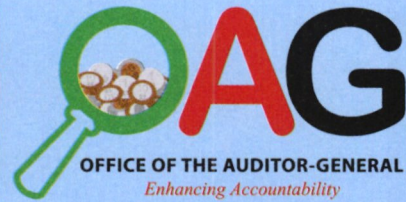


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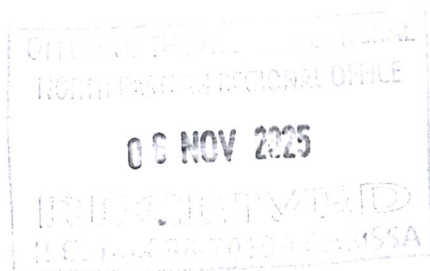
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ELWAK SUB-COUNTY LEVEL 4 HOSPITAL

FOR THE YEAR ENDED 30 JUNE, 2025

COUNTY GOVERNMENT OF MANDERA

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ELWAK SUB-COUNTY LEVEL 4 HOSPITAL

(Mandera County Government)

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
FY	Financial year
ESCRH	Elwak sub-county referral hospital
RCO	Registered clinical officer
NHIF	National health insurance fund
AIE	Authority to incur expenditure
IPSAS	International public sector accounting standards
IPSASB	International public sector accounting standard board
CEO	Chief executive officer
KEMSA	Kenya medical suppliers' authority
PPE	Personal protective equipment
CoG	Council of governors
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

(a) Background information

Elwak Sub-County Hospital is a level 4 hospital domiciled in Mandera County under the Medical Services Department. The hospital is governed by a Board of Management.

(b) Principal Activities

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

Vision

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

Mission

Ensure accessibility with patient-centred healthcare with excellence in quality by effective team work and community participation for achieving the goal of Universal Health Coverage.

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:

- County department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Management

(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 Muktar Maalim Hussein
2.	Head of finance	Abdirizak Rashid Ibrahim
3.	Head of supply chain	Mohamed Issack Adaw
4.	Hospital Administrator	Mohamednur Hussein Ibrein

Key Entity Information and Management (continued)

- (e) **Fiduciary Oversight Arrangements**
- Clinical Research and Standards Committee.
 - Audit committee
 - Risk Committee
 - County Assembly
 - Parliamentary committees
 - Other oversight committees

- (f) **Hospital Headquarters**
P.O. Box 62-70301
Hospital Building
Elwak-elgolicha Road
ELWAK, KENYA

- (g) **Entity Contacts**
Telephone: (+254) 720323946
E-mail: sub-county.elwak@gmail.com.
Website: www.esrh.go.ke

- (h) **Entity Bankers**
Equity bank
Elwak Branch
P.O Box 13-70300
Elwak-Mandera

- (i) **Independent Auditors**
Auditor General
Office of Auditor General
Anniversary Towers, Institute Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

- (j) **Principal Legal Adviser**
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

- (k) **County Attorney**
P.O. Box. 13-70300
Mandera, Kenya

3. The Board of Management

Ref	Directors	Details
1.		Mr. Liiban Khalif is the chairman of the Hospital management board, providing strategic leadership and oversight in guiding the hospital towards its vision of delivering quality and accessible health care service. He holds a bachelor degree in business Administration
2.		Mr. Bashir Tache is a member of hospital board. He holds bachelor of Education and bring expertise in management skills.
3.		Mrs Fatuma Abdikheir is a valued member of hospital management board. she holds diploma in social work and community development. Her field of study enables her to provide critical insights into service delivery.
4.		Hassan Haji Abdi is a valued member of hospital management board. He holds diploma in social work and community development and third year student pursuing his degree. His field of study enables him to provide critical insights into service delivery.
5.		Maalim Abdirahman serve as a member of the board, where he contributes to governance, oversight and strategic decision making. He is

		committed to ensuring accountability, transparency and effective service delivery.
6.		Mr Abdirizak Issack Adaw serves as member of board where he contributes to governance, oversight and strategic decision making. He is committed to ensuring accountability, transparency and effective service delivery. Abdirizak holds diploma in business administration
7.	 Dr Muktar Maalim Hussein Medsup/Board secretary. Qualification: Bachelor of medicine and surgery.	Roles and responsibilities Responsible for scheduling meeting, preparing agendas and taking minutes Maintain all records of board meeting Ensure the Boards operates in accordance with relevant laws
8.		Ibrahim Mohamed Amiin is a member of hospital board. He holds bachelor of Education and bring expertise in management skills.
9.		Saadia Hussein Ibrahim is a valued member of hospital board. Madam saadia holds bachelor of education

4. Key Management Team

Ref	Management	Details
1.		Dr Muktar Maalim Hussein Medsup/Board secretary. Qualification: Bachelor of medicine and surgery.
2.	 Mr. Abdirizak Rashid Ibrahim Bachelor of commerce- Accounting option.	Accountant-in-charge
3.	 Mr. Mohamednur Hussein Ibrein	Hospital administrator. Holds Bachelor Business Administration
4.		Mohamed issack adaw Procurement in-charge. Holds bachelor in supply chain management

5. Chairman's Statement

It is my pleasure to present the hospital's annual report and financial statements, which highlight both our operational performance and the financial position of the institution during the period under review. The management and operations of the hospital continue to be guided by the existing legal, policy, and institutional frameworks that govern the health sector. These frameworks remain central in ensuring that service delivery is efficient, effective, and aligned with national and county health priorities. By adhering to these guidelines, the hospital has been able to strengthen accountability, maintain professional standards, and continuously improve the quality of care provided to our patients.

One of the areas we have placed great emphasis on this quarter is the improvement of communication with our patients, their families, and other stakeholders. We recognize that communication is a critical component of healthcare delivery, and therefore, our focus has been on ensuring that interactions are timely, transparent, and responsive. To achieve this, the hospital has continued to invest in the training of our employees on customer care and effective communication. These initiatives are intended not only to enhance patient experience but also to build trust and foster a culture of empathy and professionalism within the hospital. By upholding the highest standards of care, our staff continue to demonstrate commitment to the hospital's mission and values.

