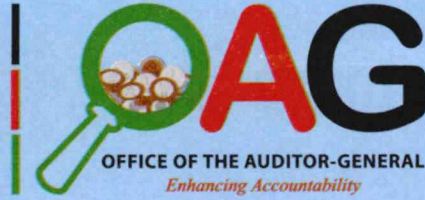


REPUBLIC OF KENYA



REPORT

OF



THE AUDITOR-GENERAL

ON

**BALAMBALA SUB-COUNTY LEVEL 4
HOSPITAL**

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

COUNTY GOVERNMENT OF GARISSA

	PAPERS
DATE	02/12/2015
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COMMITTEE	-
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BALAMBALA SUB-COUNTY LEVEL 4 HOSPITAL

(COUNTY GOVERNMENT OF GARISSA)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2025

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

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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
CoG	Council of Governors
UHC	Universal Health Coverage
AG	Auditor General
RCO	Registered clinical officer
BBSCH	Balambala Sub-County Hospital
IPSAS	International Public Sector Accounting Standard
CEO	Chief Executive Officer

Fiduciary Management: Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

(a) Background information

Balambala Sub-County Hospital is a level 4 hospital established under gazette notice number 786 (4414) and domiciled in Garissa County under the Medical services department. The hospital is governed by a Board of Management.

(b) Principal Activities

The principal activity of Balambala sub-county hospital is to provide quality medical services.

Vision:

Dedicated to advancing the health and transforming the lives of the people through excellent clinical quality, accessible, patient-centered and effective team work.

Mission:

Ensure accessibility with patient-centered healthcare with excellence in quality by effective team work and community participation for achieving the goal of UHC.

Core Values

- Customer focus
- Professionalism and integrity
- Discipline and respect for people
- Accountability
- Security and safety
- Teamwork and Team Spirit

(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 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Medical Superintendent	Dr Mohamed Noor Dagane
2.	Head of finance	Bosco Nyamweya
3.	Head of supply chain	
4.	Hospital Administrator	Muhamud Abdi Hussein

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;

f) Balambala Sub-County Hospital Headquarter

Balambala Sub-County Hospital,
P.O. Box 256-70100, Balambala
Town.

g) Balambala Sub-County Hospital Contacts

Telephone: (+254725387811/+254727514704) E-
mail: balambalesubcountyhospital@gmail.com
info@Garissa.go.ke

h) Balambala Sub-County Hospital Bankers

Premier Bank Limited, P.O
Box 642- 70100,
Garissa Branch, 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.57-70100, Garissa,
Kenya.

3. The Board of Management

There was no board in place during the financial year.

New board members constituted awaiting to be gazzcted.

**1) Mohamed noor dakane
(Secretary)**

2) Farah adon (SCMOH)

**3) Osman Yakub Duale
(CHAIRMAN)**



**4) Zeinab aden farah
(Vice chaiman)**

**5) Idris abdi bilala
(Member)**

**6) Ismail adan dabar
(Member)**

**7) Jamila farah ali
(Youth)**

4. Management Team

1.	 <p>Dr. Mohamed Noor Dakane. Medical superintendent.</p>	<p>Born in 1991, Dr Mohamed Noor Dakane is the medical Superintendent for the hospital. Prior to his elevation as medical superintendent, he was working as a medical Officer at the Hospital.</p> <p>He holds a Bachelor of Medicine and bachelor of surgery (MBChB), from Kampala International University.</p>
2.	<p>Mr. Mohamed Abdi Malele. Nursing officer in-charge.</p>	<p>Mr. Mohamed Abdi Malele is the nursing in-charge for the hospital.</p> <p>Previously he worked at Dadaab Sub- County Hospital and as a medical Superintendent</p>
3.	 <p>Mr. Muhamud Abdi. Hospital Administrator.</p>	<p>Born in 1987, Mr. Muhamud Abdi is the hospital Administrator working for the hospital.</p> <p>He previously served as a hospital administrator in Garissa County Referral Hospital</p> <p>He holds a Bachelor's Degree in Business Administration.</p>

5. Chairman's Statement.

It is my pleasure to present Balambala Sub County Hospital's 2023/24 annual report and financial statements. 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.

