

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

MANDERA COUNTY REFERRAL HOSPITAL

**FOR THE YEAR ENDED
30 JUNE, 2022**

COUNTY GOVERNMENT OF MANDERA

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**MANDERA COUNTY REFERRAL HOSPITAL
(MANDERA COUNTY GOVERNMENT)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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

Mandera County Referral Hospital (Mandera County Government)
Annual Report and Financial Statements For The Year Ended 30th June 2022

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I. Key Entity Information and Management

(a) Background information

Mandera County Referral Hospital is a level 4 hospital established under gazette notice number 4379 and is domiciled in Mandera County under the Health Department. The hospital is governed by a Board of Management. Mandera County Referral Hospital is a Ministry of Health primary care hospital located in Neboi ward, Mandera East in Mandera County.

(b) Principal Activities

Mission

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

Vision

To have an efficient, high quality healthcare system that is accessible, equitable and affordable for every Kenyan in Mandera County.

Core Values

The core values of the county Department of Health services are:

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

(c) Key Management

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

i) County department of health

It's led by the county executive committee who takes overall responsibility in the day-to-day running of the Hospital on behalf of the Board of Management by;

- Providing visionary and transformational leadership
- Overseeing the implementation of the Boards resolutions
- Support to Board of Management for effective oversight
- Evaluate the hospital long term healthcare service effectiveness
- Review and recommend appropriate actions for strategic operational plans and policies
- Review performance improvement activities and patient's safety efforts

- Identify, evaluate and implement the scope of services, practice and governance of the hospital
- Prudent management of resources
- Formulating long-term strategies and business plans
- Monitoring and evaluating performance
- Ensuring effective communication within the Hospital

ii) Board of Management

The key responsibilities for the Board are;

- Ensure that strategy is aligned with the purpose of the Hospital and legitimate interests and expectations of stakeholders.
- Ensure that the strategy of the Hospital is aligned to the long-term goals on sustainability so as not to compromise the ability of the future generations to meet their own needs.
- Approve the Hospital structure.
- Approve the annual budget of the Hospital.
- Monitor the Hospital performance and ensure sustainability.
- Enhance the corporate image of the Hospital.
- Ensure availability of adequate resources for the achievement of the Hospital objectives.
- Ensure effective communication with stakeholders.
- Protect the assets of the Hospital.

iii) Accounting Officer/ Medical Superintendent

These are the responsibilities of the accounting officer of the hospital;

- The custodian of the hospital's book of accounts
- Manage all accounting transactions
- Prepare budget forecast
- Publish financial statements on time
- Handle monthly, quarterly and annual closings
- Reconcile accounts payable and receivable
- Ensure timely bank payments

- Compute taxes and prepare tax returns
- Manage balance sheets and profit/loss statements

iv) Management

- Serve as a liaison between the staff, management and patients
- Design and implement short, medium and long-term goals for the medical facility
- Frame budgets and operational strategy for each department.
- Oversee the finances of the hospital, including setting the rates for various health services, budgeting and revenue monitoring.
- Streamline the operational procedures of the facility to provide patients with the best care.
- Ensure the security and safety of patient healthcare records and other facility data

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Medical Superintendent	Dr Hassan Adan Kalla-
2.	Hospital Administrator	Ahmed Siraj Alinoor-
3.	Head of supply chain	Mude Ukurow-
4.	Principal Accountant	Abdullahi A Abdirahman

e) Fiduciary Oversight Arrangements

The oversight arrangements include;

1. Clinical Research and Standards Committee.
 - i) Identifying health care service problems in the hospital and ensuring that they are resolved;
 - ii) Review any changes on policy issues on standards, quality assurance and research;
 - iii) Liaise with the Medical Advisory Committee on matters of quality health care delivery
2. **Audit committee**
 - i) Reviewing quarterly, half-yearly and annual financial statements before submission to the Board;

- ii) Reviewing the performance, objectivity, and independence of external auditors;
- iii) Consideration of audit findings by the external auditors;
- iv) Monitoring and reviewing the effectiveness of the Hospital's internal audit function;

3. Risk Committee

- i) Reviewing the Hospital's internal control and ensuring quality, integrity, effectiveness and reliability of the Hospital's risk management framework.
- ii) Provide a forum for communication between the board, management and external risk management advisors
- iii) Assist the board in its oversight responsibilities by monitoring and advising on operational risks, including clinical risks.

4. County Assembly

- i) Scrutinize Budget estimates and budget documents and make appropriate recommendations;
- ii) Monitors budget performance of the hospital
- iii) Ensure that the relevant hospitals accounts on its expenditure;
- iv) Consider reports of the Auditor-General;

5. Parliamentary committees

- i) Develop a framework to guide and assist County Governments in the establishment of institutional structures for the management of health;
- ii) Coordinate intra and inter agency and governmental consultations on health sector issues, including existing and evolving health policies, legislation, regulations and programmes;
- iii) Coordinate and harmonize CoG views and perspectives on health matters;
- iv) Create forums for sharing of emerging issues and best practices, including modalities for prioritization and promotion of health an instrument for socio-economic growth

f) Entity Headquarters

P.O. Box 7-70300
Mandera county referral
Hospital Road,

Mandera, KENYA

g) Entity Contacts

Telephone: (+254) 704988326
E-mail: manderacountyreferralhospital@yahoo.com

h) Entity Bankers

Kenya Commercial Bank,
P.O. Box 275- 70300,
Mandera, Kenya.

i) Independent Auditors

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


j) Principal Legal Adviser

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

k) County Attorney

P.O. Box.13-70300,
Mandera, Kenya.



