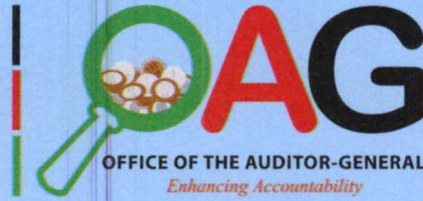


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**MWATATE SUB COUNTY LEVEL 4
HOSPITAL**

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

TAITA TAVETA COUNTY GOVERNMENT

20





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Mwatate Sub County Hospital
(Taita Taveta County Government)

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

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

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1. Acronyms & Glossary of Terms

CSR	Corporate Social Responsibility
OSHA	Occupational Health & Safety Act
PFMA	Public Financial Management Act
MED SUP	Medical Superintendent
CHMT	County Health Management Team
HAO	Health Administrative officer.
ANC	Antenatal Care
DQA	Data Quality Assurance
CQI	Continuous Quality Improvement
HMT	Health Management Team
MDT	Multidisciplinary Team
FIF	Facility Improvement Fund
Fiduciary Management	Key management personnel who have financial responsibility in the hospital.

1. Acronyms & Glossary of Terms

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2. Key Entity Information and Management

a. Background information

Mwatate Sub County Hospital is located in Mwachabo Location, Chawia Ward, within Mwatate Sub County. It serves as a referral facility for 21 health centers and dispensaries, with a catchment population of 28,633 residents—13,458 females and 15,175 males.

The hospital offers both outpatient and inpatient services and has a bed capacity of 105. There are four main wards: maternity, male, female, and pediatric.

b. Principal Activities

The principal activity of the hospital is to offer quality preventive, promotive, curative and rehabilitative services to the community.

VISION

A patient- centered facility- powering healthy communities.

MISSION

To provide accessible, quality healthcare that optimizes patient experience through evidence-based care, strengthened by innovation, partnerships, and active engagement in line with the county health agenda.

c. Key Management

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

- County Department of health
- Board of Management
- Accounting Officer/ Medical Superintendent
- Hospital Management team

d. Fiduciary Management

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

No.	Designation	Name
1.	CECM FINANCE AND ECONOMIC PLANNING	Hon. Elijah Mwazo
2.	CECM HEALTH SERVICES	H.E Deputy Governor. Christine Kilalo
3.	CCO FINANCE	CPA. Frederick Nganga
4.	CCO HEALTH SERVICES	Violet Mkamburi
5.	MEDICAL SUPERINTENDENT	Dr. Mohammed Machi
6	HEALTH ADMINISTRATIVE OFFICER	Linah Mole

e. Fiduciary Oversight Arrangements

1. Clinical Research and Standards Committee.
2. Audit committee
3. Risk Committee
4. County Assembly
5. Parliamentary Senate Oversight committees

Key Hospital Information and Management (continued)

f. Hospital Headquarters

Mwatate Sub County Hospital
P.O. Box 149-80305
Mwatate – Taveta Highway
Mwatate - Kenya

g. Hospital Contacts

Telephone: 254774433892
E-mail: mwatatehospital@gmail.com

h. Hospital Banker

Kenya Commercial Bank
Safaricom; Mpesa Paybill no. 593948

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

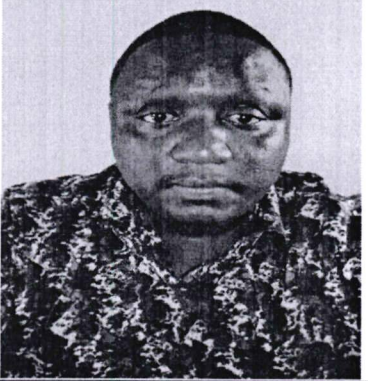


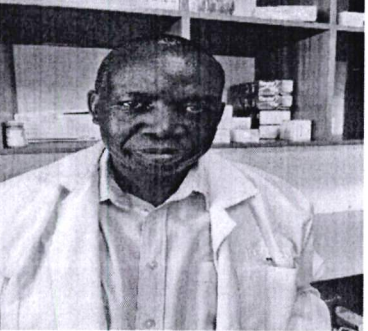
Taita Taveta County Attorney
P.O. Box. 1066 - 80304
Wundanyi, Kenya

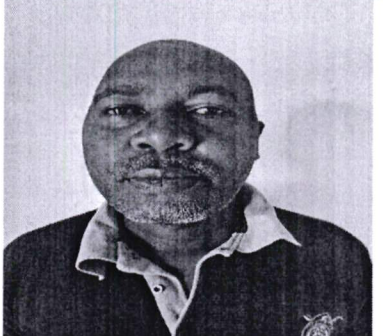
3. The Board of Management

Ref	Directors	Details
1.	<p>Joel Mshindo</p> 	<p>Chairman of the Board -Retired Military Officer -Chair Rotary club Mwatate -Extensive experience in community service and advocacy</p>
2.	<p>Violet Kituri</p> 	<p>Board Member -Degree in Bachelor of Education -Trained teacher with extensive experience in teaching at various schools in Kenya -Experience in Hospital Management boards.</p>
3.	<p>Beatrice Mjomba</p> 	<p>Board vice chairperson -KATC1-DIMA -Accountant by profession, women leader, natural conservation champion, paralegal, social auditor, social justice ambassador, GBV advocator, land rights campaigner with extensive experience in community development and advocacy</p>
4.	<p>Lawrence Matembo</p> 	<p>Board Member -Bachelor degree in business management- supply chains management. -Extensive experience in both private and government, youth leader and entrepreneur</p>

5.	<p>Darius Mdawida</p> 	<p>Board Member -Diploma in business management -Advanced cert in business management -Cert in health services management -Cert in rural health practice Extensive experience as Health administrative officer in health services</p>
6.	<p>Lydia Njulu</p> 	<p>Board Member -Diploma in community development and theology -Trained paralegal with extensive experience in community development and para legal activities.</p>
7.	<p>Restuta Mkawughanga</p> 	<p>Board Member -Certificate in hospital administration. community healthy volunteer -Life member Maendeleo Ya Wanawake Organisation (MYWO).</p>
8.	<p>Dr Mohammed Machi</p> 	<p>Secretary to the board -Masters in family medicine specialist: MD Saratov state medical university, -M.MED FAMILY MEDICINE: university of medical sciences of Havana</p>

4. Key Management Team

Ref	Management	Details
1		<p>Dr. Mohammed Machi Medical Superintendent -Masters in family medicine specialist: MD Saratov state medical university, -M.MED FAMILY MEDICINE: university of medical sciences of Havana</p>
2.		<p>Linah Mole Health Administrative Officer -Bachelor of commerce -Diploma in business management</p>
3.		<p>Sabina Kitawa Nursing Services Manager -Diploma in Nursing(Kenya Registered Community Health Nurse)</p>
4.		<p>Dr. Wycliffe Ateka Pharmacist -Degree in pharmacy</p>

5.		<p>Godfrey Salee Procurement Officer -Diploma in supply chain management -16 years' experience working as procurement officer in national and county government</p>
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5. Chairman's Statement

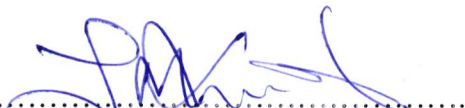
It is my honour to present the hospital's financial statements for the financial year 2024/2025. On behalf of the Board of Management, I wish to commend the remarkable progress the hospital has achieved despite facing numerous challenges.

The hospital has continued to grow steadily, both in capacity and in service delivery. From its exemplary management of the COVID-19 pandemic, the hospital has transformed the former isolation unit into a fully functional inpatient block, increasing bed capacity from 30 to 105. In addition, the operationalization of the male ward in March 2023 significantly enhanced patient care and broadened service provision.

While these achievements are commendable, the hospital continues to face constraints, e.g. lack of sufficient funding. Critical support services such as radiology, dental care, and mortuary services are still lacking. Infrastructure remains outdated, with the outpatient block overcrowded and in need of modernization. Stalled projects, particularly the construction of a new state-of-the-art theatre, continue to hinder progress. Furthermore, persistent understaffing and the shortage of specialists have limited the hospital's capacity to fully utilize existing facilities such as the High Dependency Unit (HDU). These challenges have contributed to lower Social Health Insurance reimbursements, thereby impacting revenue collection.

Despite these obstacles, the hospital is on a promising growth path. The ongoing construction of a maternity unit, theatre, and newborn unit (NBU) with the support of the MPESA Foundation will significantly improve service delivery and patient outcomes. Plans to establish an amenity ward will further enhance patient experience and increase revenue. With continued support from the County Department of Health, the Ministry of Health, and our partners, the Board is confident that Mwatate Sub-County Hospital will rise to a higher-level facility, capable of delivering more specialized and comprehensive healthcare services to the community.

On behalf of the Board of Management, I extend my sincere appreciation to the hospital leadership, staff, partners, and stakeholders for their unwavering dedication and contributions. Together, we remain committed to strengthening this institution and delivering on its mandate of quality healthcare for all.



Joel Mshindo
Chairman to the Board

6. Report of The Medical Superintendent

I am pleased to present the financial statement for Mwatate Sub-County Hospital for the 2024–2025 financial year. The hospital, with a 105-bed capacity, is located approximately 1 km from Mwatate town along the Mwatate–Taveta road. It primarily serves the residents of Mwatate Sub-County and acts as a referral center for 21 level 2 and level 3 health facilities across Taita Taveta County. We acknowledge the invaluable support of the County Department of Health, the Ministry of Health, and other development partners, whose contributions have been instrumental in the growth and enhancement of the hospital’s services and infrastructure.

Despite significant challenges—including understaffing, a shortage of specialists (with only one family physician on staff), lack of imaging and mortuary services, ageing infrastructure, and absence of a title deed—the hospital has managed to prudently utilize available resources. Through careful planning and management, we expanded service delivery, upgraded infrastructure, and enhanced patient care, ensuring that the facility continues to meet the health needs of the community effectively.

Key achievements during the year include increased outpatient and inpatient attendance, indicating growing community trust, and notable improvements in maternal and child health outcomes, with more safe deliveries and higher immunization coverage. The maternity wing is almost complete, with renovation works near finalization, and essential medical equipment has been acquired. Additional healthcare staff were recruited and trained to strengthen service delivery. Furthermore, the hospital successfully implemented health outreach programs addressing maternal health, non-communicable diseases, HIV, and TB. Moving forward, Mwatate Sub-County Hospital remains committed to improving the quality of care, strengthening partnerships, and addressing existing gaps in funding, staffing, and diagnostics, as we look forward to continued collaboration with stakeholders in the 2025–2026 financial year.



.....
Dr Mohammed Machi
Secretary to the Board

7. Statement of Performance Against Predetermined Objectives

For the financial year 2024/2025, Mwatate sub county Hospital prepared an annual work plan which set out the various strategic pillars and objectives for the financial year

Mwatate sub county Hospital had 5 strategic pillars/ themes/issues and objectives within the Annual workplan Plan for the FY 2024-2025. These strategic pillars/ themes/ issues are as follows

Pillar /theme/issue 1: Health preventive and promotive services

Pillar/theme/issue 2: Health curative and rehabilitative services

Pillar/theme/issue 3: Health planning and monitoring and evaluation

Pillar/theme/issue 4: Health administration and management.

Pillar/theme/issue 5: Health financing

Mwatate sub county Hospital develops its annual work plans based on the above 5 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Mwatate sub county Hospital achieved its performance targets set for the FY 2024/2025 period for its 5 strategic pillars, as indicated in the table below:

Strategic pillar/theme/issues	Objective	Key performance indicators	Activities
Health preventive and promotive services	1.To prevent the spread of communicable and infectious conditions 2. To reduce mortality and morbidity cases 3. To increase number of the population accessing health services	Number of fully immunized children 2. Total number of under 5 diarrhoea cases 3. No of women attending 1 st ANC visits No of health advocacy conducted to the community	Total number of children fully immunized 531 Total number of under 5 diarrhoea cases 392 Total no of women attending 1 st ANC visit 312 Total number of community dialogues conducted-44 total number of health talks conducted-54 Total number of action aid conducted -7

*Mwatate Sub County Hospital (Taita Taveta County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025*

<p>Health curative and rehabilitative services</p>	<p>Reduce the burden of none communicable conditions and reduce admission rate and enhance mental health</p>	<p>1. Screening for non-communicable conditions 2.number of mental health awareness promotions done</p>	<p>1.well organized outpatient medical clinic monthly with attendance of 100 patients per month 2.creation of rehabilitation services such as team building and counselling session to boost both staff and patient mental health</p>
<p>Health planning and monitoring and evaluation</p>	<p>1.conduct budgeting meetings. 2. Conduct quarterly data review meetings 3. Conduct quarterly DQA 4.evaluate CQI projects. 5. Timely procurement of drugs and non-pharmaceutical commodities. Timely submission of facility reports 6. Conduct support supervision</p>	<p>1.number of data review meetings held 2.number of budgeting meetings conducted 3. Number of DQAs conducted at the facility 4 number of facilities reports submitted on time 5.number of procurement procedures done on time.</p>	<p>1. 4 data review meetings done with minutes available (100%) achievement. 2. 6 budgeting meetings held. 3. DQA conducted 90% achievement 4.100% reporting rate on time 6. Coverage of 85% staff capacity building done.</p>

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<p>Health administration and management.</p>	<p>1. Conduct monthly HMT meetings 2. Establish various overseeing committees 3. Conduct advisory/ disciplinary committee meetings</p>	<p>1. Number of monthly HMT meetings held 2. Number of quarterly MDT committee meetings held 3. Number of quarterly CQI committee meetings held 4. Number of disciplinary / advisory meetings held</p>	<p>1. 6 Monthly HMT meetings held with minutes 2. MDT committee meetings held with minutes 3. 1 CQI committee meeting held and minutes. 4. 8 Disciplinary/ advisory meetings held.</p>
<p>Health financing</p>	<p>Project amount of money received from different resource envelopes like FIF, social health insurance, national government, county government and sponsors and donors</p>	<p>Amount of money received from capitalization 2. Amount of money collected from FIF and social health insurance. 3. Amount of money received from donors and sponsors</p>	<p>1. Availability of income and expenditure reports 2. Availability of financial audit report. 3. Availability of financial documents such as bank statement, check books and other financial control registers</p>

8. Corporate Governance Statement

Commitment and adherence to good corporate practices is paramount in every institution's vision and so as to continue offering quality services to our clients Mwatate Sub County Hospital through the County department of health and the hospital board of management remains committed to ensuring compliance to statutory requirements, Code of Governance for State Corporations (Mwongozo Code 2015) among others. The board of management is constituted as stipulated in the Taita taveta County Health Services Act, 2021. It is constituted of 8 members including the facility accounting officer/Medical Superintendent who is the secretary to the board. The hospital administrative officer and the nursing manager also sit in the committee as member's in-attendance. The constitution of the board adheres to the 2/3 gender rule and the members hail from diverse professional backgrounds such as medicine, finance, public health as well as administration. The members of the board are nominated by the County Executive Committee Member and appointed by the Governor and have undergone an induction and training on their role and mandate in the facility. They serve for a 3-year renewable term. The current term will expire on 15/03/2026. The board charter is stipulated in the Taita Taveta County Health Services Act of 2021. The act also provides guidance on conflict of interest, the process of removal of a board member from office and dissolution of a board. Hospital management board members are remunerated as follows:

Allowances	Chairman sitting allowance	4,000
	Member sitting allowance	2,500
Lunch	Chairmans	1,000
	Member	1,000

a) The attendance of board meetings for the 2024/2025 financial year is as follows

S/ N	Board meeting held on FY 2024/2025	Members present	Absent with apology	Absent without apology	
1	2	7	0	0	
	2	6	1		
S/ N	Name	Total no of meetings attended FY 24-25	Total no of meetings attended FY 23-24	Date of appointment	Date of exit
1	Joe Mshindo	4	0	15/03/2024	End of current term
2	Violet Kituri	4	0	15/03/2024	End of current term
3	Beatrice Mjomba	4	0	15/03/2024	End of current term
4	Lawrence Katembo	2	0	15/03/2024	End of current term
5	Darius Mdawida	4	0	15/03/2024	End of current term
6	Lydia Njulu	4	0	15/03/2024	End of current term
7	Restuta mkawughanga	4	0	15/03/2024	End of current term

Roles and functions of the board;

1. Chairperson – Leads the Board, ensures effective operations, and represents the hospital in official matters.
2. Members – Provide strategic oversight, approve plans, budgets, policies, and monitor performance.
3. Secretary to the Board – Organizes meetings, prepares minutes, and ensures implementation of Board decisions.

Key Responsibilities

1. Strategic Planning – Setting long-term goals and aligning them with the hospital's mission and vision.
2. Financial Oversight – Approving budgets, financial reports, and ensuring sustainability.
3. Quality & Patient Safety – Maintaining high standards of care and safety.
4. Compliance & Risk Management – Ensuring adherence to laws, regulations, and managing risks.
5. Community Relations – Representing the hospital and ensuring services meet community needs.
6. Policy Development – Establishing operational policies for effective governance.

9. Management Discussion and Analysis

Clinical/operational performance

Bed capacity of the hospital.

INDICATOR	JULY-JUNE 2022-2023	JULY-JUNE 2023-2024	JULY-JUNE 2024-2025
BED CAPACITY	117	100	105

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

WORKLOAD

WORKLOAD	JULY-JUNE 2022-2023	JULY -JUNE 2023-2024	JULY-JUNE 2024-2025
OUTPATIENT	19724	19902	16769
INPATIENT	1,782	1,928	1958

Accident and Emergency attendance

Specialized clinic attendance

SPECIAL CLINICS	JULY -JUNE 2022-2023	JULY -JUNE 2023 -2024	JULY-JUNE 2024-2025
EYE CLINC	1502	1,536	1598
TB AND LEPROSY	210	281	153
COMPREHENSIVE CARE CLINIC	7256	5830	6812
PSYCHIATRIC CLINIC	954	1031	868
ORTHOPEDIC CLINIC	1903	1257	1736
PHYSIOTHERAPY	2279	2279	2223
OCCUPATIONAL THERAPY	1239	1316	1057

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MEDICAL OUTPATIENT CLINIC	1346	998	729
NUTRITION CLINIC	2437	2361	1365
PSYCHO COUNSELLING CLINIC	1097	889	1378
CWC	8473	10,107	7079
ANC CLINIC	2149	2826	2467
PNC CLINIC	982	1229	1309
FP CLINIC	887	2114	2861
DELIVERIES	1137	1033	932

Average length of stay for in patient.

AVERAGE LENGTH OF STAY	JULY -JUNE 2022-2023	JULY -JUNE 2023-2024	JULY-JUNE 2024-2025
DAYS	3	4	2
INPATIENT DISCHARGES	1807	1,958	1814

Bed occupancy rate

% OCCUPANCY	JULY -JUNE 2022-2023	JULY -JUNE 2023-2024	JULY-JUNE 2024-2025
%BED OCCUPANCY	15%	16%	9%

Mortality rate

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MORTALITY RATE	JULY -JUNE 2022-2023	JULY -JUNE 2023-2024	JULY-JUNE 2024-2025
ACTUAL DEATHS	45	58	62
DEATHS PER 1000 ADMISION	25	31	32

Surgical theatre utilization (number of operations over a period of time)

SURGICAL PROCEDURES	JULY -JUNE 2022-2023	JULY -JUNE 2023-2024	JULY-JUNE 2024-2025
NUMBER OF OPERATIONS	144	182	251

Sponsorships and partnerships

SPONSORSHIP AND PARTNERSHIP	JULY -JUNE 2022-2023	JULY -JUNE 2023-2024	JULY-JUNE 2024-2025
SPONSORSHIP	NATIONAL GOVERNMENT	NATIONAL GOVERNMENT & SAFARICOM	NATIONAL GOVERNMENT & SAFARICOM
PARTNERSHIP	USAID STAWISHA/ AFIA UGAVI/RED CROSS/WORLD VISION/AMREF /CHAI / HELLEN KEILLER/FREDHOLLOWS	USAID STAWISHA/ AFIA UGAVI/RED CROSS/WORLD VISION/AMREF HELLEN KELLER/CHAI FRED HOLLOWS	USAID STAWISHA/ HOPE NETWORK RED CROSS/WORLD VISION/AMREF / UNORPS/FRED HOLLOWS/ PATH

Financial performance that includes: -

The hospital sources of revenue include social health insurance funds and user fees in form of facility improvement fund. The Taita Taveta County Assembly enacted the Taita Taveta County Health Services Fund Act, 2021 with an aim of ring-fencing the funds collected by hospitals to ensure smooth service delivery in all facilities managed by the County Government of Taita Taveta inclusive of the MPESA foundation grants. This means that revenue of Ksh 64,237,955 for Mwatate Sub-County Hospital (Level 4), Taita Taveta County Government Annual Report and Financial Statements the Year Ended 30th June 2025 collected by hospital is reimbursed back as facility improvement fund. The Act was inaugurated and implemented from FY 2023 -2024. In the statements, FY 2022-2023 is considered as the base year. The hospital's revenue during the FY comprised of social health insurance and user fees as charged in the finance act.

There is great potential in the facility and the revenue collection can increase. Some of the factors hindering revenue collection are that a large number of our clients are not registered with Social Health insurance authority. The facility lacks an imaging department which means that our clients are sent to other facilities to get the services.



.....
Secretary to the Board

10. Environmental And Sustainability Reporting

Mwatate Sub-County Hospital is committed to incorporating sustainable practices into its operations. The hospital's sustainability strategy is driven by the recognition of the broader political and macroeconomic trends that influence healthcare delivery, such as climate change, regulatory frameworks, and public health policies. The management, led by the accounting officer, has emphasized the importance of environmental sustainability within the hospital's daily operations, aligning with both national and international best practices in healthcare sustainability. While significant strides have been made, such as water conservation measures, the hospital still faces challenges. One such challenge is the limited budget for implementing more comprehensive sustainability initiatives, which has at times hindered broader efforts. However, the hospital remains committed to overcoming these barriers by exploring partnerships and government support for sustainability programs

i. Environmental performance

Mwatate Sub-County Hospital has adopted an environmental policy to guide its operations, focusing on reducing the environmental footprint of its healthcare services. The policy emphasizes energy conservation, waste management, and the reduction of water consumption. The hospital's waste management policy includes segregating waste into recyclable, biohazard, and general waste, with a focus on minimizing medical waste through better management of pharmaceuticals and medical supplies. The hospital's environmental successes include a significant reduction in water usage by adopting water-saving technologies, such as low-flow taps and dual-flush toilets. However, challenges persist in managing medical waste more efficiently, especially in rural areas where disposal infrastructure is lacking. The hospital has also made efforts to improve biodiversity by planting trees and maintaining green spaces around the premises. These efforts align with the hospital's commitment to reducing its environmental impact and promoting sustainability

ii. Employee welfare

Mwatate Sub-County Hospital is dedicated to providing an inclusive and supportive environment for all its employees. The hospital has made significant progress in promoting diversity, but challenges remain in achieving perfect gender parity and greater inclusion of marginalized communities, particularly in leadership roles. Employee welfare is also supported through continuous professional development programs, including training opportunities in various areas of healthcare and administration. The hospital regularly conducts career appraisals, providing a structured pathway for career advancement and skill enhancement. In terms of safety, the hospital complies with the Occupational Safety and Health Act (OSHA) of 2007, ensuring a safe working environment for all staff. Health and safety protocols are regularly reviewed, and emergency drills are conducted to ensure preparedness in case of any unforeseen incidents.

iii. Market place practices-

a. Responsible competition practice.

Mwatate Sub-County Hospital upholds responsible competition practices by adhering to principles of fairness, transparency, and ethical conduct. The hospital ensures that its operations are aligned with anti-corruption policies and practices that foster a level playing field within the healthcare sector. The organization ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition, and respect for competitors.

b. Responsible Supply chain and supplier relations

The hospital works to maintain a responsible and ethical supply chain by ensuring that all suppliers comply with contracts, adhere to ethical business practices, and honor payment agreements. Special

emphasis is placed on sourcing from local suppliers and supporting initiatives such as the Access to Government Procurement Opportunities (AGPO), which promotes the inclusion of marginalized groups, including women and youth in procurement. This approach not only strengthens supplier relationships but also contributes to local economic growth..

c. Responsible marketing and advertisement

Mwatate Sub-County Hospital maintains ethical marketing practices, ensuring that all advertisements are truthful, transparent, and designed to serve the public interest. The hospital adheres to the guidelines set by health regulators to prevent the spread of misleading health information.

d. Product stewardship

The hospital takes its responsibility towards patient safety and consumer rights seriously. The hospital maintains high standards of care and ensures that all medical treatments and products used meet the required safety standards. The hospital also encourages patient feedback and continuously evaluates its services to ensure that patient needs and concerns are addressed.

iv. Corporate Social Responsibility / Community Engagements

Mwatate Sub-County Hospital is deeply committed to contributing to the well-being of the local community. The hospital regularly engages in Corporate Social Responsibility activities aimed at improving public health and supporting local development initiatives.

11. Report of The Board of Management

The Board of Management of Mwatate Sub-County Hospital is pleased to present its report, together with the Audited Financial Statements for the year ended 30th June 2025, which reflect the hospital's operational and financial performance during the year under review.

During the period, the Board focused on its core mandate of providing effective governance and oversight to ensure the hospital delivers quality healthcare services to the community in line with Kenyan laws and healthcare standards. The principal activities undertaken included oversight of hospital operations, providing necessary checks and balances in the use of resources, and making strategic decisions aimed at improving service delivery. The Board also ensured prudent utilization and accountability of all hospital resources while making key recommendations to the County Executive Committee Member (CECM) for Health on areas requiring support and improvement.

The Board successfully convened quarterly meetings and sub-committee sessions to review hospital performance, financial reports, and compliance with operational policies. Significant attention was given to improving service quality and patient safety, enhancing infrastructure, and ensuring staff development to meet the growing healthcare needs of the community.

Financially, the hospital maintained prudent resource management, with allocations directed toward patient care, infrastructure improvements, and operational efficiency. The accompanying Audited Financial Statements provide a detailed account of the hospital's financial performance and position for the year.

The Board upheld the highest standards of integrity, transparency, and accountability in all its deliberations and decisions.

In moving forward, the Board recommends timely disbursement of funds to support uninterrupted service delivery, continued investment in infrastructure and equipment, and the strengthening of public-private partnerships to enhance hospital growth. Additionally, digital health systems should be adopted to streamline operations, improve revenue management, and enhance service efficiency.

The Board expresses its sincere appreciation to the County Government of Taita Taveta, hospital staff, partners, and the community for their unwavering support and collaboration in improving healthcare services during the financial year.

Results

The results of the hospital for the year ended June 30 2025 are set out on pages to

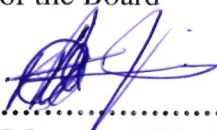
Board of Management

The members of the Board who served during the year are shown on page 7.

Auditors

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

By Order of the Board



.....
Dr. Mohammed Machi
Secretary to the Board

12. Statement of Board of Management's Responsibilities

Section 164 of the Public Finance Management Act, 2012 (*Taita Taveta County Health Services Fund Act, 2021*) requires the Board of Management to prepare financial statements in respect of that *hospital*, which give a true and fair view of the state of affairs of the *hospital* at the end of the financial year/period and the operating results of the *hospital* for that year. The Board of Management is also required to ensure that the *hospital* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *hospital*. The board members are also responsible for safeguarding the assets of the *hospital*.

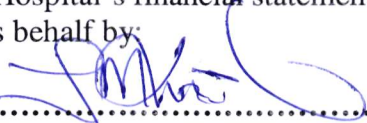
The Board of Management is responsible for the preparation and presentation of the *hospital's* financial statements, which give a true and fair view of the state of affairs of the *hospital* for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining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

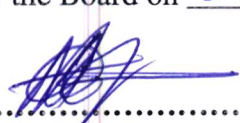
The Board of Management accepts responsibility for the *hospital's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (*Taita Taveta County Health Services Fund Act, 2021*). 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 2/12/25 and signed on its behalf by:


.....
Joel Mshindo
Board of Management


.....
Dr. Mohammed Machi

REPUBLIC OF KENYA



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Website: www.oagkenya.go.ke

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

REPORT OF THE AUDITOR-GENERAL ON MWATATE SUB COUNTY LEVEL 4 HOSPITAL – TAITA TAVETA COUNTY GOVERNMENT FOR THE YEAR ENDED 30 JUNE, 2025

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 Mwatate Sub County Level 4 Hospital – Taita Taveta County Government set out on pages 1 to 47, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then 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 Mwatate Sub County Level 4 Hospital – Taita Taveta County Government 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 Taita Taveta County Health Services Act, 2021 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Accuracy, Presentation and Disclosure Issues in the Financial Statements

The financial statements presented for audit reflect accuracy, presentation and disclosure anomalies as detailed below contrary to the requirements of the template prescribed by the Public Sector Accounting Standards Board.

- (i) The statement of financial performance reflects Revenue (SHA claims) of Kshs.16,868,943. However, the amount is not disaggregated in the Notes to the financial statements. In addition, the amount is not included in the total revenues from exchange transactions which has been reported as Kshs.23,590,610 instead of the recalculated Kshs.40,459,553.
- (ii) Note 32 to the financial statements reflects inventories comparative balance of Kshs.3,790,166. However, the balance differs with Kshs. Nil reflected in the 2023-2024 audited financial statements. In addition, detailed disclosures on inventories as at 30 June, 2025 at Note 32 reflects closing inventory balance of Kshs.2,221,841. The balance does not include write-downs in the year of Kshs.3,997,869 and the opening balance of Kshs.6,219,737. The recalculated balance is Kshs.4,443,709 resulting in understating by Kshs.2,221,868.
- (iii) Note 35 to the financial statements reflects investment property balance of Kshs.23,778,402. However, the balance is not reflected in the statement of financial position and the details and the nature of the investment property was not provided for audit confirmation.
- (iv) Note 4(p) to the financial statements indicates that the Hospital has an accumulated surplus of Kshs.42,503,253 which is materially inconsistent with Kshs.42,836,246 reported in the statement of financial position.

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

2. Inaccurate Statement of Cash Flows

The statement of cash flows reflects net cash flows used in investing activities of Kshs.(23,973,452) which is indicated as proceeds from the sale of PPE. However, Note 33 to the financial statements discloses the amount as additions to Property, Plant and Equipment under classes of PPE of buildings and civil works amount of

Kshs.23,778,402 and furniture, fittings and office equipment amount of Kshs.195,050. The amount relates to an ongoing construction of maternity units, new born unit with theatre, with the donor making the payments directly to the contractor.

Further, the statement of cash flows reflects total receipts under operating activities of Kshs.47,369,012 which includes transfers from the County Government of Kshs.23,778,402. However, the amount relates to a grant paid by the donor directly to the contractor for an ongoing construction of maternity units, new born unit with theatre, with the donor making the payments directly to the contractor.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

3. Unconfirmed Receivables from Exchange Transactions

The statement of financial position and Note 30 to the financial statements reflects receivables from exchange transactions balance of Kshs.28,643,428. Included in this balance is Facility Improvement Fund, County Revenue Fund and FIF outstanding bills of Kshs.636,014, Kshs.131,452 and Kshs.551,012 respectively which were not supported by detailed ledgers.

Further, the statement of financial position and Note 30 to the financial statements reflects receivables from exchange transactions balance of Kshs.28,643,428. However, re-casting of the ageing analysis of the receivables from exchange transactions give a total of Kshs.11,774,485. Receivables from exchange transactions balance of Kshs.16,868,943 is not aged. Additionally, Management has not completed Note 45 to the financial statements to assess credit risk and which provide details of receivables that are performing and impaired.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.28,643,428 could not be confirmed.

4. Variance in Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.12,750,803 as disclosed in Note 37 to the financial statements. The balance includes Kshs.1,078,895 and Kshs.2,613,005 owed to Kenya Medical Supplies Authority (KEMSA) and MEDS respectively while KEMSA and MEDS records reflect Kshs.1,924,813 and Kshs.2,091,727 resulting to an unexplained respective variance of Kshs.(845,918) and Kshs.521,278.

In the circumstances, the accuracy and completeness of the trade payable balance of Kshs.12,750,803 could not be confirmed.

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

The statement of financial performance reflects casual and contractual staff amount of Kshs.1,173,000 as disclosed in Note 16 to the financial statements. The Hospital received services from 170 medical staff employed and paid by the County. However, the expenditure was neither disclosed in the financial statements nor the payroll provided for audit verification.

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

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Hospital in 2024/2025 revealed that the following seven (7) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2023/2024	Inaccuracies in the financial statements
2	2023/2024	Unsupported cash and cash equivalents
3	2023/2024	Unsupported property, plant and equipment
4	2023/2024	Unutilized infrastructure facilities
5	2023/2024	Irregular composition of waiver committee
6	2023/2024	Lack of strategic plan and data recovery plan
7	2023/2024	Role of hospitals in universal health care (UHC)

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the 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. Unutilized Microwave Medical Waste Equipment

Audit review and physical verification on medical waste management processes at the Hospital revealed that sensitive medical waste was accumulated in an unsecured holding room near the maternity ward and later picked by a truck which transports the same to Moi County Referral Hospital in Voi town for disposal by incineration, thereby attracting transport and other logistical costs.

Further review of records revealed that the Hospital received a Microwave Medical Waste Equipment from the Ministry of Health on 15 February, 2024 and is still stored in two locked containers within the hospital compound. However, Management indicated that the equipment could not be used to incinerate and sterilize the medical waste due to lack of a room or house to accommodate the equipment. This is contrary to Section 149(2)(m) of the Public Finance Management Act, 2012 which mandates an accounting officer to manage the assets of the entity to ensure that it receives value for money when acquiring, using or disposing of its assets.

As noted in the previous audit, the tender to construct the house had been awarded at a contract sum of Kshs.14,448,728 with payments of Kshs.2,701,814 already made to the contractor. However, at the time of audit in November 2025, the project remained stalled at the slab stage and contractor was not on site. However, Management did not provide a costed plan for the completion of the house and utilisation of the microwave medical equipment within the hospital and the equipment continued to deteriorate, twenty (20) months after delivery by the Ministry of Health.

In the circumstances, the value for money on the Unutilized Microwave Medical Waste Equipment could not be confirmed.

2. Stalled Theatre Block

As noted in the previous years' audit, the tender for the construction of a theatre block at the Hospital was awarded to a local company at a contract sum of Kshs.25,998,490 and payments of Kshs.9,086,643 had been made as at the time of audit in November 2025. However, physical inspection on 19 November, 2025 revealed that the project stalled at the walling stage and had been overgrown by trees an indication that it has been abandoned. This is contrary to Section 151(2)(a) of the Public Procurement and Asset Disposal Act, 2015 which provides that for the purpose of managing complex and specialized contracts, the contract implementation team shall be responsible for monitoring the performance of the contractor, to ensure that all delivery or performance obligations are met or appropriate action taken by the procuring entity in the event of obligations not being met.

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

3. Lack of Internal Access Between the Wards and Operating Theatre

Physical verification of the Hospital facilities on 17 November, 2025 established that the clinical wards are not physically interconnected with the operating theatre. As a result, patients requiring surgical procedures or post-operative care are transported between the theatre and the wards using an ambulance which also serves Wesu Sub County Hospital, located 16 kilometers away from the Hospital. This practice raises concerns regarding patient safety, operational efficiency, and is contrary to Ministry of Health Kenya – Health Infrastructure Norms and Standards (2017) which require that hospital clinical departments including wards and theatres be adequately linked through internal circulation routes to ensure safe and timely patient movement.

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

4. Lack of Land Ownership Documents

The statement of financial position and Note 33 to the financial statements reflects property, plant and equipment balance of Kshs.23,778,402. However, the balance excludes land of unknown value on which the Hospital is constructed. In addition, no evidence of land ownership was provided for audit review. Letter from the State Department for Lands and Physical Planning and addressed to the County Executive Committee Member for the Department of Lands, Physical Planning, Urban Development and Mining at Taita Taveta County Government indicated that the hospital land was at the demarcation and survey stage and had been encroached by two private structures effectively reducing the land size from the allocated 4.98 hectares to 4.33 hectares as at September 2025. This is contrary to Section 162(2)(c)(i) of the Public Finance Management Act, 2012 which obligate the accounting officer to ensure that adequate arrangements are made for the proper use, custody, safeguarding and maintenance of public property.

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

Non- Compliance with Facility Improvement Financing Act, 2023

Review of records revealed the facility collected Kshs.8,546,081 and transferred an amount of Kshs.8,546,081 to the County Revenue Fund. However, only

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

Kshs.6,423,621 was reimbursed to the hospital leaving a balance of Kshs.2,122,460. Further, the Facility Improvement Financing (FIF) revenues were deposited into the general county revenue accounts instead of the designated Facility bank accounts. This is contrary to the provisions of Section 20-25 of the Facilities Improvement Financing Act, 2023 which requires that all revenues collected by health facilities be retained in designated FIF accounts and utilized strictly for approved operational and improvement activities.

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 effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Non-Compliance with Law and Effectiveness of Upgrade of Hospitals

Review of Hospital records and interviews conducted on verification of services offered, equipment used and medical specialists in the Hospital at the time of audit in November, 2025 revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by forty-eight (48) % of the authorized establishment as detailed below:

Staffing Requirement	Level 4 Hospital Standard	Actuals In the Hospital	Variance	Percentage %
Medical Officers	16	6	(10)	63%
Anaesthesiologists	2	0	(2)	100%
General Surgeons	2	0	(2)	100%
Gynaecologists	2	1	(1)	50%
Paediatricians	2	0	(2)	100%
Radiologists	2	0	(2)	100%
Registered Community Health Nurses	75	45	(30)	40%
Total	101	53	(48)	48%

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage %
Beds	150	110	(40)	27%
Resuscitaire (2 in labour & 1 in theatre)	3	2	(1)	33%
New born unit incubators	5	1	(4)	80%
New born unit cots	5	0	(5)	100%
Functional ICU beds	6	0	(6)	100%
High Dependency Unit (HDU) Beds	6	0	(6)	100%
Renal Unit with at least 5 dialysis machines	5	0	(5)	100%
Two functional operational theatres - Maternity & General	2	1	(1)	50%
Total	182	127	(55)	30%

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

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

2. Lack of Risk Management Policy and Disaster Recovery Plan

During the year under review, the Hospital operated without a risk management policy framework contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations. The Hospital, therefore did not have a framework for management of risk and may be unable to identify, assess, prevent, and mitigate against the risks affecting its operations. In addition, the Hospital had not developed disaster recovery and business continuity plans to ensure that it recovers from disruptions to its operations should risks crystallize.

In the circumstances, the effectiveness of the Hospital's risk management 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.

3. Expired Medical Supplies

The statement of financial position reflects an inventory balance of Kshs.2,221,841. Review of store records on pharmaceuticals and non-pharmaceuticals revealed that 222,531 units of various drugs valued at Kshs.3,997,869 had expired.

In the circumstances, the effectiveness of internal controls on the management of pharmaceuticals and non-pharmaceuticals could not be confirmed.

Responsibilities of the Management and Board of Management

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

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

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

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

The 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

09 December, 2025

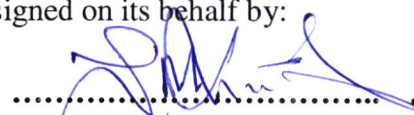
14. Statement of Financial Performance for The Year Ended 30 June 2025

Description	Note	2024 - 2025	2023 - 2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government	6	-	-
In- kind contributions from the County Government	7	-	-
Grants from donors and development partners	8	23,778,402	-
Transfers from other Government entities	9	-	-
Public contributions and donations	10	-	-
		23,778,402	-
Revenue from exchange transactions			
Rendering of services- Medical Service Income	11	23,590,610	32,515,982
Revenue(SHA claims)		16,868,943	-
Finance /Interest Income	13	-	-
Miscellaneous Income	14	-	-
Revenue from exchange transactions		23,590,610	32,515,982
Total revenue		64,237,955	32,515,982
Expenses			
Medical/Clinical costs	15	15,782,400	8,888,404
Employee costs	16	1,173,000	690,000
Board of Management Expenses	17	124,000	74,000
Depreciation and amortization expense	18	54,596	37,542
Repairs and maintenance	20	4,839,526	2,315,699
Contribution to County Health Management Team	19	2,160,683	1,316,831
General expenses	22	12,076,794	6,817,720
Finance costs	23	-	-
Total expenses		36,210,999	20,140,195
Other gains/(losses)			
Gain/Loss on disposal of non-Current assets	24	-	-
Unrealized gain on fair value of investments	25	-	-
Medical services contracts Gains/Losses	26	-	-
Impairment loss	27	-	-

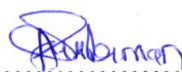
Mwatate Sub County Hospital (Taita Taveta County Government)
Annual Report and Financial Statements for The Year Ended 30th June 2025

Description	Note	2024 - 2025	2023 - 2024
		Kshs	Kshs
Gain on foreign exchange transactions		-	-
Total other gains/(losses)		-	-
Net Surplus / (Deficit) for the year		28,026,956	12,375,787

The Hospital's financial statements were approved by the Board on 2/12/25 and signed on its behalf by:



Joel Mshindo
Chairman
Board of Management



Amina Suleiman
Head of Finance
ICPAK No: 15011



Dr. Mohammed Machi
Medical Superintendent

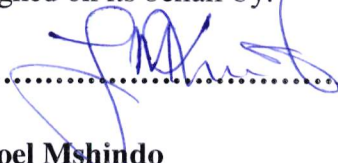
15. Statement of Financial Position As At 30th June 2025

Description	Note	2024 – 2025	2023 – 2024
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	28	610,385	2,842,266
Prepayments	29		
Receivables from exchange transactions	30	28,643,428	28,643,428
Receivables from non-exchange transactions	31	-	-
Inventories	32	2,221,841	-
Total Current Assets		31,475,654	14,616,751
Non-current assets			
Property, plant, and equipment	33	24,111,395	192,539
Intangible assets	34	-	-
Investment property	35	-	-
Biological Assets	36		
Total Non-current Assets		24,111,395	192,539
Total assets (A)		55,587,049	14,809,289
Liabilities			
Current liabilities			
Trade and other payables	37	12,750,803	-
Refundable deposits from Patients/Prepayments	38	-	-
Provisions	39	-	-
Finance lease obligation	40	-	-
Current portion of deferred income	41	-	-
Current portion of borrowings	42	-	-
Total Current Liabilities		12,750,803	-
Non-current liabilities			
Provisions	43	-	-
Non-Current Finance lease obligation	44	-	-
Non-Current portion of deferred income	45	-	-
Non - Current portion of borrowings	46	-	-
Service concession Arrangements		-	-
Total non-current liabilities		-	-

Mwatate Sub County Hospital (Taita Taveta County Government)
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Description	Note	2024 – 2025	2023 – 2024
		Kshs	Kshs
Total Liabilities (B)		12,750,803	-
Net assets (A-B)		42,836,246	14,809,289
Represented by:			
Revaluation reserve		-	-
Accumulated surplus/Deficit		42,836,246	14,809,289
Capital Fund		-	-
Net Assets		42,836,246	14,809,289

The Hospital's financial statements were approved by the Board on 2/12/25 and signed on its behalf by:



Joel Mshindo
Chairman
Board of Management



Amina Suleiman
Head of Finance
ICPAK No: 15011



Dr. Mohammed Machi
Medical Superintendent

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	-	2,433,503	-	2,433,503
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	12,375,787	-	12,375,787
Capital/Development grants	-	-	-	-
As at June 30, 2024	-	14,809,290	-	14,809,290
At July 1, 2024	-	14,809,290	-	14,809,290
Revaluation gain	-	-	-	-
Surplus/(deficit) for the year	-	28,026,956		28,026,956
Capital/Development grants	-	-		-
At June 30, 2025	-	42,836,246		42,836,246

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

Description	Note	2024 - 2025	2023 - 2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government		23,778,402	-
Grants from donors and development partners		-	-
Transfers from other Government entities		-	-
Public contributions and donations		-	-
Rendering of services- Medical Service Income		23,590,610	20,872,949
Revenue from rent of facilities		-	-
Finance / interest income		-	-
Miscellaneous receipts(<i>specify</i>)		-	-
Total Receipts		47,369,012	20,872,949
Payments			
Medical/Clinical costs		(10,043,968)	(8,888,404)
Employee costs		(1,173,000)	(690,000)
Board of Management Expenses		(124,000)	(74,000)
Repairs and maintenance		(4,306,864)	(2,315,699)
Contribution to County Health Management Team		(2,160,683)	(1,448,283)
General expenses		(7,818,926)	(6,817,720)
Finance costs			-
Refunds paid out			-
Total Payments		(25,627,441)	(20,234,106)
Net cash flows from operating activities	43	21,741,571	638,843
Cash flows from investing activities			
Purchase of property, plant, equipment		-	(230,080)
Purchase of intangible assets		-	-
Proceeds from the sale of PPE		(23,973,452)	-
Acquisition of investments		-	-
Net cash flows used in investing activities		(23,973,452)	(230,080)
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		(2,231,881)	408,763
Cash and cash equivalents as at 1 July	27	2,842,266	2,433,503

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Description	Note	2024 - 2025	2023 - 2024
		Kshs	Kshs
Cash and cash equivalents as at 30 June	27	610,385	2,842,266

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	A	B	c=(a+b)	D	e=(c-d)	f=d/c%
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year	-	-	12,413,328	2,842,266	-	%
Receipts						
Grants from donors and development partners	23,778,402	-	23,778,402	23,778,402	-	%
Transfers from other Government entities	-	-	-	-	-	%
Public contributions and donations	-	-	-	-	-	%
Rendering of services- Medical Service Income	19,997,071	-	19,997,071	23,590,610	(3,613,539)	118%
Revenue from rent of facilities	-	-	-	-	-	%
Finance / interest income	-	-	-	-	-	%
Miscellaneous receipts (<i>specify</i>)	-	-	-	-	-	%
Total receipts	43,755,473	-	56,168,801	50,211,278	3,613,539	89%
Payments						
Medical/Clinical costs	10,043,968	-	10,043,968	10,043,968	-	100%
Employee costs	1,173,000	-	1,173,000	1,173,000	-	100%
Remuneration of directors	124,000	-	124,000	124,000	-	100%
Repairs and maintenance	4,306,864	-	4,306,864	4,306,864	-	100%
Grants, Subsidies and Contributions	18,128,032	-	18,128,032	23,778,402	-5,845,420	132%
General	7,818,926	-	7,818,926	7818926	-	100%

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-expenses						
Contribution to IMT	2,160,683	-	2,160,683	2,160,683	-	100%
Refunds	-	-	-	-	-	%
Total Operational Expenditure paid	43,755,473	-	43,755,473	49,600,893	5,845,420	113%
Capital Expenditure paid	-	-	-	-	-	%
Surplus	-	-	-	610,385	2,231,881	%

Budget notes

1. Reason for variance;-

Rendering of services- the increase in income is due to expansion of range of services resulting in extra income.

Medical costs – the reduce in medical costs is due to reduce in expenditure related to medical costs.

Repairs and maintenance – the increase in repair costs is caused by the frequent repairs to hospital machinery.

General expenses – the increase is due to expansion of services and infrastructure leading to more expenditure.

19. Notes to the Financial Statements

1. General Information

Mwatate Sub County Hospital is established by and derives its authority and accountability from Taita Taveta County Health Act. The hospital is wholly owned by the Taita Taveta County Government and is domiciled in Taita Taveta County in Kenya. The hospital’s principal activity is provision of health services.

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *hospital*. The financial statements have been prepared in accordance with the PFM Act, and (*Taita Taveta County Finance 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

(When an IPSAS becomes effective on 1st January 2024, it is applicable in Kenya from 1st July 2024)

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

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

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

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Hospital. The new standard requires entities to recognise, measure and</p>

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Standard	Effective date and impact:
	<p>present information on right of use assets and lease liabilities. No impact</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p>Applicable 1st January 2025 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. No impact</p>
<p>IPSAS 45- Property Plant and Equipment</p>	<p>Applicable 1st January 2025 The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under-maintenance of assets and distinguishing significant parts of infrastructure assets. Not applicable</p>
<p>IPSAS 46 Measurement</p>	<p>Applicable 1st January 2025 The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value. Not applicable</p>
<p>IPSAS 47- Revenue</p>	<p>Applicable 1st January 2026 This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an</p>

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Standard	Effective date and impact:
	<p>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.</p> <p>Not applicable</p>
<p>IPSAS 48- Transfer Expenses</p>	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>Not applicable</p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>Not applicable</p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p>Applicable 1st January 2027</p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> 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. <p>Not applicable</p>

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 Board. There were no Subsequent revisions or additional appropriations 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.

Notes to the Financial Statements (Continued)

d. Investment property

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

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

e. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the hospital recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in

surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The hospital applied straight line method; the rates are as follows: 1. ICT equipment(30%), 2. Furniture& fittings(12.5%)

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

Notes to the Financial Statements (Continued)

h. Biological Assets

The 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.

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 or 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 cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an 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. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Financial liabilities

Classification

The 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. The accumulated surplus is 42,503,253.

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

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

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.

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- 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. 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	2024 - 2025	2023 - 2024
	KShs	KShs
Unconditional grants		
Operational grant	-	-
Level 4/5 grants	-	-
Unconditional development grants	-	-
Other grants (<i>specify</i>)	-	-
	-	-
Conditional grants		
User fee forgone	-	-
Transforming health services for Universal care project (THUCP)	-	-
DANIDA	-	-
Wards Development grant	-	-
Paediatric block grant	-	-
Administration block grant	-	-
Laboratory grant	-	-
Total government grants and subsidies	-	-

6 b Transfers from The County Government

Name of the Hospital sending the grant	Amount recognized to Statement of financial performance* KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	Comparative Period
			KShs	KShs	KShs
Taita Taveta County Government	-	-	-	-	-
Total	-	-	-	-	-

Notes to Financial Statements Continued

7. In Kind Contributions from The County Government

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Salaries and wages	-	-
Medical supplies-Drawings Rights (KEMSA)	-	-
Pharmaceuticals and Non-Pharmaceutical Supplies (other suppliers)	-	-
Utility bills	-	-
Total grants in kind	-	-

(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	2024 – 2025	2023 - 2024
	KShs	KShs
Mpesa Foundation	23,778,402	-
	-	-
Total grants from development partners	23,778,402	-

(Construction and equipping of maternity, newborn unit with theatre)

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	-	-	-	-	-

Notes to Financial Statements Continued

9. Transfers From Other Government Entities

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Transfer from National Government (Ministry of Health)	-	-
Transfer from xxx National Hospital	-	-
Transfer from xxx Institute	-	-
Total Transfers	-	-

10. Public Contributions and Donations

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Public donations	-	-
Donations from local leadership	-	-
Donations from religious institutions	-	-
Global Fund Malaria	-	-
Blue Cross	-	-
Total donations and sponsorships	-	-

(Provide brief explanation for this revenue)

10 (a) Reconciliations of amortised grants

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

Notes to Financial Statements Continued

11. Rendering of Services-Medical Service Income

Description	2024 – 2025	2023 – 2024
	Kshs	Kshs
Pharmaceuticals	1,504,229	-
Non-Pharmaceuticals	135,100	-
Laboratory	1,714,900	-
Radiology	478,050	-
Orthopaedic and Trauma Technology	263,800	-
Theatre	68,135	-
Male & Female ward	942,800	-
Casualty	451,750	-
Maternity	530,050	-
Nutrition service	3,100	-
Medical Examination	276,000	-
Dental services	-	-
Reproductive health	82,750	-
Paediatrics services	92,800	-
Farewell home services	-	-
Ambulance services	425,913	-
Other medical services income (<i>outpatient...</i>)	1,223,040	-
Nhif/Sha Reimbursement	15,398,193	32,515,982
Nhif Claims		-
Total revenue from the rendering of services	23,590,610	32,515,982

(Other medical services fee relates to other charges e.g.outpatient,counselling psychology,dressings,ophthalmology,occupational therapy)

Notes to the Financial Statements (Continued)

12. Revenue From Rent of Facilities

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

(Provide brief explanation for this revenue)

13. Finance /Interest Income

Description	2024 - 2025	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	-	-

(Provide brief explanation for this revenue)

14. Miscellaneous Income

Description	2024 - 2025	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	2024 - 2025	2023 - 2024
	Kshs	Kshs
Dental costs/ materials	-	-
Laboratory chemicals and reagents	1,733,683	893,500
Public health activities		-
Food and Ration	6,577,273	1,616,655
Uniform, clothing, and linen	25,000	5,000
Dressing and Non-Pharmaceuticals	1,490,506	567,350
Pharmaceutical supplies	3,402,069	4,093,739
Health information stationery	-	-
Reproductive health materials	-	-
Sanitary and cleansing Materials	380,800	332,660
Purchase of Medical gases	2,156,039	1,379,500
X-Ray/Radiology supplies		-
Other medical related clinical costs (<i>specify</i>)	17,030	-
Total medical/ clinical costs	15,782,400	8,888,404

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

16. Employee Costs

Description	2024 - 2025	2023 - 2024
	Kshs	Kshs
Salaries, wages, and allowances	1,173,000	690,000
Contributions to pension schemes	-	-
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	1,173,000	690,000

(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	2024 - 2025	2023 - 2024
	Kshs	Kshs
Chairman's Honoraria	-	-
Sitting allowance	124,000	-
Mileage	-	4,000
Insurance expenses	-	-
Induction and training	-	-
Travel and accommodation allowance	-	70,000
Airtime allowances	-	-
Total	124,000	74,000

18. Depreciation and Amortization Expense

Description	2024 - 2025	2023 - 2024
	Kshs	Kshs
Property, plant and equipment	54,596	37,542
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	54,596	37,542

19. Contribution to County Health Management Team

Description	2024 - 2025	2023 - 2024
	Kshs	Kshs
County Health Management Team	2,160,683	1,316,831
Total	2,160,683	1,316,831

20. Repairs And Maintenance

Description	2024 - 2025	2023 - 2024
	Kshs	Kshs
Property- Buildings	1,470,098	305,430
Medical equipment	93,400	75,500
Office equipment	-	-
Furniture and fittings	-	-
Computers and accessories	285,403	44,926

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Motor vehicle expenses	1,735,605	1,194,095
Maintenance of Plant, Machinery and Equipment	933,020	174,278
Maintenance of Civil Works	322,000	521,470
Total repairs and maintenance	4,839,526	2,315,699

Notes to the Financial Statements (Continued)

21. Grants And Subsidies

Description	2024 - 2025	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.

22. General Expenses

Description	2024 - 2025	2023 - 2024
	Kshs	Kshs
Advertising and publicity expenses	-	-
Catering expenses	2,946,575	1,132,178
Waste management expenses		-
Insecticides and rodenticides		-
Audit fees		-
Bank charges	44,878	48,392
Conferences and delegations	109,762	-
Consultancy fees		-
Contracted services	-	-
Electricity expenses	161,000	-
Fuel and Lubricants	3,833,120	4,160,014
Insurance	10,000	-
Research and development expenses	-	-
Travel and accommodation allowance	1,142,040	286,350
Legal expenses		-

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Description	2024 - 2025	2023 - 2024
	Kshs	Kshs
Licenses and permits		-
Courier and postal services	8,500	-
Printing and stationery	1,519,566	834,099
Hire charges	61,880	18,000
Gas expenses	204,000	105,919
Water and sewerage costs	1,798,675	-
Skills development levies	-	-
Telephone and mobile phone services	135,800	162,768
Internet expenses	100,998	15,000
Staff training and development		-
Subscriptions to professional bodies		-
Subscriptions to newspapers periodical, magazines, and gazette notices		-
Library books/Materials		-
Purchase of tree seed and seedlings		50,000
Total General Expenses	12,076,794	6,817,720

23. Finance Costs

Description	2024 - 2025	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	-	-

(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.)

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

Description	2024 -2025	2023 - 2024
	KShs	KShs
Property, plant, and equipment	-	-
Intangible assets	-	-
Other assets not capitalised (<i>specify</i>)	-	-
Total gain on sale of assets	-	-

25. Unrealized Gain On Fair Value Investments

Description	2024 – 2025	2023 - 2024
	KShs	KShs
Investments at fair value	-	-
Total gain	-	-

Notes to the Financial Statements (Continued)

26. Medical Services Contracts Gains /Losses

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Comprehensive care contracts with NHIF/SHA	-	-
Non- Comprehensive contracts care with NHIF/SHA	-	-
Linda Mama Program	-	-
Waivers and Exemptions	-	1,713,765
Total Gain/Loss	-	1,713,765

27. Impairment Loss

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

28. Cash And Cash Equivalents

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Current accounts	570,390	2,764,047
On - call deposits	-	-
Fixed deposits accounts	-	-
Cash in hand	-	-
Others(<i>specify</i>)- Mobile money	39,995	78,218
Total cash and cash equivalents	610,385	2,842,266

Notes to the Financial Statements (Continued)

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

Description		2024 - 2025	2023 - 2024
Financial institution	Account number	KShs	KShs
a. Current account			
Kenya Commercial bank	1273743660	569,631	2,660,938
Kenya Commercial bank	1145668054	759	103,109
Sub- total		570,390	2,764,047
b. On - call deposits			
Kenya Commercial bank		-	-
Equity Bank – etc		-	-
Sub- total		-	-
c. Fixed deposits account			
Bank Name		-	-
Sub- total		-	-
d. Others(specify)			
cash in hand		-	-
Mobile money- Mpesa Paybill	593948	39,995	78,218
Sub- total			
Grand total		610,385	2,842,266

Provide disclosure on any restricted cash that the hospital is holding.

29. Prepayments

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

30. Receivables From Exchange Transactions

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Facility Improvement Fund	636,014	636,014
County Revenue Fund	131,452	131,452
NHIF Claims	10,456,007	10,456,007
FIF Outstanding bills	551,012	551,012
SHA claims	16,868,943	-
Total receivables	28,643,428	28,643,428

(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	2024 - 2025		2023 - 2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	1,318,478	11%	-	%
Between 1- 2 years	10,456,007	89%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	28,643,428	%	-	%

31. Receivables From Non-Exchange Transactions

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Transfers from the County Government	-	-
Undisbursed donor funds	-	-
Other debtors (non-exchange transactions)	-	-
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	2024 - 2025		2023 - 2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%

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Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

32. Inventories

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Pharmaceutical supplies	1,078,477	-
Non pharmaceutical supplies	1,143,364	-
Food supplies	-	-
Linen and clothing supplies	-	-
Cleaning materials supplies	-	-
General supplies	-	-
Less: provision for impairment of stocks	-	-
Total	2,221,841	3,790,166

Detailed disclosure on inventories

	2024 - 2025	2023 - 2024
Opening balance	6,219,737	-
Additional Inventory in the year	2,221,841	3,790,166
Inventory expensed in the year	-	-
Write-downs in the year	3,997,869	-
Others specify	-	-
Closing balance	2,221,841	3,790,166

(Writedowns were expired drugs disposed)

Notes to the Financial Statements (Continued)

33. Property, Plant and Equipment

Description	Buildings and Civil works	Furniture, fittings, and office equipment	ICT Equipment	Total
	Ksh	Ksh	Ksh	Ksh
Cost				

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	0.10	0.125	0.30	
At 1 July 2023	-		-	-
Additions		179,900	50,180	230,080
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
Revaluation Adjustments	-	-	-	-
At 30th Jun 2024	-	179,900	50,180	230,080
				-
At 1 July 2024	-	157,413	35,126	192,539
Additions	23,778,402	195,050	-	23,973,452
Disposals	-	-	-	-
Transfer/adjustments	-	-	-	-
Revaluation Adjustments	-	-	-	-
At 30th Jun 2025	23,778,402	352,463	35,126	24,165,991
Depreciation and impairment				-
At 1 July 2023				-
Depreciation for the year	-	22,488	15,054	37,542
Disposals	-	-	-	-
Impairment	-	-	-	-
At 30 June 2024	-	22,488	15,054	37,542
At July 2024	-	22,488	15,054	37,542
Depreciation	-	44,058	10,538	54,596
Disposals				-
Impairment				-
Transfer/adjustment				-

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At 30 th June 2025	-	66,545	25,592	92,137
Net book values				-
At 30 th Jun 2024	-	157,413	35,126	192,539
At 30 th Jun 2025	23,778,402	308,405	24,588	24,111,395

Notes to the Financial Statements (Continued)

34. Intangible Assets-Software

Description	2024 - 2025	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	-	-

35. Investment Property

Description	2024 - 2025	2023 - 2024
	KShs	KShs
At beginning of the year	192,539	-
Additions	41,101,221	230,080
Disposals during the year		-
Fair value gain		-
Depreciation (<i>where investment property is at cost</i>)	(54,596)	(37,542)
Impairment		-
At end of the year	23,778,402	192,539

(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

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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.

(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.

Notes to the Financial Statements (Continued)

36. Biological Assets

Description	2024 - 2025	2023 - 2025=4
	Kshs	Kshs
Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Others specify	-	-
Total	-	-

37. Trade and other Payables

Description	2024 - 2025		2023 - 2024	
	KShs		KShs	
Pending bills of previous FY b/f	-		3,675,000	
Pending bills of FY	12,750,803		30,590,277	
Total trade and other payables	12,750,803		34,265,277	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the total
Under one year	4,308,612	34%	-	%
1-2 years	4,119,694	32%	-	%
2-3 years	3,512,186	28%	-	%
Over 3 years	810,311	6%	-	%
Total	12,750,803	100%	-	%

38. Refundable Deposits from Customers/Patients

Description	2024 – 2025		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	-	%	-	%

39. Provisions

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

40. Finance Lease Obligation

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

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Total	-	-
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41. Deferred Income

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

Notes to the Financial Statements (Continued)

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

Description	National government	International funders/ 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	-	-	-	-

42. Borrowings

Description	2024 - 2025	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	-	-

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

Description	2024 - 2025	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).

Notes to the Financial Statements (Continued)

43. Service Concession Arrangements

Description	2024 - 2025	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	=	=

44. Cash Generated from Operations

Description	2024 - 2025	2023 - 2024
	KShs	KShs
Surplus for the year before tax	28,026,956	-
Adjusted for:		-
Depreciation	54,596	-
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Working Capital adjustments		

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			-
Increase in inventory	-	2,221,841	-
Increase in receivables	-	16,868,943	-
Increase in deferred income		-	-
Increase in payables		12,750,803	-
Increase in payments received in advance		-	-
Net cash flow from operating activities		21,741,571	-

Notes to the Financial Statements (Continued)

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

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Receivables from exchange transactions	-	-	-	-
Receivables from –non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2025				
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 from xxxx. 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 20xx				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit	-	-	-	-

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obligation				
Total	-	-	-	-
At 30 June 20xx				
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 2025			
Financial assets (investments, cash, debtors)	-	-	-
Liabilities			

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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 2025			
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
20XX (previous year)			
Euro	10%	-	-
USD	10%	-	-
20XX (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)

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of financial performance if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (20xx: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in surplus of KShs xxx (20xx – KShs xxx).

iv) Capital Risk Management

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

Description	2024 - 2025	2023 - 2024
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/ (<i>excess cash and cash equivalents</i>)	-	-
Gearing	%	%

Notes to the Financial Statements (Continued)

46. Related Party Balances

Nature of related party relationships

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

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

- i. The National Government;
- ii. The County Government;

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- iii. Board of Directors;
- iv. Key Management

Description	2024 - 2025	2023 - 2024
	Kshs	Kshs
Transactions with related parties		
a. Services offered to related parties		
Services to xxx	-	-
Sales of services to xxx	-	-
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 xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d. Key management compensation		
Directors' emoluments	-	-
Compensation to the medical Sup	-	-
Compensation to key management	-	-
Total	-	-

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

48. Contingent Liabilities

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

49. Capital Commitments

Capital Commitments	2024 - 2025	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)

50. Events after the Reporting Period

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

51. 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 Taita Taveta.

52. Currency

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

20. Appendices

Appendix 1: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2023/2024	Inaccuracies in financial statements	Issues need urgent resolving	Not resolved	2025/2026
2023/2024	Lack of strategic plan	Initiated discussion with department	Not resolved	2025/2026

Guidance Notes:

- i. Use the same reference numbers as contained in the external audit report.
- ii. Obtain the “Issue/Observation” and “management comments”, required above, from the final external audit report that is signed by Management.
- iii. Before approving the report, discuss the timeframe with the appointed Focal Point persons within your hospital responsible for the implementation of each issue.
- iv. Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

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Accounting Officer

Appendix II: Projects Implemented by The Hospital

Projects

Projects implemented by the Hospital Funded by development partners

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

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)

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

Appendix III: Inter-Hospital Confirmation Letter

Name of Transferring hospital.....

Name of Beneficiary hospital.....

Confirmation of amounts received by [Insert name of beneficiary Hospital] as at 30th June 2025

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

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

Head of Accounts Department - Disbursing Hospital:

Name Sign Date

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Head of Accounts Department - Beneficiary Hospital:

Name Sign

Date.....

Appendix IV Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source Of Funds	Implementing Partners
				Q 1	Q 2	Q 3	Q 4		

Appendix V: Disaster Expenditure Reporting Template

Program me	Sub-program me	Disas ter Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/pr eparedness)	Expendit ure item	Amo unt (Kshs)	Comme nts



1921
1922