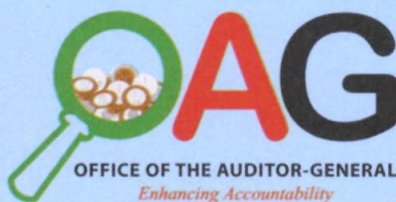


REPUBLIC OF KENYA



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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

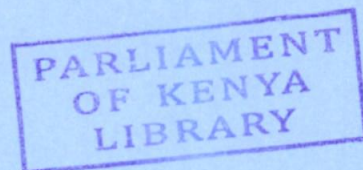
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REPORT

OF

THE AUDITOR-GENERAL

ON

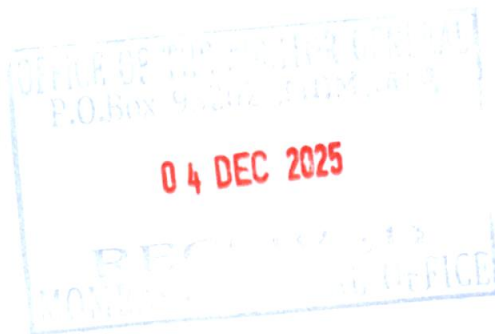


**PORT REITZ SUB-COUNTY HOSPITAL
MOMBASA COUNTY GOVERNMENT**

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

PAPERS LAID	
DATE	24/2/20
TABLED BY	Se. I. I. I.
COMMITTEE	
CLERK AT THE TABLE	T. I. I.





**PORT REITZ SUB COUNTY HOSPITAL
LEVEL 4
(Mombasa County Government)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2025**

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

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1. Acronyms & Glossary of Terms

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

AIE	Authority to Incur Expenditure
CSR	Corporate Social Responsibility
DOH	Department of Health
EEC	Executive Expenditure Committee
FIF	Facility Improvement Fund
FY	Financial year
HAO	Hospital Administrative Officer
HMT	Hospital Management Team
HOD	Head of Department
HRMAC	Human Resource Management Advisory Committee
KEMSA	Kenya Medical Supplies Authority
PRSCH	Port Reitz Sub-county Hospital
PFMA	Public Financial Management Act
SHA	Social Health Authority
MED SUP	Medical Superintendent
MOH	Ministry of Health
MSF	Medicines Sans Frontiers
NHIF	National Hospital Insurance Fund
CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
USAID	United States Agency for International Development

2. Key Hospital Information and Management

(a) Background information

Port Reitz sub county hospital is a level 4 public facility in Changamwe Sub County. It is domicile in Changamwe Sub County Mombasa County, approximately 1 km from Moi international Airport and 11kms from town center.

The hospital was established in 1955 as an army barracks and later converted to an infectious disease hospital. In 1989 the institution was converted to sub - district hospital under gazette notice number 365 of 1989 as Port Reitz chest hospital and in 1992 was upgraded from sub district hospital to a district hospital, which the status it still upholds.

Port Reitz is also a learning institution, receiving students of various cadres including clinical officers, nurses, physiotherapist, and public health among others. It is also an internship center for medical officers and pharmacists.

It serves as the only public facility offering comprehensive services as well as inpatient services in the Mombasa West region (Changamwe and Jomvu sub counties) with a catchment population of >300,000 people.

(b) Principal Activities

VISION

To be a beacon of hope in health care delivery

MISSION

To provide high quality healthcare services and to be a crusader for preventive health strategies.

CORE VALUES

Provide optimum and affordable health care in all specialities

Understand and respect the needs of our clients

To work as a team

The facility offers a wide scope of services including;

General out-patient services- maternal and child health services, family planning, comprehensive care clinic, antenatal clinic, postnatal clinic, paediatric out-patient, occupational therapy and physiotherapy to mention a few.

In-patient services male ward, female ward, paediatric ward, maternity and mental unit.

Special clinics including medical out-patient clinic, gynaecology clinic, surgical clinic (ear nose and throat, urology and orthopaedic specialists), paediatric clinic, ophthalmology clinic and dermatology clinic.

(c) Key Management

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

- County Executive Committee Member
- Chief officer clinical services department of health
- Director of Clinical Services department of health
- Medical Superintendent
- Hospital Management Team

(d) Fiduciary Management

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

No.	Designation	Name
1.	Medical Superintendent	DR. N. RIZIKI MULIMBA
2.	Head of Accounts	DAVID KITAVI/RAHAB KARIUKI
3.	Hospital Administrative Officer	ELIZABETH MULE/ RAHMA ALI
4.	Nursing Officer In-charge	CHRISTINE OWILA
5.	Human Resource Officer	MOHAMMED SALIM
6.	Head of Supply Chain	ANWAR FARHAD
7.	Human Resource Officer	MOHAMMED SALIM
8.	Commodity Nurse	SOPHIA BAHATI
9.	Pharmacist In charge	DR.SALIM SAID
10.	HOD Obstetrics and Gynecology	DR. FATMA TAHIR
11.	HOD Paediatrics'	DR. MADIHA SULTAN
12.	HOD Dermatology	DR. RUKIYA ABDILLAHI
13.	HOD Dental	DR. ABDULKADIR BAGHA
14.	HOD Surgery	DR. HERI HASSAN

Port Reitz Sub Hospital (Mombasa County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

15.	HOD Psychiatry	DR. JANBIBI YUSUF
16.	HOD Anaesthesia	DR.ZULAL HASSAN
16.	HOD Ophthalmology	DR.NADIA MUSTAFA
17.	Laboratory Incharge	ZULEKHA OMAR
18.	Psychologist	NANA ALI
19.	Nutritionist	FINLAY NYACHIENGA
20.	Health Records and Information Officer	JENIFFER KITEMA
21.	Medical Social Worker	SALIM MWINYI
22.	Clinical Officer Incharge	ROSELINE KERUBO
23.	Occupational Therapy incharge	MASILA MUTHEMBWA
24.	Physiotherapist	PETER MUTETI
25.	ICT officer	NORBERT NYAKUNDI
26.	Radiographer	EMMANUEL SIMIYU
27.	Biomedical Engineer	DAVID WESONGA
28.	Supply Chain officer	FLORENCE MULUKO
29.	Nursing officer incharge-labour ward	SYLVIA DZOMBO
30.	Nursing officer incharge-male ward	ELNORA MWASHUMA
31.	Nursing officer incharge-female ward	DORCAS MAWEU
32.	Nursing officer incharge-paediatrics ward	FATUMA SHIDIYE
33.	Nursing officer incharge-Maternity	LUCY MUTHEE
34.	Chef	PATRICK TSAKA

(e) **Fiduciary Oversight Arrangements**

The facility comprises various committees that oversee day to day continuity of services. Those with direct fiduciary oversight mandate include;

- **Executive Expenditure Committee**

This committee is chaired by the medical superintendent. It is the committee responsible for approving hospital budgets after they have been discussed at the HMT meeting prior to being submitted to the Chief Officer of Health through the office of the County Director to give authority to incur expenditure.

- **Waiver committee**

This committee has the mandate to internally review a patient's waiver requests after thorough assessment by the social worker before being forwarded to the necessary higher authority.

Those with indirect fiduciary oversight clinical (committees that are linked to revenue performance) include:

- Maternal and Perinatal Death Surveillance committee
- Medicines and Therapeutics Committee
- Hemovigilance Committee
- Antimicrobial stewardship Committee
- Human Resource Advisory Committee
- Quality Improvement Committee
- Infection and Prevention Committee

Key Hospital Information and Management (continued)

(f) **Hospital Headquarters**

Port Reitz Sub-County Hospital
P.O.BOX 90 02-80100
Mombasa Kenya

(g) **Hospital Contacts**

Telephone: (+254) 720 419 492
E-mail: medsuptrdh@yahoo.com

(h) **Hospital Bankers**

- Kenya Commercial Bank
Account Number- 1158027249
Mvita Branch

- National Bank of Kenya
Account Number- 7700010234
Mombasa Poly University
- Equity Bank
Account Number- 120028147958
Changamwe 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

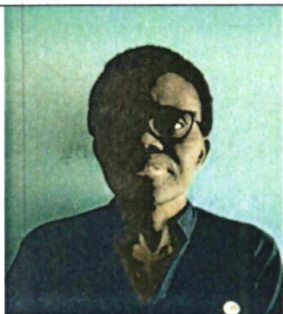
Jimmy Waliaula
P.O.Box 81599-80100
Bima Towers
6th floor, Digo Road

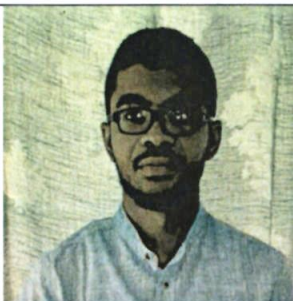
3. The Board of Management

Ref	Directors	Details
1.	Director 1 <i>(Insert each Director's passport-size photo and name, and key profession/academic qualifications)</i>	Provide a concise description of each Director's age, key qualifications, and work experience. Indicate whether the director is independent or an executive director and which committee of the Board the director chairs where applicable. Indicate whether the director is independent and or whether alternate.
2.	Director 2	
3.	Director 3	
4.	Director 4/Alternate	
5.	Med sup	
6.	Hospital Secretary	Indicate whether the secretary is a member of ICs, as required under the Mwongozo code in addition to their other details.

**Note the hospital does not have a board, a list of proposed board members was submitted in 2023 who are yet to be appointed.*

4. Key Management Team

Ref	Management	Details
1.	 Dr. N. RIZIKI MULIMBA BSc Pharmacy MBA Health Leadership and Management	The Medical superintendent who serves as the accounting officer of the institution, whose key role is to provide oversight on all hospital activities, both clinical and non-clinical to support smooth operations.
2.	 CHRISTINE OWILA Diploma in Nursing	Head on Nursing Department, whose key role is to ensure quality of care in services delivered is attained and maintained at all levels while supporting nursing services.
3.	 RAHMA ALI FUNDI	Hospital Administrative Officer; whose key role is to ensure all administrative functions are well managed including, day to day running of the institution.

	Bachelor's Degree in Business Management	
4.	 RAHAB KARIUKI Bachelor of Commerce; Accounting Option	Accountant; whose key roles include maintaining hospital accounting registers/books, reconciliation of accounts and preparation of reports and monitoring hospital financial records.
5.	 ANWAR FARHAD Bachelor's Degree in Supply Chain Management	Procurement Officer; whose key roles include ensuring that the hospital procures as per the government guidelines while maintaining proper records of the processes undertaken.
6.	 MOHAMMED SALIM Diploma in Business Management Certificate in Human Resource	Human Resource Manager; whose key roles include managing staff welfare in accordance to the human resource guidelines and policies.

