

REPUBLIC OF KENYA



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**REPORT**

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**THE AUDITOR-GENERAL**

**ON**

**GARISSA COUNTY LEVEL 5 REFERRAL AND  
TEACHING HOSPITAL**

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

**COUNTY GOVERNMENT OF GARISSA**

25/09/24  
V.M.L  
Angela



OFFICE OF THE AUDITOR GENERAL  
NORTH EASTERN REGIONAL OFFICE

29 MAY 2023

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**GARISSA LEVEL 5 TEACHING AND REFERRAL  
HOSPITAL  
(Garissa County Government)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

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







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## **I. Key Hospital Information and Management**

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

The County Referral Hospital was constructed in 1969 by the Government of Kenya under Nairobi City Council by then Garissa district hospital, and it was taken over by Ministry of Health in 1970. The hospital is a level 5 institution that is expected to serve patients who need complex management. It has 300 bed capacity including the isolation centre. Apart from North Eastern Region, the hospital also serves the neighbouring Counties of Kitui, Tana River, Isiolo, Wajir and Mandera. The hospital is also a referral centre for Refugee population of Dadaab estimated to be over 270,000 persons. The hospital also receives patients from the neighbouring countries of Somalia and Ethiopia.

Garissa Level 5 Teaching and Referral Hospital is a level 5 hospital established under gazette notice and is domiciled in Garissa County under the Health Department. The hospital is governed by a Board of Management.

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

The principal activity/mission/ mandate of the hospital is to provide health services.

#### **VISION**

A centre of excellence in provision of accessible, affordable and socially acceptable quality health care services in the region and beyond.

#### **MISSION**

To provide curative, rehabilitative and preventive health care services to all.

#### **CORE VALUES**

- Efficiency
- Integrity
- Compassion
- Accountability
- Ownership
- Inclusivity

### **(c) Key Management**

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

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



**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Medical Superintendent	Hawa Boi Bakari
2.	Head of finance	CPA Abdullahi Diriye Ibrahim
3.	Head of supply chain	Ahmed Mohamud Bashir
4.	Head Administration	Ali Abdikadir Bulle
5.	Director of Clinical Services	Dr Hussein Noor Buro
6.	Nursing In charge	Amina Daud Yussuf

**(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) Hospital Headquarters**

P.O. Box 29-70100  
Garissa Referral Hospital  
Kismayu Road  
Garissa, KENYA

**(g) Hospital Contacts**

Telephone: (+254) 046 2102284  
E-mail: pghgarissa@yahoo.com  
Website: www. Gcrh,go.ke

**(h) Hospital Bankers**

Kenya Commercial Bank  
Gulf African Bank  
Garissa Branch

**(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. 563-70100  
Garissa, Kenya





**II. The Board of Management**




Ref	Directors	Details
1.	 Mr Bishar Gure Gedi	<p>I Bishar Gure GEDI was born in the year 1957.                      We to Dadaab primary school 1968.                      Later joined Garissa secondary school and did my EACE in the year 1976.                      I went to Shanzu teachers training college 1977 as primary teacher and qualified as a pl teacher in 1979.                      I was in the field of teaching for a period 14 years.                      In the year 1990 , I transferred my services provincial administration and became senior chief of liboi location. In year 1997 , joined politics and veid for liboi ward councilor which i continued until 2013                      In 2014 I became liboi ward administrator until 2020.</p>
2.	 Doris Wangeci Gichuki	<p>Doris Wangeci Gichuki                      currently doing business                      served as a board member of budget and economic forum in 2017                      Currently board member at PGH.</p>
3.	 Dr Hawa Bakari Boi	<p>Dr Hawa Bakari Boi is the acting CEO in Carissa Level 5 Teaching and Referral.                      Holds master's degree in Paediatric and child health from university of Nairobi, a degree in MBCHB from university of Nairobi. A practising practitioner for 13 years</p>

4.	 <p>Shaiya Hundle Hambe</p>	<p>Shaiya Hudle Hambe , A board member Worked as a salesperson with al Fatah supermarket 2000-2006 Worked with equity bank as front officer from 2008-2013 Worked with first community bank from 2013-2014 business banker Currently working with County government of Garissa as sub County administrator Hold BA( human resource) from East Africa University</p>
5.	 <p>Abdullahi Mohamed Abdi</p>	<p><b>CPA Abdullahi M. Abdi</b>, with a 22-year career, is a distinguished leader in socio-economic transformation, climate resilience, and community empowerment. Currently pursuing a PhD in Development Studies, he builds on extensive education including a PhD in Leadership and Management, a Master of Business Administration (MBA – Finance), and a Bachelor of Commerce (BCom – Accounting). His leadership spans both public and private sectors, playing pivotal roles in enhancing education, livelihoods, and empowerment initiatives. Abdullahi has served on the boards of Adaptation Consortium Trust, Coast Development Authority, and Koitaleel Samoei University College, among others. A member of the Institute of Certified Public Accountants (ICPAK) and the Kenya Institute of Management (KIM), Abdullahi excels in blending financial expertise with strategic governance. He has fostered impactful partnerships and led projects significantly benefiting communities and the environment. With certifications from institutions like Harvard University and Kenya School of Government, his profile showcases a commitment to leadership excellence and continuous learning.</p>



6.	 <p>Omar Sheikh Abdisitar</p>	<p>Omar Sheikh Abdisitar holds degree from faculty of. Law and jurisprudence Al azahar University. Islamic scholar. Imam and preacher. General secretary of Garissa interfaith and. A member of Supkem and CIPK (Council of Imam and preachers of Kenya)</p>
7.	 <p>Dr. Mohamed Ahmed</p>	<p>Dr Mohamed is a hospital board member,38 years old. Currently serving as the Chair of Quality and Development Sub-Committee of GCRH and also the current Garissa Sub county Medical officer of Health. He is a Pharmacist and served as GCRH Pharmacist in-Charge from 2014 - 2017, He has Masters in Public Health, epidemiology and Disease control from Kenyatta University</p>

