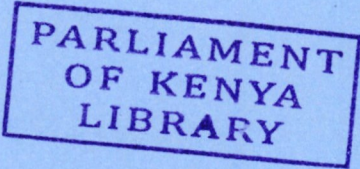


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

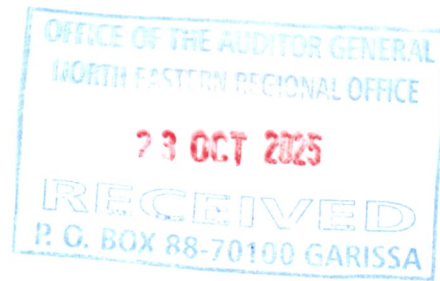
LAFEY SUB-COUNTY LEVEL 4 HOSPITAL

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

COUNTY GOVERNMENT OF MANDERA

PAPERS LAID	
TA	
CLERK	
CLERK AT	

PAPERS LAID	
DATE	13.11.25
TABLED BY	S.M.L
COMMITTEE	-
CLERK AT THE TABLE	Abigail



LAFEY SUB-COUNTY LEVEL 4 HOSPITAL
(COUNTY GOVERNMENT OF MANDERA)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2025

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

Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.

Table of Contents

1. Acronyms & Glossary of Terms	ii
2. Key Entity Information and Management.....	iii
3. The Board of Management.....	viii
4. Key Management Team	xii
5. Chairman’s Statement	xiii
6. Report of The Medical Superintendent	xiv
7. Statement of Performance Against Predetermined Objectives	xv
8. Corporate Governance Statement	xvi
9. Management Discussion and Analysis.....	xvii
10. Environmental And Sustainability Reporting.....	xix
11. Report of The Board of Management.....	xx
12. Statement of Board of Management’s Responsibilities.....	xxi
13. Report of the Independent Auditor on Lafey Sub-County Hospital.....	xxii
14. Statement of Financial Performance for The Year Ended 30 June 2025.....	1
15. Statement of Financial Position As At 30 th June 2025	2
16. Statement of Changes in Net Asset for The Year Ended 30 June 2025	3
17. Statement of Cash Flows for The Year Ended 30 June 2025	4
18. Statement of Comparison of Budget and Actual Amounts for Year Ended 30 June 2025.....	5
19. Notes to the Financial Statements	6
20. Appendices	25

1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
CoG	Council of Governors
UHC	Universal Health Coverage
AG	Auditor General
RCO	Registered clinical officer
LSCH	Lafey Sub-County Hospital
IPSAS	International Public Sector Accounting Standard
CEO	Chief Executive Officer
OSR	Own Source Revenue
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

(a) Background information

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

(b) Principal Activities

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

Vision:

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

Mission:

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

Core Values

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

(c) Key Management

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

- County department of health

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

- ✓ Providing visionary and transformational leadership
- ✓ Overseeing the implementation of the Boards resolutions
- ✓ Support to Board of Management for effective oversight
- ✓ Evaluate the hospital long term healthcare service effectiveness
- ✓ Review and recommend appropriate actions for strategic operational plans and policies

- ✓ Review performance improvement activities and patient's safety efforts
- ✓ Identify, evaluate and implement the scope of services, practice and governance of the hospital
- ✓ Prudent management of resources
- ✓ Formulating long-term strategies and business plans
- ✓ Monitoring and evaluating performance
- ✓ Ensuring effective communication within the Hospital

- **Board of Management**

The key responsibilities for the Board are;

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

- **Accounting Officer/ Medical Superintendent**

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

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

✓ Manage balance sheets and profit/loss statements

- **Management**

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Medical Superintendent	Dr Saleh Hassan Derow
2.	Head of finance	Abdihakim Sirat Ahmed
3.	Head of supply chain	Abdirizack Muhumed Salat
4.	Hospital Administrator	Hussein Huka Kampu

(e) Fiduciary Oversight Arrangements

The oversight arrangements include:

1. Clinical Research and Standards Committee.

- i) Identifying health care service problems in the hospital and ensuring that they are resolved;
- ii) Review any changes on policy issues on standards, quality assurance and research;
- iii) Liaise with the Medical Advisory Committee on matters of quality health care delivery

2. Audit committee

- i) Reviewing quarterly, half-yearly and annual financial statements before submission to the Board;
- ii) Reviewing the performance, objectivity, and independence of external auditors;
- iii) Consideration of audit findings by the external auditors;
- iv) Monitoring and reviewing the effectiveness of the Hospital's internal audit function;

3. Risk Committee

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

4. County Assembly

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

5. Parliamentary committees

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

(f) Lafey Sub-County Hospital Headquarters

Lafey Sub-County Hospital,
P.O. Box 27-70304,
Lafey Town.