(Note: The Med sup and the Hospital Secretary will feature both under the 'Board' and 'Management'.)

5. Chairman's Statement

.....

Name

Chairman to the Board

**Note; the hospital does not have a board, a list of proposed board members was submitted in 2023 who are yet to be appointed.*

6. Report of The Medical Superintendent

For the year under reporting, Port Reitz operated under 3 sources of funds which include, the facility improvement fund (FIF), reimbursements from insurance both NHIF and SHA, as well as reimbursements from the County Government.

The mode of payment at the facility is purely cashless and insurance for patients registered under NHIF/SHA. The hospital does not accept any cash payments.

In the period under review, the facility has seen growth in service delivery which has resulted in an increase in revenue, from Ksh. 49,068,228 in 2023/24 to Ksh 68,686,561 in the year ending 2024/25 as cash collections

The highest revenue generating departments are pharmacy, laboratory, and maternity. A good amount of revenue collected was from the under 5's reimbursement from the county government upon submission of invoices for services rendered.

Following the dissolution of the National Health Insurance Fund (NHIF), hospital has unpaid claims adding up to slightly over 22 million.

Since the introduction of Social Health Authority, the hospital has submitted claims worth Ksh 93,145,546 and has been paid approximately Ksh 41,595,287

In a bid to improve revenue the hospital has introduced new services such as x-ray and ophthalmology. These services were introduced in quarter 3 of the financial year.

Continued partners' support in various areas has also ensured continuity of service delivery. Partners such as USAID-STAWISHA, AHF, MOF among other institutions.

Challenges faced by the facility include:

- Delayed reimbursement by NHIF and SHA
- Unpaid claims by NHIF
- High rate of waivers and exemptions
- Low cost of services compared to other facilities regardless of the fact that we procure commodities at the same rate.
- Inadequate staffing, this has seen the facility employ additional casuals of different cadres as we attempt to reduce the staff to patient ratio.

The leadership envisions to transform service delivery at PRSCH in the coming year through:

- Ensuring the facility is well equipped to meet our clients' needs
- Expansion of the scope of services through introduction of new clinical services such as dialysis
- Creation of innovative ways to improve customer experience and service delivery
- Improve the working environment for the staff through infrastructural renovations which will allow them to offer services holistically.
- Focus of stakeholder mapping to build our stakeholder pool.
- Strengthen our training component.

Additionally the HMT endeavours to ensure that the hospital is run in accordance with all governing policies to ensure transparency and accountability.

I take this opportunity to thank the staff and members of the HMT for their dedication to service, the CHMT for their continuous support and guidance ensuring that service delivery is ongoing smoothly.


.....

DR.N.RIZIKI MULIMBA

Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

PRSCH develops its annual work plans based on the 6 health building blocks which include;

- Leadership and governance
- Human Resource
- Finance
- Service Delivery
- Health infrastructure
- Medical Products and Technologies

Below are our targets against achievements for the financial year in reporting.

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1: Strengthen collaboration with Health-Related Sectors	Strengthen inter sectoral collaboration. Embark on stakeholder mapping and promote PPC	Number of MOU's signed at facility level through the department. Stakeholder mapping progress report and projects undertaken	Train key management on PPC. Map out partners and institutions to establish partnerships with.	Some of the hospital managers trained on PPC.
2: Expand the scope of service delivery to fully conform to level 4 status.	Address the key disease burdens in the community by providing comprehensive clinical care	Reduced burden of both communicable and non-communicable diseases. Improved patient outcomes through key performance indicators	Construction of specialist clinics. Introduction of new specialties i.e. orthopedic surgery, specialist endocrinologist, ophthalmology etc. Operationalization on the new born unit	Improved patients outcomes. Improved revenue
3: Promote financial accountability	To maximize of facility collections	Reconciliation reports. Internal audits Adoption of various policies to support accountability	Submission of financial reports and internal audit activities. Decentralization of cash points for ease of monitoring and reporting.	Improved revenue and accountability.

Port Reitz Sub Hospital (Mombasa County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

		and risk aversion		
4. Leadership and governance	Provide quality leadership at the hospital to ensure there is overall accountability and ownership of the workplace by all.	Reduced number staff disciplinary cases. Reduced number of complaints. Motivated workforce.	HMT meeting minutes. Activation of various hospital committees and their meeting minutes. Staff released for training/capacity building in leadership and customer care.	Hospital has strengthened its leadership and governance
5. Human Resource	Improve the HRH gaps by lobbying for additional staff. Ensure staff have a supportive working environment to meet the set performance targets	Increased number of staff. Staff appraisals duly filled	Submission of staff attrition reports. Setting departmental targets.	Reduced staff shortage leading to improved service delivery/patient care.
6. Health Infrastructure	Improve the facility through renovations as well as seeking support for expansion to accommodate new services.	Number of renovation works done. New structures erected	Request for bill of quantities. Submission of project proposals.	Renovations at the mental unit, extension of records office and other minor repairs.

8. Corporate Governance Statement

Provide the corporate governance statement as guided below:

- i. Appointment of Board members, Process of appointment and removal of directors, The size, diversity, and demographics of the Board, Existence of the board charter
- ii. Roles and functions of the board
- iii. Induction, training, and development
- iv. Board and members' performance
- v. Number of Board meetings held and the attendance to those meetings by members
- vi. Succession plan
- vii. Policy to manage conflict of interest
- viii. Board remuneration
- ix. Ethics and Conduct
- x. Governance audit
- xi. Communication policy
- xii. Terms of Reference of Committees
- xiii. Policy on related party transactions

**Note: the hospital does not have a board, a list of proposed board members was submitted in 2023 who are yet to be appointed.*

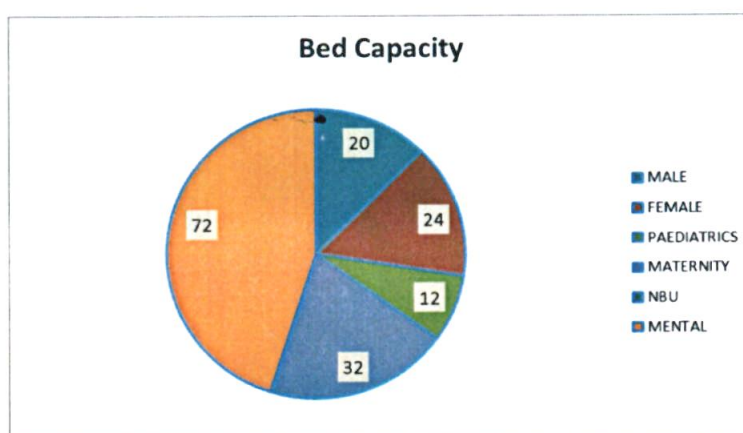
9. Management Discussion and Analysis

PRSCH has been struggling to overcome its financial debts that go way back to pre-devolution era (approximately 13 million) before health was devolved. The management team has been purposeful to allocate funds to current needs while at the same time trying to off-set the debts each quarter/financial year.

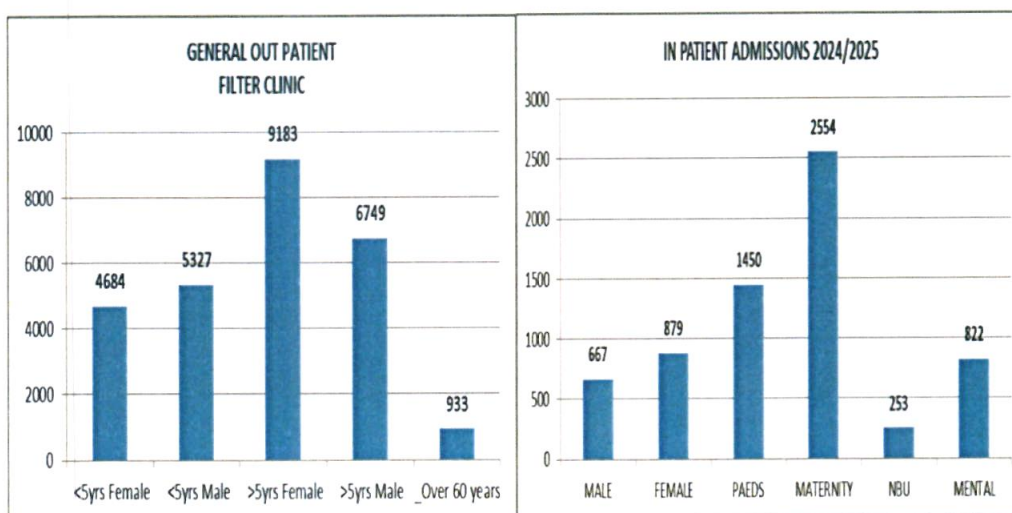
The facility planned to undertake several infrastructural projects such as renovation of mental unit, partial removal of asbestos roofing, repair of leaking roofs to mention a few. Owing to the difficult financial situation the facility was not able to undertake any major infrastructural projects through its own source funding. However, minor repairs and works as seen necessary were undertaken.