II. The Board of Management

Ref	Directors	Details
1.	 <p>ADOW IBRAHIM MOHAMED – CCO Medical services</p>	<p>Adow holds a Bachelor of business management degree.</p> <p>He brings over 20 years’ experience from private sector from middle level to high management level. Adow strives has strived through own initiatives in acquiring more knowledge, experience and skills thus keeping up with ever increasing professional dynamics.</p>
2.	 <p>DR. HASSAN ADAN KALLA- Consultant Obstetrician and Gynaecologist</p>	<p>Dr.Hassan Adan Kala is medical superintendent at Mandera county referral hospital since November 2018.Mr Hassan was senior medical officer at MCRH.</p>


*Mandera County Referral Hospital (Mandera County Government)
Annual Report and Financial Statements For The Year Ended 30th June 2022*

<p>3.</p>	 <p>MR. AHMED SIRAJ ALINOOR-Hospital Administrator</p>	<p>Mr. Ahmed Siraj Alinoor is an assistant director hospital administration. He holds bachelor degree commerce strategic management.</p>
<p>4.</p>	 <p>MR. ABDULLAHI ABDI-Principal Accountant</p>	<p>Mr. Abdullahi Abdi Abdirahman holds a bachelor of commerce (accounting option). He previously worked as principal accountant at ministry of Youth, Gender and social service, Ministry of finance and economic planning and ministry of Education. Abdullahi also served senior finance officer at Islamic relief Kenya.</p>

III. Management Team

Ref	Management	Details
1.	 <p>DR. HASSAN ADAN KALLA- Consultant Obstetrician and Gynaecologist.</p>	Medical Superintendent Mandera County Referral Hospital
2.	 <p>MR. AHMED SIRAJ ALINOOR-Hospital Administrator</p>	Hospital Administrator Mandera County Referral Hospital

*Mandera County Referral Hospital (Mandera County Government)
Annual Report and Financial Statements For The Year Ended 30th June 2022*

3.	 <p>MR. ABDULLAHI ABDI- Principal Accountant</p>	Principal Accountant Mandera County Referral Hospital
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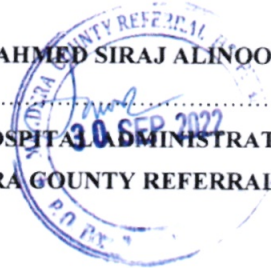
IV. Chairman's Statement

MCRH as the county referral hospital of choice in the entire Mandera County has quality specialized health care to patients from the Bulla Hawa region of Somalia and Suftu region of Ethiopia. These services include CT scan, X-ray radiology service, critical care services (ICU), new born services and renal services, among others. Management and operations of the hospital is guided by the existing legal, policy, and institutional frameworks that govern health sector to ensure efficient and effective delivery of services in the Hospital. The Kenyan Constitution 2010 under the Bill of Rights provides the right to the highest attainable standard of health including reproductive health care and emergency medical treatment.

In addition, the Health Act 2016 establishes a unified health system that coordinates the inter-relationship between the national government and county government health systems, provides for regulation of health care services and health care service providers, health products and health technologies for connected purposes. It also provides for Health financing; Research; E-Health; Human organs and tissue transplant; Traditional and alternative medicine; Mental; Environmental and Public health; Standards of health; Reproductive health; and Emergency treatment. With this in mind, and the strategic placement of MCRH in the health sector, the Board is committed to ensure continued quality service delivery to the citizens.

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

AHMED SIRAJ ALINOOR
.....
HOSPITAL ADMINISTRATOR
MANDERA COUNTY REFERRAL HOSPITAL



V. Report of The medical superintendent

I am pleased to present the Hospital's annual report and financial statements for the year 2021/22. The report highlights the hospitals operational and financial performance as well as our strategic direction. **Operational Performance**

The hospital provides specialized healthcare services. To meet our patients' needs, we have specialists in all disciplines of medical practice who ensure our customers receive safe, timely, equitable, efficient, effective and patient-centred services. In 2021/22 the hospital attended to 223,846 patients of whom 54,000 were inpatients. This was an increase of 6% outpatients and 11% inpatients attendance in comparison to the previous financial year.

Patient Safety

MCRH has embarked on all aspects of patient safety which is an integral component of health service delivery. MCRH is focused to reduce hospital acquired infections and medical errors, reduction of falls and occurrence of venous thrombosis. The Hospital has created the department of Quality Healthcare (QHC) whose operations encompass patient safety, clinical governance, infection prevention & control, as well as monitoring and evaluation. The hospital also developed protocols SOPs and guidelines for patient management.

Effective Communication

MCRH is putting great emphasis in improvement of communication with our patients, their families and other stakeholders in an effective and timely manner. To this end, we have continued to train our employees on customer care and effective communication while upholding the highest standards of care. In an effort to provide timely and accurate information. Further, we have strengthened customer care services and process improvement with a view to enhance patients-care giver engagement.

Financial Review

The transfers from the county government for the financial year 2021/22 totalling Kshs 49,300,000. In order to meet the cost of operations and maintenance the hospital relies on NHIF patient's service cost of ksh 25,129,750 of which ksh 7,530,440 was allocated as UHC for use between all sub-county hospitals in Mandera County.

Acknowledgment

The thousands of patients served are a living testament to the care, love and support offered every day by the outstanding commitment of our staff. We are grateful to our stakeholders and sponsors for their kindness, compassion, support, dedication and contributions to MCRH.