(g) Lafey Sub-County Hospital Contacts

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

(h) Lafey Sub-County Hospital Bankers

Equity Bank Limited,
P.O Box 536-70300,
Mandera, Kenya.

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

(i) Independent Auditors

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



(j) Principal Legal Adviser

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




(k) County Attorney

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



3. The Board of Management



Ref	Directors	Details
1.	 <p data-bbox="303 969 767 1059">Mr. Mohamud Omar Obsiye Chairman, Board of Management.</p>	<p data-bbox="930 465 1477 929">Born 1963, Obsiye is the Chairman of the Hospital Board at Lafey Sub-County Hospital. He holds MED Education, Leadership and Policy development. He brings over 20 years' experience as a principal and teacher at Arabia Boys secondary school. He is currently contracting teacher at Moi Girls Secondary School.</p> <p data-bbox="930 947 1477 1088">He previously works as a deputy head of efficiency and monitoring unit in Governor's office, Mandera County.</p>
2.	 <p data-bbox="303 1552 638 1641">Mr. Omar Mohamed Ali Hospital Board member.</p>	<p data-bbox="930 1111 1477 1417">Born in 1988, Mr Omar is a member of the board for the hospital. He previously works as a project officer at Livelihoods and Food Security. He also works as a Field monitoring assistant at Humanitarian International Voluntary Association.</p> <p data-bbox="930 1435 1477 1525">He holds a Bachelor Degree of Business Management at Mount Kenya University.</p> <p data-bbox="930 1543 1477 1632">He also holds Diploma in Human Resource Management at Mount Kenya University.</p>

*Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.*




<p>3.</p>	 <p>Mr. Abdullahi Mohamed Ibrahim. Hospital Board Member.</p>	<p>Born in 1984, Mr Abdullahi is member of the Board for Lafey Sub-County Hospital. Previously he worked in National Drought and Management Authority as validation officer and Kenya Power Lightening and Company Ltd as a senior Artisan. He holds Bachelor Degree in commerce.</p>
<p>4.</p>	 <p>Mr. Shaaban Mahamud Muhumed. Hospital Board Member.</p>	<p>Born in 1982, Mr Shaaban is a member of the Board for Lafey Sub-County Hospital. He is currently working as the chairman. Lafey Sub-County from the office of SUPKEM COUNCIL OF KENYA. He is also a teacher in Madarasatul Nurul Yaqin in Lafey Sub-County. He holds Bachelor of Islamic Shariah from Islamic University of Mandina.</p>
<p>5.</p>	 <p>Mr. Mohamed Sheikh Yussuf Hospital Board Member.</p>	<p>Born 1977, Mr. Yussuf is a member of the Board for Lafey Sub-County Hospital. He is currently working as a teacher in Lafey Boys Secondary School. He previously works at Moi Girls Secondary School as a teacher. He holds Bachelor Degree (BED Arts) from Kenyatta University.</p>

*Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.*

6.	 <p>Mrs. Fatuma Abdi Adan Hospital Board Member</p>	<p>Born in 1995. Mrs Fatuma is a member of the Board for Lafey Sub-County Hospital. She previously worked as a BOM teacher at Lafey Secondary School. She holds Bachelor Degree in Education Arts from Mount Kenya University.</p>
7.	 <p>Mrs. Abdia Abdikadir Omar Hospital Board Member</p>	<p>Board in 1995. Mrs Abdia is a member of the Board for Lafey Sub-County Hospital. She previously works as Horn of Africa Sustainability solutions Consulting Company as an administrative officer. She holds Bachelor Degree in Human Resource Management from St. Paul's University.</p>

<p>8.</p>	 <p>Mr. Abdullahi Yussuf Gulia Hospital Board Member</p>	<p>Mr Abdullahi is a member of the Board for Lafey Sub-County Hospital. He previously works as a BOM teacher at Lafey Boys Secondary School. He is currently working in Kamora Liban Junior Secondary School as a JSS teacher.</p>
<p>9.</p>	 <p>Dr. Saleh Hassan Derow. Medical Doctor, Medical superintendent. Secretary to the Board, Lafey Sub-County Hospital.</p>	<p>Born in 1989. Dr Saleh Hassan is the Medical Superintendent for the hospital. Prior to his elevation as medical superintendent, he worked in Kilifi County referral hospital and Nairobi West. He holds a Bachelor of Medicine and bachelor of surgery (MBCbB). ATLS university of Nairobi.</p>

4. Management Team

Ref	Management	Details
1.	 Dr. Saleh Hassan Derow. Bachelor of Medicine and Bachelor of surgery (MBChB)	Medical Superintendent.
2.	 Mr. Abdihakim Sirat Ahmed Bachelor of Business Administration- Accounting option.	Accountant-in-charge.
3.	 Mr. Hussein Huka Kampu Diploma in Information Technology.	Hospital Administrator.