Clinical/operational performance

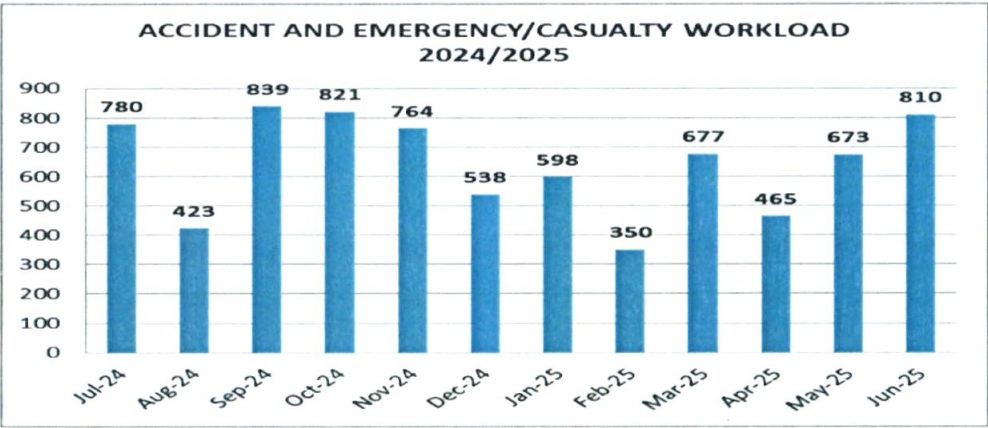
- *Bed capacity of the hospital.*



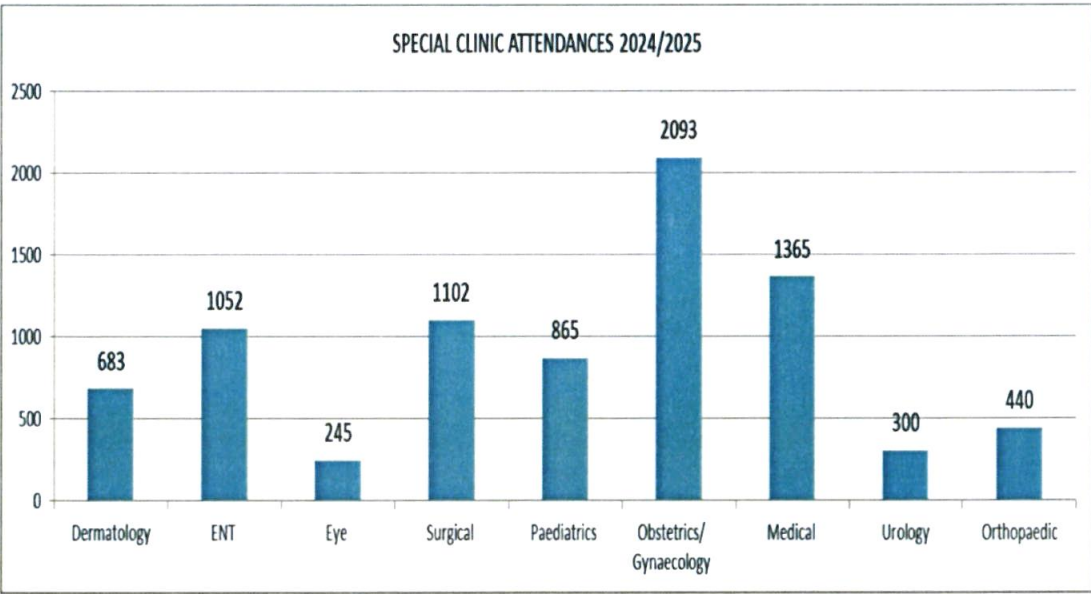
- *Overall patient attendance during the year for both inpatient and outpatient.*



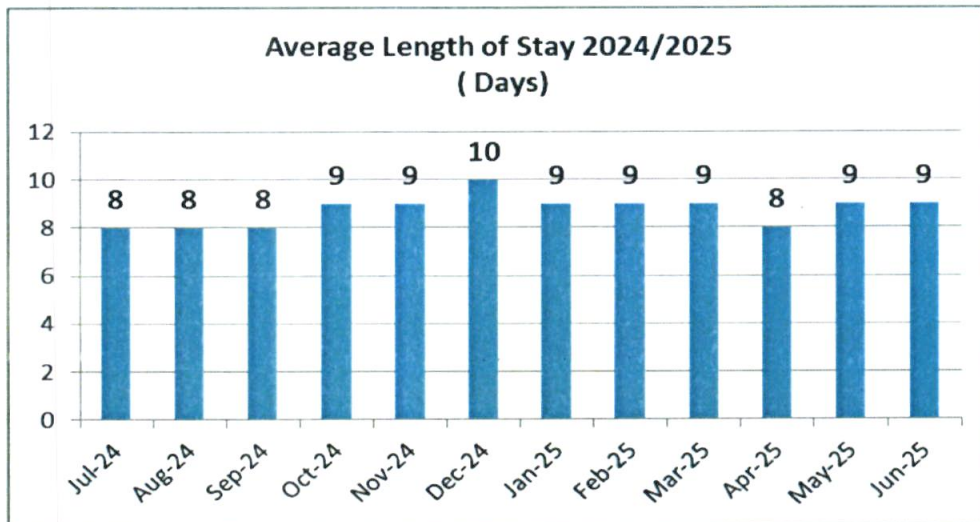
○ Accident and Emergency attendance



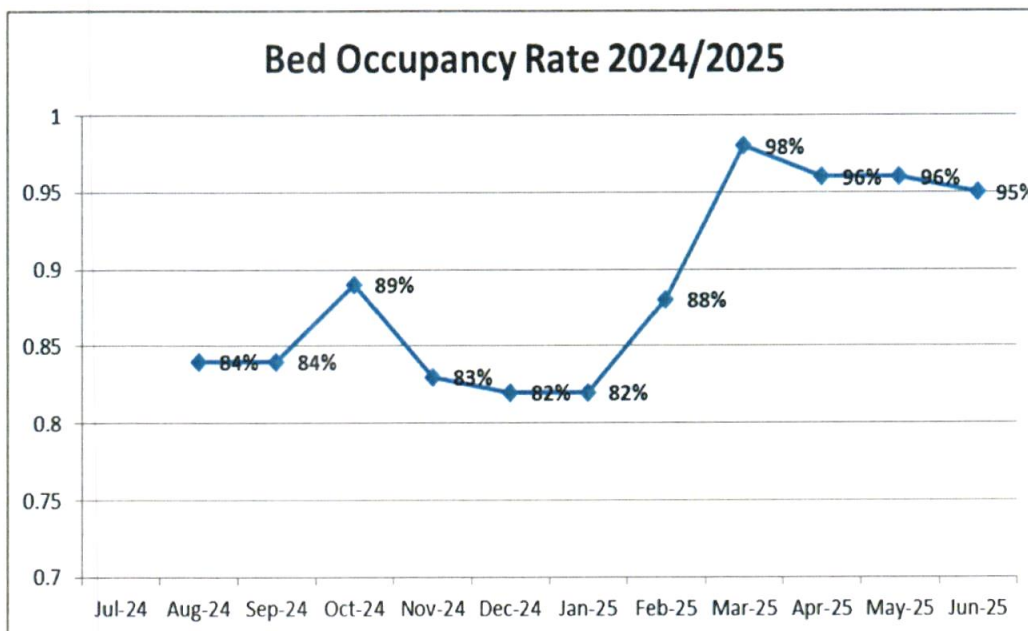
○ Specialised clinic attendance



- Average length of stay for in patient.



- Bed occupancy rate



- *Mortality rate*

32 Deaths per 1000 admissions

- *Surgical theatre utilisation (number of operations over a period of time)*

Approximately 1250 surgical procedures were conducted.

- *Sponsorships and partnerships*

For the year under reporting the hospital did not have any external partnerships or sponsorship. All activities were supported by the facility and county through the department.

Financial performance that includes: -

- *Revenue sources*

The main sources of revenue are facility collections and reimbursements from SHA. Additionally, the facility also gets payment of services rendered through Mombasa care program for under 5's.

- *Utilisation of funds*

The funds are allocated based on departmental budgets as submitted by the heads of department. Patient welfare, staff training to improve clinical skills and expertise to meet patient needs, facility improvement, development and operational costs.

10. Environmental And Sustainability Reporting

i. Sustainability strategy and profile

The hospital's mandate is to ensure that it provides quality services. This is achieved through working to improve the current services while embracing technology to introduce new specialties and subspecialties. The setback currently faced by the facility is the pending debts. The target is to make sure that all pending bills are cleared in the coming financial year. The consequences of not clearing these bills is that the suppliers withhold services i.e. they have refused to deliver goods raising concerns over unsettled bills.

Improvement and streamlining the cash collection system to ensure that there are less loopholes to fully account for all the collections at the facility. The human resource aspect is also a key factor that once addressed will lead to savings. The hospital currently has over 70 casual staff working whose emoluments are from the facility collection, this cost can be reallocated to various needs at the facility.

The facility endeavors to review its costs of services to meet the current economic changes. This will ensure that we do not lose revenue due to under charging services. Once completed we will share it with the county assembly through the office of the chief officer for approval and ascending to county assembly.

There is a need to identify stakeholders (stakeholder mapping), sharing with them the various areas of improvement in the facility where they can support us for growth and improvement of services.

Lastly in addition to the aforementioned strategies, it is in our best interest to get a way forward on the pending reimbursements by NHIF that have gone unpaid after the transition to SHA . These delays have greatly impacted service delivery as it is close to impossible to operate without debt when you have unpaid claims/reimbursements worth millions.

ii. Environmental performance

The public health officer at the facility is mandated to ensure that the hospital adheres to all public health guidelines as stipulated by the law. Other supporting activities by internal committees such as the

Infection Prevention Committee and Quality Improvement Committee support the functionality of the public health officer.

The hospital disposes part of its medical waste externally by floating quotations to prequalified companies who manage waste. The hospital has 2 condemned incinerators. The microwave that was installed as a national government project to the county had been faulty but has since been operationalized and used to process other medical waste.

iii. Employee welfare

The human resource officer supports all staff affairs with the Human Resource Advisory Committee supporting this office in the event there are any staff matters that need special advisory. The HRMAC is constituted by key members of the hospital management who are void of any disciplinary cases and have proper conduct and are responsible to serve.

Various efforts have been put in place to ensure that the staff are motivated to continue serving, such as approving study leave requests, supporting staff for external training and conferences, and ensuring that there are continuous medical education sessions at the facility.

To ensure compliance with OSHA, the hospital has ensured that the staff are licensed to practice, basic protective equipment are made available and all necessary regulatory body requirements are met.

iv. Marketplace practices-

a. Responsible competition practice.

As government institution we are not at par with the private sector in relation to cost of services. We offer services at a lower cost which previously was understood due to the fact that there was support from the national government in terms of constant supply of commodities. However this has also served as a blessing in disguise as it has seen us attract large numbers of patients at the facility for similar services in the private sector that cost almost double our charges. However it is our best interest to review our charges to meet our needs to be able to breakeven and sustain service delivery.

The well outlined public laws on ethics also ensure that staff are held accountable for any financial malpractice.

b. Responsible Supply chain and supplier relations

The list of prequalified suppliers is issued by the department of health. The facility only works with suppliers on that list.

Most suppliers issue a duration for accounts payable, often 90 days. The procurement of all items at the facility is done after proper procurement processes are undertaken. Submission of requisition by user department, budgeting, budget approval, request for quotation, opening of quotations, awarding quotations, writing LPO/LSO, receiving commodities by the user and updating bin cards prior to issuing the commodities to the end user.