DR. HASSAN ADAN KALA

MEDICAL SUPERINTENDENT
MANDERA COUNTY REFERRAL HOSPITAL

VI. Statement Of Performance Against Predetermined Objectives

Mandera County Referral Hospital has three strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022/2022- FY 2027/2028. These strategic pillars/ themes/issues are as follows:

Pillar /theme/issue 1: Excellence in clinical outcomes

Pillar/theme/issue 2: Digital transformation roadmap

MCRH 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. MCRH achieved its performance targets set for the FY 2022/2022 period for its two strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1: Excellence in clinical outcomes.	Access to quality health care	Commitment of patient care.	Efficient, high quality healthcare system that is accessible, equitable and affordable for every Kenyan in Mandera County.	Improved quality health care

Pillar/ theme/ issue 2:Digital transformation roadmap.	Enhanced patient Experience and satisfaction	Enhance to service delivery.	Seamlessly connecting all information systems to enable care givers provide consistent patient experience.	Enable timely operational and clinical decision making and create process efficiencies.
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1) Excellence in clinical outcome

Mandera county referral hospital needs to deliver a better overall patient care by aligning processes, reducing timelines and making excellence in clinical out from visit to exit a fast and efficient system. To achieve this goal, the hospital will focus on the following objectives:

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

2) Digital transformation roadmap

Mandera County referral hospital has developed digital transformation aimed at enhancing health delivery to the overall strategic objectives of the organization. To achieve this goal, the hospital will focus on the following objectives:

- Enhanced patient experience and satisfaction through digitization of the patient touch points.
- Data driven decision making by providing insight into data. This is to enable timely operational and clinical decision making and create process efficiencies.
- Seamlessly connecting all information systems to enable care givers provide consistent patient experiences, further enhancing productivity of our clinical staff.

VII. Corporate Governance Statement

Commitment to good corporate governance is fundamental in ensuring sustainable stakeholder value and meeting their expectations. Our structures, procedures and processes are anchored on accountability, transparency, responsibility and fairness which are the tenets of good corporate

governance. Through the Management, Mandera county referral Hospital remains steadfast in complying with statutory requirements and the Code of Governance for State Corporations (Mwongozo Code 2015) among others.

Role of the Chairman

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

The roles and responsibilities of the Board include:

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

Accountability and audit

The Management prepares annual financial statements which reflect a true and fair view of the hospital's financial position as at the end of each fiscal year. The Management ensures that suitable accounting policies supported by reasonable and prudent judgments and estimates are consistently applied. The management also ensure that financial statements for each financial year are audited. During the year, the management ensured that the Hospital maintained proper, reasonable and accurate accounting records showing and explaining the transactions and financial position of the Hospital in compliance with the Public Finance Management Act No.18 of 2012 and the prescribed

accounting standards. The Hospital Financial Statements are audited by the Office of the Auditor-General. The Auditor-General is an independent office whose role and responsibilities are defined under the Constitution of Kenya. The management in furtherance of its duties, ensures that the process, structure and internal controls are maintained and adhered to and has internal risk and audit staffs to carry out such functions.

VIII. Management Discussion and Analysis

Clinical Performance

MCRH continues to provide a wide range of highly specialized healthcare services to Kenyans, patients from within Mandera county, Bula Hawa region of Somalia and Suftu region of Ethiopia. Specialized services include, specialized outpatient clinics, inpatient care, day care procedures for surgery, renal, ENT, dental amongst other services and specialized accident and emergency that receives emergency, disaster victims and referred patients. The hospital also provides clinical support services that include gynaecology service, General medicine service, laboratory, pharmacy and radiology. The hospital strives to ensure that the clinical services provided are safe, timely, appropriate, innovative, effective, evidence-based and in line with modern technological advances. Clinical governance continues to be strengthened to improve patient safety and ensure quality healthcare. In addition, the hospital plays a leading role regionally in the management of disasters and emergencies. The hospital patient attendance continues to increase despite the many challenges i.e. budgetary constraints and other challenges.

Overall patient attendance

The average patient attendance for the year 2021/22 was 165,549 outpatients and 6424 in-patients. In the year 2021/22 there was a marginal increase of 5% in the number of outpatient attendance and 16% in the in-patients; this is due to resumption of near normal activity level after the decline in FY 2020/21.

Accident & Emergency (A&E) Services

Accident & Emergency is the entry point to the hospital, both for referral and emergency treatment of patients. There has been reduction in numbers over time as a result of restructuring the A&E. This was done with a view of aligning hospital activities with its core mandate as a referral hospital. In addition, the hospital has improved on triage where the A&E only attends to referred and emergency patients.

Clinical/operational performance

- Bed capacity of the hospital.
- Overall patient attendance during the year for both inpatient and outpatient.
- Accident and Emergency attendance
- Specialised clinic attendance
- Average length of stay for in patient
- Bed occupancy rate
- Mortality rate
- Surgical theatre utilisation (number of operations over a period of time)
- Sponsorships and partnerships