To further strengthen this approach, we have established mechanisms for receiving, addressing, and resolving customer feedback in a structured and efficient manner. This has created an open channel of engagement between the hospital and the community, enabling us to act swiftly on concerns raised and to make necessary adjustments in service delivery. The system has proved invaluable in identifying service gaps, improving accountability, and ensuring that our services remain responsive to the needs of the population we serve.

Despite the progress achieved, the hospital continues to face significant challenges that arise from a constantly changing business environment. Limited financial resources, rising demand for health services, and emerging health concerns require us to adapt quickly and continuously improve the

quality of services we provide. These challenges call for innovation, prudent management of resources, and the strengthening of collaborations with our partners and stakeholders. It is only through sustained improvement that we can meet the expectations of our patients and maintain the hospital's reputation as a trusted healthcare provider.

On behalf of the Board, I take this opportunity to extend sincere appreciation to all our stakeholders for their continued support. In particular, we remain deeply grateful to the Ministry of Health and the County Treasury for their unwavering assistance, without which the milestones we have achieved would not have been possible. Their commitment has played a pivotal role in enabling the hospital to expand services, improve infrastructure, and enhance the quality of care delivered to the community.

As we move into a new year, I wish to express my gratitude to the staff of ESCRH, our team leaders, and members of the Board. Their hard work, dedication, and professionalism are the foundation of our success. Each day, they demonstrate pride in their work and live out the values of compassion, integrity, and excellence that define our institution. The resilience and teamwork displayed across all levels of the hospital have ensured that we remain on course to achieving our strategic objectives.

Looking ahead, I am confident that our strategies, coupled with the strong human resource capacity we have in place, will continue to drive growth and improvement in service delivery. The lessons we have drawn from past challenges, together with the opportunities presented by ongoing reforms in the health sector, provide a strong foundation for future progress. With the right policies, committed leadership, and the dedication of our staff, the hospital is well positioned to sustain its growth trajectory and deliver even better outcomes in the years ahead.



Name Liiban Adan khalif
Chairman to the Board

6. Report of The Medical Superintendent

I am pleased to present the annual report and financial statements for Elwak Sub-County Hospital for the year ended 30th June 2025. This report highlights the developments, challenges, and progress achieved during the financial year, while also reflecting on the resilience and dedication of our staff in delivering quality healthcare services to our community.

The hospital has continued to undergo notable transformation in recent years, with various initiatives aimed at improving infrastructure, service delivery, and patient experience. Despite these positive strides, the institution continues to face a number of challenges that affect its ability to deliver services at the desired level. Among the most pressing is the persistent shortage of financial resources from the county government, which significantly hampers the hospital's ability to meet its daily operational needs. Limited funding continues to stretch available resources and restricts our capacity to scale up essential services that are crucial for the growing population we serve.

Another critical challenge is the shortage of staff across several key cadres, including nurses, registered clinical officers, and pharmacists. This shortage not only places a heavy burden on the existing workforce but also directly impacts the quality and timeliness of services provided to patients. Overstretched staff have demonstrated extraordinary commitment and resilience, often going beyond the call of duty to meet patient needs. However, for the hospital to deliver sustainable, high-quality healthcare, urgent measures are required to strengthen human resource capacity through deployment of additional personnel.

In addition, the hospital lacks essential infrastructure such as a perimeter wall and adequate staff housing. The absence of a secure boundary exposes both the hospital and its users to security risks, while the shortage of staff quarters makes it difficult to attract and retain skilled healthcare professionals. These gaps highlight the need for further investment by the county government in order to create a conducive environment for staff and patients alike. The construction of a boundary wall, expansion of staff quarters, and additional resource allocation will be vital in ensuring that the hospital is adequately equipped to meet the demands placed upon it.

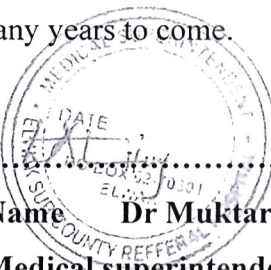
Despite these constraints, the hospital remains a pillar of hope for thousands of patients who continue to seek care within our facility. The large number of patients served during the year is a

testimony to the trust placed in us by the community, as well as the professionalism and compassion demonstrated daily by our staff. Their tireless efforts, empathy, and commitment are the driving force behind the hospital's ability to remain operational and responsive to the health needs of the community, even under challenging circumstances.

We remain deeply grateful to the Ministry of Health and the County Treasury for their continued support and commitment to the hospital. Their contributions, whether in the form of financial allocations, policy guidance, or logistical support, have been critical in enabling the hospital to sustain its operations. While more support is still required to address the structural and operational challenges we face, the assistance provided so far has been instrumental in keeping the hospital on course in fulfilling its mandate.

As we look to the future, our priority will be to advocate for enhanced funding, recruitment of additional staff, and expansion of infrastructure, particularly staff quarters and security measures. These efforts are not only necessary for smooth hospital operations but also essential for building a healthcare facility that meets the expectations of both staff and patients. With adequate support, Elwak Sub-County Hospital can continue to transform into a stronger, more resilient institution capable of delivering comprehensive and quality healthcare to the people of Elwak and its surrounding communities.

In conclusion, I extend my deepest appreciation to the hospital staff, whose hard work and commitment continue to inspire confidence and pride in our institution. I also wish to thank the Ministry of Health, the County Treasury, and all our partners and stakeholders for their continued support. With their assistance and the dedication of our teams, I am confident that Elwak Sub-County Hospital will overcome its challenges and continue to deliver quality healthcare services for many years to come.

.....

Name **Dr Muktar Maalim Hussein**
Medical superintendent

7. Statement of Performance Against Predetermined Objectives

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

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

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

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

1) Achieve operational excellence to deliver speed and efficiency

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

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

2) Strengthen hospital leadership and corporate governance

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

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

8. Corporate Governance Statement

Elwak Sub-County Hospital is committed to upholding the highest standards of corporate governance in line with national laws, county regulations, and best practices in the health sector. The Hospital recognizes that good governance is the foundation of accountability, transparency, and effective service delivery. The governance framework of the hospital is anchored on the principles of integrity, inclusivity, and professionalism, which guide the operations of the Hospital Management Board and its committees.