### III. Management Team

Ref	Management	Details
1.	 <p>Dr Hawa Boi Master's degree in Paediatric and child health and a degree in MBCHB</p>	Medical Superintendent
2.	 <p>Dr Hussein Noor Buro Holds Masters of medicine in family medicine and Degree in Medicine</p>	Director of Clinical Services
3.	 <p>CPA Abdullahi Diriye Ibrahim Masters (MBA) in Finance and BCOM (Finance Option) and is Certified Public Accountant (CPA- K)</p>	Head of Finance

4.	 <p>Amina Daud HND in Critical Care Nursing</p>	Director Nursing Services
5.	 <p>Ali Abdikadir Bulle master's in public policy and administration BCOM( HR) , member of IHRM</p>	Hospital Administrator
6.	 <p>Ahmed Mohamud Bashir Diploma in Supply Management.</p>	Head of Supply Chain



#### **IV. Chairman's Statement**

Garissa Level 5 hospital main mandate is referral hospital, it strengthens its provision in providing curative, preventive, promotive and rehabilitative health services. It offer specialized clinical services in various disciplines. It serves as a centre for research activities, training for medical student and health workers. being a centre of excellence in healthcare delivery is always set and ready for the dynamic healthcare and environmental changes. Future plans of the hospital is to be establish a mother and child complex and increase subspecialties, conduct complex surgeries e.g. heart surgeries and neuro -sciences amongst others. It is in this regard that I have the pleasure to present the hospital financial statements for ending 30th June 2022. The financial statements present the financial performance of the fund in relation to ensuring affordable and quality healthcare.

#### **ACHIEVEMENTS**

The HMB and hospital management realized great achievement in terms of revenue generation, which has grown compared to the previous financial years, infrastructural development including perimeter wall and parking space.

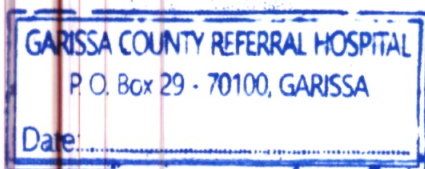
#### **LOOKING INTO THE FUTURE**

The Board is optimistic that the hospital will be upgraded to a level six hospital. Consistent with our vision, Board continues to invest in Modern Technology, infrastructural and specialized human resources to position as the premier healthcare facility in the northern region. I greatly appreciate the commitment and inclusive support of the Shareholders, Board, Management, Staff and Stakeholders to the vision and mission of the hospital.

**BISHAR GURE GEDI**



.....  
**CHAIRMAN TO THE BOARD.**



## **V. Report of The Chief Executive Officer**

Garissa Level 5 Teaching and Referral Hospital was established early 1969 to cater for the health needs of the northern region and it's neighbouring. Since then it has grown to become referral hospital serving County, sub counties and more than 5 counties in Northern Region with a population of more than 3 million people.

The surrounding environment where the hospital is operating is critical in allowing the hospital to position itself to take advantage of emerging opportunities and deal with challenges. Fundamental importance in this environment is a government policy and the hospital is governed by the policies and regulations set by both national and county government departments responsible for health services.

The hospital derived its revenue from facility improvement fund (FIF) and county grants and hospital has realised great improvements of revenue compared to previous financial years. However, the costs of running is the facility is high putting the hospital under stick financial constrain. The hospital strategic plan is to sustain a competitive business to achieve client satisfaction, financial sustainability and infrastructure development that reflects modern standards in medical practices.

The hospital based on the population that is serves is faced with a lot of challenges ranging from global issues, financial constrain, inadequate human resource, environmental challenge, and technological growth that hospital have to adopt in order to fulfil in the health service delivery. However, the management is looking forward to adopt technological transformation in order to increase operational efficiencies, patient focus service delivery and informed decision making.

I take this opportunity to express my sincere gratitude and appreciation to the ministry of health, county government of Carissa, management and staffs for their continued support which made us to achieve this result.

**HAWA BOI BAKARI**

.....*Hawa*.....

**Secretary to the Board**





**VI. Statement Of Performance Against Predetermined Objectives**

Garissa Level 5 hospital has four strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2021/2022. These strategic pillars/ themes/ issues are as follows:

Pillar /theme/issue 1: Clinical service deliver and product.

Pillar/theme/issue 2: Quality improvement

Pillar/theme/issue 3: Human Resource and development

The hospital develops its annual work plans based on the above four pillars/Themes/Issues. , as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Clinical Services Delivery and product	<ul style="list-style-type: none"> <li>To Establish and enhance good clinical governance</li> </ul>	<ul style="list-style-type: none"> <li>Hospital Drug formulary in place</li> <li>No of stock-out tracer drugs</li> <li>No of prescription reviewed</li> <li>Updated SOPs</li> </ul>	<ul style="list-style-type: none"> <li>Rational use of Medications</li> <li>Rational use of blood and blood products</li> <li>Provision of Health products</li> <li>Monthly Clinical Audits and mortality Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Hospital Drug formulary In place.</li> <li>%reduction in morbidity and mortality.</li> </ul>
	<ul style="list-style-type: none"> <li>To ensure Quality Diagnostic Services</li> </ul>	<ul style="list-style-type: none"> <li>Registers</li> <li>Survey reports</li> <li>Client satisfaction report</li> </ul>	<ul style="list-style-type: none"> <li>Expand the scope of 24 hours specialized services</li> <li>Introduce new specialized Services</li> <li>Adhere to Quality Standards</li> </ul>	<ul style="list-style-type: none"> <li>CT Scan and MRI done on call 24 hours</li> <li>UECs Culture sensitivity etc done 24 hours</li> <li>EEG, ECG AND ECHO introduced and working 24 hours.</li> </ul>
Quality	<ul style="list-style-type: none"> <li>Enhance</li> </ul>	<ul style="list-style-type: none"> <li>Training</li> </ul>	<ul style="list-style-type: none"> <li>establish a</li> </ul>	<ul style="list-style-type: none"> <li>More Staff</li> </ul>