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

The hospital has continued to experience challenges and changing business environment which calls for continuous improvement of the quality of services to the patients.

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

Mr. Abdi Aden Ibrahim



.....
Chairman.

6. Report of The Medical Superintendent

I am pleased to present Balambala Sub County Hospital's annual report and financial statements for the year 2024/25. The report highlights the hospitals operational and financial performance.

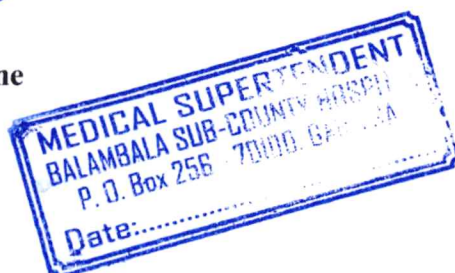
During the financial year 2024-2025, Balambala Sub County Hospital underwent significant development. The hospital constructed a paediatric ward, an office block, renovated the theatre, upgraded the main gate, built a walkway connecting the wards to the theatre, added an ablution block, installed a phase electricity system, constructed a hospital generator room, and drilled a hospital borehole

Despite the positive changes mentioned above, the hospital faces several challenges. These include a shortage of resources from the county government to support the hospital's day -to-day operations. Additionally, there is a severe shortage of staff, including nurses, RCOs, and pharmacists. Furthermore, there is a lack of a boundary perimeter wall and insufficient staff quarters. The hospital also experiences inadequate laboratory space and lacks essential diagnostic machines, such as X-ray and ultrasound equipment.

To ensure the smooth operation of the hospital, the county government should allocate additional funds, deploy more staff, and construct additional staff quarters and a perimeter wall. The thousands of patients we serve are a living testament to the care, love, and support provided daily by our dedicated staff. We are deeply grateful to the Ministry of Health and the County Treasury for their kindness, compassion, support, dedication, and contributions to Balambala Level 4 Hospital.

Dr Mohamed Noor Dakane

.....
Medical Superintendent.



7. Statement of Performance Against Predetermined Objectives

Balambala Sub-County Hospital has two strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2023/2024- FY 2028/2029. These strategic pillars/ themes/ issues are as follows:

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

Balambala Sub-County Hospital develops its annual work plans based on the above two pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2024/2025 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: Operational excellence	Reengineering, policies	Enhance service delivery	customers receive safe, timely, equitable, efficient, effective and patient-centred services.	effective and timely service delivery and efficient utilization of resources
Pillar/ theme/ issue 2: Skilled and energetic management team	Institutionalize leadership and governance performance	alignment of governance, leadership, and all employees to the overall strategic objectives of the organization.	oversight in financial reporting, Safeguarding Hospital assets	vibrant governance system

8. Corporate Governance Statement

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

Role of the Chairman

The Chairman is responsible for the strategic leadership of the board and is pivotal in creating conditions for the overall effectiveness of the board, promotes an open environment for debate and ensures all members are able to speak freely and contribute effectively. He ensures that the Board plays a full and constructive part in the development and determination of the Hospital's strategies and policies.

The 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.

Accountability and audit

The Board prepares annual financial statements which reflect a true and fair view of the hospital's financial position as at the end of each fiscal year. The Board of Management ensures that suitable accounting policies supported by reasonable and prudent judgments and estimates are consistently applied. The Board also ensure that financial statements for each financial year are audited. During the year, the Board ensured that the hospital maintained proper, reasonable and accurate accounting records showing and explaining the transactions and financial position of the hospital in compliance with the Public Finance Management Act, 2012 and the prescribed accounting standards.

The Hospital Financial Statements are audited by the Office of the Auditor-General. The AG is an independent office whose role and responsibilities are defined under the Constitution of Kenya.

9. Management Discussion and Analysis

Balambala Sub County Hospital provide healthcare services to the constituents of Balambala Subcounty and patients from neighbouring sub-counties. These services include, outpatient clinics, inpatient care, accident and emergency. The hospital also provides clinical support services that include laboratory and pharmacy.