The appointment of Board members is carried out in accordance with the Public Appointments and County Government procedures. Members are nominated based on merit, professional expertise, and representation of diverse community interests to ensure inclusivity and balanced decision-making. The removal of members follows due process, guided by relevant legal provisions and performance considerations. The Board is comprised of individuals from diverse professional and demographic backgrounds, reflecting gender balance, age diversity, and community representation. To enhance accountability and clarity of roles, the Board operates under a formally adopted Board Charter, which outlines the principles, responsibilities, and governance framework of its members. The primary role of the Board is to provide strategic oversight and guidance to the hospital. This includes policy formulation, approval of strategic plans and budgets, monitoring of financial and operational performance, and ensuring that the hospital adheres to relevant laws and regulations. In addition, the Board provides oversight over risk management, internal controls, and compliance systems. The Board delegates operational responsibilities to management but retains responsibility for ensuring that the hospital fulfills its mission and objectives.

Board performance is evaluated periodically to ensure effectiveness in executing its mandate. This evaluation covers both collective performance of the Board and individual contribution of its members. Training and capacity-building sessions are undertaken to equip Board members with skills and knowledge necessary to respond to emerging governance and health sector challenges. The hospital has put in place a clear policy for managing conflicts of interest. Members are required to declare any personal or financial interests that may compromise, or be perceived to compromise, their objectivity and independence in decision-making. Such declarations are recorded, and members are excluded from participating in discussions or decisions where conflicts exist. In respect to remuneration, Board members receive allowances approved in accordance with Salaries and Remuneration Commission (SRC) guidelines. Remuneration is structured to reflect fairness, sustainability, and the nature of service offered while avoiding any incentives that could undermine objectivity.

The Board is committed to upholding the highest standards of ethics and professional conduct. Members are bound by a Code of Conduct which emphasizes integrity, confidentiality, respect, and accountability. The hospital promotes ethical leadership and expects Board members to serve as role models for staff and the wider community.

As part of compliance with good governance practices, the hospital subjects itself to periodic governance audits conducted in line with the Public Finance Management (PFM) Act and Mwongozo Code of Governance for State Corporations. These audits assess the Board's effectiveness, adherence to ethical standards, compliance with legal requirements, and the robustness of governance structures.

To strengthen oversight, the Board has established specialized committees with clear Terms of Reference (TORs). These committees include Finance and Audit, Human Resource, and Infrastructure and Procurement Committees, each tasked with specific oversight functions. The committees report to the full Board, ensuring efficiency, accountability, and focus in handling complex operational and governance matters.

The hospital has further developed a policy on related party transactions to safeguard transparency and fairness. All related party dealings are required to be disclosed, reviewed, and approved in accordance with established procedures to ensure they are conducted at arm's length and in the best interest of the hospital.

In conclusion, Elwak Sub-County Hospital's governance framework reflects its commitment to transparency, accountability, and service excellence. The Board, management, and staff work collectively to ensure that governance practices not only comply with regulatory requirements but also foster trust, sustainability, and continuous improvement in healthcare delivery.

9. Management Discussion and Analysis

Elwak Sub-County Referral Hospital (ESCRH) continues to serve as a critical health facility providing healthcare services not only to the residents of Elwak Sub-County but also to patients from neighbouring sub-counties who rely on the hospital for affordable and accessible care. The range of services offered includes outpatient consultations, inpatient care, accident and emergency services, as well as vital clinical support services such as laboratory diagnostics and pharmacy. These services form the backbone of the hospital's operations and remain central to our mandate of promoting health and saving lives.

The hospital strives to ensure that all services provided are safe, timely, appropriate, innovative, and guided by evidence-based practices. In pursuit of this commitment, clinical governance has been progressively strengthened to safeguard patient safety and to promote continuous quality improvement. Through adherence to professional standards and guidelines, the hospital has maintained trust with the community despite facing operational and resource-related challenges. One of the pressing challenges continues to be the shortage of healthcare professionals, particularly doctors, nurses, pharmacists, and registered clinical officers. Budgetary limitations further constrain the hospital's ability to expand services and respond adequately to the growing demand for healthcare. Nevertheless, staff members remain committed to delivering their best under the circumstances.

The hospital's human resource capacity remains a vital pillar in service delivery. Currently, the facility has six medical doctors, four registered clinical officers, and forty-nine nursing officers who together form the frontline of healthcare delivery. These professionals are supported by other technical and non-technical staff who ensure the hospital remains operational and responsive to the needs of patients. Guided by the principles of equity, timeliness, efficiency, effectiveness, and patient-centred care, this team continues to make significant contributions toward improving health outcomes in the community.

The hospital has a total capacity of one hundred and twenty (190) beds, which are utilized by both general and specialised cases. During the financial year 2024/2025, ESCRH recorded a total patient attendance of 47,586. Of these, 6,543 were inpatient admissions, while 41,043 were outpatient visits. This represents an increase of 5% in outpatient visits and 9% in inpatient admissions compared to the previous financial year, a clear indication of the growing trust in the hospital's services. Accident and emergency attendances during the same period totalled three hundred and eighty-four (384). While the hospital does not currently offer specialised clinic services, the increase in general patient numbers highlights the urgent need to diversify service offerings and strengthen referral systems.

Inpatient care remains a critical part of the hospital's operations. The average length of stay for inpatients was five days, while the overall bed occupancy rate stood at 63%. This reflects optimal utilisation of available resources given the staffing and budgetary challenges. The hospital's mortality rate during the year was 0.7%, which compares favourably to national averages and demonstrates the effectiveness of the care provided by the dedicated healthcare team. Surgical services continue to be offered, with the theatre being primarily utilised for caesarean section deliveries and eye operations. While this marks progress in surgical care, expansion into other surgical specialties remains a long-term goal once resources are mobilised.

Despite the progress made, the hospital continues to face significant resource gaps. The absence of formal partnerships and sponsorships during the financial year limited the opportunities for expansion and capacity building. Strategic collaborations with development partners, private sector organisations, and non-governmental agencies will be vital in bridging existing resource gaps and supporting future growth. Moving forward, ESCRH intends to strengthen resource mobilisation efforts, advocate for more county government funding, and explore opportunities for partnerships to ensure that the hospital not only sustains current service delivery but also expands into new areas of care to meet rising community needs.