5. Chairman's Statement.

It is my pleasure to present Lafey Sub County Hospital's 2024/25 annual report and financial statements. Management and operations of the hospital is guided by the existing legal, policy, and institutional frameworks that govern health sector to ensure efficient and effective delivery of services in the Hospital.

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

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

On behalf of the Board, I would like to thank all our stakeholders especially the County Ministry of Health and the County Treasury for the support they continue to accord the hospital without which our achievements would not have been realized. As the Social Health Authority care was introduced in November 2024, our patients took advantage of the insurance cover. As we also move into a new year, I would like to express my gratitude to Lafey Sub County Hospital's staffs, team leaders and the Board, who take such pride in their work, and who exemplify our hospital's mission and values each day. Finally, I strongly believe that our strategy and the staffs in place will consistently drive our growth in the future as has been the case over the years.

Mr. Mohamud Omat Obsiye

Chairman to the Board



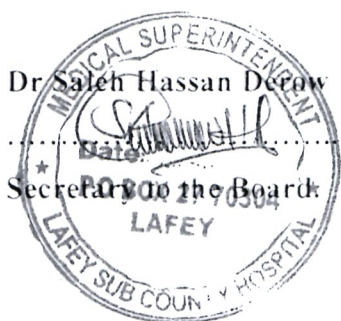
6. Report of The Medical Superintendent

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

During the financial year 2024-2025, Lafey Sub County Hospital underwent significant development. The hospital through County Government of Mandera constructed a modern administration block, renovated the theatre, upgraded the Out-Patient Department, built a walkway connecting the wards to the theatre, added an ablution block, installed a phase electricity system, constructed a hospital generator room, and constructed a hospital washroom.

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

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



7. Statement of Performance Against Predetermined Objectives

Lafey Sub-County Hospital has two strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2024/2025- FY 2029/2030. These strategic pillars issues are as follows:

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

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

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Operational excellence	Reengineering policies	Enhance service delivery	customers receive safe, timely, equitable, efficient, effective and patient-centred services.	effective and timely service delivery and efficient utilization of resources
Pillar 2: Skilled and energetic management team	Institutionalize leadership and governance performance	alignment of governance, leadership, and all employees to the overall strategic objectives of the organization.	oversight in financial reporting, Safeguarding Hospital assets	vibrant governance system

8. Corporate Governance Statement

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

Role of the Chairman

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

The roles and responsibilities of the Board include.

- i. Planning and monitoring, clinical services and preventive services.
- ii. Providing oversight in financial reporting to the County government and communication to stakeholders.
- iii. Safeguarding Hospital assets by instituting appropriate internal control systems.
- iv. Ensuring the Hospital complies with all relevant laws and regulations.

Accountability and audit

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

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

9. Management Discussion and Analysis

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

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

Clinical/operational performance

The hospital provides healthcare services. To meet our patients' needs, we have two medical doctors, four RCOs and 10 nursing officers who ensure our customers receive safe, timely, equitable, efficient, effective and patient-centred services.

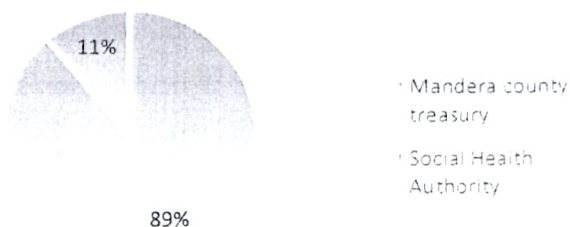
The hospital has a capacity bed of sixty-four (64) beds. In 2024/25 the overall patients' attendance of the hospital were 38,600 patients of whom 1,800 were inpatients and 36,800 outpatients. This was an increase of 4% outpatients and 8% inpatients attendance in comparison to the previous financial year. The accident and emergency attendance of the hospital was one hundred and sixty (160) while specialised clinic attendance is none. The average length for the stay for inpatient was 5 days while the bed occupancy rate of the hospital stands at 63% and mortality rate stands at 0.7%. There was no surgical theatre utilisation and there was no sponsorships and partnerships so far reported in the financial year.

Financial performance that includes

Revenue sources

The revenue sources of the hospital for the financial year 2024/2025 comprised of Mandera County Treasury transforms in form of AIEs amounting to Kshs. 1,600,150 and Social Health Authority of Kshs.12,738,271.