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

Clinical/operational performance

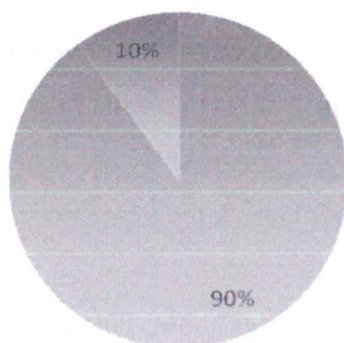
The hospital provides healthcare services. To meet our patients' needs, we have one medical doctor, two RCOs and 5 nursing officers who ensure our customers receive safe, timely, equitable, efficient, effective and patient-centered services.

The hospital has a capacity bed of forty 24 beds. In 2024/25 the overall Out-patients' attendance of the hospital was 9,324 while admissions were 214 patients.

Financial performance that includes Revenue sources

The revenue sources of the hospital for the financial year 2024/2025 comprised of User fee Fif (Cost Sharing) of Kshs. 2,074,035.

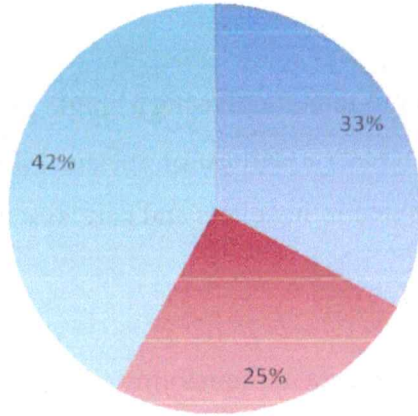
Figure 1. Revenue sources



Utilisation of funds; -

General expenses amounting to 924,064 *Figure 2.*

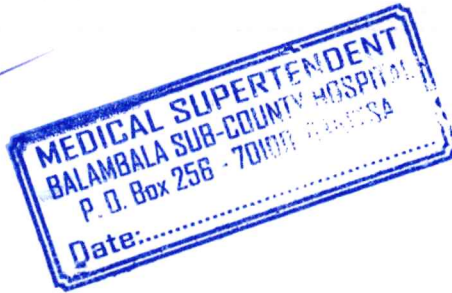
Utilization of funds



Dr Mohamed Noor Dakane

.....

Medical Superintendent



10 Environmental and Sustainability Reporting.

Balambala Sub County Hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence.

i) Sustainability strategy and profile

Environmental sustainability in hospitals is more than purchasing a single piece of energy-efficient equipment. Balambala Sub County Hospital create a culture of sustainability that creates lasting change. These sustainability efforts do not happen in hospitals and care systems without vision and commitment.

ii) Environmental performance

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

iii) Employee welfare

Working in a health and social care environment, while often rewarding, can frequently be challenging physically, mentally and emotionally. Employers are expected to care for staff and to support and enable them to maintain their health. When employees 'have good work, it contributes positively to their mental health, our society and our economy.

Balambala Sub County Hospital provides the employees welfare with outmost level and its as follows;

- a) Staff quarters
- b) Facilities to rest and to eat meals
- c) Changing facilities and lockers
- d) Sanitary and washing facilities

iv) Corporate Social Responsibility / Community Engagements

Balambala Sub County Hospital seeks to impact people's lives through its Corporate Social Responsibility (CSR) initiatives. The initiatives are aimed at improving lives and enhance engagement with the public. Central to this philosophy is the commitment to enhance the quality of life of people from marginalized and vulnerable communities, by empowering them and catalyzing change through creating awareness on diseases and available interventions.

11 Report of The Board of Management

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

Principal activities

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

Results

The results of the hospital for the year ended 30th June, 2025 are set out on page 1 to 5.

Board Of Management


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

Auditors

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

By Order of the Board

Dr Mohamed Noor Dakane



.....
Medical superintendent



12 Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of hospital, which give a true and fair view of the state of affairs of the hospital at the end of the financial year/period and the operating results of the hospital for that year/period.