Financial performance that includes

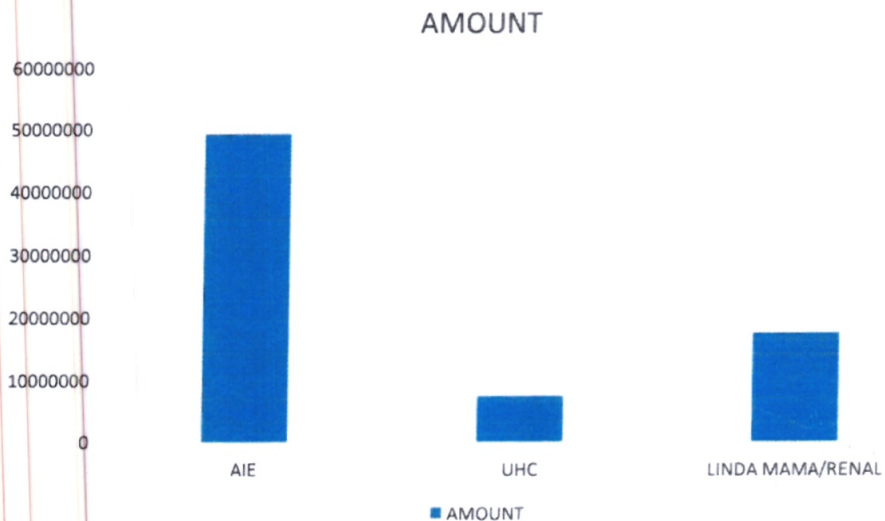
The Hospital revenue comprises of AIEs from County Government, UHC and Linda mama as depicted in the charts below.

Fund from County treasury= 49,300,000

Funds from UHC = 7,530,440

Funds from Lind Mama & Renal= 17,599,260

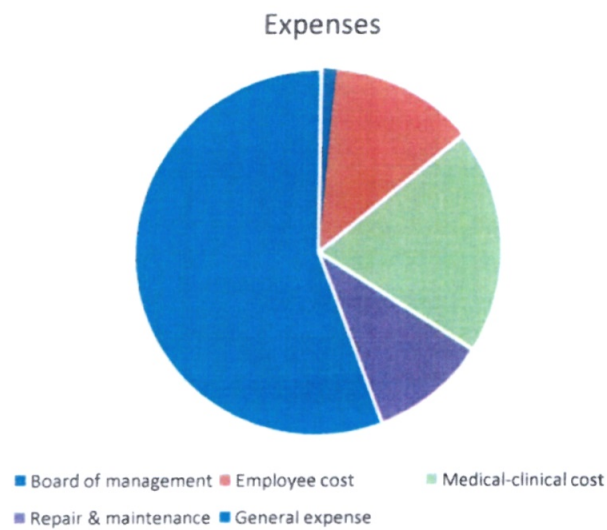
Figure 1: *Transfer from other government entities*



Utilisation of funds; -

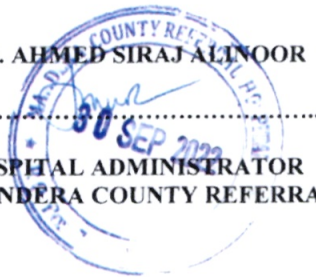
- ✓ Medical/clinical Costs 13,575,535
- ✓ Employee Costs 8,663,364
- ✓ Board of Management Expenses 870,000
- ✓ Repair and Maintenance 6,973,914
- ✓ General Expenses 37,932,638

Figure 2. Utilization of funds



MR. AHMED SIRAJ ALINOOR

HOSPITAL ADMINISTRATOR
MANDERA COUNTY REFERRAL HOSPITAL



IX. Environmental And Sustainability Reporting

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

Sustainability strategy and profile

Sustainability report continues to reflect the hospital's performance as well as the hospital strategy and vision for the future. As a regional and referral hospital, we recognize that we must conduct our operations in a manner that considers the environmental and social impact to ensure the success and longevity of the business. We are committed to being transparent, candid and open about our business and this report is a reflection of that commitment. At MCRH, we have a pragmatic approach to sustainability. We focus on identifying and putting into practice initiatives and programs that deliver real world and lasting benefits under the three areas of our sustainability activities. These areas include; maintaining a sustainable supply chain, minimizing our environmental footprint and caring for our people

i) Environmental performance

In our offices and clinical areas, we continue to encourage employees to help reduce energy consumption by switching of their computers and lights at the end of the day, adopting energy efficient technologies and reduce our total product waste. In packaging of medicine, we are using environmentally friendly bags. In medical waste, we are also using bags which are clearly marked for clinical waste, bottles and left over foods. Staff s are also provided with personal protective equipment.

ii) Employee welfare

We invest in providing the best working environment for our employees. Recognition and appreciation of our employees is a core part of this. Our employee Reward and Sanctions policy allows all employees to recognise their teammates for demonstrating one or more of our corporate value behaviours with a recognition letter. Directors and Head of units are also given to reward those employees who consistently go above and beyond what is required in their roles. MCRH promotes a healthy lifestyle and provides all employees with health cover at the hospital with their dependants with no limits which provide free annual health screening that helps to identify any problems early on. Employees are encouraged and supported to continually build on their skills and knowledge. The hospital invests heavily in learning and development program for employees. These include courses on

leadership, management and technical competencies relevant to each employee. We also offer a tuition program for employees seeking to further educate or advance themselves through formal programs relating to their current or prospective jobs. We also have a policy on disability mainstreaming and a recruitment policy where at least a third is not of more than one gender or one regional representation. The hospital has also allowed staff to join unions for collective bargaining agreements.

iii) Corporate Social Responsibility / Community Engagements

MCRH seeks to impact people's lives through its Corporate Social Responsibility (CSR) initiatives. The initiatives are aimed at improving lives and enhance engagement with the public. Central to this philosophy is the commitment to enhance the quality of life of people from marginalised and vulnerable communities, by empowering them and catalysing change through creating awareness on diseases and available interventions. Our CSR initiatives are guided by three core principles Transparent, Accountability and Sustainability.

X. Report of The Board of Management

The Board members submit their report together with the Audited Financial Statements for the year ended June 30, 2022, which show the state of the hospital's affairs.