Figure 1. Transfer from other government entities

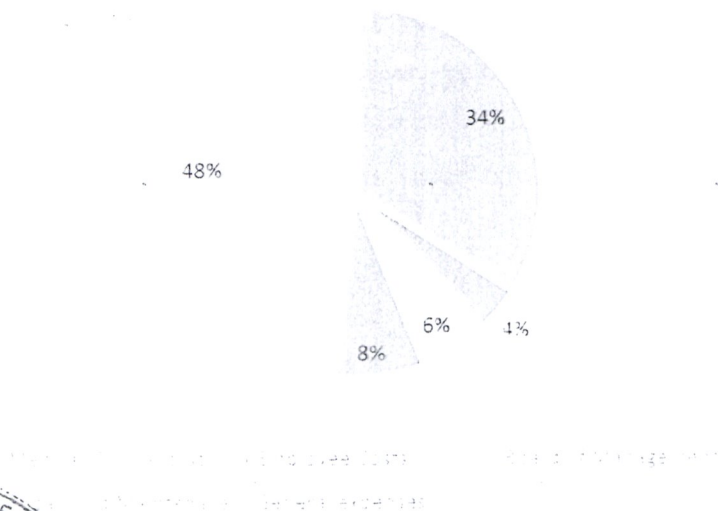


Utilisation of funds; -

- ✓ Medical/clinical cost amounting to 4,862,000
- ✓ Employee costs amounting to 590,000
- ✓ Board of Management expenses 825,000
- ✓ Repair and Maintenance 1,105,000
- ✓ General expenses amounting to 6,957,223

Figure 2. Utilization of funds

UTILIZATION OF FUNDS



Dr. Saleh Hassan Derow
 P.O BOX 27 70304
 Secretary to the Board

10. Environmental and Sustainability Reporting.

Lafey 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. Lafey Sub County Hospital create a culture of sustainability that creates lasting change. These sustainability efforts do not happen in hospitals and care systems without vision and commitment.

ii) Environmental performance

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

iii) Employee welfare

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

Lafey Sub County Hospital provides the employees welfare with outmost level and its as follows:

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

iv) Corporate Social Responsibility / Community Engagements

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

11. Report of The Board of Management

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

Principal activities

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

Results

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

Board Of Management

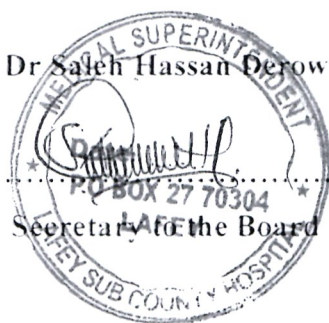
The members of the Board who served during the year are shown on page viii.

Auditors

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

By Order of the Board

Dr Saleh Hassan Derow



12. Statement of Board of Management’s Responsibilities

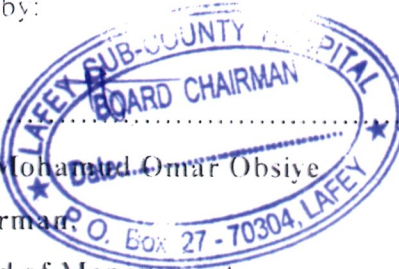
Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect of hospital, which give a true and fair view of the state of affairs of the hospital at the end of the financial year/period and the operating results of the hospital for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

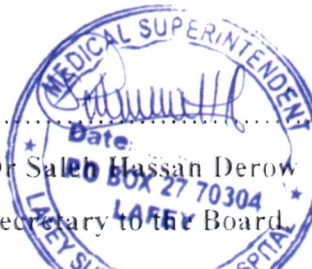
The Board of Management is responsible for the preparation and presentation of the hospital’s financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) maintaining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

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

Approval of the financial statements

The Hospital’s financial statements were approved by the Board on 25th August, 2025 and signed on its behalf by:


.....
Mr. Mohamed Omar Obsiye
Chairman
P. O. Box 27 - 70304, LAFEY
Board of Management


.....
Date: 25/08/2025
Dr. Saleh Hassan Derow
Secretary to the Board
P. O. Box 27 70304
LAFEY
LAFEY SUB COUNTY HOSPITAL

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

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

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

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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lafey Sub-County Level 4 Hospital - County Government of Mandera 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

Undisclosed Property, Plant and Equipment

The statement of financial position reflects a nil non-current assets balance, with no corresponding notes to the financial statements. However, the Hospital owns various assets, including land and buildings, non-specialized medical equipment, furniture and fittings, motor vehicles, and ICT equipment. In addition, the Hospital did not maintain a fixed asset register to account for these assets.

In the circumstances, the accuracy and completeness of the non-current assets balance could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lafey Sub-County Level 4 Hospital - County Government of Mandera 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.17,004,569 and Kshs.14,338,271 respectively, resulting to an under-funding of Kshs.2,66,298 or 16% of the budget.