The remarkable achievements of this reporting period are largely attributed to the dedication of our staff, who despite heavy workloads and resource constraints, have continued to put patients first. Their professionalism and commitment remain the strongest assurance of quality healthcare in Elwak and surrounding areas. With increased support, targeted investments, and enhanced partnerships, the hospital is confident in its ability to continue transforming into a stronger and more responsive healthcare provider for the community it serves.

10. Environmental And Sustainability Reporting

i.Sustainability Strategy and Profile

Elwak Sub-County Hospital recognizes the global and national priorities on sustainability, particularly the threats posed by climate change, resource scarcity, and changing health demographics. Our sustainability strategy is guided by the United Nations Sustainable Development Goals (SDGs), specifically Goal 3 on Good Health and Well-being, Goal 6 on Clean Water and Sanitation, and Goal 13 on Climate Action. During the year, the hospital improved waste segregation practices and installed additional solar units in selected wings to reduce reliance on grid power. However, limited funding constrained full implementation of our green initiatives. Mitigation measures include gradual adoption of paperless systems, efficient use of resources, and advocacy for more county support. Through our service delivery charter, the hospital ensures fair and transparent procurement. In the year under review, 33% of procurement contracts were allocated to local suppliers, youth, women, and persons with disabilities, in line with government policy.

ii) Environmental Performance

The hospital operates under an environmental policy that emphasizes resource efficiency, safe waste disposal, and reduction of environmental impact. Key successes include enhanced medical waste incineration, provision of waste segregation bins within the compound, and routine vehicle servicing to cut carbon emissions. Shortcomings remain in reducing single-use plastics and in automating office systems to achieve a paperless environment. Mitigation measures such as gradual replacement of plastics with biodegradable alternatives and sensitization of staff on energy-saving practices are being pursued. To address climate change, the hospital has adopted solar lighting in high-use areas and initiated tree planting within the hospital compound to create a greener, healthier environment.

iii) Employee Welfare

The hospital follows government policies that promote inclusivity in hiring, with deliberate efforts to balance gender, youth, and representation of persons with disabilities. Continuous stakeholder engagement ensures these policies are reviewed and updated to reflect emerging needs. Staff development is prioritized through periodic training and workshops to improve skills and career progression. Performance appraisals and recognition programs are in place to encourage productivity. Occupational safety remains a priority, with strict adherence to the Occupational Safety and Health Act, 2007 (OSHA). Reported work-related injuries during the year were minimal, and corrective

measures such as safety drills, provision of protective gear, and regular health and safety inspections have been implemented to reduce risks further.

iv) Marketplace Practices

- (a) *Responsible Competition Practices*: The hospital upholds principles of transparency, anti-corruption, and fair competition. Services are automated where possible, including cashless payments and clear service charters displayed for patient awareness. Complaints channels are available to enhance accountability and safeguard service quality
- (b) *Responsibility supply chain*: procurement guided by fairness, openness and respect for contractual obligation. Suppliers are engaged through competitive tendering with priority given to prompt payment and support for local vendors
- (c) *Responsibility engagement with citizens*. Outreach activities are conducted ethically, avoiding false promises and ensuring accurate health information is provided through media, health education forums, and direct consultation with community representatives. Respect for diversity and inclusivity remains central to all engagement.
- (d) *Product Stewardship and Awareness Creation*: The hospital safeguards patient rights by providing adequate information on services, treatment, and payment processes. Patients are educated on their health conditions, while grievance and redress mechanisms are in place for dispute resolution. Confidentiality of patient data is strictly maintained in line with data protection requirements.

v) Corporate Social Responsibility / Community Engagements

The hospital remains committed to its social responsibility mandate by engaging directly with the community to promote better health outcomes. Activities during the year included community sensitization on hygiene and sanitation, free health outreach clinics, and maternal health awareness campaigns. Tree planting exercises were also undertaken within the hospital grounds and surrounding community schools to support environmental conservation. While financial constraints limited large-scale CSR projects, the impact of these initiatives was significant in strengthening community trust, improving preventive health knowledge, and creating a sense of partnership between the hospital and the people it serves.

Report of The Board of Management

The board members submit their report together with the audited financial statements for the year that ended June 30, 2025, which show the state of the hospital's affairs.

Principal activities

The principal activities of the Hospital are;

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

Results

The results of the entity for the year ended June 30 2025 are set out on pages 1

Board of Management

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

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



.....
Name

Secretary to the Board

11. Statement of Board of Management's Responsibilities

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

The Board of Management is responsible for the preparation and presentation of the Hospital's financial statements, which give a true and fair view of the state of affairs of the Hospital for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the *entity*; (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 Hospital's financial statements give a true and fair view of the state of Hospital's transactions during the financial year ended June 30, 20xx, and of the Hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the Hospital, which have been relied upon in the preparation of the Hospital's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board of management to indicate that the Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 29th August 2025 and signed on its behalf by:



.....
Name:
Chairperson
Board of Management



Name: Dr Muktar Maalim Hussein
Accounting Officer

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Elwak Sub-County Level 4 Hospital set out on pages 1 to 38, which comprise of the statement of financial position

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

as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Elwak Sub-County Level 4 Hospital as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the County Governments Act, 2012, the Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccurate Expenditure on Repairs and Maintenance

The statement of financial performance reflects expenditure on repairs and maintenance amounting to Kshs.8,124,060 as disclosed in Note 11 to the financial statements. However, the expenditure included Kshs.4,347,960 and Kshs.585,000 in respect of renovation of Hospitals' maternity wing and construction of oxygen cylinder store respectively which ought to have been capitalized as additions during the year to property, plant and equipment and recorded in the fixed asset register.

In the circumstances, the accuracy and completeness of expenditure on repairs and maintenance amounting to Kshs.8,124,060 could not be confirmed.