Improvement	Continuous Quality Improvement • Enhance customer care services	Reports • Customer care desks • Minutes of the change Agents	quality management comitee • Training of staff on KQMH • Customer care desks	trained and its continuous • A customer desks introduced at outpatient, at the entrance & Casualty
Human Resource and development	• Improved Performance management	• Human Resource Department established and functional • Human Resource Reports • Staff Appraisal Reports	• Establish Human Resource Department • Conduct Quarterly and Annual Staff Appraisal	• Human Resource Department functional • Staff Appraisals Done
	• To develop Staff establishment.	• % staff trained • Training Needs Report • Key Competencies Identified	• Carry out and Implement training Needs Assessment • Training of Staff on specialized	• Training needs Identified • Staffs Trained on various related medical areas.



## VII. Corporate Governance Statement

Board of Management is responsible for the corporate governance of the Hospital and is accountable to Ministry of Health, County department of health Garissa County for ensuring that the Hospital complies with the laws and the highest standards of corporate governance and business ethics. The Board members attach great importance to the need to conduct the business and operations of the Hospital with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

a) **Board of Management.** The Board of Management is composed of non-executive members elected by the Governor of Garissa County. The Appointed Board of Management to be held accountable and responsible for the efficient and effective governance of the hospital. Members of the Board have a range of skills and experience and each brings an independent judgment and considerable knowledge to the Board's discussions. The board term is three years renewal subject to performance.

Summarized below are the key roles and responsibilities of the Board:

- Approve and adopt strategic plans and annual budgets, set objectives and review key risk and performance areas.
- Resource Mobilization
- Determine overall policies and processes to ensure integrity of the Hospital's management of risk and internal contracts; and
- Review at regular meetings Management's performance against approved budget.

The full Board meets at least 4 times a year with a few special meetings. The Board members are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Chief Executive Officer. The Board nonetheless retains responsibility for establishing and maintaining the Hospital's overall internal control, financial, operational and compliance framework.

b) **Board Meetings.** the Board as per the Annual work plan meets quarterly or additionally when necessary to consider matters of overall control of the hospital. The Board agenda and work plan are prepared early in the year and adequate notice, agenda and Board papers are circulated within stipulated timelines.

c) **Board Remuneration.** Non-Executive Members provide services to the hospital to which they are entitled to allowances, the allowance is paid as per the government of Kenya allowance circulars.

d) **Committees of the Board.** the Board has four standing committees, which meet regularly under the terms of reference set by the Board. The standing committees as follows:

- Finance & Administration sub-committee
- Quality and Development Committee
- Audit & Risk Sub Committee
- Recourse mobilisation committee



## VIII. Management Discussion and Analysis

The considerations in restructuring an organization are effective coordination of roles and responsibilities to avoid overlap and duplication of roles and effort; clear accountability for results; enhanced teamwork and effective communication; and career development for staff. Appropriate structures also allow the organization to resource and sustain essential skills and expertise in the organization. The institution began the financial year with a lot of goodwill from the County Government by reviving most department that were close to shutting down in providing services e.g. dental, laboratory and renal among many others. This improved service delivery and confidence of the community to come and seek for services in the facility shown by the increment in patient numbers and increment in revenue collected by the facility during this period. Robust investment in resources to rehabilitate the wards will be important and engaging corporate clients will increase our competitive mark in offering specialised services in the region.

A research in the market and alternative options of supply chain management will be key in cutting cost measures and adopting an electronic information management will ensure accurate data capture, check n revenue collection and accountability in supply chain management.

### **Clinical/operational performance**

During the financial year 2021-2022 a total of 36, 183 patients were treated in the outpatient departments. This was 125% outpatient service utilization in a hospital catchment population of 29,011 persons during the year. A total of 1,246 patients were treated as inpatient for medical and maternity cases.

The inpatient service utilization was affected by conversion of the facility to a COYID -19 isolation centre to manage COYID-19 patients. The transition saw the number of patient admitted reduce compared to the previous year.

The total deaths in the year were 95 with a mortality rate of 3 deaths per I 000 persons. The hospital bed capacity for the year was 66 bed shared among paediatric medical, female medical, male medical and maternity. The reduction in bed capacity was due to conversion of one wing of medical ward to maternity ward.

FY	OUTPATIENT ATTENDANCE	MORTALITY	MORTALITY RATE	INPATIENT ADMISSION	BED CAPACITY
2019/2020	64300	97	2 death per 1000 persons	2683	77
2020/2021	39689	95	2 death per 1000 persons	1779	77
2021/2022	36183	95	3 death per 1000 persons	1246	66

The overall hospital bed occupancy was 31% and was affected by the conversion of the hospital to COVID-19 isolation centre.

	ALOS in Days	Bed % Occupancy
2019/2020	5	47%
2020/2021	5	35%
2021/2022	5	31%

**Financial performance that includes: -**

The hospital generated revenue amounting to kshs 50,191,358 from user fees charged on patients during the year. The income was from cash paying clients and insurance companies mainly National Hospital Insurance Fund and Britam. The hospital also received kshs 18,500,000 transfer from the county government. By the close of the financial year the funds utilization was at 91%

.....  


**Dr Hawa Boi**

**Secretary to the Board**



## **IX. Environmental And Sustainability Reporting**

The Hospital exist to transform lives. It's what guides The hospital to deliver its strategy, putting the clients first, delivering health services and improving operational excellence. Below is an outline of the hospital's policies and activities that enhance sustainability.

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

The Hospital and its stakeholders are increasingly emphasizing important need to secure sustainability for both its business and resource mobilisation and financing capability with objective of ensuring that the Hospital is going concern facility. The hospital has reviewed its current resource mobilization strategies and proposed feasible sustainable financing options:

- Enhancing client satisfaction through offering quality services
- Bringing on board more financial institutions e.g. banks and donors

### ***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.

The hospital has coloured coded bins at all departmental levels and general cleanliness of the hospital is well maintained in both indoors and the ground. There is a challenge of high cost of fuel for incinerator for waste disposal.