The under-funding 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 effects of the matter described in the Basis for Qualified Opinion, 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 year audit report, 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:

No.	Financial Year	Audit Issue
1.	2023/2024	Non-Disclosure of Employee Costs Paid by the County Government
2.	2023/2024	Non-Disclosure of Other Expenses Paid by the County Government
3.	2023/2024	Unconfirmed Inventory Balance
4.	2023/2024	Undisclosed Property, Plant, and Equipment
5.	2023/2024	Deficiencies in the Implementation of Universal Health Coverage
6.	2023/2024	Lack of Internal Audit Function and Committee
7.	2023/2024	Lack of Risk Management Policy and Disaster Recovery Plan

Other Information

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

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

Deficiencies in Implementation of Universal Health Coverage

Review of Hospital records and interviews conducted on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit in October, 2025 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines as detailed below:

Staff Requirements	Level 4 Standard	Number in Hospital	Variance	Percentage Deficit %
Medical Officers	16	2	14	88 %
Anesthesiologists	2	0	2	100%
General Surgeons	2	0	2	100%
Gynecologists	2	0	2	100%
Pediatricians	2	0	2	100%
Radiologists	2	0	2	100%
Registered Community Health Nurses	75	15	60	80%
Total	101	17	84	83%

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	64	86	57%
New Born Unit Cots	5	1	4	80%
New Born Units Incubators	5	0	5	100%

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage Deficit %
Resuscitare (2 in Labour and 1 in Theatre)	3	2	1	33%
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%
Total	182	68	114	63%

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

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

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

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

REPORT ON 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 Risk Management Policy and Disaster Recovery Plan

Review of the internal control systems in the Hospital revealed that the Management had not established a risk management policy to identify, mitigate and control operational and other risks that the Hospital may face from time to time. In addition, the Management did not carry out risk assessment to identify and address key areas of concern and document specific controls in response to any risks identified. Further, there was no documented disaster recovery plan to provide guidance in the event of a disaster.

In the absence of formally documented risk management policy and disaster recovery plan, the Hospital may be exposed to risks related to operations and system failure.

2. Failure to Establish internal Audit Function

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

In the circumstances, the existence of effective mechanisms and processes for review and evaluation of budgetary performance, financial management, transparency and accountability in the Municipality could not be confirmed.

3. Failure to Establish Audit Committee

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

Lack of audit committee may lead to reduced oversight of financial reporting which may increase risk of errors, misstatements or even fraud in financial records and report.

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 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

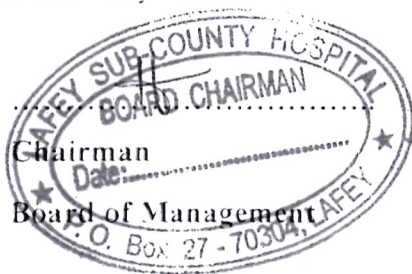
6 November, 2025

*Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.*

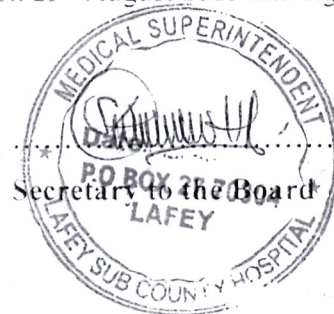
14. Statement of Financial Performance for The Year Ended 30 June 2025

Description	Note	2024/25	2023/24
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	1,600,150	5,001,000
In-kind contributions from the County Government	7	43,719,409	00
Transfers from other Government entities	8	00	554,760
		45,319,559	5,555,760
Revenue from exchange transactions			
Rendering of services- Medical Service Income	9	15,338,121	00
		15,338,121	00
Total revenue			
		60,657,680	5,555,760
Expenses			
Medical/Clinical costs	10	14,512,080	1,850,000
Employee costs	11	30,934,329	1,393,200
Board of Management Expenses	12	825,000	00
Repairs and maintenance	13	1,355,000	00
General expenses	14	7,044,398	2,310,260
		54,670,807	5,553,460
Net Surplus / (Deficit) for the year			
		5,986,873	2,300

The Hospital's financial statements were approved by the Board on 25th August 2025 and signed on its behalf by:



Signature of the Head of Finance
 Head of Finance
 ICPAK No: 23913

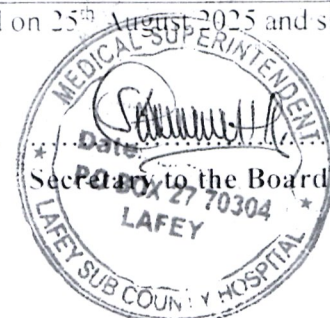
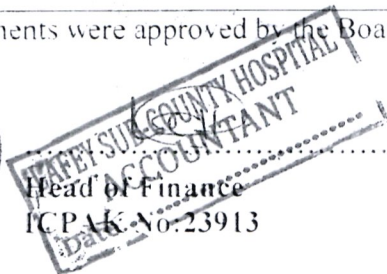
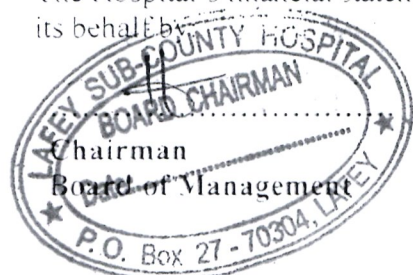


*Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.*

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

Description	Note	2024/25	2023/24
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	15	3,617	4,569
Receivables from exchange transactions	16	2,600,000	00
Inventories	17	4,000,000	00
Total Current Assets		6,603,617	4,569
Total Non-current Assets		00	00
Total assets (A)		6,603,617	4,569
Liabilities			
Current liabilities			
Trade and other payables	18	612,175	00
Total Current Liabilities		612,175	00
Non-current liabilities			
Total non-current liabilities		00	00
Total Liabilities (B)		612,175	00
Net assets (A-B)		5,991,442	4,569
Represented by:			
Accumulated surplus/Deficit		5,991,442	00
Net Assets		5,991,442	4,569

The Hospital's financial statements were approved by the Board on 25th August 2025 and signed on its behalf by:



Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2023	00	2,269	00	2,269
Revaluation gain	00	-	-	00
Surplus/(deficit) for the year	-	2,300	-	2,300
Capital/Development grants	-	-	00	00
As at June 30, 2024	00	4,569	00	4,569
At July 1, 2024	00	4,569	00	4,569
Revaluation gain	00	-	-	00
Surplus/(deficit) for the year	00	5,986,873	-	5,994,048
Capital/Development grants	-	-	00	00
At June 30, 2025	00	5,991,442	00	5,998,617

Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.

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

Description	Note	2024/25	2023/24
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		1,600,150	5,001,000
Transfers from other Government entities		00	554,760
Rendering of services- Medical Service Income		12,738,121	00
Total Receipts		14,338,271	5,555,760
Payments			
Medical/Clinical costs		4,862,000	1,850,000
Employee costs		590,000	1,393,200
Board of Management Expenses		825,000	00
Repairs and maintenance		1,105,000	00
General expenses		6,957,223	2,310,260
Total Payments		14,339,223	5,553,460
Net cash flows from operating activities	19	(952)	2,300
Net increase/(decrease) in cash and cash equivalents		(952)	2,300
Cash and cash equivalents as at 1 July	16	4,569	2,269
Cash and cash equivalents as at 30 June	16	3,617	4,569

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	-	4,569	4,569	4,569	00	100%
Receipts						
Transfers from the County Government	2,000,000	00	2,000,000	1,600,150	399,850	80%
Transfers from other Government entities	00	00	00	00	00	%
Rendering of services- Medical Service Income	15,000,000	00	15,000,000	12,738,271	2,261,729	85%
Total receipts	17,000,000	4,569	17,004,569	14,338,271	2,666,298	84%
Payments						
Medical/Clinical costs	6,000,000	00	6,004,569	4,862,000	1,138,000	81%
Employee costs	900,000	00	900,000	590,000	310,000	66%
Remuneration of directors	1,100,000	00	1,100,000	825,000	275,000	75%
Repairs and maintenance	1,500,000	00	1,500,000	1,105,000	395,000	74%
General expenses	7,500,000	00	7,500,000	6,957,223	542,777	93%
Total Operational Expenditure paid	17,000,000	4,569	17,004,569	14,339,223.	2,665,346	
Surplus	00	00	00	(952)	952	0%

Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	3,617
Closing Cash and Cash Equivalent as per the statement of Cash flows	3,617

19. Notes to the Financial Statements

1. General Information

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

2. Statement Of Compliance and Basis of Preparation

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

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

3. Adoption of New and Revised Standards

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

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

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

Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.

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

Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.

Standard	Effective date and impact:
	<ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions</p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50:	<p><i>Applicable 1st January 2027</i></p>

***Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.***

Standard	Effective date and impact:
Exploration For & Evaluation of Mineral Resources	<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"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The Hospital did not early – adopt any new or amended standards in the financial year 2024/25.

4. Summary Of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services, and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.

b. Budget information

The original budget for FY 2024/25 was approved by Board on 30th June, 2024. No subsequent revisions or additional appropriations were made to the approved budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

c. Taxes

Sales tax/ Value Added Tax

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

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

d. Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 3-5 years. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is

Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.

expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e. Property, plant and equipment

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

f. Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

g. Intangible assets

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

Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.

h. Research and development costs

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

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

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

i. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it

Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.

to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.