2. Non-Disclosure of Inventory Balance

The statement of financial position reflects total current assets balance of Kshs.10,064,101. The balance did not include value of year-end inventory balance. However, during the year under review, the Hospital procured food items, office stationery and supplies, pharmaceuticals and non-pharmaceuticals for its operations that were received and recorded in the stores ledgers before being dispensed to laboratory, pharmacy, wards, kitchen, offices and outpatient units amongst others. However, annual stock take was not conducted as at 30 June, 2025 to confirm the closing inventory balances.

In the circumstances, the accuracy and completeness of total current assets balance of Kshs.10,064,101 could not be confirmed.

3. Failure to Disclose In-Kind Contribution from the County Executive

The County Executive of Mandera paid on behalf of the Hospital salaries and allowances for staff working at the Hospital, expenses for pharmaceuticals and non-pharmaceutical

supplies, stationery and catering supplies. However, these expenses were not disclosed in the financial statements. In addition, Management of the Hospital did not maintain accounting records to track and account for in-kind contributions received from the County Executive.

In the circumstances, the accuracy and completeness of total expenses disclosed in the statement of financial performance of Kshs.29,473,266 could not be confirmed.

4. Non-Disclosure Property Plant and Equipment

The statement of financial position reflects Nil balance in respect of property, plant and equipment. However, the Hospital had in its control various assets including land, infrastructure, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. In addition, Management did not maintain a fixed assets register. Further, ownership documents for land where the Hospitals' premises are situated were not provided for audit.

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

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.30,352,740 and Kshs.26,480,666 respectively resulting in an under-funding of Kshs.3,872,074 or 13% of the budget. Similarly, the Hospital spent a total of Kshs.23,604,157 against actual receipts of Kshs.26,480,666 resulting in an under expenditure of Kshs.2,876,509 or 11% of the receipts.

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 Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior year Matters

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

S/No	Financial year	Issue
1	2023/2024	Inaccuracies in the statement of changes in net assets
2	2023/2024	Nondisclosure of property, plant and equipment
3	2023/2024	Nondisclosure of inventory balance
4	2023/2024	Non-disclosure of employee costs paid by the County Government
5	2023/2024	Failure to prepare estimates of income and expenditure
6	2023/2024	Deficiencies in implementation of Universal Health Coverage
7	2023/2024	Lack of Quarterly Revenue Reports
8	2023/2024	Lack of procurement plan
9	2023/2024	Lack of Hospital management board
10	2023/2024	Revenue safeguards and controls
11	2023/2024	Weaknesses in issuance and storage of medical supplies
12	2023/2024	Lack of Approved Staff Establishment and scheme of service
13	2023/2024	Lack of Risk Management Policy and disaster recovery plan and information technology controls

Other Information

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

In connection with my audit on the Hospital's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I

conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with Gender Equality Requirement

Review of the staff report presented for audit revealed that the Hospital had a total of one hundred and forty-one (141) staff on contract and permanent terms. Out of the total workforce, one hundred and nine (109) employees representing approximately 77% were of the male gender and thirty-two (32) representing approximately 23% were of the female gender. This is contrary to Section B.22(2) of the Human Resources Policies and Procedures Manual for Public Service, 2016 which provides that the Government will endeavour to have a gender balanced Civil Service by ensuring that not more than 2/3 of positions in its establishment are filled by either gender.

In the circumstances, Management was in breach of the Human Resources Policies and Procedures for Public Service

2. Lack of an Approved Procurement Plan

Review of the Hospital's records revealed that the Hospital did not have an approved procurement plan. This is contrary to Regulation 40(1) of the Public Procurement and Asset Disposal Regulations, 2020 which provides that a procuring entity shall prepare a procurement plan for each financial year as part of the annual budget preparation process. In addition, Regulation 40(4) states that the consolidated annual procurement plan shall be prepared by the accounting officer of the procuring entity and approved by the Cabinet Secretary, or county executive committee member of finance responsible for that entity or, where applicable, by the board of directors or a similar body.

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

3. 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 staff deficits, equipment and machinery requirements with significant deficits being noted in staffing levels and availability of critical equipment and equipment and machinery requirements.

The Hospital experienced significant shortfalls in staffing compared to the Health Policy Guidelines for a Level 4 facility, as outlined below:

Staffing Requirement	Level 4 Standard	Number In Hospital	Variance	Percentage Deficit %
Medical Officers	16	14	2	12.5%
Anesthesiologists	2	0	2	100%
General Surgeons	2	0	2	100%
Gynecologists	2	0	2	100%
Pediatricians	2	0	2	100%
Radiologists	2	0	2	100%
Registered Community Health Nurses	75	65	10	13%
Total	101	79	22	22%

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%
New Born Unit Cots	5	4	1	20%
Functional ICU Beds	6	4	2	67%
High Dependency Unit (HDU) Beds	6	3	3	50

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.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern

them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Internal Audit Function

During the year under review, the Hospital did not have internal audit arrangements, contrary to Section 155 of the Public Finance Management Act, 2012, which states that a County Government entity shall ensure that it complies with the Act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, it was not possible to confirm the effectiveness of internal controls, risk management and governance systems in the Hospital.

2. 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.

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

3. Lack of Annual Work Plan for the Board of Management

The audit established that the Board of Management did not prepare or approve an annual work plan to guide its activities and oversight responsibilities during the period under review. There was no documented plan outlining the scheduled board meetings, committee engagements, program on performance of monitoring activities, policy reviews, training or other governance functions expected to be undertaken during the year.

In addition, only two (2) board meetings were held during the year. Expenditures such as the induction training for the board members were not supported by pre-approved board activity schedule or framework.

In the circumstances, the effectiveness of internal controls, risk management and overall governance of the Hospital could not be confirmed.

4. Deficiencies in Employees Records

The master roll maintained did not indicate the ethnic details of staff engaged. In addition, Management did not provide evidence that the Hospital workforce included persons living with disabilities. It was therefore not possible to confirm whether the Hospital complied with the National Cohesion and Integration Act, 2008 and the Persons with Disabilities Act, 2003.

In the circumstances, the effectiveness of internal controls on human resource management in the Hospital could not be confirmed.