The Board of Management is responsible for the preparation and presentation of the hospital's financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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) safe guarding the assets of the hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

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

Approval of the financial statements

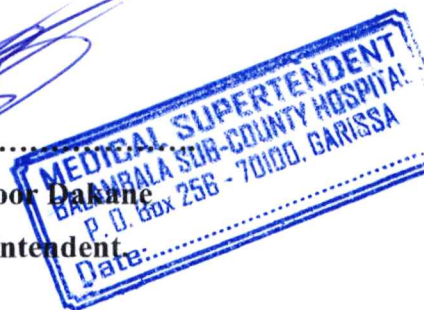
The Hospital's financial statements were approved by the Board on 20th August, 2025 and signed on its behalf by:



.....
Name: Muhamud Abdi Hussein
Hospital Administrator.



.....
Name: Dr Mohamed Noor Dakine
Medical Superintendent



REPUBLIC OF KENYA

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

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

PREAMBLE

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

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

An Adverse Opinion is issued when the Auditor-General determines that the financial statements are materially misstated and are not fairly presented in accordance with the applicable financial reporting framework. The Report on the Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Balambala Sub-County Level 4 Hospital set out on pages 1 to 27, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in

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

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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Balambala Sub-County Level 4 Hospital as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the County Government Act, 2012, the Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

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

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

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

2. Unsupported Revenue from Exchange Transactions

The statement of financial performance reflects revenue from exchange transactions of Kshs.1,900,565 as disclosed in Notes 6 to the financial statements. However, Management did not provide supporting documentation such as ledgers, schedule of transactions indicating date, source and amount of revenue, miscellaneous receipts or other source documents to support the disclosed revenue.

In the circumstances, the accuracy and completeness of the revenue balance of Kshs.1,900,565 could not be confirmed.

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

The statement of financial performance reflects a nil expenditure on employee costs. However, audit review established that salaries and allowances for permanent employees working at the Hospital were paid directly by the County Executive of Garissa. Management did not recognize, record and disclose these payments as in-kind contributions in the statement of financial performance.

In the circumstances, the accuracy and completeness of total expenses of Kshs.924,064 reflected in the statement of financial performance cannot be confirmed.

4. Non-Disclosure of Inventory Balance

The statement of financial position reflects nil balance in respect of inventories as at 30 June, 2025. However, review of stock records revealed that the Hospital held inventory balances relating to pharmaceutical and non-pharmaceuticals items of undetermined values as at the end of the financial year.

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

In the circumstances, the existence, valuation and completeness of Hospitals' inventory balance could not be confirmed.

5. Non-Disclosure of Property, Plant and Equipment Balance

The statement of financial position reflects nil balance in respect of property, plant and equipment as disclosed in Note 10 to the financial statements. However, review of the Hospital's records revealed that the Hospital had in its control land and buildings, furniture, computers and equipment of undetermined value.

In addition, the Hospital did not maintain a fixed asset register to document all asset details such as; asset description, identification or serial numbers, acquisition date, cost of acquisition, accumulated depreciation, location and the current status.

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

In the circumstances, existence, ownership and valuation of the Hospital's' property, plant and equipment balance could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.2,000,000 and Kshs.1,900,565 respectively

resulting in an under-funding of Kshs.99,435 or 4% of the budget. Similarly, the Management spent Kshs.924,064 against actual revenue of Kshs.1,900,565 resulting in an under expenditures of Kshs.976,501 or 51% of available funds.

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

My opinion is not modified in respect of this matter

Key Audit Matters

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

Other Matter

Unresolved Prior Year Issues

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

No.	Financial Year	Audit Issue
1	2023/2024	Failure to Prepare and Submit Financial Statement for Prior Years
2	2023/2024	Non-Disclosure of Employee Cost Paid by County Government
3	2023/2024	Non-Disclosure of Inventory
4	2023/2024	Non-Disclosure of Property, Plant and Equipment
5	2023/2024	Failure to Prepare Estimates of Income and Expenditure.
6	2023/2024	Late Submission of Financial Statement
7	2023/2024	Deficiencies in Implementation of Universal Health Coverage
8	2023/2024	Lack of Unapproved Budget
9	2023/2024	Lack of Appointment Letters and Gazette Notice of Board of Management
10	2023/2024	Failure to Establish Internal Audit Unit and Audit Committee
11	2023/2024	Lack of Approved Staff Establishment and Scheme of Services
12	2023/2024	Lack Of Risk Management Policy And Disaster Recovery Plan
13	2023/2024	Failure To Maintain Fixed Asset Register

