,238.00</b>	<b>-</b>	<b>1,059,238.00</b>
Revaluation gain				
Surplus/(deficit) for the year		-86,252.00		-86,252.00
Capital/Development grants		-	-	-
<b>As at June 30, 2024 (previous year)</b>		<b>972,986.00</b>	<b>-</b>	<b>972,986.00</b>
<b>At July 1, 2024 (current year)</b>		<b>972,986.00</b>	<b>-</b>	<b>972,986.00</b>
Revaluation gain				
Surplus/(deficit) for the year		2,955,989.98		2,955,989.98
Capital/Development grants				
<b>At June 30, 2025 (current year)</b>		<b>3,928,975.98</b>		<b>3,928,975.98</b>

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Rendering of services- Medical Service Income		8,047,444	2,952,357.00
<b>Total Receipts</b>		<b>8,047,444</b>	<b>2,952,357.00</b>
<b>Payments</b>			
Medical/Clinical costs		2,129,074	1,981,254
Employee costs		412,000	72,000
Repairs and maintenance		452,030	300,965
General expenses		2,098,350	684,390
<b>Total Payments</b>		<b>5,091,454</b>	<b>3,038,609</b>
<b>Net cash flows from operating activities</b>		<b>2,955,990</b>	<b>-86,252.00</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment			
<b>Net cash flows used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from borrowings			
<b>Net cash flows used in financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,955,990</b>	<b>-86,252</b>
Cash and cash equivalents as at 1 July 2024		972,986	1,059,238
<b>Cash and cash equivalents as at 30 June 2025</b>		<b>3,928,976</b>	<b>972,986</b>

**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	
<b>Revenue</b>						
Rendering of services- Medical Service Income	8,047,443.98	972,986.00	9,020,429.98	8,047,443.98	972,986.00	11%
Revenue from rent of facilities						
<b>Total income</b>	<b>8,047,443.98</b>	<b>972,986.00</b>	<b>9,020,429.98</b>	<b>8,047,443.98</b>	<b>972,986.00</b>	<b>100%</b>
<b>Expenses</b>						
Medical/Clinical costs	6,068,400		6,068,400	2,229,074	3,839,326	63%
Employee costs	500,000		500,000	412,000	88,000	18%
Repairs and maintenance	452,030		452,030	452,030	-	0%
General expenses	2,000,000		2,000,000	1,998,350	1,650	0%
<b>Total Expense</b>	<b>9,020,430</b>		<b>9,020,430</b>	<b>5,091,454</b>	<b>3,928,976</b>	<b>44%</b>
<b>Surplus for the period</b>						<b>-</b>
<b>Capital expenditure</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	

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

### **1. General Information**

Dadaab Sub County Hospital entity is established by and derives its authority and accountability from Act. The entity is wholly owned by the County Government and is domiciled in County in Kenya. The entity's principal activity is xxx.

### **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 *entity's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*. The financial statements have been prepared in accordance with the PFM Act, and (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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

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

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

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

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<p><i>Applicable 1<sup>st</sup> 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> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously</p>

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

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

*iii) Early adoption of standards*

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

#### **4. Summary of Significant Accounting Policies**

##### **a. Revenue recognition**

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

##### **Transfers from other Government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *Entity* and can be measured reliably. 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 was approved by Board on *xxxx*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the *entity* recorded additional appropriations of *x* on the FY budget following the Board's approval. The *entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

**c. Taxes**

**Sales tax/ Value Added Tax**

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

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

*Notes to the Financial Statements (Continued)*

**d. Investment property**

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

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

**e. Property, plant and equipment**

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

*Notes to the Financial Statements (Continued)*

**f. Leases**

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

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

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

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

**g. Intangible assets**

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

*Notes to the Financial Statements (Continued)*

**h. Research and development costs**

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

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

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

**i. Financial instruments**

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

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

*Notes to the Financial Statements (Continued)*

**Financial assets**

**Classification of financial assets**

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

**Subsequent measurement**

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

**Amortized cost**

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

*Notes to the Financial Statements (Continued)*

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

**Impairment**

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

**Financial liabilities**

**Classification**

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

*Notes to the Financial Statements (Continued)*

**j. Inventories**

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

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

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

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

**k. Provisions**

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

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

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

*Notes to the Financial Statements (Continued)*

**l. Social Benefits**

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

**m. Contingent liabilities**

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

**n. Contingent assets**

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. *(Entity to state the reserves maintained and appropriate policies adopted.)*

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

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

*Notes to the Financial Statements (Continued)*

**q. Employee benefits**

**Retirement benefit plans**

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

**r. Foreign currency transactions**

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

**s. Borrowing costs**

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

**t. Related parties**

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

*Notes to the Financial Statements (Continued)*

**u. Service concession arrangements**

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

**v. Cash and cash equivalents**

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

**w. Comparative figures**

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

**x. Subsequent events**

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

## **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.

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

Notes to Financial Statements Continued

6. Rendering of Services-Medical Service Income

Description	2024-2025	2023-2024
	Kshs	Kshs
Medical services income	8,047,444	2,952,357
In kind contribution from County Executive	5,300,860	-
<b>Total revenue from the rendering of services</b>	<b>13,348,304</b>	<b>2,952,357</b>

7. Medical/ Clinical Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Dental costs/ materials	-	-
Laboratory chemicals and reagents	-	1,327,879
Public health activities		-
Food and Ration	672,370	404,350
Uniform, clothing, and linen		-
Dressing and Non-Pharmaceuticals	317,300	199,075
Pharmaceutical supplies	797,254	-
Health information stationery		-
Reproductive health materials		-
Sanitary and cleansing Materials	342,150	49,950
Purchase of Medical gases		-
X-Ray/Radiology supplies		-
Other medical related clinical costs ( <i>specify</i> )		-
<b>Total medical/ clinical costs</b>	<b>2,129,074</b>	<b>1,981,254</b>