Principal activities

The principal activities of the entity are to receive patients on referral from other hospitals or institutions within the region for specialized health care;

Results

The results of the entity for the year ended June 30 are set out on page xv

Board of Management

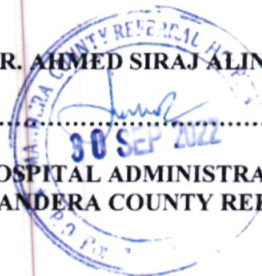
The members of the Board who served during the year are shown on page x.

Auditors

The Auditor General is responsible for the statutory audit of the facility in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2022.

MR. AHMED SIRAJ ALINOOR

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HOSPITAL ADMINISTRATOR
MANDERA COUNTY REFERRAL HOSPITAL



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

The Board of Management is responsible for the preparation and presentation of the *MCRH*'s financial statements, which give a true and fair view of the state of affairs of the *MCRH* for and as at the end of the financial year (period) ended on June 30, 2022. 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 *MCRH*; (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 *MCRH*'s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board members are of the opinion that the *MCRH*'s financial statements give a true and fair view of the state of *MCRH*'s transactions during the financial year ended June 30, 2022, and of the *MCRH*'s financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for *MCRH*, which have been relied upon in the preparation of the *MCRH*'s financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board of management to indicate that *MCRH* 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 30th September 2022 and signed on its behalf by:

.....

NAME: AHMED SIRAJ ALINOOR
CHAIRPERSON
BOARD OF MANAGEMENT

.....

NAME: DR. HASSAN ADAN KALA
ACCOUNTING OFFICER (MEDSUP)

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON MANDERA COUNTY REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 – COUNTY GOVERNMENT OF MANDERA

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 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 that the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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 Mandera County Referral Hospital – County Government of Mandera set out on pages 1 to 27, which comprise of

Report of the Auditor-General on Mandera County Referral Hospital for the year ended 30 June, 2022 - County Government of Mandera

the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Manderu County Referral Hospital - County Government of Manderu as at 30 June, 2022 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 Public Finance Management Act, 2012, the County Governments Act, 2012, the Health Act, 2017 and the Manderu County Health Services Act, 2019.

Basis for Qualified Opinion

1. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects Nil property, plant and equipment balance. However, review of the Hospital records and physical inspection revealed existence of various assets including land, buildings, furniture, computers and equipment which were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit.

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

2. Unconfirmed Inventory Balance

The statements of financial position did not reflect a balance of inventories as at 30 June, 2022. However, physical inspection carried out in the month of April, 2024 revealed that the Hospital held inventories related to pharmaceutical and non-pharmaceutical items of undetermined values. In addition, the annual stock take was not conducted to confirm the closing balances of inventories as at 30 June, 2022.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Manderu County Referral Hospital Management in accordance with ISSAI 130 on 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. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0. Late Submission of Financial Statements

The financial statements for financial year ended 30 June, 2022 were submitted on 18 April, 2024 which was twenty-one and half months after the end of the financial year. This was contrary to Section 149(2)(K) of the Public Finance Management Act, 2012 which provides that an accounting officer shall, in respect of the entity concerned not later than three months after the end of each financial year, prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury.

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

2.0. Lack of Approved Estimates of Income and Expenditure

The Hospital operated without an approved budget during the year under review. This was contrary to Section 149(2)(h) 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. Although a statement of comparison of budget and actual amounts was included in the financial statements, the source of the amounts reflected in the statement could not be confirmed.

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

3.0 Role of Hospitals in Universal Health Coverage (UHC)

3.1 Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of the Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health policy guidelines due to lack of anesthesiologists.

Staffing Requirement	Level 4 Standard	Actuals in Hospital	Variance	Percentage Deficit %
Medical Officers	16	22	+6	-
Anesthesiologists	2	0	2	100
General Surgeons	2	4	+2	-
Gynecologists	2	2	0	-
Pediatricians	2	2	0	-
Radiologists	2	2	0	-
Registered Community Health Nurses	75	129	+54	-
Total	101	161	+60	-

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage deficit %
Beds	150	186	+36	-
New Born Unit Cots	5	4	1	20
New Born Units Incubators	5	6	+1	-
Resuscitare (2 in Labour and 1 in Theatre)	2	5	+3	-
Functional ICU Beds	6	6	0	-
High Dependency Unit (HDU) Beds	6	4	2	33
Renal Unit With at Least 5 Dialysis Machine	5	5	0	-
Two Functional Operational Theaters - Maternity & General	2	3	+1	-

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

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

3.2 Inadequate Water Supply and Drainage System

During the financial year under review, the Hospital experienced insufficient water supply resulting in lack of running water in the wards. In addition, the Hospital did not have proper drainage and sewerage system.

In the circumstances, inadequate water supply and lack of proper drainage and sewerage system may have negatively impacted on service delivery.

4.0 Unsupported Waiver of Patients' Bills

Examination of the Hospital revenue records revealed that social workers at the Hospital granted waivers on patients' bills. However, Management did not provide for audit review written delegated authority to the social workers who granted the waivers and assessment reports to support the patient's inability to pay for the services rendered. This was contrary to Regulations 65(3) of the Public Finance Management (County Governments) Regulations, 2015, which states that the accounting officer or receiver of revenue or collector of revenue shall include in the report under paragraph (1), the following details in respect of each waiver or variation - (a) the full name of each person benefiting from the waiver or variation, (b) the amount of tax, fee or charge affected by the waiver or variation, (c) the year to which the waiver or variation relates, (d) the reasons for the waiver or variation and (e) the law in terms of which the waiver or variation was granted.

In the circumstances, the regularity of waivers granted on patients' bills could not be confirmed.