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

Responsibilities of the Management and the Hospital Board of Management

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

In preparing the financial statements, Management is responsible for assessing the 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

7 November, 2025

Elwak Sub County Level 4 Hospital (Mandera County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

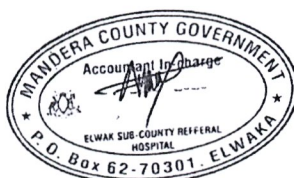
13. Statement of Financial Performance for The Year Ended 30 June 2025

Description	Notes	2024/2025	2023/2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	4,000,000	14,200,000
Transfers from other Government entities	7	0	7,548,485
Total Revenue from non- exchange transactions		4,000,000	21,748,485
Revenue from exchange transactions			
Rendering of services- Medical Service Income	8	29,668,257	7,696,097
Total Revenue from exchange transactions		29,668,257	0
Total revenue		33,668,257	29,444,582
Expenses			
Medical/Clinical costs	9	6,305,532	4,485,814
Employee costs	10	3,716,290	4,072,060
Repairs and maintenance	11	8,124,060	4,211,820
General expenses	12	10,423,384	11,083,000
Transfer to CRF		000	7,696,097
Board of management expenses	13	904,000	000
Total expenses		29,473,266	31,548,791.00
Net Surplus for the year		4,194,991	(2,104,209.00)

The Hospital's financial statements were approved by the Board on 29th August 2025 and signed on its behalf by:



.....
Chairman
Board of Management



.....
Head of Finance
ICPAK No: 27809



Medical Superintendent

Elwak Sub County Level 4 Hospital (Mandera County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

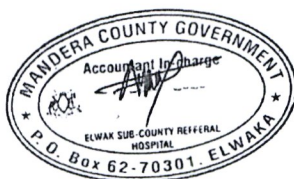
14. Statement of Financial Position As At 30th June 2025

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	14	2,876,509	2,460
Receivables from exchange transactions	15	7,187,592	0
Total Current Assets		10,064,101	2,460
Non-current assets			
Property, plant, and equipment		0	0
Total Non-current Assets		0	0
Total assets		10,064,101	2,460
Liabilities			
Current liabilities			
Trade and other payables	16	5,866,650	1,680,000
Total Current Liabilities		5,866,650	1,680,000
Non-current liabilities			
Total Non-current liabilities		0	1,680,000
Total Liabilities		5,866,650	0
Net assets		4,197,451	1,677,540
Accumulated surplus/Deficit		4,197,451	2,460
Net assets		4,197,451	2,460

The Hospital's financial statements were approved by the Board on 29th August 2025 and signed on its behalf by:



.....
Chairman
Board of Management



.....
Head of Finance
ICPAK No: 27809



Medical Superintendent

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

Description	Accumulated surplus/Deficit	Total
As at July 1, 2023	2,106,669	2,106,669
Surplus/(deficit) for the year	(2,104,209)	2,104,209
As at June 30, 2024	2,460	2,460
At July 1, 2024	2,460	2,460
Surplus/(deficit) for the year	4,194,991	4,194,991
At June 30, 2025	4,197,451	4,197,451

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

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		4,000,000	14,200,000
Transfers from other Government entities		0	7,548,485
Rendering of services- Medical Service Income		22,478,206	7,696,097
Total Receipts		26,478,206	29,444,582
Payments			
Medical/Clinical costs		6,018,950	4,485,814
Employee costs		3,716,290	4,072,060
Board of management expenses		904,000	000
Repairs and maintenance		4,976,100	4,211,820
General expenses		7,988,817	11,083,000
Total Payments		23,604,157	31,548,791
Net cash flows from/(used in) operating activities		2,874,049	(2,104,209)
Net increase/(decrease) in cash and cash equivalents		2,874,049	(2,104,209)
Cash and cash equivalents at 1 July	14	2,460	2,106,699
Cash and cash equivalents at 30th June 2025	14	2,876,509	2,460

Elwak Sub County Level 4 Hospital (Mandera County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

17. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 20

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	B	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year		2,460	2,460	2,460	0	100%
Receipts						
Transfers from the County Government	7,000,000	0.00	7,000,000	4,000,000	3,000,000	57%
Rendering of services-medical service income	23,350,280	0.00	23,350,280	22,478,206	872,074	96%
Total Receipt	30,350,280	2,460	30,352,740	26,480,666	3,872,074	87%
Payments						
Medical/Clinical costs	6,446,730	0	6,446,730	6,018,950	427,780	93%
Employee costs	3,716,290	0	3,716,290	3,716,290	0	100%
Remuneration of directors	924,000	2,460	926,460	904,000	22,460	98%
Repairs and maintenance	8,463,260	0	8,463,260	4,976,100	3,487,160	57%
General expenses	10,800,000	0	10,800,000	7,988,817	2,811,183	78%
Total Operational Expenditure paid	30,350,280	2,460	30,352,740	23,604,157	6,748,583	78%
Surplus	0.00		0,00	2,876,509	(2,876,509)	

Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	2,876,509
Closing Cash and Cash Equivalent as per the statement of Cash flows	2,876,509

18. Notes to the Financial Statements

1. General Information

Elwak sub-county hospital is established by and derives its authority and accountability from Mandera County Government Act. The entity is wholly owned by Mandera County Government and is domiciled in Mandera County in Kenya. The entity's principal activity is to provide health care services.

2. Statement of Compliance and Basis of Preparation

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

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

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

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

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45- Property	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets,

Elwak Sub County Level 4 Hospital (Mandera County Government)
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Standard	Effective date and impact:
Plant and Equipment	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.
IPSAS 46 Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: 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.
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i> 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.