The facility strives to make sure that it timely processes payment to avoid any delays in future business interactions.

c. Responsible marketing and advertising

Majorly the facility relies on the community health promoters to market the hospital services. Other strategies put in place include holding in reaches for specific services. Sometimes through partner support the facility holds in reach and outreach programs.

d. Product stewardship

Our clients are empowered to report any forms of mistreatment or harassment they are subjected to at the facility. The patients' rights and responsibilities are well displayed in all service delivery points in 2 languages, English and Kiswahili.

v. Corporate Social Responsibility / Community Engagements

The hospital through the department conducts in reaches and medical camps for free for the community. Occasionally some clients are identified who cannot shoulder their hospital bills and are forwarded for consideration of waiver through the waiver committee.

11. Report of The Board of Management

 4/12/25

Name: DR.N.RIZIKI MULIMBA

Secretary to the Board

**Note; the hospital does not have a board, a list of proposed board members was submitted in 2023 who are yet to be appointed*

12. Statement of Board of Management's Responsibilities

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

The Board of Management is responsible for the preparation and presentation of the hospital's financial statements, which give a true and fair view of the state of affairs of the hospital for and as at the end of the financial year that ended on Jun 30th, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 hospital; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

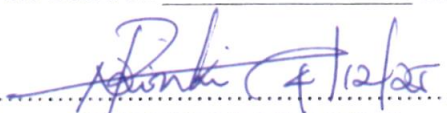
The Board of Management accepts responsibility for the hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the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

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

Approval of the financial statements

The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by:

.....
Name:
Chairperson
Board of Management


.....
Name: DR.N.RIZIKI MULIMBA
Accounting Officer

**Note; the hospital does not have a board, a list of proposed board members was submitted in 2023 who are yet to be appointed*

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Port Reitz Sub-County Level 4 Hospital set out on pages 27 to 85, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes

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

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 Port Reitz Sub-County Level 4 Hospital as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the County Governments Act, 2012, the Health Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The financial statements presented for audit contained inaccuracies as detailed below:

1.1 Variances between the Financial Statements Opening Balances and Prior Year's Balances

The opening balances differed with the prior year's audited balances as detailed below:

Component		Amounts in the Financial Statements (Opening Balances)	Prior Year's Audited Balances	Absolute Variance
	Note	Kshs.	Kshs.	Kshs.
Accumulated Surplus/Deficit		0	3,992,212	3,992,212
Statement of Changes in Net Assets				
Capital Fund				
At July 1, 2024		45,625,558	62,741,091	17,115,533
At June 30, 2025		-	45,625,558	45,625,558
Accumulated Surplus/Deficit				
At July 1, 2024		21,107,745	2,150,221,351	2,129,113,606
At June 30, 2025		25,079,750	2,125,141,602	2,100,061,852
Cash Generated from Operations				
Net Cashflow from Operating Activities	43	30,244,010	30,179,189	64,821

Component		Amounts in the Financial Statements (Opening Balances)	Prior Year's Audited Balances	Absolute Variance
	Note	Kshs.	Kshs.	Kshs.
Medical/Clinical Costs	15	62,174,252	61,790,373	383,879
Employee Costs	16	366,845,326	364,648,252	2,197,074
General Expenses	21	23,852,775	23,843,325	9,450
Inventories	31	24,635,005	23,787,158	847,847

1.2 Variances Between Financial Statement and Schedule Amounts

The balances presented in the financial statements did not agree with the supporting schedules as analyzed below:

Component	Note	Amount in Financial Statement Amounts (Kshs.)	Supporting Schedule or Note Amounts (Kshs.)	Absolute Variances (Kshs.)
In Kind Contributions from the County Government	7	403,585,06	400,974,472	2,610,588
Receivables from Exchange Transactions	29	24,382,937	23,993,787	389,150
General Expenses	21	26,434,328	27,234,328	800,000)
Depreciation and Amortization	18	5,693,946	5,974,640	280,694

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Unsupported In-Kind Contribution from County Government

The statement of financial performance and Note 7 reflect in-kind contribution from County Government of Kshs.403,585,060 in respect of employee costs for the permanent employees paid by the County Government of Mombasa. However, details of staff seconded to the Hospital and the amount paid to the respective officers were not provided for audit review.

In the circumstances, the accuracy and completeness of the in-kind contribution from County Government of Kshs.403,585,060 could not be confirmed.

3. Recognition of Prior Year's Expenses in the Current Financial Year

The statement of financial performance and Note 15 to the financial statements reflect medical/clinical costs of Kshs.91,005,948. However, audit of a sample of payment vouchers relating to the expenditure revealed that expenditure totalling Kshs.1,921,155

was incurred in the previous financial year but recognized and charged in the current year's financial statements.

In the circumstances, the accuracy and completeness of medical/clinical costs of Kshs.91,005,948 could not be confirmed.

4. Unsupported Depreciation and Amortization Expense

The statement of financial performance and Note 18 to the financial statements reflect depreciation and amortization expenses of property, plant and equipment amount of Kshs.5,693,946. However, the method and rates applied in computation of depreciation were not disclosed in the financial statements.

In addition, land, buildings and civil works, furniture, fittings and office equipment, ICT equipment and plant and medical equipment balances as at 1 July, 2024 of Kshs.2,000,000,000, Kshs.112,425,048, Kshs.1,582,455 and Kshs.1,185,340 respectively were not supported.

In the circumstances, the accuracy of the depreciation and amortization expenses of Kshs.5,693,946 could not be confirmed.

5. Unsupported Procurements on Repairs and Maintenance

The statement of financial performance and Note 19 to the financial statements reflect amount of Kshs.16,207,064 in respect to repairs and maintenance. The amount includes Kshs.15,209,521 in respect of maintenance of property, plant, machinery and equipment, out of which Kshs.2,460,833 was not supported with procurement records including notification of award, regret letters to unsuccessful bidders, letter of acceptance by the successful bidder and professional opinion. This was contrary to Section 68(6) of the Public Procurement and Asset Disposal Act, 2015 which states that, 'an Accounting Officer of a procuring entity shall maintain a proper filing system with clear links between procurement and expenditure files that facilitates an audit trail'.

In the circumstances, the accuracy, regularity and value for money on repair and maintenance expenditure of Kshs.2,460,833 could not be confirmed and Management was in breach of the law.

6. Misclassification of Advertising and Publicity Expenses

The statement of financial performance and Note 21 to the financial statements reflect Kshs.26,434,328 in respect to general expenses. Included in this amount is Kshs.800,000 relating to advertising and publicity expenses. However, review of schedules provided in support of the expenditure revealed that Kshs.600,000 comprised surrenders of imprests issued for facilitation of payments for SHA patients as per the Governor's directive. Hence, the amount was wrongly classified under advertising and publicity expenses instead of medical costs.

Further, included in the expenditure was an imprest advance of Kshs.200,000 which was issued to the Medical Superintendent that had not been surrendered as at 30 June, 2025.

Therefore, the expenditure was classified under advertising and publicity expense instead of receivables as staff advance.

In the circumstances, the accuracy and completeness of general expenses of Kshs.1,000,000 for could not be confirmed.

7. Inaccurate and Unsupported Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.60,034,345 as disclosed in Note 27 to the financial statements. The following observations have been made:

7.1 Unsupported Cash and Cash Equivalents Balance

The statement of cash flows reflects cash and cash equivalents balance of Kshs.60,034,345. Included in the cash flows from investing activities is purchase of property, plant and equipment of Kshs.9,806,207. However, no detailed schedule was provided of the purchased assets or location of the assets.

7.2 Unreconciled Cash and Cash Equivalents Balance

The balance comprised balances in three bank accounts. However, the bank account balances disclosed in Note 27 to the financial statements differed with the reconciled cash book balances as shown below:

Bank	Financial Statement Balance (Kshs.)	Reconciled Cash Book Balance (Kshs.)	Variance (Kshs.)
Kenya Commercial Bank	52,560,785	52,574,479	13,694
National Bank of Kenya	1,695,989	1,706,429	10,440
Equity Bank	5,777,572	5,781,195	3,623

In addition, Management did not provide board of survey report to support the cash and cash equivalents balance.

7.3 Long Outstanding Reconciling Items

Review of the National Bank account reconciliation revealed payments in cash book not yet recorded in bank statement totalling Kshs.164,654.00 that had been outstanding for a period of more than six (6) months. No reason was provided for the failure to reverse the cheques in the cash book.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.60,034,346 could not be confirmed.

8. Unsupported Receivables from Exchange Transactions

The statement of financial position and Note 29 to the financial statements reflect receivables from exchange transactions balance of Kshs.24,382,937 which comprises of

medical services receivables balance of Kshs.23,993,787 and imprests of Kshs.389,150. The medical service receivables balance includes Kshs.11,126,173 in respect to receivables from the County Government in respect of under five(5) payments for Mombasa County residents. However, no schedules indicating details of the residents, their amounts and age analysis were provided for audit review.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.11,126,173 could not be confirmed.

9. Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.2,118,332,385 as disclosed in Note 32 to the financial statements. However, fixed assets register was not maintained to support the balance. Further, the list of assets provided for audit did not include motor vehicles, land and buildings.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.2,118,332,385 could not be confirmed.

10. Anomalies in Presentation of the Financial Statements

The financial statements presented for audit reflect anomalies in presentation and disclosure as detailed at **Appendix I**, contrary to the requirements of the template prescribed by the Public Sector Accounting Standards Board (PSASB).

In the circumstances, the financial statements do not comply with the reporting template as prescribed and published by the PSASB.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on a comparable basis of Kshs.105,822,987 and Kshs.163,956,719 respectively, resulting in over-collection of Kshs.58,133,732 or 55% of the budget. However, the Hospital spent a balance of Kshs.143,583,737 against actual receipts of Kshs.163,956,719, resulting in an under-utilization of Kshs.20,372,982 or 12% of actual receipts.

The under-utilization affected the planned activities and may have impacted negatively on service delivery to the public by the Hospital.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

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

In connection with my audit on Hospital's financial statements, my responsibility is to read the other information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Uncollected Revenue from Rent of Facilities

The statement of financial performance and as disclosed in Note 12, reflects nil revenue from rent of facilities. However, the Hospital has kiosks and stalls operated by private business owners within its premises which Management did not collect any rent from. This denied the Hospital rent revenue which it could have realized and utilized in its

operations. In addition, there were no contract agreements between the Hospital and the kiosk operator.