**8. Employee Costs**

Description	2024-2025	2023-2024
	Kshs	Kshs
Salaries, wages, and allowances	412,000	72,000
Salaries of permanent staff paid by County Executive	5,300,860	-
<b>Employee costs</b>	<b>5,712,860</b>	<b>72,000</b>

**9. Repairs And Maintenance**

Description	2024-2025	2023-2024
	Kshs	Kshs
Property- Buildings		300,965
Medical equipment		-
Office equipment	159,030	-
Furniture and fittings		-
Computers and accessories	279,000	-
Motor vehicle expenses	14,000	-
Maintenance of civil works		-
<b>Total repairs and maintenance</b>	<b>452,030</b>	<b>300,965</b>

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

**10. General Expenses**

Description	2024-2025	2023-2024
	Kshs	Kshs
	Catering expenses	50,000
Travel and accommodation allowance	1,185,800	150,600
Printing and stationery	397,100	332,690
Water and sewerage costs	227,500	30,000
Fuel and lubricants	100,000	
Parcel services	49,950	
Telephone and mobile phone services	88,000	20,000
<b>Total General Expenses</b>	<b>2,098,350</b>	<b>684,390</b>

**11. Cash And Cash Equivalents**

Description	2024-2025	2023-2024
	KShs	KShs
Current accounts	3,928,976	972,986
<b>Total cash and cash equivalents</b>	<b>3,928,976</b>	<b>972,986</b>

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

Description		2024-2025	2023-2024
Financial institution	Account number	KShs	KShs
a) <b>Current account</b>			
Premier Bank	9578101	3,928,976	972,986
<b>Grand total</b>		<b>3,928,976</b>	<b>972,986</b>

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*Notes to the Financial Statements (Continued)*

**12. 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
<b>Cost</b>								
At 1 July 2023 (previous year)	0	0	0	0	0	0	0	0
Additions								
Disposals								
Transfers/adjustments								
<b>At 30<sup>th</sup> Jun 2024</b>								
At 1 July 2024 (current year)								
Additions								
Disposals								
Transfer/adjustments								
<b>At 30<sup>th</sup> Jun 2025</b>	0	0	0	0	0	0	0	0
<b>Depreciation and impairment</b>								
At 1 July 2023 (previous year)								
Depreciation for the year								
Disposals								
Impairment								
<b>At 30 June 2023</b>	0	0	0	0	0	0	0	0
At July 2023(current year)								
Depreciation								
Disposals								
Impairment								
Transfer/adjustment								
<b>At 30<sup>th</sup> June 2023</b>	0	0	0	0	0	0	0	0



### **Investment Property**

*(For investment property held at fair value, changes in fair value should go through the statement of financial performance. Where cost model is elected, depreciation and impairment should not be charged. Investment measured at fair value should be evaluated at the end of the reporting period for changes in fair value.). Entity should disclose the independent valuers, rental income from the investment property if any and the direct costs attributed to the investment property. Any charges on the investment property as well as any difficulty in classifying this asset as an investment property.*

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

**Financial Risk Management**

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

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

**(i) Credit risk**

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

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

**Financial Risk Management**

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

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

**(ii) Credit risk**

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

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from x 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.

**(iii)Liquidity risk management**

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

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

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

**(iv) 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:

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

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

**Foreign currency sensitivity analysis**

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

**b) Interest rate risk**

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

**Management of interest rate risk**

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

**Sensitivity analysis**

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

**iv) Capital Risk Management**

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

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

**16. Related Party Balances Nature of related party relationships**

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

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

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

**17. Segment Information**

*(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity's performance and allocation of resources to different segments)*

**18. Contingent Liabilities**

*(Give details)*

**19. Capital Commitments**

*(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)*

20. Appendices

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

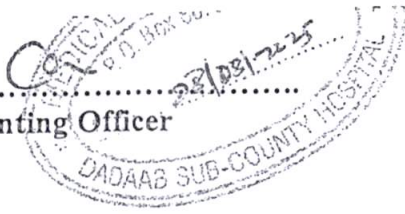
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

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)
Lack of Hospital Board	The Hospital Board of Management was not constituted	The process of establishing the board of management is currently underway. This endeavor necessitates meticulous attention to detail as it involves the development of comprehensive policies and the establishment of a robust legal framework. The creation of such a governing body	Resolved	Board members Gazetted on 10 <sup>th</sup> January 2025 via Notice No. 1115
Deficiencies in implementation of universal health coverage (UHC)	Failure to establish UHC staff requirements guidelines	The issue stems from the town's geographical location, which poses difficulties in both attracting and maintaining specialized medical practitioners. Budget constraints present a significant hurdle.	Not resolved	15 <sup>th</sup> February 2026
Failure to prepare Estimates of Income and Expenditure	Lack of budget document	Some functions have not been fully devolved to the hospital the bill is currently been discussed at the county assembly regarding the use of revenue collected at the source.	Not resolved	15 <sup>th</sup> February 2026
Lack of risk management and disaster recovery plan	Lack of policy documents	The process of establishing the board of management is currently underway. This endeavor necessitates meticulous attention to detail as it involves the development of comprehensive policies and the establishment of a robust legal framework.	Not resolved	15 <sup>th</sup> February 2026

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Accounting Officer



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

Name of Transferring entity.....

Name of Beneficiary entity.....

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 <sup>th</sup> June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
N/A	N/A			0	No disbursement
N/A	N/A			0	No disbursement
N/A	N/A			0	No disbursement
Total					

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

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

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