Elwak Sub County Level 4 Hospital (Mandera County Government)
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Standard	Effective date and impact:
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> 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.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> 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.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

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

a. **Revenue recognition**

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

Transfers from other Government entities

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

ii) **Revenue from exchange transactions**

Rendering of services

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

Sale of goods

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

Interest income

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

Rental income

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

b. **Budget information**

The original budget for FY 2024/2025 was approved by Board on *June 2024*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Hospital'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 cash flows.

c. Taxes

Sales tax/ Value Added Tax

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

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

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

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

Notes to the Financial Statements (Continued)

f. Leases

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

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

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

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

g. Intangible assets

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

Notes to the Financial Statements (Continued)

h. Biological Assets

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

i. Research and development costs

The 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.

j. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a

financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

Financial liabilities

Classification

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

k. Inventories

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

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

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

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

l. Provisions

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

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

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

Notes to the Financial Statements (Continued)

m. Social Benefits

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

n. 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.

o. 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.

p. Nature and purpose of reserves

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

q. Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

r. 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.

s. Foreign currency transactions

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

t. Borrowing costs

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

u. Related parties

The 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 Hospital, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO/principal and senior managers.

v. Service concession arrangements

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

w. Cash and cash equivalents

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

x. Comparative figures

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

y. Subsequent events

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

4. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

Elwak Sub County Level 4 Hospital (Mandera County Government)
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Notes to Financial Statements Continued

5. Transfers from the County Government

Description	2024/2025	2023/2024
	KShs	KShs
Unconditional grants		
Operational grant	4,000,000	14,200,000
	4,000,000	14,200,000

6 b Transfers from The County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2023/2024
			KShs	KShs	KShs
Mandera County Government	4,000,000	0	0	4,000,000	14,200,000
Total	4,000,000	0	0	4,000,000	14,200,000

8 Rendering of Services-Medical Service Income

Description	2024/2025	2023/2024
	Kshs	Kshs
Pharmaceuticals	2,500,000	800,000
Laboratory	12,668,257	2,583,000
Radiology	7,500,000	2,474,000
Orthopedic and Trauma Technology	1,200,000	200,000
Theatre	800,000	323,000
Accident and Emergency Service	3,500,000	996,097
Dental services	1,500,000	320,000
Total revenue from the rendering of services	29,668,257	7,696,097

9. Medical/ Clinical Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Food and Ration	1,629,732	1,390,000
Dressing and Non-Pharmaceuticals	1,450,000	200,000
Sanitary and cleansing Materials	812,000	1,402,814
Laboratory chemicals and reagent	650,000	000
Purchase of Medical Records	1,329,500	660,000
Emergency medical drugs	434,300	833,000
Total medical/ clinical costs	6,305,532	4,485,814.00

10. Employee Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	3,716,290	4,072,060
Total	3,716,290	4,072,060

11. Repairs And Maintenance

Description	2024/2025	2023/2024
	Kshs	Kshs
Maintenance of civil works	7,539,060	3,671,820
Property-Building	585,000	000
Office Equipment	0	540,000
Total repairs and maintenance	8,124,060	4,211,820

Elwak Sub County Level 4 Hospital (Mandera County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

12. General Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Bush clearing works	637,000	1,362,680
Catering service	165,000	157,600
Insecticides and rodenticides		300,000
Bank charges	17,117	27,240
Charcoal and firewood	290,000	80,000
Electricity expenses	697,100	4,250,000
Fuel and lubricants	4,547,967	2,731,000
Travel and accommodation allowance	813,400	500,000
Printing and stationery	575,800	150,000
Hire charges	900,000	1,139,500
Water and sewerage costs	1,207,000	250,000
transportation cost	35,000	000
Penalty	40,000	000
internet	60,000	135,000
imprest	438,000	000
Total General Expenses	10,423,384	11,083,000

13. Board of Management Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Sitting allowance	904,000	0
Total	904,000	0

14. Cash and Cash equivalents

Description	2024/2025	2023/2024
	KShs	KShs
Current accounts	2,876,509	2,460
Total cash and cash equivalents	2,876,509	2,460

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

Description		FY 2024/2025	FY 2024/2025
Financial institution	Account number	KShs	KShs
a) Current account			
Equity Bank, 1000266566200		2,876,509	2,460
Sub- total		2,876,509	2,460
Grand total		2,876,509	2,460

15. Receivables From Exchange Transactions

Description	2024/2025	2023/2024
	KShs	KShs
Medical services receivables	7,187,592	0
Total receivables	7,187,592	0

Analysis of Receivables From Exchange Transactions

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	2024/2025	% of the total	2023/2024	% of the total
Less than 1 year	7,187,592	100%	0	0%

Notes to the Financial Statements (Continued)

16. Financial Risk Management

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

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Receivables from exchange transactions	0	0	0	0
Bank balances	2,460	2,460	0	0
Total	2,460	2,460	0	0
At 30 June 2025				
Receivables from exchange transactions	7,187,592	7,187,592	0	0
Bank balances	2,876,509	2,876,509	0	0
Total	10,064,101	10,064,101	0	0

Notes to the Financial Statements (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the hospital has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of management sets the hospital's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Trade payables	0	0	0	0
Total	0	0	0	0
At 30 June 2025				
Trade payables	0	0	5,866,650	5,866,650
Total	0	0	5,866,650	5,866,650

Notes to the Financial Statements (Continued)

(iii) Market risk

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

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting expected sales proceeds and matching the same with expected payments.

b) Interest rate risk

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

Management of interest rate risk

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

Notes to the Financial Statements (Continued)

Sensitivity analysis

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

iv) Capital Risk Management

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

Description	2024/2025	2023/2024
	Kshs	Kshs
Retained earnings	4,197,451	2,460
Total funds	4,197,451	2,460
Total borrowings	0	0
Less: cash and bank balances	(2,876,509)	(2,460)
Net debt/ (<i>excess cash and cash equivalents</i>)	2,876,509	2,460
Gearing	68.5%	100%

Notes to the Financial Statements (Continued)

17. 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.

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

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

Description	2024/2025	2023/2025
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from County Government	4,000,000	14,200,000
Total	4,000,000	14,200,000

18. Events after the Reporting Period

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

19. Ultimate and Holding Entity

The entity is a Semi- Autonomous Government Agency under the Department of Health. Its ultimate parent is the County Government of Mandera.

20. Currency

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

Elwak Sub County Level 4 Hospital (Mandera County Government)
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19. 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	Inaccuracies in the statement of Change in Net Assets	Management acknowledges the observation on inaccuracies noted in the Statement of Change in Net Assets. To prevent recurrence, management has strengthened the review and approval process for financial statements, including an additional layer of verification before finalization.	Not Resolved	15.02.2026
2	Non-Disclosure of Property, Plant and Equipment	Management acknowledges the observation regarding the non-disclosure of Property, Plant and Equipment (PPE). The assets in question were not recognized in the financial statements as they have not yet been formally handed over or transferred to the hospital by the County Government, and therefore ownership could not be confirmed at the time of reporting.	Not Resolved	15.02.2026

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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)
3	Non-Disclosure of Inventory Balance	Management acknowledges the observation on the non-disclosure of the inventory balance. The omission was mainly attributed to delays in finalizing the stock records and reconciliations at year-end, which made it difficult to reliably determine the closing inventory position at the time of preparing the financial statements. Corrective action has since been taken through the strengthening of inventory management processes, including timely stock-taking, reconciliation of records, and proper documentation of movements	Not Resolved	15.02.2026
4	Non-Disclosure of Employees' Cost Paid by the County Government	Management acknowledges the observation on the non-disclosure of employees' costs paid directly by the County Government. The omission was due to lack of access to the actual payroll records and supporting schedules from the County, making it difficult to ascertain the precise cost attributable to the hospital during the reporting period.	Not Resolved	15.02.2026
Other Matters				

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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	Unresolved Prior Year Matters	Management acknowledges the observation on unresolved prior year matters. The issues remain outstanding because they are yet to be deliberated and approved by the Senate.	Not Resolved	15.02.2026
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES				
1	Failure to Prepare Estimates of Income and Expenditure	Management acknowledges the finding on failure to prepare Estimates of Income and Expenditure. The omission arose due to capacity and resource constraints during the reporting period, which hindered the timely preparation of the estimates. To address this, management has initiated measures to strengthen the planning and budgeting process.	Not Resolved	15.02.2026
2	Deficiencies in Implementation of Universal Health Coverage (UHC)	Management acknowledges the observation on deficiencies in the implementation of Universal Health Coverage (UHC). The shortfalls were mainly due to budgetary constraints, which limited the hospital's ability to fully roll out the program as envisioned. Management continues to work closely with the County Government and the National Government to mobilize additional	Not Resolved	15.02.2026

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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)
		resources and explore alternative funding mechanisms to support UHC activities.		
3	Understaffing of Health Workers	Management acknowledges the observation on understaffing of health workers, which continues to affect service delivery and overall efficiency. The shortage has largely been occasioned by budgetary limitations and delays in recruitment by the County Government.	Not Resolved	15.02.2026
4	Failure to Offer Essential Services	Management acknowledges the observation on failure to offer certain essential services. This challenge has been primarily due to inadequate staffing, budgetary constraints, and limited equipment, which restricted the hospital's capacity to provide the full range of services required.	Not Resolved	15.02.2026
5	Inadequate Operational Equipment	The shortage has been occasioned by budgetary limitations and delays in procurement processes, which have constrained the hospital's ability to acquire and maintain essential equipment for efficient service delivery.	Not Resolved	15.02.2026

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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)
5	Lack of Quarterly Revenue Reports	The omission was due to inadequate reporting structures and delays in consolidating revenue data during the period under review. To address this, management has now put in place mechanisms to ensure timely preparation and submission of Quarterly Revenue Reports, including strengthening the revenue recording system and assigning dedicated staff to oversee compliance	Not Resolved	15.02.2026
6	Lack of Procurement Plan	The omission was mainly due to limited technical capacity within the entity to develop and operationalize the plan in line with the Public Procurement and Asset Disposal Act requirements. To address this, management has initiated capacity-building measures for staff involved in procurement planning and will seek technical support from the County Supply Chain Management Department to ensure compliance.	Not Resolved	15.02.2026
REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE				
1	Lack of Hospital Management Board	The County Government has since appointed a Hospital Management Board, which is now fully operational.	Not Resolved	15.02.2026

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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)
		The Board has been mandated to provide strategic direction, strengthen accountability, and enhance service delivery in line with the hospital's mandate.		
2	Revenue Safeguards and Controls	The gaps arose due to inadequate segregation of duties, weak monitoring mechanisms, and limited automation of revenue collection processes. To address this, management has strengthened internal controls by enhancing supervision, assigning clear responsibilities, and initiating steps toward automation of revenue collection.	Not Resolved	15.02.2026
3	Weakness in Issuance and Storage of Medical Supplies	The shortcomings were mainly due to inadequate storage facilities and gaps in adherence to standard procedures for documentation and stock management. To address this, management has introduced stricter controls over the receipt, storage, and issuance of supplies, including proper record-keeping and authorization procedures.	Not Resolved	15.02.2026
4	Lack of Approved Staff Establishment and Scheme of Service	Management acknowledges the observation on the lack of an approved staff establishment and scheme of	Not Resolved	15.02.2026

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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)
		service. This gap has affected structured human resource planning, deployment, and career progression within the hospital. To address this, management has engaged the County Public Service Board to fast-track the approval of a comprehensive staff establishment and scheme of service.		
5	Lack of Risk Management Policy and Disaster Recovery Plan and Information Technology (IT) Controls	The County Government has since developed and approved a Risk Management Policy and Disaster Recovery Plan, and measures have been put in place to strengthen IT controls. Management will ensure full implementation of these frameworks to enhance risk management, business continuity, and system security.	Not Resolved	15.02.2026

Elwak sub-county Hospital (Mandera County Government)
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Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity. Mandera County Government

Name of Beneficiary entity. Elwak Sub County Level 4 Hospital

Confirmation of amounts received by <i>Elwak Sub County Level 4 Hospital</i> as at 30 th June 2025					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
54172845493736302741	09/10/2024	1,500,000	0	1,500,000	
54172897333236614124	15/10/2024	500,000	0	500,000	
54173276877275979344	28/11/2024	2,000,000	0	2,000,000	
Total		4,000,000	0	4,000,000	

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

Head of Accounts Department - Disbursing Entity: Mandera County Government

Name ...HASSAN ABDOW..... Sign Date

Head of Accounts Department - Beneficiary Entity: Elwak Sub County Level 4 Hospital



Name...ABDIRASHID ALI..... Sign Date.....