This was contrary to Regulation 63(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that an accounting officer and a receiver of revenue are personally responsible for ensuring that; (a) adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments or agencies.

In the circumstances, failure to collect revenue entitled to the Hospital may have resulted in loss of public funds.

2. Lack of Efficiency Analysis Reports for Motor Vehicle Maintenance

The statement of financial performance and Note 19 to the financial statements reflect amount of Kshs.16,207,064 in respect to repairs and maintenance, out of which Kshs.724,500 is in respect to maintenance of motor vehicles. However, the amount includes payments totalling Kshs.710,600 which were not supported by efficiency analysis reports, motor vehicle logbooks and work tickets indicating when the vehicles were repaired.

In the circumstances, the regularity of motor vehicle maintenance cost of Kshs.710,600 could not be confirmed.

3. Irregularities in Management of Imprests

The statement of financial performance and Note 21 to the financial statements reflects Ksh.26,434,328 in respect of general expenses. Included in this amount is Ksh.800,000 relating to advertising and publicity expenses. The following observations were made:

- i. The amount comprises of surrender of Imprest of Kshs.600,000. However, imprest advances totalling to Ksh.300,000 were issued without a formal application of an imprest through a warrant. This was contrary to Regulation 91(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that, 'the officer authorized to hold and operate an imprest shall make formal application for the imprest through an imprest warrant';
- ii. In addition, examination of imprest records revealed that staff were issued with multiple imprests amounting to Kshs.189,150 despite having un-surrendered or unaccounted for balances from previously issued imprests. This was contrary to Regulation 93(8) of the Public Finance Management (County Governments) Regulations, 2015 which requires an accounting officer or AIE Holder to ensure that no second imprest is issued to an officer before the first imprest is surrendered or recovered in full;
- iii. Further, the imprests totalling Kshs.189,150 had been outstanding for more than six (6) months as per the imprests register provided for audit review, in contravention of Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which requires a holder of a temporary imprest

to account or surrender the imprest within seven (7) working days after returning to duty station.

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

4. Non-Compliance with Kenya Quality Model for Health Policy Guidelines

Review of records and interviews on verification of services offered, equipment used and medical specialists at the Hospital at the time of audit in November, 2025 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health policy guidelines due to staff deficits as analyzed below:

Personnel	Level 4 Standard	Actual Number	Deficit
Medical Officers	16	10	6
Anaesthesiologists	2	1	1
Neurologist	1	0	1
Optometrist	1	0	1
Radiologists	2	0	2

Audit inspection of equipment within the Hospital indicated non-availability of Computed Topography (CT) scan, Magnetic Resonance Imaging (MRI) machine, Mammography machine, patient ventilators, Dental X-Ray machine, Intensive care unit (ICU), high dependance unit (HDU) and Support vehicle, Renal unit with at least five (5) dialysis and CCTV camera system. It was also noted that the issuing and receipt of medicine in the pharmacy was not automated. The Hospital also had four (4) working incubators as opposed to the required five (5), the mortuary did not have water and the two fridges divided into twelve (12) compartments were worn out.

These deficiencies contravene the First Schedule of Health Act, 2017 and imply that accessing the highest attainable standard of health, which includes the right of 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.

5. Failure to Provide DuroMED Software Licenses and Service Level Agreement

The facility Management did not provide Service Level Agreement (SLA) for the DuroMED ERP Software. Discussion with the ICT personnel revealed that they were not issued with an SLA by the vendor. Instances of system downtime or operational failures were not recorded in the log book nor were there provisions for compensation at the SLA level. This was contrary to Standard 6.2.2.6 of the ICT Authority Systems and Applications Standards Second Edition of 2019 which states that a) Licenses for commercial operating system are provided upon acquisition, duly registered and subsequently renewed as per the requirements of the copyrights b) Service level agreements are signed with the vendors.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Inadequate Inventory Management Records

The statement of financial position and Note 31 to the financial statements reflect inventories balance of Kshs.20,299,328. Review of the stores ledger and stock control cards revealed quantities with no closing balances and values of various pharmaceutical and non-pharmaceutical stocks as at 30 June, 2025. Further, there was no evidence of participants involved in the annual stock take, signed attendance sheets, roles assignment records, or supervision reports to confirm that the stock take was carried out in accordance with established procedures.

In addition, weekly returns to the main stores on food consumption for reconciliation with patients' register from the nurse in-charge and diet sheet from the nutritionist were not provided for audit.

In the circumstances, the effectiveness of internal controls on management of inventory could not be confirmed.

2. Weaknesses in Revenue Collection and Recording

The statement of financial performance reflects Kshs.94,865,195 in respect to rendering of services - medical service income as disclosed in Note 11 to the financial statements. However, review of internal controls over collection of revenue revealed that there was no segregation of duties in revenue collection as the person who receives the payment confirmation details, confirms the receipt of funds in the account, issues the receipts and records the transaction in the cash register book.

In the circumstances, effectiveness of internal control over revenue could not be confirmed.

3. Lack of Board of Management

As previously reported, the Hospital operated without a functional Board of Management. Therefore, functions such as approving plans, programs, estimates and any other functions assigned to the Hospital Board were either not undertaken or were done by the Management Team.

In the circumstances, the effectiveness of internal controls, risk management and governance in the Hospital during the year under review could not be confirmed.

4. Lack of Risk Management Strategy

As previously reported, the Hospital Management had not developed risk management strategy to guide the identification, assessment, mitigation, and monitoring of risks affecting its operations. In addition, the Hospital lacked key components such as a risk register, risk appetite statement, documented mitigation plans, and periodic risk reporting mechanisms. This indicates that risk management activities were not being carried out in line with best governance practices.

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

5. Failure to Conduct an Internal Audit on the Hospital

As previously reported, internal audit engagements were not conducted during the year under review as no internal audit reports, risk-based audit plans, follow-up reports, or evidence of audit assignments were provided for audit.

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

6. Reliance on Manual Accounting System

The Hospital relies on manual accounting system to record, process, and report its transactions. The system is prone to errors, inconsistencies, lack of control over data, confidentiality, integrity, and availability, and lack of audit trail of transactions.

The Hospital also lacked an approved disaster management or business continuity plan in the eventual case of a disaster. This exposes the Hospital to service delivery interruptions in case of loss of crucial data.

In the circumstances, the effectiveness of the accounting system could not be confirmed.

7. Irregularities in DuroMED (Afya IT) ERP Software

7.1 Under-Utilization of DuroMED ERP Software

Audit walkthrough of DuroMED (Afya IT) revealed that only the outpatient module was in use out of the eight (8) modules disclosed in the draft (unsigned) contract. The modules not utilized by the facility were Inpatient, Health records, Laboratory, Radiology, Pharmacy, Stock Management System and Accounting package. This brought about incompleteness in data captured in the system and a challenge to obtain/generate financial, accounting and procurement reports from the software.

Discussion with staff in departments not utilizing the system revealed that the system was not fully supportive of their operations and so opted to go the manual way. This was contrary to the objective of acquiring the software which was to make the Hospital operations seamless and paperless in all departments.

In the circumstances, the facility did not get value for money on the software acquired.

7.2 Disconnect in the Registration, Billing and Receipting and Financial Reporting in the DuroMED ERP System

DuroMED ERP Software was used by the facility in registration of new patients and patient revisits, billing/invoicing and receipting. However, reports of revenue from new patient registrations, patient revisits, revenue billing and receipting reports within the financial year 2024/2025 were not provided for audit reconciliation with the bank statements. In addition, revenue billing reports to establish the revenue earned in rendering of services – medical service income per patient was in a format that lacked details of the patient invoiced and the service paid for.

Further, audit interrogation of DuroMED (Afya IT) ERP Software revealed that the system was not integrated nor automatically synced to the revenue paybill account or bank account to automatically reflect payments made by the patients. Manual billing/invoicing was done by the Cashier who confirmed payments in M-pesa paybill account and manually printed and issued receipts. This was indicative of lack of segregation of duties of billing/invoicing, confirmation of payments and receipting, thereby exposing the Hospital to high risk of misappropriation and/or loss of funds.

In the circumstances, the effectiveness of internal controls in revenue billing, receipting and management of patients with accumulated bills could not be confirmed.

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

Responsibilities of Management and the Board of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual

Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 December, 2025

Appendix I: Anomalies in Presentation of Financial Statements

Page	Section	Title	Issue/observation	Requirement of International Public Sector Accounting Standard (IPSAS)
Cover	Cover	Port Reitz Subcounty Hospital Level 4	The Section refers to Port Reitz Subcounty Hospital Level 4 instead of Port Reitz Subcounty Level 4 Hospital.	IPSAS Template requires that the Title should be as per the Gazettement of the Facility.
i	Table of Contents	Table of Contents	The Section Contents have been inconsistently Numbered. Statement of Financial Performance should be Page 1.	The IPSAS Template requires that the Table of Contents should be Consistent.
ii	Section 1	Acronyms and Glossary of Terms	The Section includes guiding phrases which should have been ignored.	The IPSAS Template requires that Section should ignore the guiding phrases.
xv	Section 8	Corporate Governance Statement	The Corporate Governance Statement should begin in a new page.	IPSAS requires that the Corporate Governance Statement should begin in a new page.
xxv	Section 12	Statements of Board of Management Responsibilities	The Section does not indicate when the Financial Statements were approved.	According to the reporting template, the Section should indicate when the Financial Statements were approved.
xxvi	Section 13	Report of the Independent Auditor	The Section include the Phrase the Hospital was not audited in the year under review which should be omitted in the Section.	The IPSAS template requires that the phrase should be ignored since the client has been audited before.
Vi	Section 2	Key Entity Information and Management (c)	The Section include the Guiding Phrases which should be ignored.	IPSAS Template is a guide in itself and the Phrases that are to guide in the Preparation of Financial Statement should be Omitted.
27-34	Section 14-17	Statement of Financial Performance, Statement of Financial Position, Statement of Cashflows	The Sections are presented in a landscape format instead of the Portrait as required. Further they don't indicate when the financial Statements were approved and have been signed by an Accountant who is not an ICPAK Member.	IPSAS Template requires that the Statement of Financial Performance, Statement of Financial Position and Statement of Cashflows should be in Portrait form. Further the ICPAK Number should be disclosed and should indicate the date the financial statements were approved.