### ***iii) Employee welfare***

The employment process involves bringing new employees into the organization. This is the mandate of county public service board in line with public service commission, human resource manual and procedures which provides guidelines governing recruitment and appointment of new officers

Improvement of employee skills and career management is done through employee sponsorship to further their studies in line with their careers. Capacity building of the employee is done through training programmes with government institutions who are offering short related courses in order improve performance, rewards for good performance and action for poor performance.



Human Resource manual procedures provides for guidelines and standards for prevention and protection of officers against accident and occupational hazard arising at work place in relation of compensation for work related injuries and accident while in the course of employment.

*iv) Market place practices-*

*a) Responsible competition practice.*

It's done through use of available of available website for advertisement.

*b) Responsible Supply chain and supplier relations*

Involvement of suppliers in the tendering process and giving them feedback in good time explaining to them reasons of award and rejections.

*c) Responsible marketing and advertisement*

It's done through use of website and local newspapers and community engagement.

*v) Corporate Social Responsibility / Community Engagements*

The 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.

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

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

### **Principal activities**

The principal activities of the hospital are to provide quality and affordable preventive, promotive and curative health services in northern region.

### **Results**

The results of the hospital for the year ended June 30 2022 are set out on pages ...1. to .5

### **Board of Management**

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

### **Auditors**

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

Order of the Board



.....  
**Hawa Boi Bakari**

**Secretary to the Board**



## **XI. Statement of Board of Management's Responsibilities**

Section 164 of the Public Finance Management Act, 2012 requires the Board of Management to prepare financial statements in respect GL5RH, 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 also required to ensure that the GL5RH keeps proper accounting records which disclose with reasonable accuracy the financial position of the hospital. The council members are also responsible for safeguarding the assets of the hospital.

The Board of Management is responsible for the preparation and presentation of the GL5RH 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, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the hospital, (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 Garissa Level 5 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 GL5RH 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 GL5RH financial statements give a true and fair view of the state of Garissa Level 5 hospital's transactions during the financial year ended June 30, 2022, and of the hospital's financial position as at that date. The Board members further confirm the completeness of the accounting records maintained for the hospital, which have been relied upon in the preparation of the hospital's financial statements as well as the adequacy of the systems of internal financial control.



Nothing has come to the attention of the Board of management to indicate that the GL5RH will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Hospital's financial statements were approved by the Board on 27<sup>th</sup> MAY 2024 and signed on its behalf by:



.....  
**Name: Bashir Gure Gedi**  
**Chairperson**  
**Board of Management**



.....  
**Name: Hawa Boi Bakari**  
**Accounting Officer**





# REPUBLIC OF KENYA

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Anniversary Towers  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON GARISSA COUNTY LEVEL 5 REFERRAL AND TEACHING HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022 – COUNTY GOVERNMENT OF GARISSA**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Garissa County Level 5 Referral and Teaching Hospital – County Government of Garissa set out on pages 1 to 33, which comprise of the statement of financial position as at 30 June, 2022 and the statement of



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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Garissa County Level 5 Referral and Teaching Hospital – County Government of Garissa as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the County Governments Act, 2012 and the Health Act, 2017.

### **Basis for Qualified Opinion**

#### **1. Non-Disclosure of Property, Plant and Equipment**

The statement of financial position reflects Nil balance in respect of property, plant and equipment and as disclosed in Note 13 to the financial statements. However, review of the Hospital records and physical inspection carried out in the month of April, 2024 revealed existence of various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit.

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

#### **2. Undisclosed Trade Payables**

The statement of financial position did not reflect balances in respect of trade payables as at 30 June, 2022. However, review of the Hospital records revealed that the Hospital had payables totaling Kshs.96,419,337 which were not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of nil balance of trade payables could not be confirmed.

#### **3. Non-Disclosure of Donated Drugs**

The statement of financial performance did not reflect balances in respect to grants from donors and development partners. However, data from Kenya Medical Supplies Authority (KEMSA) revealed that the Hospital received donations and program commodities drugs amounting to Kshs.8,543,765 which were not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of grants from donors and development partners could not be confirmed.



#### **4. Unconfirmed Inventory Balance**

The statements of financial position did not reflect balances in respect of inventory as at 30 June, 2022. However, during the year under review, the Hospital procured food items, office stationery and supplies, pharmaceuticals and non-pharmaceuticals for its operation that were received and recorded in the stores before being dispensed to laboratory, pharmacy, wards, kitchen, offices and outpatient units amongst others. It was noted that the annual stock take was not conducted as at 30 June, 2022 to confirm the quantities, value and status of closing inventory balances.

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

#### **5. Non-Disclosure of Employee Costs Paid by the County Government**

The statement of financial performance reflects an amount of Kshs.9,222,900 in respect of employee costs as disclosed in Note 9 to the financial statements. The Hospital received services from three hundred and fifteen (315) medical staffs employed and paid by the County. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit verification.

In the circumstances, the accuracy and completeness of employee costs of Kshs.9,222,900 could not be confirmed.

#### **6. Variance in Receivables from Exchange Transactions**

The statement of financial position did not reflect a balance in respect of receivables from exchange transactions. However, during the year under review, the Hospital made claims from National Health Insurance Fund (NHIF) of Kshs.51,365,700 comprising of capitation and comprehensive claims of Kshs.27,032,050 and Kshs.24,333,650 respectively. NHIF made refunds totalling Kshs.40,991,581 resulting in an outstanding balance of Kshs 10,374,119 which was not disclosed in financial statement as receivables from exchange transactions. Review of records provided by NHIF in respect of outstanding claims indicated nil balance.

Further, the amount was outstanding for more than twelve (12) months while the contract between the Hospital and NHIF indicates the period to pay genuine claims of within thirty (30) days after submission of the claims.

In the circumstances, the accuracy, completeness and recoverability of the trade receivables balance could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Garissa County Level 5 Teaching and Referral Hospital Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.



## Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

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

### Basis for Conclusion

#### 1. Deficiencies in Implementation of Universal Health Coverage (UHC)

Review of the Hospital records and interviews on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by staff requirements or 35% of the authorized establishment.

Staff Requirement	Level 5 Standard	Number in Hospital	Variance	Percentage (%)
Medicals Officers	50	19	31	76
Anaesthesiologists	7	0	7	100
General Surgeons	4	5	1	-25
Gynaecologists	3	4	1	-33
Paediatrics	4	5	1	-25
Radiologists	4	3	1	25
Community Health Nurses	250	172	78	31
<b>Total</b>	<b>322</b>	<b>208</b>	<b>114</b>	<b>35</b>

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

Service	Level Hospital Standard	Actuals in the Hospital	Variance	Percentage (%)
Beds	250	219	281	88

Service	Level Hospital Standard	Actuals in the Hospital	Variance	Percentage (%)
Resuscitaire (2 in Labor & 1 in Theatre)	3	2	1	67
New Born Unit Incubators	10	5	5	50
New Born Unit Cots	10	25	0	250
Functional ICU Beds	12	4	8	33
High Dependency Unit (HDU) Beds	12	2	10	17
Renal Unit with At Least 5 Dialysis Machines	5	5	0	100
At Least 7 Functional Operational Theatres-Maternity & General	7	5	2	71

These deficiencies contravene the First Schedule of the Health Act, 2017 and imply that accessing 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.

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

## 2. Lack of Approved Budget and Annual Procurement Plan

The Management did not prepare estimates of income and expenditure and submit the same to the respective County Executive Committee Members as required by Section 149(2) of the Public Finance Management Act, 2012 which states that an accounting officer of County Government entity should prepare entity's expenditure estimates and submit them to County Executive Committee Member for Finance. Although the statement of comparison of budget and actual amounts was prepared and included in the financial statements, the source of budget amounts reflected in the statement could not be confirmed.

In addition, the Hospital Management did not prepare annual procurement plan as required by regulation 40(1) of the Public Procurement and Assets Disposal Regulations, 2020 which states that a procuring entity shall prepare a procurement plan for each financial year as part of the annual budget preparation process.

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

## 3. Late Submission of Financial Statements

The financial statements for the financial year ended 30 June, 2022 were submitted to the Auditor-General on 25 March, 2024 close to eighteen (18) months after the stipulated deadline of 30 September, 2022. This was contrary to Section 149 (2) (k) of the Public Finance Management Act, 2012 which require that an accounting officer shall, in respect of the entity concerned not later than three (3) months after the end of each financial year,



prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury.

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

#### **4. Unutilized Medical Equipment**

Physical inspection of the Managed Equipment Service (MES) in the month of April, 2024 revealed that the Hospital received five (5) Computed Radiography (CR) machines, an orthopantomogram (OPG) machine, a C-Arm machine, a digital X-ray machine, a digital mobile X-ray machine, ultra sound machine and five (5) dialysis machines outsourced by Ministry of Health. However, the OPG and the C-Arm machines and three (3) dialysis machines were not functional at the time of the audit.

In the circumstances, value for money may not have been realized from the machines outsourced through the Ministry of Health.

#### **5. Failure to Transfer Revenue to the County Revenue Fund Account**

The statement of financial performance reflects rendering services - medical services income of Kshs.50,091,358 as disclosed in Note 7 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal. This was contrary to Regulation 81 of Public Finance and Management (County Governments) Regulations, 2015 which states that a receiver of revenue shall promptly deposit into the County Exchequer account all receipts due to the County Revenue Fund.

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

#### **6. Lack of Quarterly Revenue Reports**

The statement of financial performance reflects Kshs.50,091,358 in respect of rendering of services - medical income as disclosed in Note 7 to the financial statements. However, Management did not provide evidence to show that quarterly revenue reports were prepared and submitted to the County Treasury with a copy to the Auditor- General as per the requirement of Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15<sup>th</sup> day after the end of the quarter.

The Management was therefore in breach of the law.

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



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

## **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the basis for conclusion of effectiveness of internal controls, risk management and governance, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **1. Lack of Internal Audit Unit and Audit Committee**

The Hospital did not establish an audit committee as required. This was contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which provides that each County Government entity shall establish an audit committee. In addition, the Hospital did not have an internal audit unit. This was contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which provides that a county government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

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

### **2. Failure to Maintain Staff Establishment**

The Hospital did not maintain a comprehensive approved staff establishment that indicates the optimal number of staff required for each category of staff, the number in post and the variance.

In the absence of an approved establishment, it is not possible to confirm whether the Hospital was operating within optimal level of staff establishment.

### **3. Lack of Risk Management Policy**

Interview with the key staff revealed that the Hospital did not have a risk management policy. It was further noted that Management did not carry out risk assessment during the year under review.

In the circumstances, Management could not be able to identify, assess and control threats that may affect achievement of the Hospital's objectives.

### **4. Lack of Information Technology (IT) Internal Controls**

During the year under review the Hospital did not have an IT strategy committee and IT steering committee. This may result to inadequacy in IT governance, which forms a critical



part of the Hospital governance structure. Further, the Hospital did not have disaster management and recovery policies in place including fire suppression systems. In addition, the Hospital did not have business continuity plan and the IT continuity plan including an off-site back-up plan.

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

## **5. Lack of Hospital Management Board**

The Hospital did not have a Board of Management in place. Although the financial statements disclosed some names purported to be members of the Board of Management there was no evidence provided to support their appointment or record of work executed by the Board. This was contrary to Section 8(1) of the Mandera County Health Services Act, 2019 which provides that every County and Sub-County Hospital shall be governed by a Hospital Board.

In the circumstances, the existence of effective governance structures in the Hospital could not be confirmed.

## **6. Stock-Outs of Essential Medical Supplies**

Review of the Hospital stock cards for controlling stores indicated that the Hospital experienced stock out of medical supplies ranging from 5 days to 87 days.

In the circumstances, the effectiveness of internal controls on the management of pharmaceutical and non-pharmaceutical supplies which are key to achievement the Hospital objectives could not be confirmed.

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

## **Responsibilities of the Management and the Board of Management**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control 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 control, risk management and governance.

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



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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance 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**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control 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 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in



amounts which would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue sustain its services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi


14 June, 2024

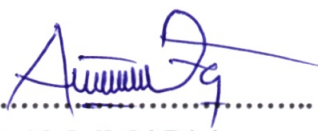



XIII. Statement of Financial Performance for The Year Ended 30 June 2022

Description	Notes	2021-2022
		Kshs
<b>Revenue from non-exchange transactions</b>		
Transfers from the County Government	6	18,500,000
<b>Total Revenue from non-exchange transactions</b>		<b>18,500,000</b>
<b>Revenue from exchange transactions</b>		
Rendering of services- Medical Service Income	7	50,091,358
<b>Revenue from exchange transactions</b>		<b>50,191,358</b>
<b>Total revenue</b>		<b>68,591,358</b>
<b>Expenses</b>		
Medical/Clinical costs	8	34,586,201
Employee costs	9	9,222,900
Repairs and maintenance	10	2,731,000
General expenses	11	20,588,570
<b>Total expenses</b>		<b>67,128,671</b>
<b>Net Surplus / (Deficit) for the year</b>		<b>1,462,687</b>

The Hospital's financial statements were approved by the Board on 27<sup>th</sup> MAY 2024 and signed on its behalf by:

  
.....  
**Bashir Gure Gedi**  
Chairman  
Board of Management

  
.....  
**CPA Abdullahi Diriye**  
Head of Finance  
ICPAK No: 23392

  
.....  
**Dr. Hawa Boi Bakari**  
Medical Superintendent


GARISSA COUNTY REFERRAL HOSPITAL  
P. O. Box 29 - 70100, GARISSA  
Date: .....


GARISSA COUNTY REFERRAL HOSPITAL  
CHIEF EXECUTIVE OFFICER  
Date: .....


**XIV. Statement of Financial Position as of 30<sup>th</sup> June 2022**

Description	Notes	2021-2022
		Kshs
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	12	1,462,687
<b>Total Current Assets</b>		
<b>Non-current assets</b>		
<b>Total Non-current Assets</b>		0
<b>Total assets</b>		<b>1,462,687</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
<b>Total Current Liabilities</b>		0
<b>Total Liabilities</b>		0
<b>Net assets</b>		
Revaluation reserve		0
Accumulated surplus/Deficit		
Capital Fund		0
<b>Total Net Assets and Liabilities</b>		<b>1,462,687</b>

The Hospital's financial statements were approved by the Board on 27<sup>th</sup> MAY 2024 and signed on its behalf by:

  
.....  
**Bashir Gure Gedi**  
Chairman  
Board of Management

  
.....  
**CPA Abdullahi Diriye**  
Head of Finance  
ICPAK No: 23392

  
.....  
**Dr. Hawa Boi Bakari**  
Medical Superintendent

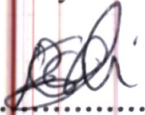


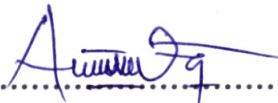



**XV. Statement of Changes in Net Asset for The Year Ended 30 June 2022**

	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2020	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Capital/Development grants	-	-	-	-
As at June 30, 2021	-	-	-	-
At July 1, 2021	-	-	-	-
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	1,462,687	-	1,462,687
Capital/Development grants	-	-	-	-
At June 30, 2022	-	1,462,687	-	1,462,687

The Hospital's financial statements were approved by the Board on 27<sup>th</sup> MAY 2024 and signed on its behalf by:

  
.....  
**Bashir Gure Gedi**  
Chairman  
Board of Management

  
.....  
**CPA Abdullahi Diriye**  
Head of Finance  
ICPAK No: 23392

  
.....  
**Dr. Hawa Boi Bakari**  
Medical Superintendent








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

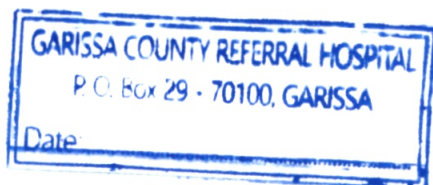
Description	Note	2021-2022
		Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from the County Government	6	18,500,000
Rendering of services- Medical Service Income	7	50,091,358
<b>Total Receipts</b>		<b>68,591,358</b>
<b>Payments</b>		
Medical/Clinical costs	8	34,586,201
Employee costs	9	9,222,900
Repairs and maintenance	10	2,731,000
General expenses	11	20,588,570
<b>Total Payments</b>		<b>67,128,671</b>
<b>Net cash flows from operating activities</b>		<b>1,462,687</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,462,687</b>
Cash and cash equivalents as at 1 July		-
<b>Cash and cash equivalents as at 30 June</b>	12	<b>1,462,687</b>

The Hospital's financial statements were approved by the Board on 27<sup>th</sup> MAY 2024 and signed on its behalf by:

  
.....  
**Bashir Gure Gedi**  
**Chairman**  
**Board of Management**

  
.....  
**CPA Abdullahi Diriye**  
**Head of Finance**  
**ICPAK No: 23392**


  
.....  
**Dr. Hawa Boi Bakari**  
**Medical Superintendent**





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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	D	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Transfers from the County Government	18,500,000	-	18,500,000	18,500,000	-	100.00%
Rendering of services- Medical Service Income	50,250,000	-	50,250,000	50,091,358	158,642	99.68%
<b>Total income</b>	<b>68,750,000</b>	<b>-</b>	<b>68,750,000</b>	<b>68,591,358</b>	<b>158,642</b>	<b>99.77%</b>
<b>Expenses</b>						
Medical/Clinical costs	35,000,000	-	35,000,000	34,586,201	413,799	99%
Employee costs	10,000,000	-	10,000,000	9,222,900	777,100	92%
Repairs and maintenance	3,000,000	-	3,000,000	2,731,000	269,000	91%
General expenses	20,750,000	-	20,750,000	20,588,570	161,430	99%
<b>Total Expenses</b>	<b>68,750,000</b>		<b>68,750,000</b>	<b>67,128,671</b>	<b>1,621,329</b>	<b>98%</b>
<b>Surplus for the period</b>		-	-	<b>1,462,687</b>	<b>-1,462,687</b>	%
<b>Capital expenditure</b>	-	-	-	-	-	%

The Hospital's financial statements were approved by the Board on 27<sup>th</sup> MAY 2024 and signed on its behalf by:

  
.....  
**Bashir Gure Gedi**  
**Chairman**  
**Board of Management**

  
.....  
**CPA Abdullahi Diriyeh**  
**Head of Finance**  
**ICPAK No: 23392**

  
.....  
**Dr. Hawa Boi Bakari**  
**Medical Superintendent**

**GARISSA COUNTY REFERRAL HOSPITAL**  
P.O. Box 29 - 70100, GARISSA  
Date: .....

**GARISSA COUNTY REFERRAL HOSPITAL**  
**CHIEF EXECUTIVE OFFICER**  
Date: .....



## **XVIII. Notes To the Financial Statements**

### **1. General Information**

Garissa Level 5 Hospital is established by and derives its authority and accountability from Act. The hospital is wholly owned by the Government of Kenya and is domiciled in Kenya. The hospital's principal activity is to provide medical 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 *hospital's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *hospital*.

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

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

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

*Notes to the Financial Statements*

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

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Hospital’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Hospital’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Hospital provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Hospital;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> </ol>



Standard	Effective date and impact:
	(c) The impact of such social benefits provided on the Hospital's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This</p>

	<p>leases have on the financial position, financial performance and cashflows of an Hospital.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

*ii.* **Early adoption of standards**

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

**4. Summary Of Significant Accounting Policies**

**a) Revenue recognition**

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

**Transfers from other Government entities**

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



*Notes to the Financial Statements*

**Revenue from exchange transactions**

**Rendering of services**

The hospital 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 hospital.

**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 hospital'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.

*Notes to the Financial Statements*

**b) Budget information**

The original budget for FY 2021-2022 was approved by Board on *August 2021* Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the hospital upon receiving the respective approvals in order to conclude the final budget. The hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 5 of these financial statements.



*Notes to the Financial Statements*

**c) Taxes**

**Sales tax/ Value Added Tax**

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

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

**d) Investment property**

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

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

**e) Property, plant and equipment**

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

*Notes to the Financial Statements*

**f) Leases**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Hospital. 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 Hospital also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

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

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

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

**g) Intangible assets**

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



*Notes to the Financial Statements*

**h) Research and development costs**

The Hospital expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Hospital 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 Hospital determines the classification of its financial assets at initial recognition.

**Loans and receivables**

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

### **Notes to the Financial Statements**

#### **Held-to-maturity**

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

#### **Impairment of financial assets**

The Hospital assesses at each reporting date whether there is objective evidence that a financial asset or an hospital of financial assets is impaired. A financial asset or an hospital 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 hospital of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an hospital 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 Hospital determines the classification of its financial liabilities at initial recognition.

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



*Notes to the Financial Statements*

**Loans and borrowing**

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

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

**i) Inventories**

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

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

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

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

**j) Provisions**

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

**Notes to the Financial Statements**

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

**Contingent liabilities**

The Hospital 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 Hospital 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 Hospital in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**k) Nature and purpose of reserves**

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

**Changes in accounting policies and estimates**

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

**l) Employee benefits**

**Retirement benefit plans**

The Hospital provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an hospital pays fixed contributions into a separate hospital (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.



*Notes to the Financial Statements*

**m) Foreign currency transactions**

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

**n) Borrowing costs**

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

**o) Related parties**

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

**p) Service concession arrangements**

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

*Notes to the Financial Statements*

**q) Cash and cash equivalents**

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

**r) Comparative figures**

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

**s) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

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

The preparation of the Hospital'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 Hospital 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 Hospital. Such changes are reflected in the assumptions when they occur.( IPSAS 1.140)



*Notes to the Financial Statements*

**Useful lives and residual values**

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

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

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. Transfers From The County Government

Description	2021-2022
	KShs
<b>Unconditional grants</b>	
Operational grant	18,500,000
<b>Total government grants and subsidies</b>	<b>18,500,000</b>

6 b Transfers from The County Government

Name of the Hospital 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
			KShs	KShs
Garissa County Government	18,500,000	0	0	18,500,000
<b>Total</b>	<b>18,500,000</b>	<b>0</b>	<b>0</b>	<b>18,500,000</b>

7. Rendering of Services-Medical Service Income

Description	2021-2022
	KShs
Laboratory	264,490
Pharmaceuticals	991,026
Eye	1,063,018
X-Ray	139,100
Accident and Emergency Service (Casualty)	1,014,360
Records	160,950
Orthopedic and Trauma Technology (Plaster)	721,335
ICU	653,820
Theatre	330,850
Wards	279,150
Public Health	155,160
Physiotherapy	47,600
Renal	225,850
Occupational	100,000
Dental	402,085



Mortuary	89,661
Radiology	1,014,360
HDU	716,942
Cancer	1,948,637
NHIF	39,772,964
<b>Total revenue from the rendering of services</b>	<b>50,091,358</b>

**8. Medical/ Clinical Costs**

<b>Description</b>	<b>2021-2022</b>
	<b>KShs</b>
Laboratory chemicals and reagents	4,697,623
Non-Pharmaceuticals	8,395,129
Food and Ration	5,471,843
Pharmaceutical supplies	12,673,986
X-Ray/Radiology supplies	3,347,620
<b>Total medical/ clinical costs</b>	<b>34,586,201</b>

**9. Employee Costs**

<b>Description</b>	<b>2021-2022</b>
	<b>KShs</b>
Salaries, wages, and allowances	9,222,900
<b>Employee costs</b>	<b>9,222,900</b>

**10. Repairs And Maintenance**

<b>Description</b>	<b>2021-2022</b>
	<b>KShs</b>
Maintenance of Plant and Equipment	2,731,000
<b>Total repairs and maintenance</b>	<b>2,731,000</b>

Notes to the Financial Statements (Continued)

11. General Expenses

Description	2021-2022
	KShs
Utility	3,133,625
Catering expenses	3,000,000
Bank charges	58,760
Contracted services	7,337,500.00
Fuel and Lubricants	1,135,000.00
Travel and accommodation allowance	1,060,750.00
Printing and stationery	4,862,935
<b>Total General Expenses</b>	<b>20,588,570</b>

12. Cash And Cash Equivalents

Description	2021-2022
	KShs
Current accounts	1,462,687
Cash in hand	-
Others ( <i>specify</i> )- Mobile money	-
<b>Total cash and cash equivalents</b>	<b>1,462,687</b>



Notes to the Financial Statements (Continued)

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

Description		2021/22
Financial institution	Account number	KShs
<b>a) Current account</b>		
Kenya Commercial bank		1,409,577
Gulf African Bank		53,110
<b>Sub- total</b>		<b>1,462,687</b>
<b>b) Others(specify)</b>		-
cash in hand		-
Mobile money- Mpesa, Airtel money		-
<b>Sub- total</b>		-
<b>Grand total</b>		<b>1,462,687</b>

*Garissa level 5 Teaching and Referral Hospital (Garissa County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*

*Notes to the Financial Statements (Continued)*

**13. Property, Plant and Equipment**

<b>Description</b>	<b>Land</b>	<b>Buildings and Civil works</b>	<b>Motor vehicles</b>	<b>Furniture, fittings, and office equipment</b>	<b>ICT Equipment</b>	<b>Plant and medical equipment</b>	<b>Capital Work in progress</b>	<b>Total</b>
	<b>Shs</b>		<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
<b>Cost</b>								
At 1 July 2020	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2021</b>	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
At 1 <sup>st</sup> July 2021	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-	-	-	-
<b>Depreciation and impairment</b>								
At 1 July 2020	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-



*Garissa level 5 Teaching and Referral Hospital (Garissa County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022*

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
<b>At 30 June 2021</b>	-	-	-	-	-	-	-	-
At July 2021	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2022</b>	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
<b>Net book values</b>	-	-	-	-	-	-	-	-
At 30 <sup>th</sup> June 2021	-	-	-	-	-	-	-	-
At 30 <sup>th</sup> June 2022	-	-	-	-	-	-	-	-

*Notes to the Financial Statements (Continued)*

**14. Intangible Assets-Software**

Description	2021-2022	2020-2021
	KShs	KShs
<b>Cost</b>		
<b>At beginning of the year</b>	-	-
Additions	-	-
Additions-Internal development	-	-
Disposal	-	-
<b>At end of the year</b>	-	-
	-	-
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	-	-
Amortization for the period	-	-
Impairment loss	-	-
<b>At end of the year</b>	-	-
<b>NBV</b>	-	-

**15. Financial Risk Management**

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

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

**(i) Credit risk**

The hospital has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The carrying amount of



financial assets recorded in the financial statements representing the hospital's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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

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

**(ii) Liquidity risk management**

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

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

**(iii) Market risk**

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

*Notes to the Financial Statements (Continued)*

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

**a) Foreign currency risk**

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

The hospital manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting expected sales proceeds and matching the same with expected payments.

**Foreign currency sensitivity analysis**

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

**Interest rate risk**

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



*Notes to the Financial Statements (Continued)*

**Management of interest rate risk**

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

**Sensitivity analysis**

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

**iv) Capital Risk Management**

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

**16. Related Party Balances**

**Nature of related party relationships**

Entities and other parties related to the hospital 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.

**Government of Kenya**

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

*Notes to the Financial Statements (Continued)*

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

Description	2021-2022
	Kshs
<b>Transactions with related parties</b>	
<b>a) Grants from the Government</b>	
Grants from County Government	18,500,000
Donations in kind	
<b>Total</b>	<b>18,500,000</b>
<b>Total</b>	<b>18,500,000</b>



*Notes to the Financial Statements (Continued)*

**17. Events After The Reporting Period**

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

**18. Ultimate And Holding Hospital**

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

**19. Currency**

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

**XIX. 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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
No prior year audit report				

  
.....  
**Accounting Officer**

GARISSA COUNTY REFERRAL HOSPITAL  
CHIEF EXECUTIVE OFFICER  
Date:.....



**APPENDIX II: Projects Implemented by The Hospital**

**Projects**

Projects implemented by The hospital Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1 Construction of wall						
2						

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

**Garissa Level 5 Teaching and Referral Hospital (Garissa County Government)  
Annual Report and Financial Statements for The Year Ended 30<sup>th</sup> June 2022**

**APPENDIX IV: Inter-Hospital Confirmation Letter**

Garissa Level 5 Hospital

The County Government of Garissa wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary hospital] as at 30 <sup>th</sup> June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2022				Amount Received by [beneficiary hospital] (KShs) as at 30 <sup>th</sup> June 2021 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
		18,500,000				18,500,000	
<b>Total</b>		<b>18,500,000</b>				<b>18,500,000</b>	

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

**Head of Accountants department of beneficiary hospital:**

Name ..... ABDULLAHI DIRIYE ..... Sign ..... [Signature] ..... Date ..... 27/05/2022 .....