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

a. Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour, and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs after initial recognition, inventory is measured at the lower cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower cost and the current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

b. Provisions

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

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

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

Contingent liabilities

Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.

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

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

c. Nature and purpose of reserves

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

d. Changes in accounting policies and estimates

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

e. Employee benefits

Retirement benefit plans

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

f. Foreign currency transactions

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

g. Borrowing costs

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

h. Related parties

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

i. Service concession arrangements

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

j. Cash and cash equivalents

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

k. Comparative figures

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

l. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

*Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.*

6. 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
County Government of Mandera	1,600,150	00	1,600,150	1,600,150	5,001,000
Total	1,600,150	00	1,600,150	1,600,150	5,001,000

7. In Kind Contributions from The County Government

Description	2024/25	2024/25
	KShs	KShs
Salaries and wages	30,269,329	00
Medical supplies-Drawings Rights (KEMSA)	7,100,145	00
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	6,349,935	00
Total grants in kind	43,719,409	00

8. Transfers From Other Government Entities

Description	2024/25	2023/24
	KShs	KShs
Transfer from National Government (Ministry of Health)	00	554,760
Total Transfers	00	554,760

9. Rendering of Services-Medical Service Income

Description	2024/25	2023/24
	Kshs	Kshs
Pharmaceuticals	120,000	00
Laboratory	359,000	00
Other medical services income (SHA)	14,859,121	00
Total revenue from the rendering of services	15,338,121	00

10. Medical/ Clinical Costs

Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.

Description	2024/25	2023/24
	Kshs	Kshs
Food and Ration	3,150,000	1,420,000
Dressing and non-pharmaceuticals	2,200,645	430,000
Pharmaceutical supplies	7,249,435	00
Sanitary and cleansing Materials	1,912,000	00
Total medical/ clinical costs	14,512,080	1,850,000

11. Employee Costs

Description	2024/25	2023/24
	Kshs	Kshs
Salaries, wages, and allowances---in kind	30,269,329	1,385,000
Casual wages	665,000	00
Staff medical expenses and Insurance cover	00	8,200
Employee costs	30,934,329	1,393,200

12. Board of Management Expenses

Description	2024/25	2023/24
	Kshs	Kshs
Sitting allowance	825,000	00
Total	825,000	00

13. Repairs And Maintenance

Description	2024/25	2023/24
	Kshs	Kshs
Property- Buildings	500,000	00
Office equipment	250,000	00
Medical equipment and Hospital Generator	605,000	00
Total repairs and maintenance	1,355,000	00

Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.

14. General Expenses

Description	2024/2025	2023/24
	Kshs	Kshs
Bank charges	10,723	5,260
Electricity expenses	187,175	200,000
Fuel and Lubricants	3,638,000	1,430,000
Travel and accommodation allowance	138,500	150,000
Printing and stationery	3,070,000	525,000
Total General Expenses	7,044,398	2,310,260

15. Cash And Cash Equivalents

Description	2024/25	2023/24
	KShs	KShs
Current accounts	3,617	4,569
Total cash and cash equivalents	3,617	4,569

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

Description		2024/2025	2023/2024
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1149104872	2,051	758
Equity Bank.	1000266572634	1,566	3,811
Sub- total		3,617	4,569
Grand total		3,617	4,569

16. Receivables From Exchange Transactions

Description	2024/25	2023/24
	KShs	KShs
Medical services receivables	2,600,000	00
Total receivables	2,600,000	00

*Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.*

Analysis of Receivables From Exchange Transactions

Description	2024/25		2023/24	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	2,600,000	100%	00	100%
Total (a+b)	2,600,000	100%	00	100%

17. Inventories

Description	2024/25	2023/24
	KShs	KShs
Pharmaceutical and Non-pharmaceutical supplies	4,000,000	00
Total	00	00

Detailed disclosure on inventories

	2024/25	2023/24
Opening balance	00	00
Additional Inventory in the year	13,450,080	00
Inventory expensed in the year	9,450,080	00
Closing balance	4,000,000	00

18. Trade and other Payables

Description	2024/25		2023/24	
	KShs		KShs	
Medical/clinical cost	200,000		00	
Repair and maintenance	250,000		00	
Electricity expenses	87,175		00	
Employee dues	75,000		00	
Total trade and other payables	612,175		00	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the total
Under one year	612,175	100%	00	%
Total	612,175	100%	00	%

19. Cash Generated from Operations

Description	2024/25	2023/24
-------------	---------	---------

Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.