Other Information

The Management is responsible for the Other Information set out on page iii to xviii which comprise of Key Entity Information and Management, Board of Management,

Management Team, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of Board Management and Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Hospital's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. Based on the audit procedures performed, because of the significance of the matters described in my Basis for Adverse Opinion, I confirm that the Other Information is materially inconsistent with the financial statements.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Presentation Errors in Financial Statements

Review of the financial statements revealed presentation errors and omissions as below:

- a) The statement of financial position reflected a balance of Kshs.762,408 in respect of receivables with a reference of Note 10 to the financial statement. However, the break done on Note 10 was in respect of cash generated from operations.
- b) The statement of financial position reflected a balance of Kshs.644676 in respect of cash and cash equivalents with a reference of Note 9 to the financial statement. However, Note 9 disclosed cash and cash equivalent balance of Kshs.674,676 resulting in an unreconciled balance of Kshs.30,000.

In the circumstances, the annual report and financial statement were not prepared as per the format prescribed by Public Sector Accounting Standards Board.

2. Operating with Non-Approved Estimates of Income and Expenditure

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

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

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

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

Staffing Requirement	Required	Available	Deficit
Medical Officers	16	2	14
Radiologists	2	0	2
General Surgeons	2	0	2
Gynecology	2	0	2
Anesthesiologists	2	0	2
Pediatricians	2	0	2
Registered Community Health Nurses	75	11	64
Total	101	13	88
Bed Capacity	150	51	99
Equipment and Machines			
Baby Cots	5	0	5
Incubators	5	0	5
Resuscitator in theatre	1	0	1
Resuscitator in Labour ward	2	0	2
Functional ICU Beds	6	0	6
HDU Beds	6	0	6
Renal Unit with Dialysis Machine	5	0	5
Functioning Operating Theatres, Maternity and General	2	1	1
Services Not Offered			
Gynaecology Services	No		
Renal Services	No		

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

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

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

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

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

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

Basis for Conclusion

1. Lack of Hospital Management Board

The Board of Management that is supposed to direct the Hospital in achieving its strategic objectives was not constituted. Although there are three individuals indicated as Hospitals Board Members, review of the Hospital organization and governance records revealed that the Hospital was operating without a Board of Management.

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

2. Lack of Internal Audit Function

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

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

3. Lack of Audit Committee

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

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

4. Lack of Key Management Policies

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

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

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

Responsibilities of the Management and the Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

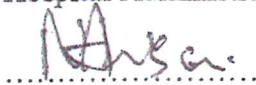
19 November, 2025

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

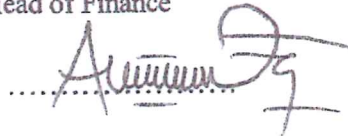
Description	Notes	2024/25	2023/24
		Kshs	Kshs
Revenue from exchange transactions			
User fee FiF (Cost Sharing)	6	1,900,565	733,170.00
Total revenue		1,900,565	733,170.00
Expenses			
Medical costs	7	180,000	-
General expenses	8	744,064	430,000.00
Total expenses		924,064	430,000.00
Net Surplus for the year		976,501	303,170.00

Balambala Sub County Hospital's financial statements were approved by the Board on 20th August, 2025 and signed on its behalf by:


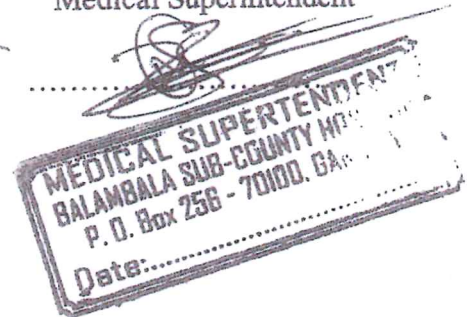
Mohamed Hussein
 Hospital Administrator.



