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REPORT

OF

THE AUDITOR-GENERAL

ON

KOTULO SUB-COUNTY LEVEL 4 HOSPITAL

FOR THE YEAR ENDED  
30 JUNE, 2025

COUNTY GOVERNMENT OF MANDERA



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# **KUTULO SUBCOUNTY Level 4 HOSPITAL** **(County Government of Mandera)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025**

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

Table of Contents

1. Acronyms & Glossary of Terms.....	ii
2. Key Entity Information and Management.....	iii
5. The Board of Management .....	vi
6. Key Management Team .....	x
7. Chairman's Statement .....	xi
8. Report of The Medical Superintendent .....	xiv
9. Statement of Performance Against Predetermined Objectives.....	xvii
10. Corporate Governance Statement .....	xviii
11. Management Discussion and Analysis.....	xix
12. Environmental And Sustainability Reporting.....	xx
13. Report of The Board of Management .....	xxi
14. Statement of Board of Management's Responsibilities .....	xxii
15. Report of the Independent Auditor on Kutulo Sub County Level 4 Hospital.....	xxiii
16. Statement of Financial Performance for The Year Ended 30 June 2025 .....	1
17. Statement of Financial Position As At 30 <sup>th</sup> June 2025 .....	2
18. Statement of Changes in Net Assets for The Year Ended 30 June 2025.....	3
19. Statement of Cash Flows for The Year Ended 30 June 2025 .....	4
20. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 Jun 2025.....	5
21. Appendices.....	32

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

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

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

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

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

Kutulo subcounty Hospital is a level (4/5) hospital established under gazette notice number 786(4450) and is domiciled in mandera County under the health Department. The hospital is governed by a Board of Management.

### **(b) Principal Activities**

The principal activity of the hospital is to provide medical service.

#### **VISSION:**

To provide accessible, affordable and excellence health care services.

#### **MISSION:**

Dedicated to advancing health and transforming people's lives through excellence clinical quality accessible, affordable patient-centred and effective team work

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

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Medical Superintendent	Dr.Abdimajid hillow
2.	Head of finance	Issak Ibrahim
3.	Head of supply chain	Adam I. Hache
4.	Head of rursing	Mohamed Ismail

(e) **Fiduciary Oversight Arrangements**

**1. Clinical research and standard committee**

- i) Identifying health care service problems in hospitals and ensuring that they are resolved
- ii) Review any changes in policy issues on standards, quality assurance, and research
- iii) Liaise with the medical advisory committee on matters of quality healthcare delivery

**2. Audit committee**

- i) Reviewing the performance objective and independence of external auditors.
- ii) Consideration of audit findings by the external auditors
- iii) Reviewing quarterly, and annual financial statements before submission

**3. Risk Committee**

- i) Reviewing the hospital's internal control and ensuring quality, integrity, effectiveness, and reliability of the hospital's risk management framework.
- ii) Assist the board in its oversight responsibilities by monitoring and advising on operational risks.



**4. County Assembly**

- i) Scrutinize budget estimates and budget documents and make appropriate recommendations
- ii) Monitor the budget performance of the hospital.
- iii) Ensure that the relevant hospital accounts for its expenditure  
Consider reports of the auditor general




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



- (f) **Entity Headquarters**  
Kutulo town,next to police station  
P.O. Box 62-70301  
Elwak, KENYA
  
- (g) **Entity Contacts**  
Telephone: (+254) 728838395  
E-mail: kutulosch@gmail.com  
Website: www.go.ke
  
- (h) **Entity Bankers**  
Equity bank limited  
P.O. Box-536- 70300  
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

**5. The Board of Management**




Ref	Directors	Details
1.	 <p><b>Abdiaziz Issack Nurrow</b> <b>Board chairman</b></p>	<p>Mr. Abdiaziz Issack Nurrow 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 healthcare services. He holds a Master’s degree in Education Management and Planning, a background that has equipped him with advanced skills in organizational governance, policy formulation, resource planning, and institutional development.</p>
2.	 <p><b>Hassan Alinoor Hassan</b> <b>Board member</b></p>	<p>Mr. Hassan Alinoor Hassan is a member of the Hospital Management Board. He holds a Bachelor of Commerce degree and brings expertise in finance and management. His contribution focuses on strengthening financial oversight, supporting effective resource use, and guiding policies that promote quality and sustainable healthcare services.</p>

<p>3.</p>	 <p><b>Mohamednoor Alinoor</b> <b>Board member</b></p>	<p>Mr. Mohamednoor Alinoor is a dedicated member of the Hospital Management Board. He holds a Degree in Arts and brings with him a strong background in social development, communication, and community engagement. His skills and experience enable him to contribute meaningfully to governance, stakeholder relations, and policy discussions. As a board member, Mr. Mohamednoor plays an important role in ensuring that the hospital remains responsive to community needs while upholding its commitment to quality healthcare delivery.</p>
<p>4.</p>	 <p><b>Zakaria Abass Hassan</b> <b>Board member</b></p>	<p>Mr. Zakaria Abass Hassan is a valued member of the Hospital Management Board. He is a qualified Registered Nurse with a Diploma in Nursing, bringing practical healthcare knowledge and first-hand experience in patient care to the board. His clinical background enables him to provide critical insights into service delivery, patient welfare, and quality standards within the hospital. As a board member, Mr. Zakaria contributes to strengthening healthcare systems, ensuring professional standards, and supporting decisions that enhance the hospital's capacity to provide accessible and reliable medical services to the community.</p>

5.	 <p><b>Adan Mohamed Khala</b> <b>Board member</b></p>	<p>Mr. Adan Mohamed Khala serves as a member of the Hospital Management Board. He holds a Diploma in Project Management, equipping him with skills in planning, coordination, and effective resource utilization. His expertise contributes to guiding hospital projects, strengthening operational efficiency, and ensuring that initiatives are implemented in line with strategic goals. As a board member, Mr. Adan supports decision-making processes that enhance service delivery and promote sustainable growth of the hospital.</p>
6.	 <p><b>Ibrahim Madey Teno</b> <b>Board member</b></p>	<p>Mr. Ibrahim Madey Teno is a dedicated professional serving as a member of the Board. He brings with him a wealth of experience and valuable insights that contribute to the effective governance and strategic direction of the institution. As a Board Member, he plays a key role in policy formulation, oversight, and ensuring that the organization fulfills its mandate in line with applicable laws and regulations.</p>
7.	 <p><b>Issack Abdullahi Hassan</b> <b>Board member</b></p>	<p>Mr. Issack Abdullahi Hassan serves 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, while also representing the interests of stakeholders and supporting the organization in achieving its</p>

		objectives
8.	 Mariam Maalim Issackow Board member	Mrs. Marian Maalim Issackow is a member of the Hospital Management Board. She holds a Bachelor of Education degree and brings expertise in leadership and management. Her contribution focuses on strengthening overall oversight, supporting effective resource use, and guiding policies that promote quality and sustainable healthcare services.
9.	 Dr. abdimajid Mohamed hillow Medsup/Board secretary Qualification: Bachelor of medicine and sergery	<p><b><i>Roles and responsibilities</i></b></p> <ul style="list-style-type: none"> <li>• Responsible for scheduling meetings, preparing agendas and taking minutes</li> <li>• Maintain all records of board eetings</li> <li>• Ensures the board operates in accordance with relevant laws.</li> <li>• Organize and maintain the board files ,ensuring timely and accurate communication</li> </ul>