	KShs	KShs
Surplus for the year	5,986,873	2,300
Adjusted for:		
Working Capital adjustments		
Increase in inventory	(4,000,000)	(00)
Increase in receivables	(2,600,000)	(00)
Increase in payables	612,175	00
Net cash flow from operating activities	(952)	2,300

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

(i) Credit risk

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Receivables from exchange transactions	00	00	00	00
Bank balances	4,569	4,569	00	00
Total	4,569	00	00	00
At 30 June 2025				
Receivables from exchange transactions	2,600,000	2,600,000	00	00
Bank balances	3,617	3,617	00	00
Total	2,603,617	00	00	00

Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.

21. Related Party Balances

Nature of related party relationships

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

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

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

Description	2024/25	2023/24
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from County Government	1,600,150	00
Total	1,600,150	00
b) Key management compensation		
Directors' emoluments	835,000	00
Total	835,000	00

22. Events after the Reporting Period

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

23. Ultimate and Holding Entity

The entity is a County Corporation/ or a Semi- Autonomous Government Agency under the Department of Medical services. Its ultimate parent is the County Government of Mandera.

24. Currency

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

*Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.*

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Non-disclosure of employees cost paid by the county government	It's true that some employee costs paid by the County Government was not disclosed in the financial statements but the facility has not taken over all the functions and most of the functions are managed by county executive and it has been reported under financial statements of County executive. Reporting it in the financial statement of the facility will lead to double reporting.	Not Resolved	10/12/2025
2.0	Non-disclosure of other expenses paid by the county government	It's true that expenses paid by the County Government was not disclosed in the financial statements but the facility has not taken over all the functions and most of the functions are managed by county executive and it has been reported under financial statements of County executive. Reporting it in the financial statement of the facility will lead to double reporting.	Not Resolved	10/12/2025
4.0	Undisclosed property, plant and equipment	The hospital does not procure assets and property by itself since the same is done by the county executive through the department of health services.	Not Resolved	10/01/2026

*Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Failure to prepare estimates of income and expenditure	<p>Some of the assets verified by the auditor like lands, machineries and other equipment are the assets of the defunct local government which are yet to be officially handed over to the county government.</p> <p>The estimated budget of the facility is prepared by the Hospital management team and is approved by the CEC Health. The estimated approved budget for the financial year 2023/2024 is hereby attached.</p>	Not Resolved	10/01/2026
2.0	Deficiencies in implementation of UHC	<p>There is the ongoing challenges of attracting and retaining specialist medical professionals in our county and specifically to Lafey Sub County Hospital. This issue stems from the town's status and geographical location, which pose difficulties in both attracting and maintaining specialized medical practitioners. The town's remote status, coupled with limited amenities and infrastructure, makes it less appealing for specialists to establish a long-term presence.</p> <p>Secondly, the county government is hurdled by budget constraints in recruiting the health workforce. According to the public finance management (PFM) Act, the wage bill shall not exceed 35% of the total revenue. Meeting this legal requirement becomes particularly challenging when considering the relatively high salary costs associated with medical staff.</p>	Not Resolved	10/01/2026

*Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Lack of hospital management board	The management understands the critical significance of setting up the hospital board of management as required by the existing legal frameworks. Board was formed on April 2025 and its waiting for approval.	Not Resolved	10/12/2025
2.0	Lack of 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 organizational framework.	Not Resolved	10/01/2026
3.0	Lack of risk management policy and disaster recovery plan	Lafey Sub-County Level 4 Hospital has developed and adopted a consolidated draft risk management policy by Mandera county executive. The policy is at approval stage, which will soon be finalized.	Not Resolved	10/01/2026



Lafey Sub-County Level IV Hospital (County Government of Mandera)
Annual Report and Financial Statements for the Year Ended 30th June 2025.

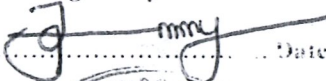
Appendix III: Inter-Entity Confirmation Letter

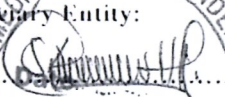
Name of Transferring entity: County Government of Mandera

Name of Beneficiary entity: Lafey Sub-County Hospital

Confirmation of amounts received by Lafey Sub-County Hospital as at 30 th June 2025.					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)-(A+B)	Remarks
A0341705/01/2024/25	15/10/2024	800,000	00	800,000	100%
A0341705/02/2024/25	28/11/2024	800,000	00	800,000	100%
Total		1,600,000	00	1,600,000	100%

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

Head of Accounts Department - Disbursing Entity:
Name: CPA Hassan Abdow Sign  Date 25-08-2025

Head of Accounts Department - Beneficiary Entity:
Name: Dr Saleh Derow Hassan Sign  Date 25/08/25