Abdullahi diriye
 ICPAK23392
 Head of Finance



Dr Mohamed Noor
 DaKane
 Medical Superintendent

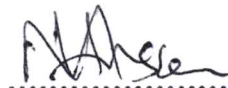
*Balambala Sub-County Level 4 Hospital (County Government of Garissa)
Annual Report and Financial Statements for The Year Ended 30th June 2025*

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

Description	Notes	2024/25	2023/24
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	9	644,676	430,583
Receivables	10	762,408	-
Total Current Assets		1,407,084	430,583
Non-current assets			
Property, plant, and equipment		0.00	0.00
Total Non-current Assets		0.00	0.00
Total assets		1,407,084	430,583
Liabilities			
Current liabilities		0.00	0.00
Total Current Liabilities		0.00	0.00
Total Liabilities		0.00	0.00
Net assets		1,407,084	430,583
Accumulated surplus/Deficit		1,407,084	430,583
Total Net Assets and Liabilities		1,407,084	430,583

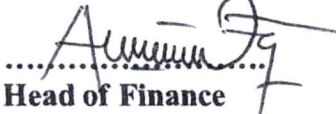
The Hospital's financial statements were approved by the Board on 20th August, 2025. and signed on its behalf by:

Mohamed Hussein



.....
Hospital Administrator.

Abdullahi diriye
ICPAK23392



.....
Head of Finance

Dr Mohamed Noor
Dakane



.....
Medical Superintendent



**Balambala Sub-County Level 4 Hospital (County Government of Garissa)
Annual Report and Financial Statements for The Year Ended 30th June 2025**

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

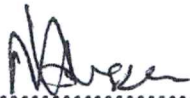
Description	Revaluation reserve	Accumulated Fund	Capital Grants/Fund	Total
At July 1, 2023	-	127,413	-	127,413
Surplus/(deficit) for the year	-	303,170		303,170
Prior year Adjustment		-		-
At June 30, 2024	-	430,583		430,583
At July 1, 2024	-	430,583		430,583
Surplus/(deficit) for the year	-	976,501		976,501
At June 30, 2025	-	1,407,084		1,407,084

The Hospital's financial statements were approved by the Board on 20th August, 2025 and signed on its behalf by:

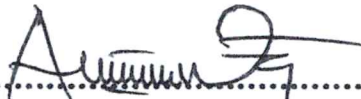
Mohamed Hussein

Abdullahi diriye ICPAK23392

Dr Mohamed Noor Dakane



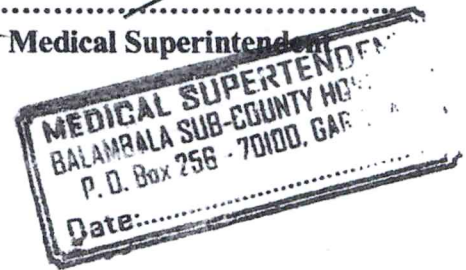
.....
Hospital Administrator.



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Head of Finance



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Medical Superintendent



Balambala Sub-County Level 4 Hospital (County Government of Garissa)

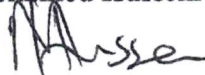
Annual Report and Financial Statements for The Year Ended 30th June

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

Description	Note	2024/25	2023/24
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
User fee Fif (Cost Sharing)	6	1,900,565	733,170.00
Total Receipts		1,900,565	733,170.00
Payments			
Medical costs	7	180,000	-
General expenses	8	744,064	430,000.00
Total Payments		924,064	430,000.00
Net cashflows from operating activities		976,501	303,170.00
Net cashflows used in investing activities		(0.00)	(0.00)
Net increase/(decrease) in cash and cash equivalents		244,093	303,170.00
Cash and cash equivalents at 1 July	8	430,583	127,413.80
Cash and cash equivalents at 30 June	8	674,676	430,583.80

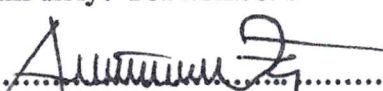
The notes set out on pages 18 to 23 form an integral part of the Annual Financial Statements. The Hospital's financial statements were approved by the Board on 20th August, 2025 and signed on its behalf by:

Mohamed Hussein



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Hospital Administrator.

Abdullahi diriye ICPAK23392

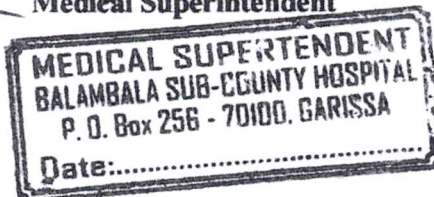


.....
Head of Finance

Dr Mohamed Nur Dagane



.....
Medical Superintendent



Balambala Sub-County Level 4 Hospital (County Government of Garissa)
Annual Report and Financial Statements for The Year Ended 30th June

18. Statement of Comparison of Budget & Actual amounts For Year Ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Utilization Difference
	Kshs	Kshs	Kshs	Kshs	Kshs	%
	a	b	c=(a+b)	d	e=(c-d)	f=d/c*100
Receipts						
Rendering of services	2,000,000	0	2,000,000	1,900,565	99,435	95%
Total Receipts	2,000,000	0	2,000,000	1,900,565	99,435	95%
Payments						
Medical Costs	1,000,000	0	1,000,000	180,000	820,000	18%
General expenses	1,000,000	0	1,000,000	744,064	255,936	74%
Total Expenditure Payments	2,000,000		2,000,000	924,064	1,075,936	46%
Capital Expenditure Payments	-		-	-	-	-
Surplus				976,501		

Balambala Sub-County Level 4 Hospital (County Government of Garissa)

Annual Report and Financial Statements for The Year Ended 30th June

19. Notes To the Financial Statements

1. General Information

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

3. Adoption of New and Revised Standards

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

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

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

*Balambala Sub-County Level 4 Hospital (County Government of Garissa)
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Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognised, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p>

Balambala Sub-County Level 4 Hospital (County Government of Garissa)

Annual Report and Financial Statements for The Year Ended 30th June

Standard	Effective date and impact:
	<p>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

ii. Early adoption of standards

The Balambala Sub County Hospital did not early – adopt any new or amended standards in the year 2024/2025.

4. Summary Of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transaction 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.

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 2024/25 was approved by Board on 30th June, 2025. No subsequent revisions or additional appropriations were made to the approved budget. 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.

c. Taxes

Sales tax/ Value Added Tax

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

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

d. Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 3 -5 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

Balambala Sub-County Level 4 Hospital (County Government of Garissa)

Annual Report and Financial Statements for The Year Ended 30th June

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.

g. Intangible assets

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

h. 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.

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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.

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

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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.

a. 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.

b. 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.

Notes to the Financial Statements (Continued)

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.

c. Nature and purpose of reserves

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

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.

e. 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

Notes to the Financial Statements (Continued)

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.

f. 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.

g. 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.

h. 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.

i. 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.

Notes to the Financial Statements (Continued)

j. 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

k. Comparative figures

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

l. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Notes to Financial Statements Continued

6. User fee FiF (Cost Sharing)

<i>Description</i>	2024/25	2023/24
	<i>Kshs</i>	<i>Kshs</i>
Pharmaceuticals	715,122	275,780
Out patients	217,618	83,880
Laboratory	884,688	340,610
Inpatients	83,137	32,900
Total revenue from the rendering of services	1,900,565.00	733,170.00

7. Medical costs

<i>Description</i>	2024/25	2023/24
	<i>KShs</i>	<i>KShs</i>
Cleaning Materials	120,000	65,000.00
Lab Reagents	60,000	40,000.00
Total General Expenses	180,000	430,000.00

8. General Expenses

<i>Description</i>	2024/25	2023/24
	<i>KShs</i>	<i>KShs</i>
Telephone	100,000	35,000.00
Fuel	45,000	6,190.00
Family Subsistence Allowance	166,800	60,000.00
Salaries	161,264	-
Supplies		90,000.00
Water and Sewerage	130,000	73,810.00
	141,000	60,000.00
General Expenses	744,064	430,000.00

9. Cash And Cash Equivalents

Description	2024/25	2023/24
	KShs	KShs
Current accounts	674,676.00	430,583.80
Total cash and cash equivalents	674,676.00	430,583.80

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

Description		2024/25	2023/24
Financial institution	Account number	KShs	KShs
a) Current account			
Premier bank	0009577801	674,676.00	430,583.80
Grand total		674,676.00	430,583.80

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9. Property, Plant and Equipment

Cost	Land		Buildings		Motor vehicles		Furniture and fittings		Computers		Plant and equipment		Other Assets (specify)		Capital Work in progress		Total		
	Kshs	X%	Kshs	X%	Kshs	X%	Kshs	X%	Kshs	X%	Kshs	X%	Kshs	X%	Kshs	X%	Kshs	X%	
Depreciation Rate																			
At 1 July 2023	0.00	0.00																	
Additions	-	-																	
Disposals	-	-																	
Transfers/Adjustments	-	-																	
Revaluation	-	-																	
At 30 th June 2024	0.00	0.00																	
Additions																			
Disposals	-	-																	
Transfer/Adjustments	-	-																	
Revaluation	-	-																	
At 30 th June 2025	0.00	0.00																	
Depreciation And Impairment																			
At 1 Jun 2024	-	-																	
Depreciation	-	-																	
Disposals	-	-																	
Impairment	-	-																	
At 30 Jun 2025	0.00	0.00																	
Depreciation	-	-																	
Disposals	-	-																	
At 30 th Jun 2025	-	-																	
Net Book Values																			
At 30 th Jun 2024	0.00	0.00																	
At 30 th Jun 2025	0.00	0.00																	

10. Cash Generated from Operations

Description	FY 2023/24	FY 2022/23
	KShs	KShs
Surplus for the year before tax	244,093.00	
Adjusted for:		
Depreciation	0.00	
Contribution to impairment allowance	0.00	
Working Capital adjustments		
Increase in deferred income	0.00	
Increase in payments received in advance	0.00	
Net cashflow from operating activities	244,093.00	

11. 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 minimize 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.

(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.

(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.

a) foreign currency risk

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

Foreign currency sensitivity analysis

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

Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

iv) Capital Risk Management

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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:

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.

1. Government of Kenya

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

- i. The Parent Ministry;
- ii. Auditor general;
- iii. Controller of budget;
- iv. County government;
- v. Key management;
- vi. Board of directors;

D) Events After The Reporting Period

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

II) Ultimate And Holding Entity

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

III) Currency

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

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20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Failure to submit prior years financial statements			
2.	Failure to Prepare Estimates of Income and Expenditure	Management to prepare budget	Not resolved	April 2026
3.	Non-Disclosure of Employee Costs Paid by the County Executive	Management to disclose	Not resolved	April 2026
4.	Deficiencies in Implementation of Universal Health Coverage (UHC)	Management working on how to improve the infrastructure, services and personnel	Not resolved	April 2026
5.	Undisclosed Property, Plant and Equipment Balance	Management to disclose	Not resolved	April 2026
6.	Non-Disclosure of Inventory Balance	Management to disclose	Not resolved	April 2026
7.	Lack of Hospital Management Board	The hospital is in the process of establishing the board	Not resolved	April 2026
8.	Lack of Internal Audit function and Audit Committee	Audit committee and internal audit to be established soon	Not resolved	April 2026

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Accounting Officer

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Appendix II: Inter-Entity Confirmation Letter

Name of Transferring entity: GARISSA COUNTY GOVERNMENT (COUNTY TREASURY)

Name of Beneficiary entity: BALAMBALA SUB-COUNTY HOSPITAL

Confirmation of amounts received by Balambala SUB-COUNTY HOSPITAL as at 30th June 2024.					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total				0	0%

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

Head of Accounts Department - Disbursing Entity:

Name Sign Date

Head of Accounts Department - Beneficiary Entity:

Name: DR. Mohamed Noor Dagane Sign Date: 30TH JUNE 2025.