**6. Key Management Team**

Ref	Management	Details
1.	 <p>DR.ABDIMAJID MOHAMED HILLOW <b>Medical superintendent</b></p>	<p><b>Medical superintendent Duties and responsibilities</b></p> <ul style="list-style-type: none"> <li>• Overseeing the overall administration and functioning of the hospital.</li> <li>• Handling and resolving any complaints arising from both staff and patients</li> <li>• Participate in and chair staff meetings.</li> <li>• Represent the hospital in any professional meetings.</li> </ul>
2.	 <p>ADAN MOHAMED ABDI QUALIFICATION: BACHELOR OF EDUCATION</p>	<p><b>Hospital Administrator</b></p> <ul style="list-style-type: none"> <li>• Human resource management</li> <li>• Fiscal management</li> <li>• Professional development and crisis management</li> <li>• Leadership and strategic planning.</li> <li>• Medial staff welfare management</li> </ul>
3.	 <p>ISSAK IBRAHIM ISSACK QUALIFICATION;BBM</p>	<p><b>HOSPITAL ACCOUNTANT</b></p> <ul style="list-style-type: none"> <li>• Manages all fiscal transactions</li> <li>• Updating of cashbook</li> <li>• Prepare all the bank reconciliation</li> <li>• Prepare the financial reports</li> </ul>

## **7. Chairman's Statement**

It is my pleasure to present to you the 2024/2025 Annual Report and Financial Statements for Kutulo Sub-County Hospital. This report highlights our performance, key achievements, challenges, and future outlook. The hospital's operations remain firmly anchored on the provisions of the Public Finance Management Act, 2012, and other institutional frameworks governing the health sector. This has enabled us to strengthen accountability, efficiency, and the delivery of high-quality healthcare services to the people of Kutulo and beyond.

### **Governance and Oversight**

The Hospital Management Board has continued to provide strategic direction and oversight to ensure that our operations are aligned with both county and national health objectives. The board has emphasized good governance, compliance with policies, and prudent management of financial and human resources. We have worked closely with the County Department of Health and other stakeholders to ensure that service delivery remains effective, transparent, and sustainable.

This year, particular attention was given to strengthening board structures and decision-making processes to make them more responsive to emerging health needs. Our oversight role has been supported by regular board meetings, committee engagements, and active participation of board members in shaping hospital policies and programs.

### **Service Delivery and Patient Care**

At the core of our mission is the delivery of accessible, reliable, and patient-centered healthcare. Over the past financial year, we prioritized enhancing communication with patients, families, and stakeholders. We recognize that effective communication is not only essential for quality care but also a key driver of patient satisfaction and trust in our services.

To this end, staff members were trained to uphold the highest standards of communication—both in clinical and non-clinical interactions. Patients and families were engaged more actively in care decisions, and feedback mechanisms were improved to ensure that concerns are addressed promptly and constructively.

Beyond communication, the hospital also strengthened its outpatient, inpatient, and specialized services. This included expanding outreach programs, improving referral mechanisms, and investing in medical supplies and essential infrastructure to support service delivery.

### **Financial Performance**

Financial management remains a critical pillar of our operations. During the year under review, the hospital ensured compliance with financial regulations, proper use of resources, and timely reporting in line with statutory requirements.

The hospital accountant and finance team continued to manage all fiscal transactions, maintain accurate records including the cashbook, prepare timely bank reconciliations, and generate periodic financial reports to inform decision-making. These efforts have enhanced accountability and improved confidence among our stakeholders, including the Department of Health, County Treasury, and development partners.

We acknowledge that while progress has been made, resource constraints remain a challenge, particularly in meeting the growing demands of healthcare provision. Nonetheless, prudent financial management and strong support from the county government have ensured that essential services were not compromised.

### **Partnerships and Stakeholder Engagement**

Kutulo Sub-County Hospital recognizes that partnerships are vital in building resilient and sustainable healthcare systems. Over the past year, we have worked closely with the Department of Health, the County Treasury, non-governmental organizations, community leaders, and other partners to mobilize resources, strengthen health programs, and build community trust.

We are particularly grateful to the Department of Health and the County Treasury for their continued support in financing hospital operations and facilitating staff capacity development. Their collaboration has been instrumental in enabling us to maintain service continuity and respond to community health needs.

Community engagement was also a key focus area. The hospital actively sought community feedback, supported health awareness initiatives, and promoted preventive healthcare measures. These efforts have strengthened our relationship with the community and reinforced our shared responsibility for better health outcomes.

### **Human Resources and Staff Development**

Our staff remain the greatest asset of this hospital. Their professionalism, resilience, and dedication are the foundation upon which our successes are built. The past financial year required staff to adapt to dynamic challenges, particularly in handling patient flow, resource limitations, and evolving health priorities.

To support them, the board and management invested in training programs, mentorship, and continuous professional development. Special emphasis was placed on communication skills, ethical standards, and patient-centered care. We are confident that these investments in our people will yield long-term benefits in improving service delivery and sustaining high standards of healthcare.

On behalf of the board, I wish to sincerely commend our dedicated staff, team leaders, and board members for their unwavering commitment and contribution. Their efforts have continued to drive the hospital's mission and vision despite the challenges faced.

### **Challenges**

While we celebrate our progress, we must also acknowledge the challenges encountered during the year. These include:

- Inadequate financial and human resources relative to the growing demand for healthcare.
- Limited infrastructure and equipment gaps in specialized service areas.
- Supply chain disruptions that occasionally affected timely availability of drugs and medical supplies.

- The need to further strengthen internal audit and risk management functions to ensure continuous improvement in financial and operational controls.
- The board is committed to working with relevant stakeholders to address these challenges and to ensure that solutions are implemented in a sustainable manner.

### **Future Outlook**

Looking ahead to the 2025/2026 financial year, the hospital will continue to focus on strategic priorities that drive sustainability and improved health outcomes. These include:

- Expanding access to specialized and preventive healthcare services.
- Further improving financial management systems to strengthen efficiency and accountability.
- Upgrading hospital infrastructure and investing in essential medical equipment.
- Enhancing staff training and welfare to ensure continued motivation and professional growth.
- Deepening stakeholder engagement and community participation in health programs.

We strongly believe that with the strategies in place, combined with the dedication of our staff and the support of our stakeholders, Kutulo Sub-County Hospital is well-positioned to achieve sustained growth and continue delivering quality healthcare to our community.

### **Conclusion**

In conclusion, the year under review has been one of progress, learning, and resilience. While challenges remain, we are confident that the hospital's governance structures, committed workforce, and collaborative partnerships will continue to drive our mission forward.

On behalf of the Hospital Management Board, I extend sincere gratitude to the Department of Health, the County Treasury, our partners, and the community for their continued trust and support. Most importantly, I thank our staff, team leaders, and fellow board members for their dedication and commitment to service.

Together, we remain steadfast in our mission to provide reliable, accessible, and high-quality healthcare for all. With the strategies and staff in place, I am confident that we will continue to grow and succeed in the years ahead.



**Abdiaziz Issack**

**Chairman to the Board**

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

I am pleased to present the Kutulo Sub-County Hospital's Annual Report and Financial Statements for the year 2024/2025, which highlight both our operational performance and financial stewardship during the period under review. The hospital continues to serve as a vital health facility for the people of Kutulo and neighboring communities, providing a wide range of essential and emergency services in line with our mandate to deliver quality, accessible, and affordable healthcare.

This report outlines the major developments achieved during the year, the challenges encountered, and the strategies proposed to strengthen our operations moving forward.

### **Service Delivery and Infrastructure Development**

During the financial year, the hospital recorded notable milestones that significantly improved service delivery. Among the most important was the installation of solar power systems in the maternity and outpatient (OPD) wings. This intervention has enhanced energy reliability, reduced operational costs, and ensured uninterrupted services, particularly in maternity where dependable power supply is critical for safe deliveries and emergency procedures.

The solar installation marks a key step toward sustainability and resilience, especially in a facility that must provide uninterrupted care under challenging circumstances. Patients and staff have already reported improved service experiences as a result of this development.

Beyond solar installation, the hospital continued to expand outpatient and maternal health services, improve laboratory operations, and sustain outreach programs targeting maternal and child health, immunization, and disease prevention. These initiatives have contributed to increased patient attendance, early diagnosis, and improved health outcomes within the sub-county.

### **Human Resources and Staffing**

Despite these achievements, human resources remain a critical challenge. The hospital faces severe shortages of nurses, Registered Clinical Officers (RCOs), and support staff required to meet the rising demand for healthcare. This shortage affects patient flow, extends waiting times, and overstretches the existing staff, leading to fatigue and increased risk of burnout.

The board and hospital management have continued to advocate for additional staff deployment by the county government, emphasizing the urgent need to bridge gaps in key departments such as maternity, outpatient, and emergency services. Without adequate staffing, it becomes increasingly difficult to sustain quality standards of care despite the dedication and professionalism of the existing workforce.

We commend our staff for their resilience and commitment under challenging circumstances. Their dedication has ensured that services remain uninterrupted, even when resources are limited. Staff motivation and continuous professional development remain a priority for the coming years, as we recognize that our people are the backbone of this institution.

### **Infrastructure and Security Concerns**

One of the pressing challenges faced by Kutulo Sub-County Hospital is the lack of a perimeter wall. The absence of secure boundaries exposes the facility to risks including unauthorized access, theft, and threats to the safety of patients and staff. This is a serious concern that requires urgent intervention.

Additionally, the absence of adequate staff quarters presents significant challenges in attracting and retaining qualified health professionals. Many staff members are forced to seek accommodation far from the hospital, which affects their availability during emergencies and contributes to fatigue.

The construction of on-site staff quarters would not only improve staff welfare but also enhance emergency response capacity.

The board and management strongly recommend that the county government prioritize the construction of a perimeter wall and staff quarters as part of infrastructural development in the coming financial year. These investments are essential for improving safety, staff welfare, and overall hospital functionality.

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### **Financial Management**

Financial stewardship during the year was guided by the Public Finance Management Act, 2012, and the policies of the Department of Health and County Treasury. The hospital continued to manage resources prudently, ensuring that available funds were directed toward the most critical needs, including medical supplies, operational costs, and service delivery support.

The finance team ensured accurate recording of all transactions, timely preparation of bank reconciliations, and periodic financial reporting to support decision-making. However, limited funding from the county government has continued to constrain service expansion, procurement of essential supplies, and maintenance of critical equipment.

For smooth operations, there is a need for increased allocation of funds from the county government to enable the hospital to meet growing demands. Additional financial support would allow for investment in infrastructure, recruitment of staff, procurement of modern medical equipment, and scaling up of specialized services.

### **Partnerships and Support**

Kutulo Sub-County Hospital acknowledges the vital role of collaboration and partnership in sustaining service delivery. We remain grateful to the Department of Health and the County Treasury for their continued support, compassion, and dedication to the hospital. Their backing has been instrumental in enabling us to sustain essential services despite financial and operational challenges.

We also recognize the support of community leaders, partners, and stakeholders who continue to advocate for improved health services in Kutulo. Strengthening these partnerships will remain a key strategy for mobilizing additional resources, improving community engagement, and enhancing health outcomes in the sub-county.

### **Challenges**

Despite progress made, the hospital continues to face several persistent challenges:

- Inadequate funding from the county government to meet operational demands.
- Shortage of healthcare workers, particularly nurses and RCOs.
- Lack of a perimeter wall, which compromises security.
- Insufficient staff quarters, affecting staff welfare and emergency response.
- Occasional shortages of essential drugs and medical supplies.

These challenges significantly affect the hospital's ability to deliver services at the desired level of quality. Addressing them requires urgent and coordinated efforts from the county government and other stakeholders.

### **Future Outlook**

Looking forward to the 2025/2026 financial year, the hospital's priorities will focus on:

- i. Advocating for increased financial allocation to support service expansion and operational stability.

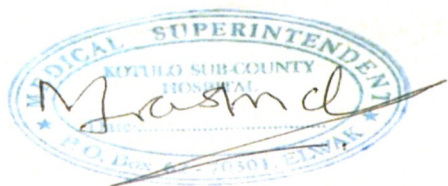
- ii. Recruitment and deployment of additional staff, particularly nurses and RCOs, to strengthen service delivery.
- iii. Construction of staff quarters and a perimeter wall to improve staff welfare, security, an emergency readiness.
- iv. Expanding renewable energy interventions to further enhance sustainability and reduce operational costs.
- v. Scaling up preventive and outreach programs targeting maternal and child health, immunization, and community education.

With these priorities, and with the continued support of the county government and other partners, we are confident that Kutulo Sub-County Hospital will continue to grow and strengthen its role as a key healthcare provider in the region.

**Conclusion**

In conclusion, the year 2024/2025 has been a period of both achievement and challenge. We have made progress in infrastructure development through the installation of solar energy systems and sustained our service delivery efforts despite limited resources. However, issues of staffing, security, and funding remain pressing concerns that must be addressed urgently.

On behalf of the hospital management, I express my heartfelt appreciation to the Department of Health, County Treasury, hospital staff, board members, and community stakeholders for their continued commitment to supporting Kutulo Sub-County Hospital. With collective effort, I am confident that we will overcome our challenges and continue to deliver quality, reliable, and accessible healthcare to our community.