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

Description	Note	FY 2024-2025		2023/2024	
		Kshs		Kshs	
Revenue from non-exchange transactions					
Transfers from the County Government	6	42,072,400		8,209,987	
In- kind contributions from the County Government	7	403,585,060		346,181,029	
Grants from donors and development partners	8	-			
Transfers from other Government entities	9	49,584,774			
Public contributions and donations	10	1,428,137		170,145	
		496,670,371		354,561,161	
Revenue from exchange transactions					
Rendering of services- Medical Service Income	11	94,865,195		112,346,971	
Revenue from rent of facilities	12	-			
Finance /Interest Income	13	-			
Miscellaneous Income	14	-			
Revenue from exchange transactions		94,865,195		112,346,971	
Total revenue		591,535,566		466,908,132	
Expenses					
Medical/Clinical costs	15	91,005,948		62,174,252	
Employee costs	16	427,114,530		366,845,326	
Board of Management Expenses	17	-			
Depreciation and amortization expense	18	5,693,946		592,525	

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Repairs and maintenance	19	16,207,064	9,451,042
Grants and subsidies	20	-	
General expenses	21	26,434,328	23,852,775
Finance costs	22	-	
Total expenses		566,455,816	462,915,920
Other gains/(losses)			
Gain/Loss on disposal of non-Current assets	23	-	
Unrealized gain on fair value of investments	24	-	
Medical services contracts Gains/Losses	25	-	
Impairment loss	26	-	
Gain on foreign exchange transactions			
Total other gains/(losses)		-	
Net Surplus / (Deficit) for the year		5,079,750	5,210,212

The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by:

.....	 4/12/2025	 4/12/25
Chairman	Head of Finance	Medical Superintendent
	Rahab Kariuki	DR.N.RIZIKI MULIMBA
Board of Management	ICPAK No:	

Port Reitz Sub County Hospital (Mombasa County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Note	FY 2024-2025	FY2023/2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	27	60,034,346	39,660,644
Prepayments	28	-	
Receivables from exchange transactions	29	24,382,937	7,129,043
Receivables from non-exchange transactions	30	-	-
Inventories	31	20,299,328	24,635,005
Total Current Assets		104,716,611	71,424,692
Non-current assets			
Property, plant, and equipment	32	2,118,332,385	1,795,076
Intangible assets	33	-	
Investment property	34	-	
Biological Assets	35	-	
Total Non-current Assets		2,118,332,385	1,795,076
Total assets (A)		2,223,048,995	73,219,768
Liabilities			
Current liabilities			
Trade and other payables	36	27,202,086	6,486,465.00
Refundable deposits from	37	-	

*Port Reitz Sub County Hospital (Mombasa County Government)
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Patients/Prepayments			
Provisions	38	-	
Finance lease obligation	39	-	
Current portion of deferred income	40	-	
Current portion of borrowings	41	-	
Total Current Liabilities		27,202,086	6,486,465
Non-current liabilities			
Provisions	38	-	
Non-Current Finance lease obligation	39	-	
Non-Current portion of deferred income	40	-	
Non - Current portion of borrowings	41	-	
Service concession Arrangements	42	-	
Total non-current liabilities		-	-
Total Liabilities (B)		27,202,086	6,486,465
Net assets (A-B)		2,195,846,909	66,733,303
Represented by:			
Revaluation reserve			
Accumulated surplus/Deficit		2,150,221,351	3,992,212
Capital Fund		45,625,556	62,741,091
Net Assets		2,195,846,909	66,733,303

*Port Reitz Sub County Hospital (Mombasa County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025*

The Hospital's financial statements were approved by the Board on _____ and signed on its behalf by:

.....		
Chairman	Head of Finance	Medical Superintendent
Board of Management	Rahab Kariuki	DR.N.RIZIKI MULIMBA
	ICPAK No:	

Port Reitz Sub County Hospital (Mombasa County Government)
Annual Report and Financial Statements for the Year Ended 30 June 2025

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

Description	Revaluation reserve	Accumulated surplus/Deficit	Capital Fund	Total
As at July 1, 2023 (previous year)		17,115,533	50,378,863	67,494,396
Revaluation gain				0
Surplus/(deficit) for the year		3,992,212		3,992,212
Capital/Development grants			(4,753,305)	(4,753,305)
At June 30, 2024 (previous year)	-	21,107,745	45,625,558	66,733,303
At July 1, 2024 (current year)	-	21,107,745	45,625,558	66,733,303
Recognition of Assets		2,104,033,857		2,104,033,857
Surplus/(deficit) for the year	0			
Capital/Development grants				
At June 30, 2025 (current year)		2,125,141,593		2,125,141,593

(Note:

- For items that are not common in the financial statements, the hospital should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
- Prior year adjustments should have an elaborate note describing what the amounts relate to. In such instances, a restatement of the opening balances needs to be done.)

Port Reitz Sub County Hospital (Mombasa County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		30,946,227	8,209,987
Grants from donors and development partners		-	-
Transfers from other Government entities		36,717,160	-
Public contributions and donations		1,428,137	170,145
Rendering of services- Medical Service Income		94,865,195	112,346,971
Revenue from rent of facilities		-	-
Finance / interest income		-	-
Miscellaneous receipts(<i>specify</i>)		-	-
Total Receipts		163,956,719	120,727,103
Payments			
Medical/Clinical costs		70,900,720	62,174,252
Employee costs		26,140,058	22,814,832
Board of Management Expenses		-	-
Repairs and maintenance		12,163,201	9,451,042
General expenses		24,573,551	-

Port Reitz Sub County Hospital (Mombasa County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Finance costs			-	21,702,240
Refunds paid out			-	-
Total Payments			133,777,530	116,142,366
Net cash flows from operating activities	43		30,179,189	4,584,737
Cash flows from investing activities				
Purchase of property, plant, equipment			(9,806,207)	(1,392,060)
Purchase of intangible assets				
Proceeds from the sale of PPE				
Acquisition of investments				
Net cash flows used in investing activities			(9,806,207)	(1,392,060)
Cash flows from financing activities				
Proceeds from borrowings			-	
Repayment of borrowings			-	
Capital grants received			-	
Net cash flows used in financing activities				
Net increase/(decrease) in cash and cash equivalents			20,372,982	3,192,677
Cash and cash equivalents as at 1 July 2024	27		39,661,364	36,467,967
Cash and cash equivalents as at 30 June 25	27		60,034,345	39,660,644

(PSASB has now prescribed the direct method of cash flow presentation for all entities under the IPSAS Accrual basis of accounting).

Port Reitz Sub County Hospital (Mombasa County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=(a+b)	d	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	-	-	-	-	-	-
Receipts						
Transfers from the County Government		1,000,000	1,000,000	30,946,227	(29,946,227)	3094.62
Grants from donors and development partners			-	-	-	-
Transfers from other Government entities			-	36,717,160	(36,717,160)	-
Public contributions and donations			-	1,428,137	(1,428,137)	-
Rendering of services- Medical Service Income	104,822,987		104,822,987	94,865,195	9,957,792	90.50
Revenue from rent of facilities			-	-	-	-
Finance / interest income			-	-	-	-
Miscellaneous receipts (specify)			-	-	-	-
Total receipts	104,822,987	1,000,000	105,822,987	163,956,719	(58,133,732)	154.93
Payments						
Medical/Clinical costs	46,388,941		46,388,941	70,900,720	(24,511,779)	152.84
Employee costs	18,088,583		18,088,583	26,140,058	(8,051,475)	144.51
Board of Management Expenses			-	-	-	-
Property, Plant & Equipment	5,272,620		5,272,620	7,007,997	(1,735,377)	132.91
Furniture, fittings, and office equipment	515,625		515,625	787,500	(271,875)	152.73
ICT Equipment	1,522,066		1,522,066	2,010,710	(488,644)	132.10
Repairs and maintenance	7,073,910		7,073,910	12,163,201	(5,089,291)	171.94
General expenses	19,283,271		19,283,271	24,573,551	(5,290,280)	127.43
Refunds		1,000,000	1,000,000		1,000,000	0
Total Operational Expenditure paid	98,145,016	1,000,000	99,145,016	143,583,737	(44,438,721)	144.82

Port Reitz Sub County Hospital (Mombasa County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Capital Expenditure paid			-			
Surplus	46,339,335		46,339,335	60,034,345	(13,695,011)	129.55

(Budget carryovers This is for entities whose budget lapses at year-end, but the surpluses are not legally required to be remitted to the Exchequer. Budget carryovers should not include third-party funds such as contractors' retention.)*

Budget notes

1. Provide an explanation of differences between actual and budgeted amounts (any over/ 90% under) IPSAS 24.14
2. Provide an explanation of changes between the original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	60,034,345
1	Reason for differences	
2	Reason for differences	
3	Reason for differences	
4	Reason for differences	
	Closing Cash and Cash Equivaient as per the statement of Cash flows	60,034,345

19. Notes to the Financial Statements

1. General Information

Port Reitz Sub-County hospital is established under the county government under the department of health-clinical services and derives its authority and accountability from PFM Act. The hospital is wholly owned by the Mombasa County Government and is domiciled in Chagamwe sub-county. The hospital's principal activity is health service delivery.

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 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

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

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

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

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

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

Standard	Effective date and impact:
	excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that a hospital shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and

Standard	Effective date and impact:
	cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the hospital's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

Notes to the Financial Statements (Continued)

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other Government entities

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

ii) Revenue from exchange transactions

Rendering of services

The 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.

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 (Continued)

b. Budget information

The original budget for FY 2024/25 was approved by the executive expenditure committee before being ascended to the chief officer. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts, and the actuals as per the statement of cash flows.

c. Taxes

Sales tax/ Value Added Tax

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

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

d. Investment property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period of 10 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 derecognition. 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 (Continued)

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

Notes to the Financial Statements (Continued)

h. Biological Assets

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

i. Research and development costs

The 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.

j. Financial instruments

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

The hospital does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the hospital's financial statements.

A financial instrument is any contract that gives rise to a financial asset of one hospital and a financial liability or equity instrument of another hospital. At initial recognition, the hospital measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

k. Inventories

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

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

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

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

l. 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.

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

Notes to the Financial Statements (Continued)

m. Social Benefits

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

n. 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.

o. 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.

p. Nature and purpose of reserves

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

q. 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.