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

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my

report, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0. Lack of Hospital Management Board

The statement of financial performance reflects board expenses of Kshs.870,000 as disclosed in Note 12 to the financial statements. However, the board of management that is supposed to direct the Hospital in achieving its strategic objectives was not constituted. Review of supporting schedule and payment records in respect of expenditure of Kshs.870,00 revealed that the payment was in respect of airtime allowances to management staff of the Hospital.

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

2.0 Identification, Collection and Accounting of Own Generated Revenue

2.1 Lack of Quarterly Revenue Reports

The statement of financial performance reflects an amount of Kshs.12,218,330 in relation to the rendering of services – medical income as disclosed in Note 9 to the financial statements. However, the Hospital did not provide evidence to show that quarterly reports were prepared and submitted the same to the County Treasury with a copy to the Auditor-General as per the requirement of Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

2.2 Revenue Safeguards and Controls

Examination of revenue documents provided for audit revealed that revenue was collected through an automated revenue collection system namely: Revenue Management System for all the Hospital revenue streams. However, the system could not generate reports for each revenue stream to support the daily and monthly collections. In addition, the Hospital did not maintain a cash book. It was further noted that the Hospital had eight revenue collection points and one supervisor for the Hospital revenue collection. However, the revenue supervisor did not have access to the daily or monthly collection reports.

The Hospital fees was paid in both cash and deposits to M-pesa personal accounts for the revenue clerks. However, the revenue clerks did not have safe boxes to keep the cash received. Cash received was deposited in their personal M-pesa accounts and later transferred to the revenue collection account. Cash books were not maintained to record the revenue collected.

In the circumstances, the effectiveness of internal controls in the revenue collection system could not be confirmed.

3.0 Failure to Maintain Fixed Assets Register

The statement of financial position reflects Nil property, plant and equipment balance. Physical inspection of assets revealed that the Hospital owns various properties including land, building, furniture, computers and equipment. However, the Hospital did not maintain fixed asset register to control its assets. This is contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. In addition, there was no evidence to show that the Hospital had valued its assets to ascertain the correct market values.

In the circumstances, the existence of an effective mechanism to safeguard assets could not be confirmed and management was in breach of the Regulations.

4.0 Failure to Establish Internal Audit Function and Audit Committee

The Hospital did not establish an audit committee as required. 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 addition, 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.

5.0 Lack of Approved Scheme of Service

During the year under review, The Hospital did not have an approved scheme of service in place to provide guiding framework for human resources management. It was therefore not possible to confirm the basis for staff recruitment and promotions in the Hospital.

In the circumstances, the existence of effective human resources management controls could not be confirmed.

6.0 Lack of Risk Management Policy and Disaster Recovery Plan

The Hospital did not put in place risk management policies, strategies, disaster recovery plan and risk register to mitigate against risk. This was contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the accounting officer shall ensure that: (a) the County Government

entity develops risk management strategies, which include fraud prevention mechanisms; and (b) the County Government entity develops a system of risk management and internal control that build robust business operations.

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

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

Responsibilities of Management and the Board of Management

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

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or to cease operations.

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

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

The Hospital Board 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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 June, 2024

Mandera County Referral Hospital (Mandera County Government)
Annual Report and Financial Statements For The Year Ended 30th June 2022

XIII. Statement of Financial Performance for The Year Ended 30 June 2022

Description	Notes	2021/22	2020/21
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	49,300,000.00	0.00
Transfers from other Government entities	7	25,129,700.00	0.00
In Kind contribution from County Executive	8	508,399,472.00	
Revenue from Rendering of services	9	12,218,330.00	
Total revenue		595,047,502.00	0.00
Expenses			
Medical/Clinical costs	10	13,575,535.00	0.00
Employee costs	11	517,062,836.00	0.00
Board of Management Expenses	12	870,000.00	0.00
Repairs and maintenance	13	6,973,914.00	0.00
General expenses	14	37,138,070.50	0.00
Transfer to CRF	15	12,218,330.00	
Total expenses		587,838,685.50	0.00
Net Surplus for the year		7,208,816.50	0.00

The Hospital's financial statements were approved by the Board on 30th September 2022 and signed on its behalf by:

AHMED SIRAJ ALINOOR

CHAIRMAN
BOARD OF MANAGEMENT

ABDULLAHI ABDI

HEAD OF FINANCE

ICPAK NO. 15736

HASSAN ADAN KALA

MEDICAL SUPERINTENDENT

XIV. Statement of Financial Position as at 30th June 2022

Description	Notes	2021/22	2020/21
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	16	7,208,816.00	0.00
Total Current Assets		7,208,816.00	0.00
Non-current assets			
Property, plant, and equipment		0.00	0.00
Intangible assets		0.00	0.00
Total Non-current Assets		0.00	0.00
Total assets		7,208,816.00	0.00
Liabilities			
Current liabilities		0.00	0.00
Trade and other payables		0.00	0.00
Total Current Liabilities		0.00	0.00
Total Non-current liabilities		0.00	0.00
Total Liabilities		0.00	0.00
Net assets		7,208,816.00	0.00
Accumulated surplus/Deficit		7,208,816.50	0.00
Capital Fund		0.00	0.00
Total Net Assets and Liabilities		7,208,816.50	0.00

The Hospital's financial statements were approved by the Board on 30th September 2022 and signed on its behalf by:

AHMED SIRAJ ALINOOR

CHAIRMAN
BOARD OF MANAGEMENT



ABDULLAHI ABDI

HEAD OF FINANCE
ICPAK NO. 15736



HASSAN ADAN KALA

MEDICAL SUPERINTENDENT



XV. Statement of Changes in Net Asset for The Year Ended 30 June 2022

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020	0.00	0.00	0.00	0.00
Revaluation gain	0.00	-	-	0.00
Surplus/(deficit) for the year	-	0.00	-	0.00
Capital/Development grants	-	-	0.00	0.00
As at June 30, 2021	0.00	0.00	0.00	0.00
				0.00
At July 1, 2022		0.00	0.00	0.00
Revaluation gain	0.00	-	-	0.00
Surplus/(deficit) for the year	-	7,208,816.50	-	7,208,816.50
Capital/Development grants	-	-	0.00	0.00
At June 30, 2022	0.00	7,208,816.50	0.00	7,208,816.50

The Hospital's financial statements were approved by the Board on 30th September 2022 and signed on its behalf by:

AHMED SIRAJ ALINOOR



ABDULLAHI ABDI

Signature of Abdullahi Abdi
HEAD OF FINANCE
 ICPAK NO. 15736

HASSAN ADAN KALA

Signature of Hassan Adan Kala
MEDICAL SUPERINTENDENT

XVI. Statement of Cash Flows for The Year Ended 30 June 2022

Description	Note	2021/22	2020/21
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	49,300,000.00	0.00
Transfers from other Government entities	7	25,129,700.00	0.00
In Kind contribution from County Executive	8	508,399,472.00	0.00
Revenue from Rendering of services	9	12,218,330.00	0.00
Total Receipts		595,047,502.00	0.00
Payments			
Medical/Clinical costs	10	13,575,535.00	0.00
Employee costs	11	517,062,836.00	0.00
Board of Management Expenses	12	870,000.00	0.00
Repairs and maintenance	13	6,973,914.00	0.00
General expenses	14	37,138,070.50	0.00
Transfers to CRF	15	12,218,330.00	0.00
Total Payments		587,838,685.50	0.00
Net cash flows from operating activities		7,208,816.50	0.00
Net increase/(decrease) in cash and cash equivalents		7,208,816.50	(0.00)
Cash and cash equivalents at 1 July	16	0.00	0.00
Cash and cash equivalents at 30 June	16	7,208,816.00	0.00

The Hospital's financial statements were approved by the Board on 30th September 2022 and signed on its behalf by:

AHMED SIRAJ ALINOOR

**CHAIRMAN
BOARD OF MANAGEMENT**



ABDULLAHI ABDI

**HEAD OF FINANCE
ICPAK NO. 15736**



HASSAN ADAN KALA

MEDICAL SUPERINTENDENT



XVII. Statement Of Comparison of Budget and Actual Amounts For The Year Ended 30 June 2022

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	A	B	c=(a+b)	D	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from the County Government	49,300,000.00	0.00	49,300,000.00	49,300,000.00	0.00	100%
Transfers from other Government entities	25,129,700.00	0.00	25,129,700.00	25,129,700.00	0.00	100%
In Kind contribution from County Executive	508,399,472.00	0.00	508,399,472.00	508,399,472.00	0.00	100%
Revenue from Rendering of services	12,218,330.00	0.00	12,218,330.00	12,218,330.00	0.00	100%
Total income	595,047,502.00	0.00	595,047,502.00	595,047,502.00	0.00	100%
Expenses						
Medical/Clinical costs	13,575,535.00	0.00	13,575,535.00	13,575,535.00	0.00	100%
Employee costs	517,062,836.00	0.00	517,062,836.00	517,062,836.00	0.00	100%
Remuneration of directors	870,000.00	0.00	870,000.00	870,000.00	0.00	100%
Repairs and maintenance	6,973,914.00	0.00	6,973,914.00	6,973,914.00	0.00	100%
General expenses	37,138,070.50	0.00	37,138,070.50	37,138,070.50	0.00	100%
Transfer to CRF	12,218,330.00	0.00	12,218,330.00	12,218,330.00	0.00	100%
Total Expenditure	587,838,685.50	0.00	587,838,685.50	587,838,685.50	0.00	100%
Surplus/Deficit for the period	7,208,816.00	0.00	7,208,816.00	7,208,816.00	0.00	100%
Capital expenditure	0.00	0.00	0.00	0.00	0.00	0.00

The notes set out on pages 6 to 27 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 30th September 2022 and signed on its behalf by:

AHMED SIRAJ ALINOOR

CHAIRMAN

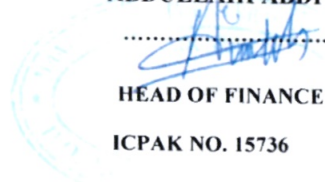
BOARD OF MANAGEMENT



ABDULLAHI ABDI

HEAD OF FINANCE

ICPAK NO. 15736



HASSAN ADAN KALA

MEDICAL SUPERINTENDENT



XVIII. Notes To the Financial Statements

1. General Information

Mandera County Referral Hospital is a level 4 health facility established by the County Government of Mandera in fulfilment of its constitutional mandate pursuant to the fourth schedule of the Constitution of Kenya 2010. The facility is wholly owned by the County Government of Mandera and its principal activity is provision of county health services.

2. Statement Of Compliance And Basis Of Preparation

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

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2022.

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and

Standard	Effective date and impact:
	<p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2022</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2022.</p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p>

Standard	Effective date and impact:
	<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>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p>Applicable 1st January 2025</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>

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in the year 2021/2022

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.

Notes to the financial statement (continued)

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

Rental income

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

b) Budget information

The original budget for FY 2021/22 was approved by Board on **30th June, 2022**. 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 on the FY 2021/22 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 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.