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**Dr. Abdimajid Mohamed Hillow**  
**Secretary to the Board**

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

Kutulo sub-county hospital has two strategic pillars and objectives within the current Strategic Plan for FY 2024/25. These strategic pillars are as follows:

- 1: Operational excellence
- 2: Skilled and energetic management team

Kutulo sub-county develops its annual work plans based on the above two pillars. Assessment of the Board’s performance against its annual work plan is conducted every quarter. The Kutulo sub-county hospital achieved its performance targets set for the FY 2024/25 period for its two strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
1. Operational excellence	re engineering policies	Enhance service delivery	Customers receive safe, timely, equitable, efficient, and effective.	Effective and timely service delivery and efficient utilization of resources
2. Killed and energetic management team	Institutionalize leadership and governance performance	Alignment of governance, leadership, and all employees to the overall strategic	Oversight in financial s reporting, safeguarding hospital assets	Vibrant governance systems

## **10. Corporate Governance Statement**

Kutulo Sub-County Hospital, classified as a Level 4 hospital, operates under the governance framework established by Gazette Notice Number 786 (4450). This designation places the hospital within the jurisdiction of the County Government of Mandera, specifically under the Health Department.

### **i) Establishment and Classification**

Kutulo Sub-County Hospital was formally established and recognised under Gazette Notice Number 786 (4450), which provides the legal foundation for its operations and governance structure. As a Level 4 hospital, it is equipped to provide a broad range of healthcare services, including specialised and referral services, and is an integral part of the county's healthcare delivery system.

### **ii) Governance Framework**

The hospital operates within the governance framework defined by the County Government of Mandera's Health Department. This framework ensures that the hospital's management practices align with both county and national health policies. The governance structure includes the Board of Management, County Health Management team (CHMT) which oversees the hospital's strategic direction, financial performance, and overall operations.

### **iii) Board of Management**

The Board of Management is responsible for setting the strategic objectives of the hospital, ensuring compliance with legal and regulatory requirements, and monitoring the hospital's performance. Currently, hospital has no board in place.

### **iv) Operational Oversight**

Operational oversight is provided through various management teams that report County Health Management team (CHMT) and chief officer medical service. These committees are tasked with specific areas such as finance, human resources, and clinical services. Regular meetings and reports ensure that the CHMT is informed of the hospital's performance and any issues that may arise.

### **v) Compliance and Accountability**

Kutulo Sub-County Hospital adheres to all relevant regulations and policies established by the County Government and national health authorities. The hospital's financial and operational activities are subject to regular audits (both internal and external audits). These audits help identify areas for improvement and ensure that the hospital operates efficiently and effectively.

### **vi) Stakeholder Engagement**

The hospital actively engages with various stakeholders, including patients, healthcare providers, and community representatives. This engagement is crucial for understanding the needs and expectations of the community and for making informed decisions that enhance service delivery.

### **vii) Strategic Planning and Performance Monitoring**

The hospital's strategic planning is guided by its mission and vision, which focus on delivering high-quality healthcare services. Performance against strategic objectives is monitored regularly, with assessments conducted quarterly to ensure that targets are met and to address any emerging issues.

## 11. Management Discussion and Analysis

KCSH provides healthcare services to the people of Kutulo sub-county as well as patients from neighboring countries and sub-counties. Services include outpatient clinics and maternity care. The hospital also offers clinical support services, such as laboratory and pharmacy. The hospital is committed to ensuring that all clinical services are safe, timely, appropriate, and evidence-based. Clinical governance continues to be strengthened to enhance patient safety and deliver high-quality healthcare

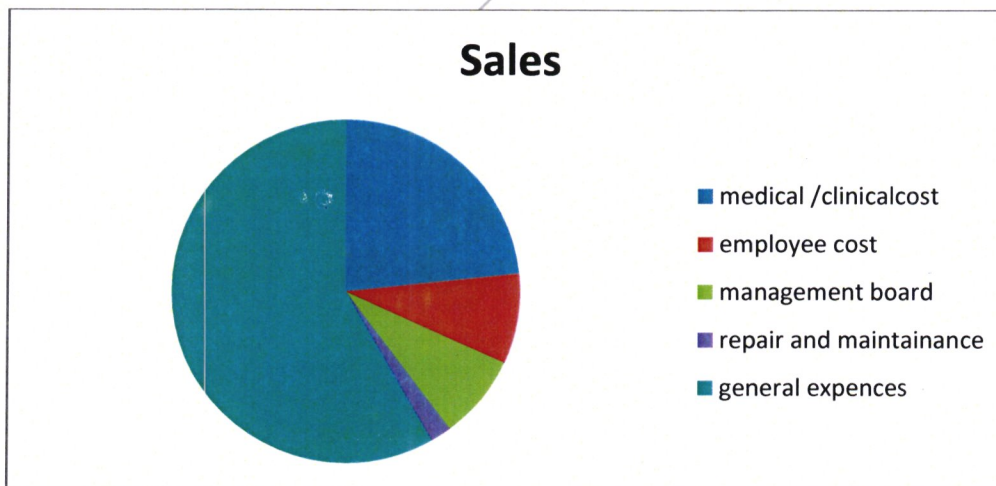
### Clinical/operational performance

The hospital provides healthcare services to meet our patient's needs. We have two medical officer, three RCOs, and 12 nurses who ensure our customers receive safe, timely, equitable, efficient, effective, and patient-centered services. The hospital has a bed capacity of 40 beds. In 2024/2025, the patient attendance was 25,300, of whom 1,800 were inpatients and 23,500 outpatients. The average length of stay for inpatients was 5 days, while the hospital's bed occupancy rate stands at 60%, and the mortality rate at 0.6%. There was no surgical theatre utilization, and no sponsorship or partnership was reported during the financial year.

### Financial performance that includes: - Revenue sources,

The revenue source of the hospital is AIE from the Mandera County treasury, SHA and FIF which amounts to **Kshs. 8,126,098**

- *Utilization of funds*
- Medical/clinical cost Kshs. 1,876,200
- Repair and maintenance Kshs. 160,000
- General expense Kshs. 4,692,315
- Employee cost Kshs. 680,920
- Board management expenses Kshs. 638,200



## **12. Environmental And Sustainability Reporting**

Kutulo sub-county hospital exists to transform lives. It's what guides us to deliver our strategy, putting the client/Citizen first, delivering health services, and improving operational excellence.

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

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

### **ii) Environmental performance**

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

### **iii) Employee welfare**

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

KSCH provides the employee's welfare with the utmost level and it is as follows;

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

### **13. Report of The Board of Management**

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

#### **Principal activities**

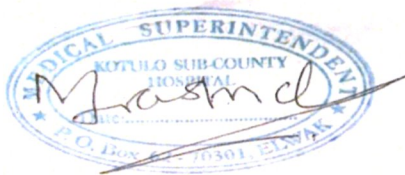
The principal activities of the hospital are to receive inpatient and outpatient and provide them with medical service

#### **Results**

The results of the Kutulo sub-county hospital for the year ended June 30 June 2025 are set out on pages 1.