Notes to the Financial Statements (Continued)

r. 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 the 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.

s. Foreign currency transactions

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

t. Borrowing costs

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

u. Related parties

The Hospital regards a related party as a person or a 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.

v. 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.

w. Cash and cash equivalents

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

x. Comparative figures

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

y. Subsequent events

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

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)

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

Notes to Financial Statements Continued

6. Transfers from the County Government

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Unconditional grants		
Operational grant		
Level 4/5 grants		
Unconditional development grants		
Other grants <i>under 5 grants</i>		8,209,987
Conditional grants		
User fee forgone		
Transforming health services for Universal care project (THUCP)	42,072,400	
DANIDA		
Wards Development grant		
Paediatric block grant		
Administration block grant		
Laboratory grant		
Total government grants and subsidies	42,072,400	8,209,987

6 b Transfers from the County Government

Name of the Entity sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
			KShs	KShs	KShs
Mombasa County Government	42,072,400			42,072,400	8,209,987
Total	42,072,400			42,072,400	8,209,987

(Ensure that the amount recorded above as having been received from the County fully reconciles to the amount recorded by the amount recorded as transferred by the County. An acknowledgement note/receipt should be raised in favour of the sending County Government.

**Amount recognised in the statement of financial performance should be the recurrent grant and the development grant to the extent that there are no conditions attached. Total of column 1 should tie to note 6(the part on unconditional grants).*

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Salaries and wages	400,974,472	344,030,494
Medical supplies Drawings Rights (KEMSA)		
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)		
Utility bills		2,150,535
Total grants in kind	400,974,472	346,181,029

(These include payments made directly by the County Governments for staff salaries and medical drugs. These should be recorded both as income and expense for completeness of financial statements)

8. Grants From Donors and Development Partners

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Cancer Centre grant- DANIDA		
World Bank grants		
Paediatric ward grant- JICA		
Research grants		
Other grants <i>(specify)</i>		
Total grants from development partners		

Notes to Financial Statements Continued

8 (a) Grants from donors and development partners (Classification)

Name of the Hospital sending the grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
	KShs	KShs	KShs	KShs	KShs
Donor e.g., DANIDA					
JICA					
World Bank					
Total					

9. Transfers From Other Government Entities

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Transfer from National Government (Ministry of Health)		
Transfer from National Hospital/Linda Mama	49,584,774	
Transfer from Institut		
Total Transfers	49,584,774	

10. Public Contributions and Donations

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Public donations	1,428,137	
Donations from local leadership		
Donations from religious institutions		
Donations from other international organisations and individuals-doing good foundation		170,145
Other donations(<i>specify</i>)		
Donations in kind-amortised		
Total donations and sponsorships	1,428,137	170,145

The donations mentioned above are from a group of student volunteers who visit the facility for their clinical rotations. During this period they pick areas of improvement and support the facility.

Notes to Financial Statements Continued

10 (a) Reconciliations of amortised grants

Description	FY 2024-2025	FY 2023-2024
Balance unspent at beginning of year		
Current year receipts		
Amortised and transferred to revenue		
Conditions to be met – remain liabilities		

11. Rendering of Services-Medical Service Income

Description	FY 2024-2025	FY 2023-2024
Pharmaceuticals	30,718,411	4,896,422
Non-Pharmaceuticals	4,738,946	6,942,871
Laboratory	13,717,914	9,705,965
Radiology	5,258,688	2,502,250
Orthopedic and Trauma Technology	976,224	957,350
Theatre	3,336,851	4,112,428
Accident and Emergency Service	-	0
Anesthesia Service	-	0
Ear Nose and Throat service	91,976	0
Nutrition service	89,807	114,000
Cancer centre service	-	0
Dental services	1,085,504	0
Reproductive health	176,129	175,650
Paediatrics services	1,815,397	0
Farewell home services	2,821,514	3,507,400
Ambulance services	443,774	0
Other medical services income (specify)	29,597,630	44,025,270
Other medical services income (NHIF)		39,053,609
Other medical services income (Linda Mama)		12,466,300
Other medical services income (Attachment)		601,227
Transfer from county in kind for salaries		

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Under five reimbursment		
Total revenue from the rendering of services	94,865,195	112,346,971

(Other medical services fee relates to other charges not listed above and should be specified)

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Residential property		
Commercial property		
Total Revenue from rent of facilities		

13. Finance /Interest Income

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Interest income from Cash investments and fixed deposits		
Interest income from short- term/ current deposits		
Interest income from Treasury Bills		
Interest income from Treasury Bonds		
Interest from outstanding debtors		
Total finance income		

14. Miscellaneous Income

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Insurance recoveries		
Income from sale of tender		
Services concession income		
Sale of goods (water, publications, containers etc)		
Write backs (Deposits, payments in advance etc)		
Bad debts recovered		
<i>Others (Specify)</i>		
Total Miscellaneous income		

(NB: All income should be classified as far as possible in the relevant classes and miscellaneous income should be used to recognise income not elsewhere classified).

Notes to the Financial Statements (Continued)

15. Medical/ Clinical Costs

Description	FY 2024-2025	FY 2023-2024
Dental costs/ materials	1,128,270	1,617,610
Laboratory chemicals and reagents	8,434,674	6,236,424
Public health activities	600,000	-
Food and Ration	22,345,053	16,876,810
Uniform, clothing, and linen	1,061,805	759,726
Dressing and Non-Pharmaceuticals	14,576,842	9,121,277
Pharmaceutical supplies	27,880,978	17,135,191
Health information stationery	3,761,618	1,645,600
Reproductive health materials	-	-
Sanitary and cleansing Materials	4,557,257	5,379,940
Purchase of Medical gases	2,929,167	1,233,731
X-Ray/Radiology supplies	1,503,360	762,024
Other medical related clinical costs (specify)	2,226,924	-
Other medical related clinical costs (oxygen)	-	871,000
Other medical related clinical costs (patient travel)	-	100,000
Other medical related clinical costs (therapy appliances)	-	668,650
Total medical/ clinical costs	91,005,948	62,174,252

(Other medical/clinical related costs refers to all other costs involved in management of the patients directly not analysed above.)

16. Employee Costs

Description	FY 2024-2025	FY 2023-2024
Salaries, wages, and allowances	427,114,530	-
Basic salaries of permanent employees-In kind contribution	-	344,030,494
Salaries, wages, and allowances(Casual)	-	20,617,758
Contributions to pension schemes	-	2,197,074

Port Reitz Sub County Hospital (Mombasa County Government)
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Service gratuity		
Performance and other bonuses		
Staff medical expenses and Insurance cover		
Group personal accident insurance and WIBA		
Social contribution		
Other employee costs (<i>specify</i>)		
Employee costs	429,114,567	366,845,326

(Social contribution relates to expenses incurred by the employer towards social welfare of Employees)

Notes to the Financial Statements (Continued)

17. Board of Management Expenses

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Chairman's Honoraria	-	-
Sitting allowance	-	-
Mileage	-	-
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	-
Airtime allowances		
Total	-	-

18. Depreciation and Amortization Expense

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Property, plant and equipment	5,693,946	592,525
Intangible assets	-	
Investment property carried at cost	-	
Total depreciation and amortization	5,693,946	592,525

19. Repairs And Maintenance

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs

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Property, Plant ,Machinery & Equipment	822,999	8,261,922
Medical equipment		
Maintenance of buildings & station	14,391,716	
Maintenance of medical& dental		
Computers and software	267,849	222,000
Motor vehicle expenses	724,500	967,120
Maintenance of electrical works		
Maintenance of Hospital MIS		
Total repairs and maintenance	16,207,064	9,451,042

Notes to the Financial Statements (Continued)

20. Grants And Subsidies

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Community development and social work		
Education initiatives and programs		
Free/ subsidised medical camp		
Disability programs		
Free cancer screening		
Social benefit expenses		
Other grants and subsidies(<i>specify</i>)		
Total grants and subsidies		

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42.

21. General Expenses

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Advertising and publicity expenses		
Catering expenses		
Waste management expenses		
Insecticides and rodenticides		
Audit fees		
Bank charges	49,567	176,156
Conferences and delegations		

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Consultancy fees		
Contracted services	10,165,750	8,498,195
Electricity expenses	6,845,035	7,589,375
Fuel and Lubricants	3,018,320	2,917,600
Insurance		
Research and development expenses		
Travel and accommodation allowance	748,050	767,955
Legal expenses		
Licenses and permits		
Courier and postal services	9,450	9,450
Printing and stationery	2,056,913	2,573,470
Hire charges		
Rent expenses		
Water and sewerage costs	1,869,201	652,434
Skills development levies		
Telephone and mobile phone services	643,770	445,500
Internet expenses	842,172	222,640
Staff training and development	186,100	
Subscriptions to professional bodies		
Subscriptions to newspapers periodical,magazines, and gazette notices		
Conferences and delegations		
Library books/Materials		
Parking charges		
Total General Expenses	26,434,328	23,852,775

22. Finance Costs

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Borrowings (amortized cost) *		
Finance leases (amortized cost)		
Interest on Bank overdrafts/Guarantees		
Interest on loans from commercial banks		
Total finance costs		

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(Borrowing costs that relate to interest expense on acquisition of non- current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)

23. Gain/Loss on Disposal of Non-Current Assets

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Property, plant, and equipment		
Intangible assets		
Other assets not capitalised (specify)		
Total gain on sale of assets		

Notes to the Financial Statements (Continued)

24. Unrealized Gain On Fair Value Investments

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Investments at fair value		
Total gain		

25. Medical Services Contracts Gains /Losses

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Comprehensive care contracts with NHIF/SHA		
Non- Comprehensive contracts care with NHIF/SHA		
Linda Mama Program		
Waivers and Exemptions		
Total Gain/Loss		

26. Impairment Loss

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Property, plant, and equipment		
Intangible assets		
Investments		
Total impairment loss		

27. Cash And Cash Equivalents

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Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Current accounts	60,034,346	39,660,644
Total cash and cash equivalents	60,034,346	39,660,644

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

Notes to the Financial Statements (Continued)

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

Description		FY 2024-2025	FY 2023-2024
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank-Mvita Branch	1158027249	52,560,785	13,665,218
Equity Bank, -Changamwe branch	1200280147958	5,777,572	18,031,446
National Bank-Tum branch Mombasa	7700010234	1,695,989	7,963,981
Sub Total		60,034,346	39,660,644
b) On - call deposits			
Sub- total			
c) Fixed deposits account			
Bank Name			
Sub- total			
d) Others(specify)			
cash in hand			
Mobile money- Mpesa, Airtel money			
Sub- total			
Grand total		60,034,346	39,660,644

28. Prepayments

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Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Insurance		
Rent		
Water		
Internet		
Others specify		
Total		

Notes to the Financial Statements (Continued)

29. Receivables From Exchange Transactions

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Medical services receivables	23,993,787	7,129,043
Imprest	389,150	
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total receivables	24,382,937	7,129,043

(Hospital to state the expected credit loss rates for various categories of its receivables. The hospital should also disclose how ECL was arrived at in line with provisions of IPSAS 41.)