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 seven 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.

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

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Notes to the Financial Statements (Continued)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Notes to the Financial Statements (Continued)

Loans and borrowing

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

i) 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.

j) 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.

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.

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.

k) Nature and purpose of reserves

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

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.

l) 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.

m) 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.

n) 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.

o) 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.

p) 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.

q) 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.

r) Comparative figures

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

s) 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, 2022.

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

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.

6. Transfers From The County Government

Description	2021/22	2020/21
	KShs	KShs
Transfer from Mandera county treasury	49,300,000.00	0.00
Total Transfers	49,300,000.00	0.00

7. Transfers From Other Government Entities

Description	2021/22	2020/21
	KShs	KShs
Transfer from National Government (Ministry of Health) LINDA MAMA	25,129,700.00	0.00
Total Transfers	25,129,700.00	0.00

8. In – Kind Contribution from County Executive

Description	2021/22	2020/21
	KShs	KShs
In- Kind contribution from County Executive of Mandera	508,399,472.00	0.00
Total Transfers	508,399,472.00	0.00

9. Receipts from rendering of services

Description	2021/22	2020/21
	KShs	KShs
User fees from rendering of services	12,218,330.00	0.00
Total Transfers	12,218,330.00	0.00

10. Medical/ Clinical Costs

Description	2021/22	2020/21
	KShs	KShs
Laboratory chemicals and reagents	246,905.00	0.00
Food and Ration	11,059,630.00	0.00
Dressing and Non-Pharmaceuticals	1,000,000.00	0.00
X-Ray/Radiology supplies	1,269,000.00	0.00
Total medical/ clinical costs	13,575,535.00	0.00

11. Employee Costs

Description	2021/22	2020/21
	KShs	KShs
Casual staff wages, and allowances	8,663,364.00	0.00

Staff salaries and allowances	508,399,472.00	0.00
Total Employee costs	517,062,836.00	0.00

12. Board of Management Expenses

Description	2021/22 KShs	2020/21 KShs
Airtime allowances	870,000.00	0.00
Total	870,000.00	0.00

13. Repairs And Maintenance

Description	2021/22 KShs	2020/21 KShs
Medical equipment	4,238,914.00	0.00
Furniture and fittings	2,735,000.00	0.00
Total repairs and maintenance	6,973,914.00	0.00

14. General Expenses

Description	2021/22 KShs	2020/21 KShs
Bank charges	10,596.50	0.00
Consultancy fees	1,745,000.00	0.00
Electricity expenses	23,000,000.00	0.00
Fuel & lubricant	1,050,000.00	0.00
Cleaning services	503,200.00	0.00
Printing and stationery	1,450,000.00	0.00
Hire charges	810,000.00	0.00
Water and sewerage costs	1,630,000.00	0.00
Firewood & charcoal	700,000.00	0.00
General supplies	6,029,274.00	0.00
Catering services	210,000.00	0.00
Total General Expenses	37,138,070.5	0.00

15. Transfer to CRF

Description	2021/22 KShs	2020/21 KShs
Transfers to CRF	12,218,330.00	0.00
Total	12,218,330.00	0.00

16. Cash And Cash Equivalents

Description	2021/22	2020/21
	KShs	KShs
Current accounts	7,208,816.00	0.00
On - call deposits	0.00	0.00
Fixed deposits accounts	0.00	0.00
Cash in hand	0.00	0.00
Others(<i>specify</i>)- Mobile money	0.00	0.00
Total cash and cash equivalents	7,208,816.00	0.00

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

Description		2021/22	2020/21
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1149105127	7,208,816.00	0.00
Equity Bank, etc			0.00
			0.00
Sub- total		7,208,816.00	0.00
b) On - call deposits			0.00
Kenya Commercial bank		0.00	0.00
			0.00
Equity Bank – etc		0.00	0.00
Sub- total		0.00	0.00
c) Fixed deposits account			0.00
Bank Name		0.00	0.00
			0.00
Sub- total		0.00	0.00
d) Others(<i>specify</i>)		0.00	0.00
cash in hand		0.00	0.00
Mobile money- Mpesa. Airtel money		0.00	0.00
			0.00
Sub- total		0.00	0.00
Grand total		7,208,816.00	0.00

17. 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 company'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 company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from July 2022

The board of management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

(iii) Market risk

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

The company'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

Mandera County Referral Hospital has no transactional currency exposures.

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 company's deposits.

Management of interest rate risk

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

Sensitivity analysis

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

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:

	2021/22	2020/21
	Kshs	Kshs
Revaluation reserve	0.00	0.00
Retained earnings	0.00	0.00
Capital reserve	0.00	0.00
Total funds	0.00	0.00
Total borrowings	0.00	0.00
Less: cash and bank balances	(0.00)	(0.00)
Net debt/ (excess cash and cash equivalents)	0.00	0.00
Gearing	0.00%	0.00%

18. 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.

- i) The National Government;
- ii) The Parent Ministry;
- iii) Auditor general;

- iv) Controller of budget;
- v) County government;
- vi) Key management;
- vii) Board of directors;

19. Events After The Reporting Period

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

20. Ultimate And Holding Entity

Mandera County Referral Hospital under Mandera County Health Department. Its ultimate parent is the County Government of Mandera. Other related parties include:

- i) The National Government;
- ii) Key management;
- iii) Board of directors

21. Currency

The financial statements are presented in Kenya Shillings (Kshs).

DR. HASSAN ADAN KALA

**MEDICAL SUPERINTENDENT
MANDERA COUNTY REFERRAL HOSPITAL**

XIX. Appendices



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