#### **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.



.....  
**Dr. Abdimajid Mohamed**  
**Secretary to the Board**

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

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

The Board of Management accepts responsibility for the hospitals financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement 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 hospitals financial statements give a true and fair view of the state of hospital transactions during the financial year ended June 30, 2025, and of the hospital financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital, which have been relied upon in the preparation of the hospital financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Directors have assessed the Fund’s ability to continue as a going concern

#### **Approval of the financial statements**

The Hospital’s financial statements were approved by the Board on 24<sup>th</sup> August 2025 and signed on its behalf by:

.....  
**Name:**  
**Chairperson**  
**Board of Management**

.....  
**Name:**  
**Accounting Officer**

# REPUBLIC OF KENYA

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

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

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### 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 Kutulo Sub-County Level 4 Hospital set out on pages 1 to 39, which comprise of the statement of financial position

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*Report of the Auditor-General on Kutulo 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 Kutulo 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. Non-Disclosure of Inventory Balance**

The statement of financial position reflects nil balance in respect of inventories as at 30 June, 2025. 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 before being dispensed to laboratory, pharmacy, wards, kitchen, offices and outpatient units amongst others. It was noted that the annual stock take was not conducted as at 30 June, 2025 to confirm the closing inventory balances.

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

#### **2. 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 amounting to Kshs.8,197,635 could not be confirmed.

#### **3. Non-Disclosure Property Plant and Equipment**

The statement of financial position reflects nil balance in respect of property, plant and equipment. However, the Hospital has various assets including land, infrastructure, buildings, motor vehicles, furniture, computers and equipment which were not disclosed

in the financial statements. Further, management did not maintain fixed assets register. In addition, the ownership documents for land 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 Kutulo 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.15,047,190 and Kshs.8,173,288 respectively resulting to an under-funding of Kshs.6,873,902 or 46% of the budget. Similarly, the Hospital spent a total of Kshs.8,047,635 against actual receipts of Kshs.8,173,288 resulting in an under expenditure of Kshs.125,653 or 2% 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	Nondisclosure of property, plant and equipment
2	2023/2024	Nondisclosure of inventory balance
3	2023/2024	Non-disclosure of employee costs paid by the County Government
4	2023/2024	Nonrecognition of revenue from rendering of services
5	2023/2024	Unsupported Locum Allowances
6	2023/2024	Failure to prepare estimates of income and expenditure
7	2023/2024	Deficiencies in implementation of Universal Health Coverage
8	2023/2024	Lack of Quarterly Revenue Reports
9	2023/2024	Revenue safeguards and controls
10	2023/2024	Weaknesses in issuance and storage of medical supplies
11	2023/2024	Failure to establish internal audit and audit committee
12	2023/2024	Lack of Approved Staff Establishment and scheme of service
13	2023/2024	Lack of Risk Management Policy and disaster recovery plan
14	2023/2024	Lack of procurement plan

### Other Information

The Management is responsible for the Other Information set out on page iii to xxii which comprise of Key Entity Information and Management, the Board of Management, Management Team, Chairman's Statement, Report of the Medical Superintendent, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of 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. Failure to Comply with the Public Sector Accounting Standards Board Template**

Review of the financial statements presented for audit revealed non-compliance with the format prescribed by the Public Sector Accounting Standards Board for annual level 4 and 5 Hospitals Financial Reporting Template (Revised 30 June, 2025) as detailed below:

- i) Notes to the financial statements is missing in the table of contents.
- ii) The page number 6 is lacking the words "notes to the financial statements" while the subsequent pages lack the words "notes to the financial statements continued" as required by the template.

In the circumstances, the financial statements are not compliant with the template prescribed by the Public Sector Accounting Standards Board.

### **2. Non-Compliance with Gender Equality**

Review of the staff report presented for audit revealed that the Hospital had a total of forty-two (42) staff on contract and permanent terms. Out of the total workforce thirty-eight (39) employees representing approximately 90% were of the male gender, and three (3) representing approximately 10% were of the female gender. This is contrary to Article 27(8) of the constitution, which requires that not more than two-thirds of the members of elective or appointive bodies shall be of the same gender.

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

### **3. 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 states 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.

#### 4. 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 when 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	2	14	87.50%
Anesthesiologists	2	0	2	100.00%
General Surgeons	2	0	2	100.00%
Gynecologists	2	0	2	100.00%
Pediatricians	2	0	2	100.00%
Radiologists	2	0	2	100.00%
Registered Community Health Nurses	75	19	56	87.50%
<b>Total</b>	<b>101</b>	<b>21</b>	<b>80</b>	<b>79.00%</b>

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

Service	Level 4 Hospital Standard	Actuals In the Hospital	Variance	Percentage Deficit%
Beds	150	60	90	60%
New Born Unit Cots	5	5	0	100%
New Born Units Incubators	5	2	3	60%
Resuscitate (2 In Labour and 1 in Theatre	2	2	0	100%
Functional ICU Beds	6	0	6	100%
High Dependency Unit (HDU) Beds	6	0	6	100%
Renal Unit With at Least 5 Dialysis Machine	5	0	5	100%
Two Functional Operational Theaters - Maternity & General	2	1	1	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

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. Inability to Confirm Ethnic Balance of the Staff Engaged**

The master roll provided did not indicate the ethnicity of staff engaged. Therefore, adherence to regional balance as required by Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, could not be ascertained.

In the circumstances, adherence to regional balance at the Hospital could not be confirmed.

### **4. Inability to Confirm Adherence to Threshold on Recruitment of Persons with Disabilities**

The Hospital did not provide a list of persons with disabilities to demonstrate compliance with the statutory requirement under Section 13 of the Persons with Disabilities Act, 2003. This section mandates that a minimum of 5% of all casual, emergency, and contractual positions in both public and private sector employment be reserved for persons with disabilities.

In the circumstances, compliance with the statutory requirement on recruitment of persons with disabilities 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**

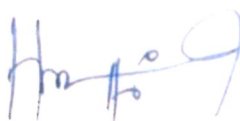
**16. Statement of Financial Performance for The Year Ended 30 June 2025**

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	1,600,000	4,790,000
<b>Total Revenue</b>		<b>1,600,000</b>	<b>4,790,000</b>
<b>Revenue from exchange transactions</b>			
Rendering of services-medical service income	7	12,278,916	0
<b>Total revenue</b>		<b>13,878,916</b>	<b>4,790,000</b>
<b>Expenses</b>			
Medical/Clinical costs	8	1,876,200	1,097,000
Employee costs	9	680,920	1,296,000
Board of Management Expenses	10	638,200	0
Repairs and maintenance	11	160,000	281,500
General expenses	12	4,842,315	2,635,836
<b>Total expenses</b>		<b>8,197,635</b>	<b>5,310,336</b>
<b>Net Surplus / (Deficit) for the year</b>		<b>5,681,281</b>	<b>(520,336)</b>

The Hospital's financial statements were approved by the Board on 4<sup>th</sup> November 2025 and signed on its behalf by:



.....  
**Chairman**  
**Board of Management**



.....  
**Head of Finance**  
**ICPAK No:21094**

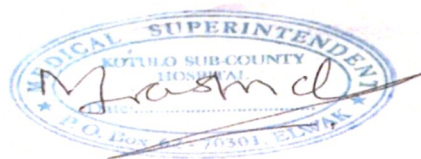


.....  
**Medical Superintendent**

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	125,653	47,190
Receivables from exchange transactions	14	5,752,818	0
<b>Total Current Assets</b>		<b>5,878,471</b>	<b>47,190</b>
<b>Non-current assets</b>			
<b>Total Non-current Assets</b>		<b>0</b>	<b>000</b>
<b>Total assets (A)</b>		<b>5,878,471</b>	<b>47,190</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	150,000	0
<b>Total Current Liabilities</b>		<b>0</b>	<b>0</b>
<b>Non-current liabilities</b>			
<b>Total non-current liabilities</b>		<b>0</b>	<b>0</b>
<b>Total Liabilities (B)</b>		<b>150,000</b>	<b>0</b>
<b>Net assets (A-B)</b>		<b>5,728,471</b>	<b>0</b>
<b>Represented by:</b>			
Accumulated surplus/Deficit		5,728,471	0
<b>Total Net Assets and liabilities</b>		<b>5,728,471</b>	<b>47,190</b>

The Hospital's financial statements were approved by the Board on 4<sup>th</sup> November 2025 and signed on its behalf by:

.....  
**Chairman**  
**Board of Management**

.....  
**Head of Finance**  
**ICPAK No:21094**

.....  
**Medical Superintendent**

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

<b>Description</b>	<b>Accumulated surplus/Deficit</b>	<b>Total</b>
As at July 1, 2023 (previous year)	567,526	567,526
Surplus/(deficit) for the year	(520,336)	(520,336)
As at June 30, 2024 (previous year)	47,190	47,190
At July 1, 2025(current year)	47,190	47,190
Surplus/(deficit) for the year	5,681,281	5,728,471
At June 30, 2025 (current year)	5,728,471	5,728,471

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		1,600,000	4,790,000
Medical Service Income-FIF/SHA		6,526,098	0
<b>Total Receipts</b>		<b>8,126,098</b>	<b>4,790,000</b>
<b>Payments</b>			
Medical/Clinical costs		1,876,200	1,097,000
Employee costs		680,920	1,296,000
Board of Management Expenses		638,200	000
Repairs and maintenance		160,000	281,500
General expenses		4,692,315	2,635,836
<b>Total Payments</b>		<b>8,047,635</b>	<b>5,310,336</b>
<b>Net cash flows from operating activities</b>		<b>78,463</b>	<b>(520,336)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment		0	0
<b>Net cash flows used in investing activities</b>		<b>0</b>	<b>0</b>
<b>Cash flows from financing activities</b>			
<b>Net cash flows used in financing activities</b>		<b>0</b>	<b>0</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>78,463</b>	<b>(520,336)</b>
Cash and cash equivalents as at 1 July		47,190	567,526
<b>Cash and cash equivalents as at 30 June</b>		<b>125,653</b>	<b>47,190</b>

*Kutulo sub county Hospital (County Government of Mandera)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	<b>a</b>	<b>b</b>	<b>c=(a+b)</b>	<b>d</b>	<b>e=(c-d)</b>	<b>f=d/c%</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Budget carryovers from the previous year		47,190	47,190	47,190	0	100%
<b>Receipts</b>						
Transfers from the County Government	3,000,000	0	3,000,000	1,600,000	1,400,000	53%
Rendering of services- Medical Service Income(FIF)/sha	12,000,000	0	12,000,000	6,526,098	5,752,818	54%
<b>Total receipts</b>	<b>15,000,000</b>	<b>47,190</b>	<b>15,047,190</b>	<b>8,173,288</b>	<b>6,873,902</b>	<b>54%</b>
<b>Payments</b>						
Medical/Clinical costs	5,000,000	47,190	5,047,190	1,876,200	3,170,990	37%
Employee costs	750,000	0	750,000	680,920	69,080	91%
Remuneration of directors	900,000	0	900,000	638,200	261,800	71%
Repairs and maintenance	350,000	0	350,000	160,000	190,000	46%
General expenses	8,000,000	0	8,000,000	4,692,315	3,307,685	59%
<b>Total Operational Expenditure paid</b>	<b>15,000,000</b>	<b>47,190</b>	<b>15,047,190</b>	<b>8,047,635</b>	<b>6,999,555</b>	
<b>Surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>125,653</b>	<b>(125,653)</b>	

**Budget Reconciliation**

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	<b>125,653</b>
Closing Cash and Cash Equivalent as per the statement of Cash flows	<b>125,653</b>

**1. General Information**

Kutulo sub county hospital is established by and derives its authority and accountability from health Act. The entity is wholly owned by the Mandera County Government and is domiciled in Mandera County in Kenya.

**2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the hospital's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the KSCH. 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.

**Kutulo Subcounty Hospital (County Government of Mandera)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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

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

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

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

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for</p>

**Kutulo Subcounty Hospital (County Government of Mandera)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

Standard	Effective date and impact:
	<p>infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ol> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>

**Kutulo Subcounty Hospital (County Government of Mandera)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

Standard	Effective date and impact:
IPSAS 49- Retirement Benefit Plans	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><b><i>Applicable 1<sup>st</sup> January 2027</i></b></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>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.</li> <li>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.</li> </ul>

***iii) Early adoption of standards***

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

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

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

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

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

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the KSCH 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 15/04/2024. 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. Accordingly, the hospital recorded additional appropriations of funds on the FY 2024/2025 budget following the Board's approval. The KSCH 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. 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.

**d. 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.

**e. 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.

**f. 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.

**g. 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.

**h. Research and development costs**

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

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

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

**i. Financial instruments**

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

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. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

## **Financial liabilities**

### **Classification**

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

#### **j. Inventories**

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

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

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

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

#### **k. Provisions**

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

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

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

*Notes to the Financial Statements (Continued)*

**l. Social Benefits**

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

**m. Contingent liabilities**

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

**n. Contingent assets**

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

**o. Nature and purpose of reserves**

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

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

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

**q. 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.

**r. 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.

**s. 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.

**t. Service concession arrangements**

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

recognized, the hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**u. 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.

**v. Comparative figures**

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

**w. Subsequent events**

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

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**Estimates and assumptions.**

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

***Kutulo Subcounty Hospital (County Government of Mandera)***  
***Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025***

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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.

*Kutulo Subcounty Hospital (County Government of Mandera)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

**6. Transfers from the County Government**

Description	FY 2024/2025	FY2023/2024
	KShs	KShs
<b>Unconditional grants</b>		
Operational grant	1,600,000	4,790,000
<b>Total government grants and subsidies</b>	<b>1,600,000</b>	<b>4,790,000</b>

**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	Comparative Period
			KShs	KShs	KShs
mandera County Government	1,600,000	0	0	1,600,000	0
<b>Total</b>	<b>1,600,000</b>	<b>0</b>	<b>0</b>	<b>1,600,000</b>	<b>0</b>

*Kutulo Subcounty Hospital (County Government of Mandera)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

**7. Rendering of Services-Medical Service Income**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Pharmaceuticals	123,866	0
Laboratory	121,000	0
Out patient services	38,150	0
Public health	41,000	0
Rendering medical service-SHA	11,954,900	0
<b>Total revenue from the rendering of services</b>	<b>12,278,916</b>	<b>0</b>

**8. Medical/ Clinical Costs**

Description	FY2024/2025	FY2023/2024
	Kshs	Kshs
Laboratory chemicals and reagents	320,000	000
Food and Ration	507,000	577,000
Health information stationery	595,000	300,000
Sanitary and cleansing Materials	454,200	220,000
<b>Total medical/ clinical costs</b>	<b>1,876,200</b>	<b>1,097,000</b>

**9. Employee Costs**

Description	FY2024/2025	FY2023/2024
	Kshs	Kshs
Salaries, wages, and allowances	655,000	1,260,000
Contributions to pension schemes	25,920	21,600
Staff medical expenses and Insurance cover	000	14,400
Social contribution	000	000
<b>Employee costs</b>	<b>680,920</b>	<b>1,296,000</b>

**10. Board of Management Expenses**

Description	FY2024/2025	FY2023/2024
	Kshs	Kshs
Sitting allowance	75,000	0
Induction and training allowance	563,200	0
<b>Total</b>	<b>638,200</b>	<b>0</b>

*Kutulo Subcounty Hospital (County Government of Mandera)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

**11. Repairs And Maintenance**

Description	FY2024/2025	FY2023/2024
	Kshs	Kshs
Genset maintenance	160,000	150,000
Maintenance of civil works/plumbing	0	131,500
<b>Total repairs and maintenance</b>	<b>160,000</b>	<b>281,500</b>

**12. General Expenses**

Description	FY2024/2025	FY2023/2024
	Kshs	Kshs
Bank charges	5,815	4,817
Electricity expenses	753,500	680,519
Non-pharmaceuticals	400,000	0
Fuel and Lubricants	1,200,000	930,000
Laboratory supplies	750,000	0
Travel and accommodation allowance	268,200	163,500
Printing and stationery	517,800	279,000
Hire charges	225,000	0
Plumbing materials	310,000	0
Water and sewerage costs	90,000	0
Bush clearing	250,000	200,000
Internet expenses	72,000	0
<b>Total General Expenses</b>	<b>4,842,315</b>	<b>2,635,836</b>

*Kutulo Subcounty Hospital (County Government of Mandera)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

**13. Cash And Cash Equivalents**

Description	FY2024/2025	FY2023/2024
	KShs	KShs
Current accounts	125,653	47,190
<b>Total cash and cash equivalents</b>	<b>125,653</b>	<b>47,190</b>

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

Description		FY2024/2025	FY2023/2024
Financial institution	Account number	KShs	KShs
a) Current account			
Equity Bank	1000275660950	125,653	47,190
<b>Sub- total</b>		<b>125,653</b>	<b>47,190</b>

**14. Receivables From Exchange Transactions**

Description	FY2024/2025	FY2023/2024
	KShs	KShs
Medical services receivables-SHA	5,752,818	000
<b>Total receivables</b>	<b>5,752,818</b>	<b>000</b>

**Analysis of Receivables From Exchange Transactions**

Description	FY2024/2025		FY2023/2024	
	Kshs		Kshs	
	FY 2024/2025	% of the total	FY2023/2024	% of the total
Less than 1 year	5,752,818	100%	000	%
<b>Total (a+b)</b>	<b>5,752,818</b>	<b>100%</b>	<b>000</b>	<b>%</b>

*Kutulo Subcounty Hospital (County Government of Mandera)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

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**15. Trade and other Payables**

<b>Description</b>	<b>FY2024/2025</b>		<b>FY2023/2024</b>	
	<b>KShs</b>		<b>KShs</b>	
Trade payables	150,000		000	
<b>Total trade and other payables</b>	<b>150,000</b>		<b>000</b>	
<b>Ageing analysis:</b>	<b>2024/2025</b>	<b>% of the Total</b>	<b>2023/2024</b>	<b>% of the total</b>
Under one year	150,000	%	000	%
<b>Total</b>	<b>150,000</b>	<b>%</b>	<b>000</b>	<b>%</b>

## **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:

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

**(iii) Market risk**

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

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

**a) Foreign currency risk**

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

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.

**Foreign currency sensitivity analysis**

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

**b) Interest rate risk**

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

**Management of interest rate risk**

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

**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:

**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

**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 hospital is a County Corporation/ or 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.

*Kutulo Subcounty Hospital (County Government of Mandera)*  
*Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

**21. Appendices**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status:</b>	<b>Timeframe:</b>
1	Non-disclosure of property plant and equipment	The county has not fully delegated the functions to the facility and has not transferred the ownership of the property and plant and equipment	Not resolved	15.02.2026
2	Non-disclosure of employee costs paid by the county government	Its true that the financial statements does not show employee costs paid by the county government. Its worth nothing that the payroll is run centrally and is not devolved	Not resolved	15.02.2026
3	Non-disclosure of inventory balance	The County Executive has not fully delegated the functions to the facility, as the facility is still under the executive branch. Therefore, inventory records and documents are managed by the County Executive. However, the hospital management does maintain inventories of all equipment and property.	Not resolved	15.02.2026
4.	Non -disclosure of revenue from rendering of services	Some functions have not been fully devolved to the hospital. The bill is currently been discussed at the county assembly regarding the use of revenue collected at the source.	Not resolved	15.02.2026

**Kutulo Subcounty Hospital (County Government of Mandera)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
<b>REPORT ON THE LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES.</b>				
	Deficiencies in implementation of universal health coverage (UHC)	The issue stems from the town's geographical location, which poses difficulties in both attracting and maintaining specialized medical practitioners. Budget constraints present is a significant hurdle.	Not resolved	15.02.2026
	Lack of quarterly revenue report	The hospital is not fully independent and revenue collected goes to county revenue collection account that are centralized	resolved	15.02.2026
	Unresolved prior matters	Some matters remained unresolved as at the reporting date due to delays in receiving confirmation and supporting documentation from relevant county executive.	Not resolved	15.02.2026
	Failure to prepare estimates of income and expenditure	Furthermore, the hospital continued to operate within the approved county budget ceiling and adhered to financial control as guided by PFM act. All the expenditures were dully authorized and supported by relevant documentation.	Not resolved	15.02.2026
	Inadequate operational Equipment	In response to these multifaceted challenges, the county government is actively working on implementing measures to bridge these gaps and improve the healthcare landscape in the near future. These efforts encompass a comprehensive approach aimed at addressing not only staffing shortages but also equipping the hospital to ease issues affecting	Not resolved	15.02.2026

**Kutulo Subcounty Hospital (County Government of Mandera)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
		healthcare delivery and accessibility in the region.		
	Understaffing of health workers	There is the on-going challenge of attracting and retaining specialist medical professionals. This issue stems from the town's status and geographical location, which pose difficulties in both attracting and maintaining specialized medical practitioners. The remote location, coupled with limited amenities and infrastructure, makes it less appealing for specialists to establish a long-term presence.	Not resolved	15.02.2026
	Failure to offer essential service	During the period the hospital was understaffing because the hospital faces security concerns, notably from the looming threat of terrorist attacks. Situated in close proximity to the border, the town of Kutulo is under constant threat from extremist groups such as Al-Shabaab. This heightened security risk not only poses a direct threat to the safety of hospital staff but also exacerbates the challenge of attracting and retaining skilled professionals who may be deterred by the volatile security situation	Not resolved	15.02.2026
	Incorrect presentation of the statement of performance against pre-determined	The hospital management acknowledges the observation regarding the incorrect presentation of the performance against	Not resolved	15.02.2026

**Kutulo Subcounty Hospital (County Government of Mandera)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status:</b>	<b>Timeframe:</b>
	objectives	predetermined objectives but wishes to clarify that the issue was primarily technical and management has taken corrective steps by strengthening internal review mechanisms before submission of financial statements to ensure full compliance.		
	Failure to offer NHIF Service	During the period the hospital was going upgrading to level 4 thus hindering the nhif contract that was initially sign	resolved	15.11.2025
<b>REPORTS ON THE EFFECTIVENESS OF INTERNAL CONTROL,RISK MANAGEMENT AND GOVERNANCE.</b>				
	Lack of hospital management board	The process of establishing the board of management is currently underway. This endeavour necessitates meticulous attention to detail as it involves the development of comprehensive policies and the establishment of a robust legal framework. The creation of such a governing body requires careful consideration of various factors, including regulatory requirements ,stakeholders input,and organisational needs.therefore the process is being conducted deligently to ensure that all necessary elements are in place for the effective functioning of the board once it is established.	Not resolved	15.06.2025
	Lack of updated fixed asset register	While the county executive has not fully delegated functions to the facility and has not transferred the ownership of the property ,plant and equipment and are managed by the county executive and are	Not resolved	15.02.2026

**Kutulo Subcounty Hospital (County Government of Mandera)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
		reported in the financial statement of the executive. however the hospital management does maintain inventories of equipment and property. The updated asset register is maintained.		
	Failure to establish internal audit function and audit committee	As the hospital operates under the jurisdiction of the county government and still not an independent entity ,it falls within the administrative structure of the county. Consequently, the county government maintains internal audit functions and an audit committee within its organisational framework.	Not resolved	15.02.2026
	Lack of quarterly revenue report	Some functions have not been fully devolved to the hospital. The bill was passed recently passed at the county assembly regarding the use of revenue collected at the source. The revenue collected is reported in the financial statements of the county government. Revenue collection in the hospital is independent affairs from hospital management, whereby Mandera county government through department of revenue has the mandate to collect and manage the revenue in the hospital. The department has deployed a revenue clerks who manages and collects revenues and subsequently deposits in the county revenue collection account	resolved	15.01.2025

*Kutulo Subcounty Hospital (County Government of Mandera)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
		hence reporting it in the facility financial statement will lead to double reporting.		
	Weak controls in Revenue collections	The own sources of revenue collected is remitted to the county revenue collection account that are managed by the county executive. However it cannot be controlled by the management of the hospital as it lies under the department of revenue hence weak controls. There exists a legislative gap regarding the full authority granted to the hospital administration for revenue collection. Presently, the bill(FIF) addressing this gap is under deliberation at the county assembly. The department of revenue primarily oversees revenue collection, managing reports such as cashbooks and related records. Due to the absence of a nearby bank ,patients typically their bills in cash or through m-pesa . As a result the revenue clerks deposits these collections and submits them to the county pay bill for remittance. Monthly reconciliation duties are undertaken by the supervisor and accountant of the department of revenue.	Not resolved	15.02.2026
	Lack of approved staff Establishment and scheme of service	An approved staff establishment and scheme of service are in place and are managed by mandera county public service	Not resolved	15.02.2026

**Kutulo Subcounty Hospital (County Government of Mandera)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
		management which is the employing entity of the county government. Therefore waiting to be transferred to the hospital.		
	Weakness in issuance and storage of medical supplies	The County Executive has not fully delegated the procuring of the medical drugs to the facility, as the facility is still under the executive branch. Therefore, all the procuring of medical drugs and their payment documents are managed by the County Executive. However, the hospital management does purchase any drugs to the hospital	Not resolved	15.02.2026
	Lack of approved procurement plan	The hospital management strictly adheres to procurement procedures and the law. The documents were filed separately and have since been retrieved. Please find attached copy of hospitals procurement plan.	Resolved	15.02.2026
	Lack of Risk management policy and disaster recovery plan	The hospital has draft risk management policy and disaster recovery plan which was not approved. Therefore it will be in place in near future. The hospital operates under the jurisdiction of mandera county government. within this governmental structure, there exists county public service board tasked by the law with prepare ring and approving the staff establishment of the county executive unit.it is important to note that the hospital is not yet an	Not resolved	15.02.2026

**Kutulo Subcounty Hospital (County Government of Mandera)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
		independent entity separate from county government . consequently ,records for the approved staff establishment are maintained by the public service board.		



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**Medical Superintendent**

**Kutulo Subcounty Hospital (County Government of Mandera)**  
**Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2025**

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

**Mandera county treasury**


Name of Transferring entity.....

**Kutulo subcounty hospital**


Name of Beneficiary entity.....

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 <sup>th</sup> June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
0341704/2024/2025/001	15/10/2024	800,000	00	800,000	100%
0341704/2024/2025/002		800,000	00	800,000	100%
<b>Total</b>		<b>1,600,000</b>	<b>000</b>	<b>1,600,000</b>	<b>100%</b>

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

**Head of Accounts Department - Disbursing Entity:**  
 Hassan M. Abdow 

Name ..... Sign ..... Date **4.11.2025**

**Head of Accounts Department - Beneficiary Entity:**  
 Hussein Edin Issack 

Name ..... Sign ..... Date **4.11.2025**

*XX Hospital (XX County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 20xx*

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