Analysis of Receivables From Exchange Transactions

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	24,382,937	%	7,129,043	100
Between 1- 2 years		%		-
Between 2-3 years		%		-
Over 3 years		%		-
Total (a+b)	24,382,937	0	7,129,043	100

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Notes to the Financial Statements (Continued)
30. Receivables From Non-Exchange Transactions

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Transfers from the County Government		
Undisbursed donor funds		
Transfers From Other Government Entities		
Less: impairment allowance		
Total	-	-

(Undisbursed donor funds refer to funds expected where conditions for disbursements have been met by the recipient as at the reporting date)

Analysis of Receivables From Non-Exchange Transactions

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year				
Between 1- 2 years				
Between 2-3 years				
Over 3 years				
Total (a+b)				

Notes to the Financial Statements (Continued)

31. Inventories

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Dental materials		
Laboratory chemicals and reagents		780,847
Dressing and Non-Pharmaceuticals	7,712,373	4,508,849
Maintenance supplies		
Pharmaceutical supplies-Drugs	11,146,019	18,726,899
Food supplies	1,440,936	
Radiology Supplies		67,000
Laboratory reagents		
Renal Commodities		
Computer accessories		
Cleaning materials supplies		295,950
General supplies(medical related)		60,000
Medical Records		195,460
Less: provision for impairment of stocks		
Total	20,299,328	24,635,005

Detailed disclosure on inventories

Description	FY 2024-2025	FY 2023-2024
Opening balance		
Additional Inventory in the year		
Inventory expensed in the year		
Write-downs in the year		
Others specify		
Closing balance	-	-

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Notes to the Financial Statements (Continued)

32. Property, Plant and Equipment

Description	Land	Buildings and Civil works	Motor vehicles	Furniture, fittings, and office equipment	ICT Equipment	Plant and medical equipment	Capital Work in progress	Total
	Shs		Shs	Shs	Shs	Shs	Shs	Shs
Cost								
At 1 July 2023	-	-	-	1,079,335.00	296,400.00	-	-	1,375,735.0
Additions	-	-	-	503,120.00	888,940.00	-	-	1,392,060.0
Disposals	-	-	-			-	-	
Transfers/adjustments	-	-	-	-	-	-	-	
At 30 th June 2024	-	-	-	1,582,455.00	1,185,340.00	-	-	2,767,795.0
At 1 st July 2024	2,000,000,000.00	112,425,048.00	-	1,582,455.00	1,185,340.00	-	-	2,115,192,843.0
Additions	-	-	-	1,892,900.00	1,898,248.00	6,015,059.00	-	9,806,207.0
Disposals	-	-	-	-	-	-	-	
Transfer/adjustments	-	-	-	-	-	-	-	
At 30 th June 2025	2,000,000,000.00	112,425,048.00	-	3,475,355.00	3,083,588.00	6,015,059.00	-	2,124,999,050.0
		2.5%	10-16.67%	0.13	0.33			

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Depreciation and impairment								
At 1 July 2023	-	-	-	182,792.00	197,402.00	-	-	380,194.0
Depreciation for the year	-		-	197,807.00	394,718.00	-	-	592,525.0
Disposals	-	-	-	-	-	-	-	
Impairment	-	-	-	-		-	-	
At 30 June 2024	-	-	-	380,599.00	592,120.00	-	-	972,719.0
		2.5%	0.20	0.125	0.30	0.30		
At July 2024	-	-	-	380,599.00	592,120.00	-	-	972,719.0
Depreciation	-	2,810,626.00	-	434,419.38	394,718.00	2,054,183.00	-	5,693,946.3
Disposals	-	-	-	-	-	-	-	
Impairment	-	-	-	-	-	-	-	
Transfer/adjustment	-	-	-	-	-	-	-	
At 30 th June 2025	-	2,810,626.00	-	815,018.38	986,838.00	2,054,183.00	-	6,666,565.3
Net book values								
At 30 th June 2024		-	-	1201856	593220	0	0	1,795,076.00
At 30 th June 2025	2,000,000,000.00	109,614,422.00	-	2,660,336.63	2,096,750.00	3,960,876.00	-	2,118,332,384.6
		2-10%	10-16.67%	0.13	0.33			1.0

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Notes to the Financial Statements (Continued)

33. Intangible Assets-Software

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Cost		
At beginning of the year		
Additions		
Additions-Internal development		
Disposal		
At end of the year		
Amortization and impairment		
At beginning of the year		
Amortization for the period		
Impairment loss		
At end of the year		
NBV		

34. Investment Property

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
At beginning of the year		
Additions		
Disposals during the year		
Fair value gain		
Depreciation (where investment property is at cost)		
Impairment		
At end of the year		

(For investment property held at fair value, changes in fair value should go through the statement of financial performance. Where cost model is elected, depreciation and impairment should not be charged. Investment measured at fair value should be evaluated at the end of the reporting period for changes in fair value.). Hospital should disclose the independent valuers, rental income from the investment property if any and the direct costs attributed to the investment property. Any charges on the investment property as well as any difficulty in classifying this asset as an investment property.

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Notes to the Financial Statements (Continued)

35. Biological Assets

Description	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	Kshs	Kshs
Trees in a plantation forest	0	0
Animals: Dairy Cattle, Pigs, Sheep	0	0
Others specify	0	0
Total	0	0

36. Trade and other Payables

Description	<i>FY 2024-2025</i>		<i>FY 2023-2024</i>	
	KShs		KShs	
Trade payables	27,202,086			
Total trade and other payables	27,202,086			
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the total
Under one year		27,202,086		5%
1-2 years				
2-3 years				
Over 3 years				
Total	-	27,202,086		5%

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Notes to the Financial Statements (Continued)

37. Refundable Deposits from Customers/Patients

Description	FY 2024-2025		FY 2023-2024	
	KShs		KShs	
Medical fees paid in advance				
Credit facility deposit				
Rent deposits				
Others (<i>specify</i>)				
Total deposits				
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year				
1-2 years				
2-3 years				
Over 3 years				
Total				

38. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year				
Additional Provisions				
Provision utilized				
Change due to discount & time value for money				
Total provisions				
Current Provisions				
Non-Current Provisions				
Total Provisions				

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Notes to the Financial Statements (Continued)

39. Finance Lease Obligation

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Current Lease obligation		
Long term lease obligation		
Total		

40. Deferred Income

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Current Portion		
Non-Current Portion		
Total		

40 (a) The deferred income movement is as follows:

Description	National government	International leaders/ donors	Public contributions and donations	Total
Balance b/f				
Additions during the year				
Transfers to Capital fund				
Transfers to statement of financial performance				
Other transfers (<i>Specify</i>)				
Balance C/F				

41. Borrowings

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Balance at beginning of the period		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the year		
Repayments of domestic borrowings during the year		
Balance at end of the period		

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Notes to the Financial Statements (Continued)

41. (a) Breakdown of Long- and Short-Term Borrowings

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Current Obligation		
Non-Current Obligation		
Total		

(Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

42. Service Concession Arrangements

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Fair value of service concession assets recognized under PPE		
Accumulated depreciation to date		
Net carrying amount		
Service concession liability at beginning of the year		
Service concession revenue recognized		
Service concession liability at end of the year		

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Notes to the Financial Statements (Continued)

43. Cash Generated from Operations

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Surplus for the year before tax	-139,794,488	3,992,212)
Adjusted for:		
Depreciation	168,368,147	592,525
Non-cash grants received		
Impairment		
Gains and losses on disposal of assets		
Contribution to provisions		
Contribution to impairment allowance		
Working Capital adjustments	-44,914,998	
Increase in inventory	16,146,475	
Increase in receivables	4,600,135	
Increase in deferred income		
Increase in payables	25,838,739.0	
Increase in payments received in advance		
Net cash flow from operating activities	39,244,009.7	4,584,737

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

Notes to the Financial Statements (Continued)

44. 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 hospital's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The hospital does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024 (previous year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				
At 30 June 2025 (current year)				
Receivables from exchange transactions				
Receivables from –non-exchange transactions				
Bank balances				
Total				

(NB: The totals column should tie to the individual elements of credit risk disclosed in the hospital's statement of financial position)

Notes to the Financial Statements (Continued)

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

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the hospital's board of management who have built an appropriate liquidity risk management framework for the management of the 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 hospital under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				
At 30 June 2025				
Trade payables				
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligation				
Total				

Notes to the Financial Statements (Continued)

(iii) Market risk

The hospital has put in place an internal audit function to assist it in assessing the risk faced by the 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.

The hospital's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the 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:

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2024			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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.

Notes to the Financial Statements (Continued)

Description	KShs	Other currencies	Total
	Kshs		Kshs
At 30 June 2024			
Financial assets (investments, cash, debtors)			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2024 (previous year)			
Euro	10%		
USD	10%		
2025 (current year)			
Euro	10%		
USD	10%		

b) 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 hospital's interest rate risk arises from bank deposits. This exposes the hospital to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the hospital's deposits.

Management of interest rate risk

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

Notes to the Financial Statements (Continued)

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Transactions with related parties		
a) Services offered to related parties		
Services to		
Sales of services to		
Total		
b) Grants from the Government		
Grants from County Government		
Grants from the National Government Entities		
Donations in kind		
Total		
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees		
Payments for goods and services for		
Total		
d) Key management compensation		
Directors' emoluments		
Compensation to the medical Sup		
Compensation to key management		
Total		

46. Segment Information

(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an hospital to present segmental information of each geographic region

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(or department to enable users understand the hospital's performance and allocation of resources to different segments)

47. Contingent Liabilities

Contingent liabilities	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Court case against the hospital		
Bank guarantees in favour of subsidiary		
Total		

(Give details)

48. Capital Commitments

Capital Commitments	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Authorised For		
Authorised And Contracted For		
Total		

(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)

49. Events after the Reporting Period

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

50. Ultimate and Holding Hospital

The hospital is a County Corporation/ or a Semi- Autonomous Government Agency under the Department of Health Services. Its ultimate parent is the County Government of Mombasa.

51. Currency

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

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Appendix V: Disaster Expenditure Reporting Template

Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments