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REPORT OF THE AUDITOR-GENERAL ON KENYATTA NATIONAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenyatta National Hospital set out on pages 97 to 155, which comprise the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenyatta National Hospital as at 30 June, 2023, 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 Legal Notice No.109 of 1987 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Secured Individual Debtors

Note 25 to the financial statements reflects gross medical services receivables balance of Kshs.13,139,787,000. The balance includes secured individual debtors balance of Kshs.562,353,542. However, verification of schedules revealed six hundred and seven-eight (678) patients with total unsecured debt amount of Kshs.74,556,613 did not have details of in-patient number, invoice number, folio number and guarantor. In addition, these debts have been outstanding for more than 360 days.

In the circumstances, the accuracy and recoverability of secured individual debtors of Kshs.74,556,613 could not be confirmed.

2. Un-Collected Rental Income

The statement of financial position reflects receivables from exchange transactions of Kshs.2,790,107,000 as disclosed in Note 25 to the financial statements. Included in the amount is rent receivables of Kshs.36,371,000 out of which Kshs.11,488,827 are rent receivables which have accumulated for over 360 days. Majority of the house occupants are public servants and it is not clear why the Hospital has not initiated rent recovery through checkoff system as required by the Kenyatta National Hospital (KNH) Housing Management Policy. Further, sixteen (16) debtors had a balance of Kshs.21,123,059 accounting for 58% of total rent receivables.

In the circumstances, the recoverability of uncollected rental income of Kshs.36,371,000 could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.21,114,717,000 and actual on comparable basis of Kshs.20,291,252,000 resulting to an underfunding amounting to Kshs.823,465,000 or 4% of the budget. Similarly, the Hospital spent Kshs.23,668,485,000 compared to the final expenditure budget of Kshs.21,114,717,000 resulting to an unapproved over expenditure amounting to Kshs.2,553,768,000 or 12% of the budget.

The underfunding affected the planned activities and may have impacted negatively on service delivery to the public whereas the over expenditure means there may have been expenditure on unbudgeted items.

2. Pending Accounts Payable

The statement of financial position reflects trade and other payables of Kshs.2,874,256,000 (2022 – Kshs.1,569,872,000) an increase by Kshs.1,304,384,000 or 83% as disclosed in Note 30 to the financial statements. Management has attributed this amount to unpaid suppliers.

Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

My opinion however, is not modified in respect to these matters.

Key Audit Matters

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

Other Matter

1. Forensic Audit on Payment System

The Office is currently undertaking a forensic audit on the payment system at the Hospital. The forensic audit was informed by a preliminary review of the payment system which pointed to possible fraudulent activities and loss of funds. As at the time of this report, the forensic audit had not been concluded.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Medical Services Contract Loss

1.1 Contracts with National Hospital Insurance Fund (NHIF)

The statement of financial performance includes medical services contracts loss of Kshs.569,237,000 out of which Kshs.379,100,000 relates to loss from National Health Insurance Fund (NHIF) as disclosed in Note 22 to the financial statements. The NHIF loss arises where the medical cost incurred on a patient who is a contributor to the Fund is greater than the rebate reimbursed by the Fund based on the existing medical service contracts.

It was noted that Management continued to engage NHIF and the Ministry of Health on the loss-making contracts from 2016 to 2022 as evidenced in several correspondences. Although a renegotiated contract commencing on 1 July, 2022 has enhanced the number of claimable services, the annual losses incurred during the year is still significant at Kshs.379,100,000.

In the circumstances, the Hospital has continued to bear the high cost leading to losses if the reimbursable amounts are not reviewed.

1.2 Linda Mama Program

The statement of financial performance includes medical services contracts loss of Kshs.569,237,000 out of which Kshs.190,137,000 relate to loss on Linda Mama Program offered by the Hospital, as disclosed in Note 22 to the financial statements. It was noted that the Government reimburses the Hospital Kshs.17,500 per delivery despite receiving complicated maternal referrals for specialized care services which include renal dialysis, critical care services and neonatal care whose medical cost could be way above Kshs.100,000. However, with effect from July 2017 the package was enhanced so that in case of complications the Hospital is allowed to claim a normal rebate rate of Kshs.4,000 per day in addition to the Kshs.17,500. This has however not been sufficient to cover the losses at Kshs.190,137,000 for the year under review.

In the circumstances, the Hospital has continued to bear the high cost of free maternity programs which has negatively impacted on the overall performance.

2. Incomplete Pediatrics Emergency and Burns Management Centre

Note 41 to the financial statements on contingent liabilities reflects projected contractor's cost of Kshs.3,368,624,780 and consultant costs of Kshs.263,959,541 totaling

Report of the Auditor-General on Kenyatta National Hospital for the year ended 30 June, 2023

Kshs.3,632,584,321. However, the contract was awarded at project cost of Kshs.2,959,511,555 and consultant cost at Kshs.39,927,200 totaling Kshs.2,999,438,755. This implies an increase by Kshs.633,145,566 or 21% of the original costs. This escalation of costs is largely attributed to delays in making prompt payments which continues to persist. This was demonstrated in the contractor's letter dated 18 April, 2023 on delay in payment by the employer, release of certificate of financial claims to the employer and delay in submission of clear details and instructions from the consultant resulting to slow work progress. Further, there was no evidence of ongoing negotiations with both the contractor and consultant.

It was noted that the project was to be financed through a concessionary loan from development partners at Kshs.1,235,724,580 or 41.8% and Government of Kenya at Kshs.1,723,786,975 or 58.2% with an initial completion date of 20 August, 2020 which has lapsed.

However, one of the extended loan agreements with the financiers expired on 31 December, 2023 while the second expires on 31 July, 2024 and there is no evidence of additional extensions.

In the circumstances, value for money on amounts spent on construction of pediatrics emergency and burns management center could not be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, 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 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 overall governance were not effective.

Basis for Conclusion

1. Failure to Adjust Rent Rates

The statement of financial performance reflects rental revenue from facilities of Kshs.135,378,000 as disclosed in Note 11 to the financial statements out of which Kshs.100,062,000 relates to residential properties revenue from the hospital staff. It was noted that the Hospital has 968 staff houses but the rates charged have not been reviewed since the year 2001 to align them to market rent rates. Analysis revealed

projected estimated annual rent of Kshs.318,060,000 compared to the current annual rent of Kshs.57,199,200 which results to difference (rental revenue loss) of Kshs.260,860,800.

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

2. Inadequate Segregation of Duties

Review of the system processes revealed that a supply chain officer could amend orders, perform inspections and receive stocks. In addition, a finance officer could register suppliers, could change supplier account numbers, commit orders and make direct cash payments. Further, there was no clear distinction between human resource and payroll staff.

In the circumstances, the effectiveness of internal controls in procurement and human resource section could not be confirmed.

3. Weaknesses in the Payment System

Review of the Hospital payment systems revealed that the same payment voucher would appear in different systems with different amounts and details. Further, analysis revealed amounts of Kshs.19,269,324 were processed in the QuickBooks System but the amount paid in the bank was Kshs.22,048,014 resulting to an overpayment by Kshs.2,778,689.01.

In the circumstances, the effectiveness of internal controls in the system used for processing payments and reporting could not be confirmed.

4. Weaknesses in Use of Manual Processes

The Hospital uses four (4) different systems one for processing payments and reporting, the second for uploading of payments for onward remittance to individual accounts, the third to manage human resource and payroll processes and fourth to manage operations of supply chain, management of cashier shifts, revenue collection, patient registration and processing of imprest. However, these systems are not integrated and rely on manual interventions to link them. These manual interventions are done multiple times which hampers smooth business workflow and greatly poses a high risk to data integrity.

In addition, the information relating to staff creditors' banks details and processing of their payments is maintained manually.

In the circumstances, the effectiveness of internal controls and 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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

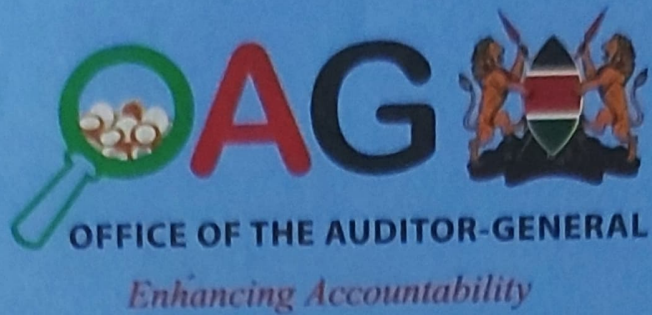
I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 March, 2024

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

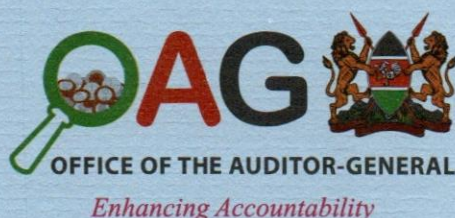
ON

KENYATTA NATIONAL HOSPITAL

**FOR THE YEAR ENDED
30 JUNE, 2023**

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYATTA NATIONAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenyatta National Hospital set out on pages 97 to 163, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenyatta National Hospital as at 30 June, 2022, and 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 Legal Notice No.109 of 1987 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Variance in Donations in Kind

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects public contributions and donations amount of Kshs.167,382,000. Included in this amount are donations in kind of Kshs.14,173,000 while the supporting schedule reflects Kshs.13,440,177 resulting to unexplained variance of Kshs.732,823.

In the circumstance the accuracy and completeness of public contributions and donations amount of Kshs.14,173,000 as at 30 June, 2022 could not be confirmed.

2. Misclassification of Employee Costs

The statement of financial performance and as disclosed in Note 14 to financial statements reflects employee costs of Kshs.13,485,447,000. Included in the expenditure is an amount of Kshs.172,559,824 incurred on staff welfare, staff training and development, travelling and accommodation which had been budgeted under administration costs but reported under employee costs.

In the circumstance the accuracy, and the classification of employee costs of Kshs.13,485,447,000 for the year ended 30 June, 2022 could not be confirmed.

3. Unsupported Stock Movements

The statement of financial performance and as disclosed in Note 13 to the financial statements reflects clinical costs of Kshs.3,456,275,000. The expenditure includes a balance of Kshs. 68,003,000 in respect to stock change/movement being consumed inventory for the year under review. However, the signed stock take register was not provided for audit to confirm the opening stock, additions, issues and closing stock. In addition, physical verification at Kenyatta National Hospital – Annex revealed six (6) stock items were reflected in the stock take sheets to have 280,660 units while the respective bin cards reflected 250,295 units resulting to unexplained variance of 30,365 units valued at Kshs.1,591,135.

In the circumstances, the accuracy and validity of clinical costs of Kshs.3,456,275,000 for the year ended 30 June, 2022 could not be confirmed.

4. Long Outstanding Receivables Balances

The statement of financial position and as disclosed in Note 26 to the financial statements reflects receivables from exchange transactions balance of Kshs.1,652,353,000. Included in this balance is medical services receivables of Kshs.11,053,025,000, an increase by Kshs.893,476,000 or (8%) from the prior year balance. In addition, total trade receivables of Kshs.9,816,444,487 were impaired as at 30 June, 2022 an increase of Kshs.970,964,776 or (10%). The balances also include insurance compensation receivables of Kshs.23,684,000 which have been outstanding since the year 2007, an indication of slow debt recovery measures.

In the circumstances, the recoverability of receivables balance from exchange transactions balance of Kshs.23,684,000 as at 30 June 30 June 2022 could not be confirmed.

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

Emphasis of Matter

Increase in Deficit

The statement of financial performance reflects a deficit of Kshs.2,648,462,000 from a surplus of Kshs.1,728,153,000 reported in the previous year leading to an unfavourable change of Kshs.4,376,615,000.

In the circumstances, the Hospital sustainability of referral services is heavily dependent on continued support by the Government, donors and creditors.

My opinion is not modified with respect to the above matter.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The summary statement of comparison of budget and actual amount reflects final revenue budget of Kshs.20,318,931,000 and actual on comparable basis of Kshs.19,942,835,000 resulting to an under-funding of Kshs.376,096,000. Similarly, the Hospital spent Kshs.19,193,152,000 against an approved budget of Kshs.18,804,104,000 resulting to an over-expenditure of Kshs.389,047,000 which was not explained.

In the circumstances, the underfunding may affect planned activities of receiving patients on referral, provision of medical education to university students, training of nurses and other health and allied institutions.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Unjustified use of Framework Contracts

The statement of financial performance and as disclosed in Note 18 of the financial statements reflects administration expenses of Kshs.708,073,000. The amount includes procurement of stationery and staff uniform cost of Kshs.6,032,262 through framework contracting but the expenditure does not meet the prescribed criteria of framework contracts. This was contrary to Section 114(1) the Public Procurement and Asset Disposal Act, 2015 which states that, a procuring entity may enter into a framework agreement through open tender if the required quantity of goods, works or non-consultancy services cannot be determined at the time of entering into the agreement.

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

2. Late Remittances of Statutory Deductions

The statement of financial position and as disclosed in Note 30 to the financial statements reflects trade and other payables balance of Kshs.1,568,737,000. The balance includes Kshs.59,112,000 relating to unremitted statutory and other deductions on the due dates. This was contrary to Section 94(1)(a) of Public Finance Management Act, 2012 which states that a state organ or public entity is in serious material breach of the measure established under the Act if it has failed to make payments as and when due and has defaulted financial obligations for financial reasons.

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

3. Irregular Procurement of Cleaning Materials

The statement of financial performance and as disclosed in Note 13 to financial statements reflects clinical costs expenditure of Kshs.3,456,275,000. The expenditure includes cleaning materials expenditure of Kshs.71,812,000 which further includes cleaning materials amounting to Kshs.6,917,584 which were procured through direct procurement during the year under review. However, there is no evidence of fulfilling the criteria set out in Section 103(2) of the Public Procurement and Asset Disposal Act, 2015.

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

4. Irregular Disposal of Property

During the year under review, thirty (30) fully depreciated assets with a cost value of Kshs.124,484,104 were disposed-off at Kshs.1,790,000 through request for quotation to only two (2) bidders. However, the disposal method is not among those prescribed under Section 165 of the Public Procurement and Asset Disposal Act, 2015. There was also no evidence on the constitution of the disposal committee while there was no technical report to inform the reserve prices against market prices of the disposed items. Further, dates of disposal of two (2) motor vehicles were not specified.

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 3000 and 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statement 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 CONTROL, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Control, 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 overall governance were not effective.

Basis for Conclusion

1. Expired/Obsolete Inventory

The statement of financial performance and as disclosed in Note 13 to the financial statements reflects clinical costs of Kshs.3,456,275,000. The expenditure includes other clinical costs of Kshs.103,475,000 out of which Kshs.8,199,955 was in relation to the obsolete stock which increased by Kshs.3,456,955 in comparison to prior year reported

amount of from Kshs.4,743,000. This increase of 72% is indicative of a weak inventory management system.

In the circumstances, the effectiveness of internal controls over inventory management are weak.

2. Inspection and Acceptance Committee

The statement of financial performance and as disclosed in Note 18 to the financial statements reflects administration expenses of Kshs.708,073,000. A sample of administrative expenses items amounting to Kshs.5,557,787 revealed that the inspection of goods was performed individually and on different dates instead of the entire committee membership and on the same date. This was contrary to Section 48(3) of Public Procurement and Asset Disposal Act, 2015 which states that inspection and acceptance committee shall immediately after the delivery of the goods, works or services— inspect and review the goods, works or services in order to ensure compliance with the terms and specifications of the contract.

In the circumstances, the Hospital Management is in breach of the law.

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

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 May, 2023



ANNUAL REPORT

AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED JUNE 30, 2023



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

We Listen, We Care

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Abbreviations and Acronyms

| | |
|----------------------|---|
| A&E | Accident & Emergency |
| ABC Study | Air Pollutant Exposures and Brain Development in Children |
| ACS | American Cancer Society |
| ACTIV | A phase 3, multicentre, randomized, double-blind, 24-week study of the clinical and antiviral effect of S-217622 compared with placebo in non-hospitalized participants with COVID-19 |
| AGYW Study | Adherence among Adolescent Girls and Young Women in Kenya |
| AIA | Appropriation in Aid |
| AID | Affiliation and Institutional Development |
| AI NEO Study | Leveraging interactive SMS messaging to monitor and support maternal health in Kenya |
| ALOS | Average Length of Stay |
| AMR | Colonization & Transmission Routes of Multi Drug-Resistant Bacteria |
| AMREF | African Medical & Research Foundation |
| BADEA | Banque Arabe pour le Development Economies in Afrique |
| BoM | Board of Management |
| Bubble CPAP | Feasibility of implementing VAYU Bubble CPAP device for respiratory support among neonates |
| CAJ | Commission on Administrative Justice |
| CCU | Critical Care Unit |
| CEO | Chief Executive Officer |
| CFAR | University of Washington/Fred Hutch Center for AIDS Research |
| CHV-NEO Study | CHV-NEO: Community-based digital communication to Support neonatal health |
| CONNECT Study | County Ownership and Networks to maintain Nairobi Epidemic Control |
| CPA | Certified Public Accountant |
| CTC | Cancer Treatment Centre |
| DC | Defined Contribution |
| DMU | Debt Management Unit |
| DRIP ASSIST | Evaluation of an Infusion Monitoring Device as a Cost-Effective Way to Increase Safe Access to Oxytocin and Magnesium Sulfate |
| ELEWA Study | Causes and risk factors for death in HIV positive adolescents and youth in Kenya |
| EMC | Executive Management Committee |
| ENT | Ear, Nose, and Throat |
| ERP | Enterprise Resource Planning |
| Fertility Intentions | FP Measurement Improvement using a Digital Counselling Tool |
| FHH | Friends of Hope Hostel |
| FP Plus Study | Integrating PrEP delivery in family planning clinics in Kenya Study |
| FY | Financial Year |
| Genova RCT | Novation-1: A randomized, Double-Blind placebo controlled, Phase III study to evaluate the safety and Efficacy of Aerosolized Nivaferon + SOC vs. Placebo + SOC in Hospitalized Adult Patients with moderate to severe COVID-19 |
| GIRL Study | High-yield HIV testing, facilitated linkage to care and prevention for female youth in Kenya |
| GoK | Government of Kenya |
| HAIs | Hospital Acquired Infections |
| HACCAP | Hazard Analysis & Critical Control Point |
| HDU | High Dependency Unit |
| HIV AECI study | Evaluation of HIV Testing and care in African Emergency Care for the injured Study |
| HIV Cascade Study | Improving the HIV Care Cascade in Kenya through implementation Science |
| HIV-TB EMORY Study | The role of antibodies in infants in TB prevention |

| | |
|------------------|--|
| HIV-TB Study | The effect of HIV exposure and infection on immunity to TB in children |
| HCV-TX Study | Optimizing Hepatitis C Virus Treatment for Kenyan people who inject drugs to achieve micro-elimination |
| HMIS | Health Management Information System |
| HOPE-Kenya | HIV/cervical cancer cOntrol and Prevention clinical site in Kenya |
| IAD | Internal Audit Department |
| IAEA Study | The International Atomic Energy Agency Fellowship |
| ICPAK | Institute of Public Accountants of Kenya |
| ICPS | Institute of Certified Public Secretaries |
| ICS | Institute of Company Secretaries |
| ICT | Information Communication Technology |
| ICU | Intensive Care Unit |
| IHRM | Institute of Human Resource |
| INTEGRATE | Integrating prevention and treatment of non-communicable diseases and HIV care through research training in Kenya |
| IPPD | Integrated Payroll and Personnel Database |
| IPSAS | International Public Sector Accounting Standards |
| ISO | International Standards Organization |
| KCV HIV Study | Chronic Inflammation and Early Risk of Atherosclerosis among HIV infected Adults in Kenya |
| KEMRI | Kenya Medical Research Institute |
| KIM | Kenya Institute of Management |
| KMTC | Kenya Medical Training College |
| KNH | Kenyatta National Hospital |
| KNH HEU | Population Evaluation and Screening Strategies Hope Study |
| KHSPIV | KNH Strategic Plan Four |
| KPCC | KNH Prime Care Centre |
| KPI | Key Performance Indicators |
| KRA | Kenya Revenue Authority |
| KURA | Kenya Urban Roads Authority |
| LAI | Acceptability of Sustained-Release Antiretrovirals for Treatment in Kenya |
| MDR-TB Study | MultiDrug Resistant Tuberculosis |
| MIIA Study | Evaluating Peer-mediated assisted partner services among people who inject drugs in Kenya: Delivery cost and budget impact |
| MITIPS Study | Mycobacterium Tuberculosis Infections in HIV |
| MICROBIOTA Study | Impact of Periconceptual Vaginal Microbiota on Women's Risk of Preterm Birth |
| MMAP | Development of Global Good for Measurement and Programme Study |
| MMUH | Mama Margaret Uhuru Hospital |
| MoH | Ministry of Health |
| MOPC | Medical Out-patient Clinic |
| MOU | Memorandum of Understanding |
| Mpact | Health Strategies for the Paediatric to Adult HIV Transition |
| MTRH | Moi Training & Referral Hospital |
| MWACH Empower | Mobile solutions to empower reproductive life planning for women living with HIV Study |
| Mwach Neo Study | Mobile Watch Neo: Communication Empowering Mothers and New-borns |
| Mwach PrEP Study | An SMS-based support Intervention to enhance PrEP adherence during pregnancy and breastfeeding Study |
| NACC | National AIDS Control Council |
| NBK | National Bank of Kenya |

| | |
|----------------------------|---|
| Kenyatta National Hospital | |
| NBTS | National Blood Transfusion Services |
| NCD's | Non-Communicable Diseases |
| NQCL | National Quality Control Laboratory |
| NHIF | National Hospital Insurance Fund |
| NLC | National Land Commission |
| NPEP | Non-Invasive Pharmacokinetic Evaluation of PrEP Adherence among |
| NPHLS | National Public Health Laboratories Services |
| NSSF | National Social Security Fund |
| NT | National Treasury |
| OED | Operation Ear Drop |
| OPEC | Organization of Petroleum Exporting Countries |
| OPI | Operation Performance Index |
| OSHE | Occupational Safety & Health Act |
| PAS | Performance Appraisal System |
| PEU | Paediatric Emergency Unit |
| PFM | Public Finance Management |
| PIC | Public Investment Committee |
| PIMA Study | Understanding current Nairobi viral load monitoring systems, identifying and addressing potential gaps in implementation and establishing a city-county-level collaborative network to identify program-level indicators for viral load monitoring. |
| PPP | Public-Private Partnership |
| PrIMA DTG | Drug, microbiome, and immune determinants of birth and neurodevelopmental outcomes in children with exposure to HIV infection |
| SCAC | State Corporations Advisory Committee |
| SEKU | South Eastern Kenya University |
| SPU | Sterile Preparation Unit |
| SRC | Salaries Regulation Commission |
| STI's | Sexually Transmitted Infections |
| PRIMA Study | Pre-Exposure Prophylaxis Implementation for Mothers in Antenatal Care |
| PRIMA Ancillary | Biological mechanisms for altered neurodevelopment in infants exposed to antiretrovirals in utero and during breastfeeding |
| PRIMA X Study | Evaluating Infant PrEP Exposure during Pregnancy and Breastfeeding Study |
| SHARP Study | Integrating Assisted Partner Services & Phylogenetics for HIV and HCV Prevention |
| SUMMIT | Evaluation of an Infusion Monitoring Device as a Cost-Effective Way to Increase Safe Access to Oxytocin and Magnesium Sulfate |
| TES-NES EFFICACY | Clinical Evaluation of Nestorone Gel for Male Contraceptive |
| TIMIZA Study | Understudying the roles of schools in supporting HIV treatment outcomes among HIV-infected adolescents |
| UHC | Universal Health Care |
| UNITID | University of Nairobi Institute of Tropical & Infectious Diseases |
| UON | University of Nairobi |
| VAT | Value Added Tax |
| VCT | Voluntary Counselling & Testing |
| VVF | Vaginal-Vesical Fistula |
| WIBA | Work Injury Benefits Act |
| WARMA | Water Resources Authority |
| ZINGATIA | Optimizing HIV care for non-adherent adolescents enrolled in care |

About Us

Key Hospital Information

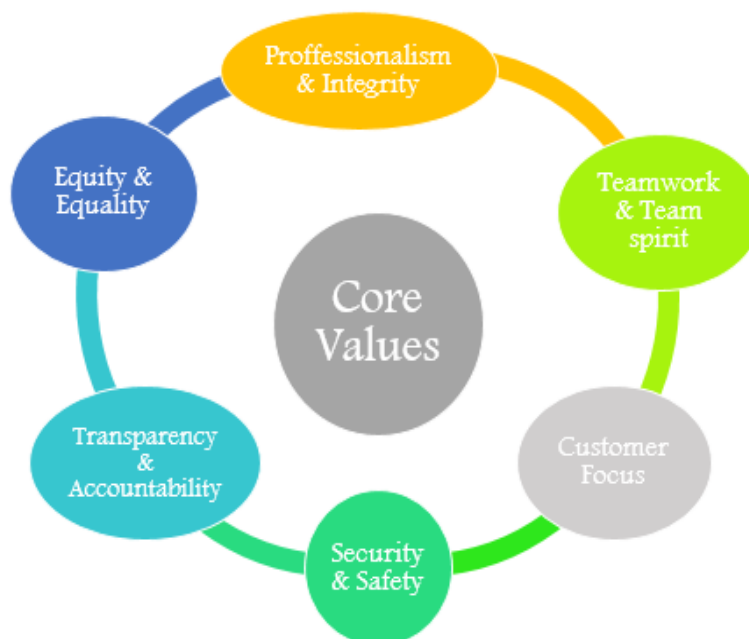
KNH was established as a State Corporation in 1987 through Legal Notice No. 109 of 6th April 1987 as amended by the KNH Amendment Order 2021 with the following mandate:

- a) To receive patients on referral from other hospitals or institutions within or outside Kenya for specialized health care.
- b) To provide facilities for medical education for the University of Nairobi and for research either directly or through other co-operating health institutions.
- c) To provide facilities for education and training in nursing and other health and allied institutions.
- d) To participate, as a national referred hospital, in national health planning

Vision: A world class patient-centred specialized care Hospital

Mission: “To optimize patient experience through innovative healthcare; facilitate training and research; and participate in national health policy formulation”

Core Values



Strategic Destination

A multi-specialty centre of excellence offering services that meet international certification standards

Our journey

Kenyatta National Hospital is the oldest hospital in Kenya. Established in 1901 with a bed capacity of 40, as the Native Civil hospital, it was renamed the King George VI in 1952 and later to Kenyatta National Hospital after Jomo Kenyatta, First President of the Republic Kenya following independence from the British. KNH has two Annexes namely Mwai Kibaki Hospital and Mama Margaret Uhuru Hospital located in Othaya and Kariobangi, Nairobi. The annexes were handed over to the KNH Board through Presidential directives in September 2019 and March 2022 respectively for operationalization to Level VI tier Hospitals.

Other Hospital Information

a) KNH Address

Kenyatta National Hospital
P. O. Box 20723 – 00202,
Hospital Road, off Ngong Road,
Nairobi, Kenya.

b) KNH Contacts

Tel: +254 20 2726300,
+254 20 2726550,
+2540730643000, +2540709854000,
Fax: +254 20 2725272,
Email: knhadmin@knh.or.ke,
Website: www.knh.or.ke

c) Independent Auditors

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

d) Principal Legal Adviser

The Attorney General,
State law office and Department of Justice
Harambee Avenue,
P. O. Box 40112 - 00200,
Nairobi, Kenya.

e) KNH Bankers

National Bank of Kenya Limited
Hospital Branch,
P. O. Box 30763 – 00100,
Nairobi, Kenya.

Kenya Commercial Bank Limited,
Moi Avenue Branch,
P. O. Box 30081 - 00100,
Nairobi, Kenya.

Equity Bank Limited,
Equity Centre Branch,
P.O. Box 75104–00200,
Nairobi, Kenya

Key Management

KNH day to day management is under the following key organs:

Chief Executive Officer

The CEO takes overall responsibility for the day-to-day running of the Hospital on behalf of the Board of Management. The CEO is charged with the following key responsibilities;

- a) Ensure the Hospital mandate and policies are implemented fully and effectively in line with the strategic plan.
- b) Formulate strategies, business plans, and leading teams for high performance and innovation
- c) Ensure prudent management of resources for the achievement of the Hospital's mandate and strategic objectives.
- d) Overseeing and directing the development and implementation of the Hospital's strategic initiatives and capacity building in line with the goals and aspirations of Kenya's Vision 2030 and the National Health Sector Strategic Plans and ensuring they are implemented on time.
- e) Initiate, establish, strengthen, and oversee inter-institutional collaborations and strategic partnerships for the realization of the Hospital's mandate and strategic objectives.
- f) Ensure the Hospital employees remain motivated to discharge their responsibilities effectively and efficiently, and in compliance with human resource management policies and practices.
- g) Establish and sustain effective relationships with the Board of Management, the Government, the parent ministry, and other stakeholders.
- h) Promote a culture of compliance with regulations, statutory requirements, good corporate governance principles, and best practices in the Hospital.

ii) Executive Management Committee (EMC)

The team consists of the CEO, Directors, and any other member as directed by the BoM or appointed by the CEO. EMC holds meetings weekly and is responsible for:

- a) Support to Board of Management for effective oversight.
- b) Evaluate the Hospitals long-term healthcare service effectiveness.
- c) Review and recommend appropriate actions for strategic operational plans and policies
- d) Review performance improvement activities and patient safety efforts.
- e) Identify, evaluate and implement the scope of service, practice, and governance of the Hospital.
- f) Prudent management of resources.

iii) Hospital Senior Management Committee

The committee is chaired by the Senior Director, Clinical Services. Members of this committee include Senior Directors, Directors, Heads of Departments and Heads of Units, and any other member as directed by the Committee. The committee's responsibilities include;

- a) To spearhead and provide leadership and guidance in service provision affecting health care delivery.
- b) To implement issues arising from Executive Management Committee and provide feedback.
- c) Receive and act upon weekend coverage reports, OPI, ISO, and departmental performance for efficient service delivery.
- d) Initiate surveys and research to enhance and ascertain gaps in service delivery and take appropriate action.
- e) To receive reports on the implementation of the Hospital Budget and procurement plans (Quarterly).
- f) To discuss Human Resource staff welfare issues.
- g) To discuss Hospital strategic issues and progress of implementation of Board Performance.
- h) To receive and discuss Hospital briefs on Hospital upcoming activities from the Marketing & Communications department.

iv) Budget Implementation Committee

The team is chaired by the Senior Director, Corporate Services, and consists of Senior Directors, Directors, and HoDs. The committee meets monthly and has specific terms of reference which include to:

- a) Review and consider cash flow plans for the Hospital and ensure that approval of any changes to the initial cash flow plan is communicated to the Ministry of Health.
- b) Review the utilization of cash limits and consider any changes as may be required.
- c) Review the utilization of donor funds allocated to KNH and recommend corrective action.
- d) Advise the Chief Executive Officer on any challenges related to the Budget implementation with recommendations on ways of mitigating the challenges.
- e) Review and recommend reallocation of expenditures.
- f) Review and approve submission of expenditure returns, IPPD, pending bills, and A-I-A returns for KNH and recommend action to be taken.
- g) Facilitate participation of KNH in the Health Sector Working Group.
- h) Oversee preparation of the Hospital budget and ensure timely submission to The National Treasury.
- i) Review periodic circulars from the Government about the Budget and ensure Hospital Compliance.

v) Performance Steering and Coordination Committee

The team is chaired by the Senior Director, Corporate Services, and consists of Senior Directors, Directors, and HoDs. The Committee meets every quarter and has specific terms of reference which include:

- a) Coordinate the development of the annual Board Performance Contract;
- b) Coordinate the cascading of performance targets to divisional, departmental and individual staff levels;
- c) Prepare evidence in support of the annual Board performance contract for evaluation;
- d) Facilitate and coordinate the mid-year and end-year staff appraisal exercise;
- e) Identify staff performance gaps within the Hospital and come up with mitigating measures and recommendations;
- f) Recommend staff for rewards or sanctions or other interventions to the Chief Executive Officer.

Fiduciary Management

The key management personnel who held office during the period ended June 30, 2023 and had direct fiduciary responsibility were:

Table 1: Key Management

| No. | Name | Position Held |
|-----|----------------------------|---|
| 1. | Dr. Evanson N. Kamuri, EBS | Chief Executive Officer |
| 2. | Dr. Irene Inwani, OGW | Senior Director, Clinical Services |
| 3. | Mr. Job Makanga, OGW | Senior Director, Corporate Services |
| 4. | CS Calvin Nyachoti | Corporation Secretary & Director Legal Services |
| 5. | Dr. John Ngigi | Senior Director, KNH Prime Care Centre |
| 6. | Dr. Peter Muiruri | Ag. Senior Director, Mwai Kibaki Hospital |

| No. | Name | Position Held |
|-----|-------------------------|--|
| 7. | Raheli Mukhwana | Ag. Director, Nursing Services |
| 8. | Dr. Kennedy Ondede | Director, Surgical Services |
| 9. | Dr. Rose Nyabanda | Director, Diagnostics Services & Health Information |
| 10. | Dr. Alfred Birichi | Director, Pharmaceutical Services |
| 11. | Mr. Kennedy Mbogo | Ag. Director, Affiliation, and Institutional Development |
| 12. | Dr. William Sigilai | Director, Medical Services |
| 13. | Eng. Richard Binga | Director, Facilities, and Services |
| 14. | CHRP Winnie Mwangi | Director, Human Resource Management |
| 15. | Mrs. Rose Njoroge, OGW | Director, Supply Chain Management |
| 16. | CPA Michael Kihuga | Director, Finance |
| 17. | Dr. Lydia Okutoyi | Director, Health Care Quality |
| 18. | CPA Erick Otieno Omondi | Director, Internal Audit |
| 19. | Mr. Dave Opiyo | Chief Manager, Marketing and Communication |
| 20. | Dr. John Kinuthia | Director Training, Research and Innovation Centre |

Fiduciary Oversight Arrangements

The overall oversight responsibility of the Hospital rests with the Board of Management which has four standing committees as below:

- a) Clinical Research and Standards Committee
- b) Human Capital, Finance and Administration Committee
- c) Corporate Strategy and Enterprise committee
- d) Risk and Audit Committee

Board of Management



Dr. Samier Muravvej
Chairman of the Board

Dr. Samier Muravvej (45 years) is the Chairman of the KNH Board of Management appointed on February 6, 2023. With over 20 years' of experience gained from working at the Coast General Provisional Hospital, he is well-versed in the clinical field. He is the Founder and CEO of North Coast Healthcare Solutions Ltd; Founder and Chairman of Pharmaken Ltd; Chairman and CEO of Neotech Kenya Ltd; and Chairman and CEO of Muravvej Holdings Ltd. He has a wealth of experience in leadership; project conceptualization and implementation; strategic direction; and resource mobilization for project development.

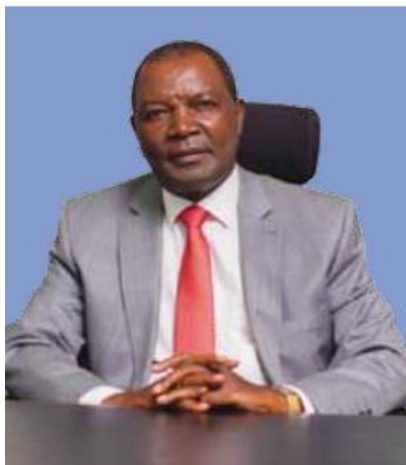
He holds a Master in Implant Prosthetic, Bachelor of Dental Surgery and is a Fellow in Dental Surgery.

Dr. Evanson Kamuri, (52 years) is the Chief Executive Officer of Kenyatta National Hospital, a position he has held since 15th October 2019. Dr. Kamuri has served in Hospital for more than 20 years having joined in 1998. Prior to his appointment, he was the Director in charge the KNH Prime Care Centre. He also has served as the Director in charge of Affiliation and Institutional Development. Professionally, Dr. Kamuri is a Chief Medical Specialist in the field Dermatology and Venerology. He is also the President, African Society of Dermatology and Venereology and the Chairman of the Kenya Association of Dermatologists.

He holds a Master of Science in Clinical Dermatology, Masters in Business Administration (Strategic Management), and Bachelor of Medicine and Surgery.



Dr. Evanson N. Kamuri, EBS
Chief Executive Officer



Prof. Njuguna Ndung'u, CBS
Cabinet Secretary, National
Treasury & Economic Planning

Prof. Njuguna Ndung'u (62 years) is the Cabinet Secretary, National Treasury & Economic Planning. He was appointed to the Cabinet on September 27, 2022. Prior to his appointment, Prof. Ndung'u was serving as the Executive Director of the African Economic Research Consortium (AERC). Prof. Ndung'u is an associate professor of economics at the University of Nairobi, and the immediate former Governor, Central Bank of Kenya. He has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Programme specialist at IDRC and Team Leader in Macro-modelling at the Kenya Institute for Public Policy Research and Analysis.

He holds a PhD in economics from University of Gothenburg, Sweden. He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion and a senior advisor for the UNCDF-based Better Than Cash Alliance.

Mr. Harry Kimtai (55 years) is the Principal Secretary, State Department for Medical Services at the Ministry of Health. He previously served as Principal Secretary State Department for Livestock from 2018 serving to 2023. Other positions held include Director at the Capital Markets Authority between 2016 to 2017. Between 2008 and 2014, he was a General Manager at Branded Fine Foods Ltd, a leading private industry player. Prior to joining Branded Fine Foods Ltd., he had started his career at Kenya Revenue Authority as a management trainee in 1996 and rose through the ranks to the position of Principal Revenue Officer in the period 2003 – 2006.

He holds a Bachelor of Arts degree in Economics, Master of Arts in Economics and Master of Philosophy Economics, specialised in Regional Planning and Economic Development from Bhopal University, India (1989 – 1995).



Mr. Harry Kimtai
Principal Secretary, State
Department of Medical Services



Mr. Alfred M. Kagika, EBS
Alternate Director to the Cabinet Secretary, The National Treasury

Mr. Alfred Kagika (54 years) is the Pensions Secretary & Director of Pension at The National Treasury since October 2019. He is a certified Trustee with over 30 years' wealth of experience in leadership and management in the Public Service. His tour of duty has seen him work as a District Commissioner (DC), Chief Executive Officer of the Rent Tribunal, Administrator in the Ministry of Public Works and Housing, Social Secretary and Administrator at both State House and the Cabinet Office and Chief Executive Officer and Secretary of the Constitutional Power of Mercy Advisory Committee.

He holds a Bachelors Degree in Public Administration, Master in Public Administration degree and an array of Diplomas and certifications in Management from both local and foreign institutions including Kenya School of Government (Kabete), Entrepreneurial Development Institute of India (India), East and Southern African Management Institute (ESAMI) Tanzania, Civil Defence Academy (Singapore) and Centre of Excellence for Stability Police Units (Italy).

Dr. Bartilol Kigen (55 years) is the Director of Health Standards, Regulations and Quality Assurance at the Ministry of Health, State Department of Medical Services. He has over 27 years' experience in the health sector. Dr. Kigen has held several notable positions, including Head of National Referral Services and Head of National Sexual Transmitted Infections and AIDS Control Program at the Ministry of Health. He has also worked as a Consultant Obstetrician and Gynaecologist at Mama Lucy and Mbagathi County Hospitals. He has also served as the Head of Reproductive Health Services in the Ministry of Health; and has contributed his medical expertise in various district and provincial hospital as a Medical Officer.

He holds a Master of Medicine in Obstetrics & Gynaecology; Bachelor of Medicine & Bachelor of Surgery degree; and Certificate in Health Management.



Dr. Bartilol Kigen
Alternate Director to Principal Secretary, Ministry of Health

Mr. Samwel Odiwuor Kaumba (38 years) is a Senior State Counsel in the Office of the Attorney-General and Department of Justice. He is also an Advocate of the High Court of Kenya with over 12 years' experience. Mr. Kaumba has recognized expertise in the areas of Public sector institutional governance, reform and related public sector transactions. He has undertaken specialized assignments in areas of legal compliance audits in several State Corporations, advised on merger and delinking of public sector institutions, sectoral policy formulation and reviews. He held the position of Secretary to a Taskforce on Policy, Legal and Administrative measures impacting on Intersex Persons in Kenya from 2018 to 2019.

Mr. Kaumba holds a Bachelors of Laws degree from the University of Nairobi and Master of Public Policy and Administration from Kenyatta University.



Mr. Samwel O. Kaumba
Alternate Director to Hon. Attorney General



Prof. George Osanjo
Principal, College of Health Sciences

Prof. George Osanjo (49 years) is the Dean for the Faculty of Health Science, University of Nairobi since August 2022. He is also an Associate Professor in the Department of Pharmacology and Pharmacognosy, University of Nairobi and coordinates the Master of Science in Molecular Pharmacology programme.

He has served as a technical expert in national and inter-governmental committees to improve medicines safety and public health. He has led projects and collaborations that support capacity development for institutions of higher learning. As Trustee of the Universities' Academic Staff Union (UASU), he worked to improve the work environment for all universities' academic staff in Kenya and internationally; and support quality higher education.

He holds a Ph.D. in Pharmacology; Master of Science in Molecular Pharmacology; Bachelor of Pharmacy; Diploma in Law; Certificate in Health Law and Policy Research; and is a postdoctoral Fellow.



Dr. Joseph Wafula Mutunga
Independent Director

Dr. Joseph W. Mutunga (53 years) is an independent Board Member appointed on 6th March 2023. He has been the Director at Adenchem Stores Ltd since 2011 and has also held previous positions such as Regional Manager for Murphy Chemicals EA Limited and Manager for Faiz Pharmacy/Schifachem Limited.

Dr. Mutunga has amassed more than two decades of experience in animal health, particularly in the pharmaceutical industry. He holds a Bachelor degree in Veterinary Medicine

Mr. Thomas Cheruiyot (59 years) is an independent Board Member appointed on 6th March 2023. He has been the Managing Director at Waiyat Logistics Kenya Ltd since 2008; and he previously worked for 17 years at Kenya Power and Lighting Company.

Mr. Cheruiyot holds a Bachelor of Business Management with specialization in Marketing and Diploma in Electrical Engineering with a focus on Power,



Mr. Thomas Kipkoskei Cheruiyot
Independent Director



Ms. Catherine Kathure Samwel
Independent Director

Ms. Catherine Kathure (42 years) is an independent Board Member appointed on 6th March 2023. She currently holds the position of Managing Director at Homelink Mabatiti Factory, since 2018. In addition, Ms. Kathure has also worked as an Associate Project leader for Africa Turn Around Ltd Practical Action; Project Leader for Netherlands Development Organization Renewal Energy; and Associate Consultant with Smart Edge Solutions, Upper Tana Natural Resources Management Project. She has extensive experience in project management, monitoring and evaluation, as well as training and capacity development.

Ms. Kathure holds a Master in Development Studies (Community Development) and Bachelor of Education (Mathematics and Chemistry)



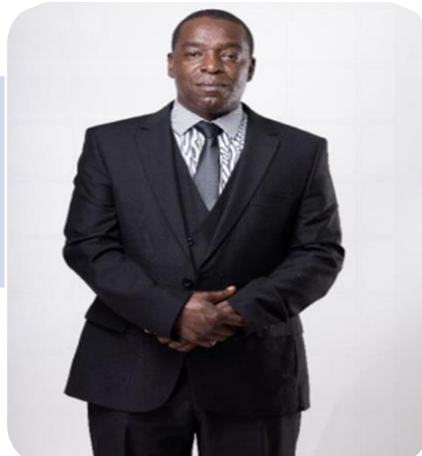
Cs Calvin Nyachoti
Corporation Secretary & Director
for Legal Services

CS Calvin Nyachoti (41 years) is the Corporation Secretary and Director for Legal Services. He has more than 10 years' experience as an Advocate of the High Court, a certified Corporate Secretary and a practicing Arbitrator/Mediator and Trainer.

Mr. Nyachoti is a member of various professional bodies among them: Chartered Institute of Arbitrators (CIArb.); Institute of Certified Public Secretaries of Kenya (ICPSK); Law Society of Kenya (LSK); East Africa Law Society (EALS); International Law Association (ILA); UK Institute of Management of Information Systems (IMIS) and is a registered Environmental Impact Assessment/Audit Expert.

CS Nyachoti holds a Master in Business Administration (Strategic Management), Masters degree in Law (International Environmental Law), Bachelor of Laws degree, and Post-graduate Diploma in Law, and various studies in governance, team skills, and retirement benefits amongst others.

Management Team



Dr. Evanson N. Kamuri, EBS

Chief Executive Officer, Kenyatta National Hospital

Qualifications

- PhD ongoing (Leadership & Strategy) (JKUAT)
- Master of Science Degree in Medicine Dermatology (University of London)
- MBA, Strategic Management (UoN)
- Bachelor of Medicine and Surgery (MBChB) (UoN)

Appointed

2019

Experience

- A Chief Medical Specialist in the field of Dermatology and Venereology with more than 20 years of experience
 - Joined KNH in 1998 as a Medical Officer
 - Served as the Director in charge of the KNH Prime Care Centre and also Deputy Director in charge of Affiliation and Institutional Development

Membership

- The current President of the African Society of Dermatology and Venereology
- Chairman of the Kenya Association of Dermatologists

Awards

- EBS- June 1, 2020
- Uzalendo Award (2020) for his contribution to efforts to contain the spread of coronavirus in the country

Responsibilities

Providing strategic leadership; drawing and execution of plans for implementation of the Hospital's mandate and overall implementation of the Board's decisions.



Dr. Irene Inwani, OGW
Senior Director, Clinical Services

Qualifications

- Honorary faculty (UoN)
- Global Health Equity Scholars (GHES)
- The Fogarty Global Health training program- Paediatric and Maternal Health, HIV/AIDS Care, and Public Health

Appointed

2020

Experience

- A Chief Medical Specialist with more than 24 years of experience in Paediatrics, Child Health, Research Regulation, Program Implementation, Coordination, Monitoring, and Evaluation.

- Served as Director Affiliation and Institutional Development

Membership

- Researcher with a methodological focus on Epidemiology, International Health, and implementation science and health research
- Member, KNH/UON Ethics and Research committee

Awards

- OGW-July 8, 2022

Responsibilities

Overseeing the effective implementation of clinical services, facilitating training and research in the Hospital, and coordinating and overseeing the provision of surgical, medical, diagnostic, health information, nursing, rehabilitative, and pharmaceutical services in the Hospital.



Mr. Job Makanga, OGW
Senior Director, Corporate Services

Qualifications

- PhD ongoing (Strategic Management) (UoN)
- MBA, Strategic Management (UoN)
- BSc., Hospitality and Institutional Management (Maseno University)
- Certified Balance Score Card Master Professional
- Project Management Specialist (University of Washington, USA)
- Certified monitoring and evaluation professional (Kenya Institute of Management)

- Trainer of Trainers in Change Management (Africa Institute of Management)
- Certified policy analyst (Strathmore University)

Appointed

2022

Experience

- More than 17 years of work experience in the private and public sectors.
- Previously served as the Director Planning & Strategy from 2015 to 2022.

Membership

- Kenya Institute Planners,
- Kenya Institute of Management
- Institute of Economic Affairs (IEA)
- Institute of Internal Auditors (Global)
- The Association for Strategic Planning (Global)
- Balanced Scorecard Institute (BSI)

Awards

- OGW-December 17, 2021

Responsibilities

Providing administrative support, ensuring effective execution of Hospital mandate, ensuring optimal utilization of resources, and providing overall leadership to Finance, Facilities & Services, Planning & Strategy, Human Resources, Administration, Marketing & Communication, and Security & Safety functions in the Hospital.



Dr. John Ngigi
Senior Director, KNH Prime Care Centre

Qualifications

- MBA in Health Care Management (Strathmore University)
- Master of Science in Medicine-Internal Medicine (UoN)
- Master of Surgery (UoN)
- Bachelor of Medicine and Bachelor of Surgery (MBChB) (UoN)

Appointed

2019

Experience

- More than 24 years of experience as a medical practitioner
- A senior medical specialist in Nephrology
- Head of the Renal department at Kenyatta National Hospital

Membership

- Fellow, the International Society of Nephrology (ISN) (University of Stellenbosch)
- Fellow, Tygerberg Academic Hospital (Cape Town)
- Pioneer student in MBA (Healthcare Management) (Strathmore Business School)
- Member, ASN
- ISN fellowship committee
- Various boards of companies and societies

Responsibilities

Providing strategic leadership at the KPCC in a direction aligned to the Hospital vision; setting up prudent clinical governance; leading a well-sourced team to ensure good performance management.



**Dr. Peter Muiruri,
Ag. Senior Director – KNH Othaya**

Qualifications

- Masters of Tropical Health (University of Queensland, Australia)
- Bachelor of Medicine and Bachelor of Surgery (MBChB) (UoN)

**Appointed
2020**

Experience

- A Senior Medical Specialist with more than 20 years of experience in managing HIV/AIDS, Tuberculosis & other infectious diseases
- The former Head of Comprehensive Care Centre at Kenyatta National Hospital
- Project Director of the KNH-CDC-supported UoN Centre of Excellence in HIV Medicine (COEHM) Program

Membership

- Fellow, HIV Disease Research at Harvard University
- Pioneer scholar of advanced training in HIV Management and Treatment, New York University (NYU)
- National ART Technical Working Group, HIV Drug Resistance, Mentorship TWG
- KNH-UoN Ethics Review Committee

Responsibilities

He oversees the implementation of the strategy and operational decisions of the directorate and is responsible for ensuring the Hospital meets its statutory obligations.



**CS Calvin Mogute Nyachoti
Corporation Secretary &
Director for Legal Services**

Qualifications

- MBA, Strategic Management (Daystar University)
- Master's degree in Law (International Environmental Law) (University of Nottingham)
- Bachelor of Laws Degree (LL. B) (Moi University)
- Postgraduate Diploma in Law (Kenya School of Law)
- Various studies in governance, team skills, and retirement benefits amongst others

**Appointed
2013**

Experience

- More than 10 years of experience as an Advocate of the High Court
- Certified Corporate Secretary
- Practicing Arbitrator/Mediator and Trainer

Membership

- Chartered Institute of Arbitrators (CIArb.)
- Institute of Certified Public Secretaries of Kenya (ICPSK)
- Law Society of Kenya (LSK)
- East Africa Law Society (EALS)
- International Law Association (ILA)
- UK Institute of Management of Information Systems (IMIS)
- Registered Environmental Impact Assessment/Audit Expert

Responsibilities

Providing secretarial services to the Board of Management; providing in-house legal advisory services; handling corporate governance arrangements; provision of dispute resolution services; participating in the formulation and review of legal policies and procedures amongst others.



**Mrs. Rose Njoroge, OGW
Director, Supply Chain
Management**

Qualifications

- PhD ongoing in Leadership & Governance (JKUAT)
- MBA, Strategic Management (KEMU)
- BSc General Supplies (Egerton University)
- Diploma & Graduate Diploma in Purchasing and Supplies (CIPS – UK) foundation stage
- Certificate in Corporate Governance (Centre for Corporate Governance)
- Certificate in Strategic Leadership Development Program (SLDP) (KSG)

- Performance Measure Process (PuMPR) Certification (Stacey Barr Pty)

**Appointed
2020**

Experience

More than 20 years of result-oriented experience in Strategic Supply Chain Management gained across organizations in the Private Sector and Non-Governmental Organizations.

Membership

- Chartered Institute of Supplies Management (MCIPS)
- Licensed member of the Kenya Institute of Supplies Management (MKISM)

Awards

- OGW-July 8, 2022

Responsibilities

Facilitating the procurement of goods works, and services, inventory management, and disposal per the requirements of the law.



Dr. Tom Menge
Director, Affiliations and Institutional Development

Qualifications

- MSc (Pharmacology and Toxicology) (UoN)
- Bachelor of Pharmacy (B. Pharm) (UoN)

Appointed
2020

Experience

Joined Kenyatta National Hospital in 1995.

Membership

- Chair of the Hospital Pharmacists Association of Kenya (HOPAK)
- Member, Governing Council of the Pharmaceutical Society of Kenya

Responsibilities

Coordinating partnerships and resource mobilization for the Hospital in its endeavor to be self-sustainable. He is also charged with coordinating, planning, and implementing infrastructure development for the Hospital projects.



Dr. Caroline Robai
Ag. Head, Clinical and Nursing Services - Mama Margaret Uhuru Hospital (MMUH) -KNH Annex

Qualifications

- Master of Medicine (MMed.) Family Medicine (Aga Khan University Hospital)
- Bachelor of Medicine and Bachelor of Surgery (MBChB) (Moi University)
- Ongoing Masters in Public Policy and Management (MPPM) (Strathmore University)

Appointed
2022

Experience

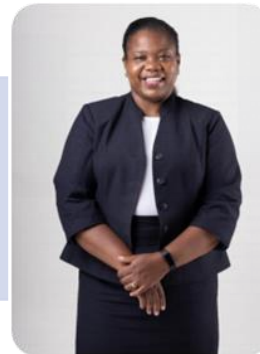
- More than 12 years of experience as a medical practitioner
- Former Unit Head of Medicine (Accident and Emergency department) -KNH
- Provision of quality emergency care in Kenya, patient-centered care, Research, Policy formulation, and Telemedicine practice
- Part of the team that helped in implementation of the national referral policy

Membership

- Fellow, International Society of Quality Health Care (ISQua)
- Emergency Medicine Kenya Foundation (EMKF)
- Kenya Association of Family Physicians (KAFF)

Responsibilities

Assisting the Senior Director, Clinical Services in the overall administration of the Directorate at MMUH, promoting training and research activities in the Division, and formulating policies and plans for improved service delivery in the Hospital.



Ms. Raheli Mukhwana
Ag. Director Nursing Services

Qualifications

- BSc, Nursing (UEAB)
- Masters in Public Health (MPH) Reproductive Health (Kenyatta University)
- Diploma in Sexual Reproductive Health and Rights (Lund University Sweden)

Appointed

Ag. Director Nursing Services in 2021.

Experience

- More than 24 years of experience in Nursing and Midwifery working at Kenyatta National Hospital.

Participated in;

- National guidelines and policy formulation; The Saving Mothers Lives, Confidential Enquiry into Maternal Deaths in Kenya, Review of the National Guidelines for Quality Obstetrics and Perinatal Care, Development of Maternal Neonatal and Child Health Essential Equipment List, and Emergency Obstetric and Newborn Care Training package.

- Researcher with several publications in peer-reviewed journals.

Membership

- Treasurer, Africa Midwives Research Network Kenya Chapter (AMRN)
- Member, Midwives Association of Kenya (MAK)
- Member, National Nurses Association of Kenya (NNAK)

Responsibilities

Formulation, review, and interpretation of KNH health care policies relating to nursing services; ensuring compliance to Nursing Statutory and regulatory requirements; facilitating development and review of training programs for nurses in the Hospital.



Mrs. Judith Mugambi
Director, Nursing Services

Qualifications

- MSc in Critical Care Nursing & Health Systems Management
- Postgraduate diploma in Health care management & Project management
- Currently pursuing a Ph.D. in Organizational Leadership

Appointed
 2019

Experience

- Professional nurse for 32 years
- Served as a lecturer at the KNH School of Nursing
- Head nurse in the Specialized Surgery department and has served in several capacities in nursing management prior to her appointment

Responsibilities

Formulation, review, and interpretation of KNH health care policies relating to nursing services; ensuring compliance to Nursing Statutory and regulatory requirements; facilitating development and review of training programs for nurses in the Hospital.



Dr. Kennedy Ondede
Director, Surgical Services

Qualifications

- Master of Medicine in General Surgery (MMED) (UON)
- Bachelor of Medicine and Bachelor of Surgery (MBChB) (UoN)
 - Dip Laparoscopy (DELHI)
 - Cert. Endoscopy (CAIRO CTC)
 - Cert. Liver Transplant (DELHI)

Appointed
 2020

Experience

- More than 18 years of experience as a Medical Specialist
- Consultant General Surgeon and has been the head of Theaters for three years before his appointment as Director, Surgical Services

Membership

- International Hepatobiliopancreatic Association, Europe
- African Hepatobiliopancreatic Association
 - Surgical Society of Kenya
 - Gastro Society of Kenya
 - World Association for Laparoscopic Surgeons

Responsibilities

Management of Surgical Services, overseeing the planning, scheduling, and coordination of surgical care, and promoting research, innovation, and technology transfer in the provision of surgical services in the Hospital.



Dr. Rose Nyabanda
Director, Diagnostic Services & Health Information

Qualifications

- Master of Medicine in Radiology and Imaging (MMed. Rad) (UoN)
- Bachelor of Medicine and Bachelor of Surgery (MBChB) (UoN)
- Certificate in Chest Radiology and Chest Interventional Radiology (The University of Manchester, UK)

Appointed
 2020

Experience

- Chief Medical specialist in Radiology
- Spearheaded the AFROSAFE campaign in Africa on radiation protection and the safe use of ionizing radiation in medicine

Membership

- Fellowship CT/MRI (Massachusetts General Hospital, Harvard Medical School) USA
- Kenya Society of Radiology (KAR)
- Africa Society of Radiology (ASR)
- Kenya Medical Women Association (KMWA)
- KNH/UON Ethics and Research committee

Responsibilities

Develop, implement and review policies, procedures, and strategies in Diagnostics Services and Health Information. Promote research, innovation, and technology transfer in the provision of Diagnostics Services and Health Information. Establish strategic partnerships, and collaborate with stakeholders in support of the development of Diagnostics services and Health Information as well as formulating professional standards and ethics governing medical practice.



Dr. Alfred Birichi
Director, Pharmaceutical Services

Qualifications

- Master of Pharmacy (M. Pharm) (Clinical Pharmacy) (UoN)
- Bachelor of Pharmacy (B. Pharm) (UoN)
- Post Graduate Diploma in Marketing Management (KIM)

Appointed

2019

Experience

- Joined KNH in 2005
- Management Representative (MR)
- Lead Auditor in Quality Management Systems (QMS)

Membership

- Former board member of the Pharmacy and Poison Board
- Member, Pharmaceutical Society of Kenya

Responsibilities

Coordinating pharmaceutical services; providing leadership and professional guidance on pharmaceutical policies, laws, regulations, standards, and guidelines; monitoring and evaluating pharmaceutical research, projects, and programs, and ensuring quality management systems are established and maintained.



Mr. Kennedy Mbogo
Ag. Director, Affiliations and Institutional Development

Qualifications

- Master of Arts Degree (MA), Project Planning and Management (UoN)
- Bachelor of Arts Degree (BA), Political Science (UoN)

Appointed

Appointed Ag. Director, Affiliations and Institutional Development in 2021.

Experience

- Resource mobilization specialist with over 10 years of experience in the Public Sector and Non-Governmental Organizations (NGOs)
- Joined Kenyatta National Hospital in 2018

Membership

- Served as a Board Member for Men Engage Kenya Network (MENKEN)
- Served as Project Coordinator for the DREAMS Program at St. Johns Community Centre

Responsibilities

Coordinating partnerships and resource mobilization for the Hospital in its endeavor to be self-sustainable. He is also charged with coordinating, planning, and implementing infrastructure development for the Hospital projects. He is also responsible for the execution of Universal Health Coverage (UHC) activities including medical outreach.



Dr. William Kiprono Sigilai
Director, Medical Services

Qualifications

- Bachelor of Medicine and Bachelor of Surgery (MBChB) (UoN)
- Master of Medicine (MMed) (Internal Medicine) (UoN)

Appointed

2020

Experience

- Senior Medical Specialist with 22 years of experience in Diabetes and Endocrinology
- Providing care to diabetes patients over the years

Membership

- **Chairman of;**
- The KNH Medicines and Therapeutics Committee
- Kenya Association of Physicians, and Kenya Diabetes Study Group

Awards

Employee of the year, 2006 Kenyatta National Hospital.

Responsibilities

His main responsibilities include formulating, implementing, and reviewing health policies, regulations, standards, guidelines, and protocols providing clinical care, general/community diagnosis, and treatment as well as rehabilitation of patients. He is also charged with undertaking medical examinations, conducting disease prevention, surveillance, and control, and providing emergency response and clinical care services during disasters.



Eng. Richard Binga
Director, Facilities, and Services

Qualifications

- Bachelor of Science (BSc.) Mechanical Engineering (UoN)
- Postgraduate Diploma in Project Planning and Management (UoN)
- Certified Measurement and Verifications Professional (CMVP) (Association of Energy Engineers)

Appointed
2013

Experience

More than 20 years of experience in engineering.

Membership

- Registered Consulting Mechanical Engineer with the Engineers Board of Kenya
- Corporate member of the Institution of Engineers of Kenya (IEK)
- Association of Energy Engineers (AEE, USA)
- Class ‘A’ Licensed Energy Auditor by the Energy and Petroleum Regulatory Authority (EPRA)

Awards

- Energy Management Awards 2020
- Energy Management Awards 2021
- Energy Management Awards 2022

Responsibilities

Reviewing and implementing maintenance & replacement policies for infrastructure, plant, and equipment ensuring safe and efficient operation and execution of infrastructure development projects.



CHRP Winnie Mwangi
Director, Human Resource

Qualifications

- MBA in Human Resource Management (UoN)
- Postgraduate Diploma in Human Resource Management (Kenya Institute of Management [KIM])
- Bachelor of Education (B.Ed) (Science) (Egerton University)

Appointed
2020

Experience

More than sixteen (16) years of experience in Human Resource Management.

Membership

Institute of Human Resource Management and a Certified Human Resource Practitioner (CHRP).

Responsibilities

Her main responsibilities include formulating, implementing, and evaluating human resource management policies, strategies, guidelines, and procedures, providing guidance and support in all matters relating to human resources, managing human capital, handling staff welfare, employee and industrial relation matters establishing performance as well as develop and ensure implementation of remuneration compensation policies and strategies to attract, motivate and retain employees.



CPA Michael Kihuga,
Director, Finance

Qualifications

- MBA (Finance) (Moi University)
- Bachelor of Education (B.Ed) (Economics and Mathematics) (Moi University)

Appointed
2020

Experience

- More than 20 years of experience in Finance.
- Worked in the Oserian Development Company as a Management Accountant
- Worked at Moi Teaching and Referral Hospital as a Chief Accountant

Membership

- Certified Public Accountant
- Certified Public Secretary

Responsibilities

Organize and coordinate financial management functions; Ensure optimal utilization of financial resources. Ensure compliance with statutory requirements; Financial reporting to management and regulatory bodies.



Dr. Lydia Okutoyi
Director, Health Care Quality

Qualifications

- Masters in Obstetrics and Gynecology (MMed) (UoN)
- Masters in Public Health (MPH) (University of Roehampton UK)
- Bachelor of Medicine and Bachelor of Surgery (MBChB) (UoN)
 - Training in Safety, Quality, Informatics and Leadership (SQIL) (Harvard Medical School)
- Postgraduate Diploma in Hospital Management (Strathmore University)

Appointed
2018

Experience

Senior medical Specialist with 17 years of experience in Obstetrics and Gynecology.

Membership

- Fellow, International Society of Health Care (FISQua)
- A Green belt in Lean Six Sigma

Responsibilities

She provides an oversight role on the quality of care that patients receive at Kenyatta National Hospital. Her other roles include enhancing clinical governance, facilitating patient engagement in planning, implementation, and continuity of care, and participating in the Hospital and national health care quality and safety policy and strategic planning.



CPA Erick Omondi Otieno
Director, Internal Audit

Qualifications

- MBA (Corporate Management) (KCA)
- B.Com. (Accounting option) (KCA)

Appointed
2014

Experience

- More than 15 years of experience in auditing
- Previously worked with ICPAK as Head of Internal Audit

Membership

- Institute of Certified Public Accountants of Kenya (K)
- Institute of Internal Auditors, Kenya,
- Information Systems Audit and Control Association (ISACA)
 - Association of Chartered Fraud Examiners as well as a member of the Institute of Certified Secretary of Kenya (ICS)

Responsibilities

Strategy development and planning of the department, implementation of departmental and Hospital policies, review and approval of the risk matrix and how they are being managed, ensuring proper communication, and promoting team spirit in the department.



Mr. Dave Opiyo
Chief Manager, Marketing and Communication

Qualifications

- M.A, Digital Journalism (Graduate School of Media and Communications – Aga Khan University)
- B.A Com. and Media Technology (Maseno University)

Appointed
2020

Experience

- More than 15 years in Communication and Journalism
- Worked at Nation Media Group's Daily Nation Newspaper where he was assigned various roles; Assistant News Editor and Assignments Editor
- Was Regional Editor (Bureau Chief) Nation Media Group's Kisii, Kisumu, and Eldoret's regional offices

Membership

- Former fellow with the United Nations Framework Convention on Climate Change media group
- Editors Guild

Awards

Kenya Open Data Awards, 2016.

Responsibilities

Developing, reviewing, and implementing communications strategies to support the Hospital's objectives, developing and implementing corporate communications plans to enhance the visibility of the Hospital, managing the Hospital's corporate image, coordinating branding activities, media management as well as coordinating the marketing of Hospital services.



Dr John Kinuthia
Director Training, Research and Innovation Centre

Qualifications

- Masters of Medicine in Obstetrics and Gynaecology from the University of Nairobi.
- Masters in Public Health (Epidemiology and International Health) and Graduate certificate in HIV and STIs from the University of Washington.
- Bachelors in Medicine and Surgery

Appointed
2022

Experience

Senior medical specialist with over 20 years experience in Obstetrics and Gynecology.

Membership

- Director of the Kenyatta National Hospital /University of Washington - Integrating prevention and treatment of non-communicable diseases and HIV care through research training in Kenya-INTEGRATE Program.
- Mentor for the Global Health Equity Scholars Program and Northern Pacific Global Health Fellowship program as well as coordinating implementation science training for various programs in Kenya.
- Member of the Kenyatta National Hospital-University of Nairobi Ethics and Research Committee.

Responsibilities

Coordinating and facilitating training, research and innovation at the Hospital and participation in national health policy formulation.

Chairman's Statement

Kenyatta National Hospital has been in existence since 1901 with the current year marking its 122 years in operation. This is no minor achievement owing to the complexity, turbulence, and uncertainty in the business operating environment. The Hospital's resilience in the face of immense adversities in the provision of specialized healthcare services is an indicator of what staff commitment and leadership support can achieve. This, among other attributes, has made the hospital the preferred specialized healthcare hub of choice in the region and center for medical tourism.



Strategic Direction

The Hospital has implemented its fifth strategic Plan (KNHSP IV) to satisfactory levels of performance. Progressive execution of the Hospital's Strategic Plan IV that charts our strategic destination coupled with concerted efforts by both staff and Management has played a colossal role in repositioning KNH as a world class patient-centered specialized care hospital. During the year under review, the Hospital registered commendable milestones. In the financial year 2022/23, the Hospital strengthened its resolve towards delivering its mandate by reconfiguring its processes and procedures to offer better care. This strategy has created a platform for institutionalizing values of customer focus, Accountability and transparency, Equity and equality, Professionalism and integrity, Security, and safety and most importantly teamwork and team spirit throughout provision of services. The Hospital further refocused its service delivery on referral cases for secondary healthcare management. This is to enhance the implementation of the National Referral policy and system in which the Hospital is positioned at the apex.

The New Generation Strategic Plan

During the year under review, the Hospital embarked on the process of formulating its fifth KNH Strategic Plan (KNHSP V 2023-28) in line with the new generation strategic plan formulation guidelines. The plan formulation was mainly due to the expiry of the previous strategic plan IV (KNHSP IV) thus smooth transition as well as the need to align the Hospital's strategic direction with the operating environment and stakeholder expectations. The plan has built on the gains made in the previous four plans and is reinforced by clear systems and processes as well as enabling annual action plans.

Alignment to Government Agenda

In developing the new strategic plan KNHSP IV, the Hospital has taken into consideration the government agenda on health as espoused in the Bottom-Up Economic Agenda. Towards this, the Hospital has developed deliberate strategies aimed at achieving improved health outcomes by laying focus on improving service delivery, strengthening leadership and governance, and strengthening health information system, human resources for health and implementation of the national referral strategy. The new strategic plan has paid paramount attention to the creation of centers of excellence for an array of specialties and sub-specialties. This is in line with the government agenda of strengthening the provision of specialized healthcare services to Kenyans.

Strengthening Corporate Governance

The Board of Management has put in place structures geared towards building an excellent and effective team. Behavioral, governance, technical and industry competencies have been created to spur dynamism, future proofing, and high performance. In addition, the Hospital has made immense progress in setting up procedures,

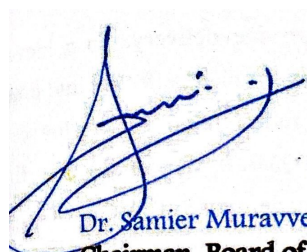
processes, policies, and structures of the Hospital. Transparency and accountability remain the hallmark of the Board, which continues to strengthen its institutional governance through human resource expansion, capacity building, and corporate reporting, among other measures. The Hospital Board is also alive to the dynamic policy and regulatory environment in which it operates and is constantly engaging with stakeholders to ensure that the environment remains favorable to the best interest of the patient's seeking services in the facility.

Stakeholder Management

The focus of our business model is the delivery of quality healthcare services to the satisfaction of the patient who visits the hospital with hope of improved health outcome. Huge strides have been made towards realizing our brand promise on provision of specialized healthcare services that meet and exceed patient expectations in line with government Health Agenda of enhancing access, affordability, and quality of care. We are greatly indebted to our staff and suppliers who have worked tirelessly in ensuring continuity in service delivery. The Government through National Treasury and our strategic partners have been instrumental on provision of requisite resources needed to propel the hospital in realization of its core mandate to the Kenyans. Our stakeholders provide a competitive edge to our operations with a mutual promise of working together for the betterment of our services. KNH has created emphasis on partnerships with a focus on sharing of knowledge, expertise, human resources, and other resources in pursuit of common goals.

Overall Performance

In the FY 2022/23, the Hospital posted a strong positive performance in the execution of its mandate. The evaluated Board Performance Contract exhibited an increase in patient confidence in the service delivery, increased number of specialized services, policies developed, and patient visits distributed across the varied specialist disciplines in the Hospital.



Dr. Samier Muravvej
Chairman, Board of Management

Chief Executive Officer's statement

Over the years, Kenyatta National Hospital has made enormous strides towards provision of specialized and sub-specialized healthcare services in Kenya and beyond. These services include the introduction of new sub-specialties such as liver resections, open heart surgeries and tissue typing. Further, existing services such as Cancer Treatment Centre, Reproductive Health, nephrology, Cardiology, palliative, endocrinology, Plastic and Reconstructive Surgery, Gastroenterology, Neurosurgery, Paediatric Surgery, Maxillofacial surgery, New-born, Neonatal, Critical Care Units among other specializations have been upgraded.



In order to enhance service delivery while meeting the surging demand for specialized services amidst the emerging and re-emerging epidemiological trends, the Hospital initiated various infrastructural development projects. These projects include construction of the Paediatric and Burns Emergency Centre, Surgical Day Care Centre, Cancer Treatment Centre, Renal Upgrade and Diagnostics reporting centre. The Hospital has acquired state-of-the-art equipment and machinery to complement the existing tools of work. These include acquisition of the heart lung machine, laparoscopic towers, cathlab, linac, autoclaves, microwave incinerator, CCU beds, CT Scan and MRI machines.

KNH has realized many gains in pursuit of operational excellence in service delivery. To achieve this, the Management has put in place process improvement initiatives geared towards seamless, effective and timely service delivery and efficient utilization of resources. These initiatives include maintenance of quality certification standards, Business Process Reengineering and Total Quality Management (TQM). In the coming year, the hospital is set to celebrate the KNH-MKH's attainment of ISO 9001:2015 Quality Management System (QMS).

Process automation is a key driver in healthcare service delivery and health systems strengthening. Towards this, the hospital has ensured ambidextrous resource allocation aimed at improving the automation levels. The Hospital has embarked on a journey of improving its ICT technologies in tandem with the current market demands through acquisition and installation of Enterprise Resource Planning (ERP) system and integration with Hospital Management Information System (HMIS). The operationalization of the National Diagnostic and Reporting Centre at KNH has enabled medical teleconferencing and artificial intelligence tele-radiology services to facilitate relay of radiological images from referring hospitals.

KNH has ensured full operationalization of Mwai Kibaki Hospital in a bid to provide specialized services to Nyeri County and its environs. KNH has further put structures in place to operationalize Mama Margaret Uhuru Hospital. KNH has remained true to its commitment to optimize patient experience through provision of innovative, evidence-based specialized healthcare.

I wish to sincerely thank the KNH Board of Management and KNH staff for their dedication and enthusiasm to drive the Hospital's agenda. To the KNH family, we are grateful for your commitment, and let us redouble our efforts towards the attainment of our mandate.



Dr. Evanson Kamuri, EBS
Chief Executive Officer

Statement of Performance against predetermined objectives

During the year, the Hospital achieved the set performance targets per strategic pillar as indicated below.

| | |
|--|---|
| <p>Customer: <i>Aimed at customer and stakeholder satisfaction.</i></p> <ul style="list-style-type: none"> • Theatre utilization at 99.3%. • Operationalized level Renal theatre • Turnaround time improved to 5.3 hours. • Reviewed the Admission & Discharge policy. • Established additional chemotherapy centres: KPCC, Day Care centre, MKH • Continued with rehabilitation of level 8 • Introduction of new specialized services at the KPCC (Dental, Dialysis, Chemotherapy, and Gynecology) • Commenced rollout of LIMS and PACS • Developed patient/donor evaluation protocols | <p>Internal Processes: <i>concerned with the processes that create and deliver the customer value proposition</i></p> <ul style="list-style-type: none"> • The average length of stay improved from 9.7 to 9.3 days. • Installed 111 CCTV cameras at strategic points • Established a security Communication center • Acquired 41 security communication radios • Reduced Hospital Acquired Infection (HAIs) from 18.3% to 9.7% • Increases system availability from 89.7% to 95.5% • Increased network uptime from 77.8% to 93.4% • Conducted 16 new pieces of research • Developed and disseminated 3 policy briefs • Increased capacity of knowledge repository from 37.6 GB to 61GB • Incubated 10 innovations. |
| <p>Organizational capacity: <i>the level of an organization's capability to deliver services that not only satisfy present customer expectations, but continually anticipate future opportunities</i></p> <ul style="list-style-type: none"> • Increased staff performance appraisal score from 92.6% • Conducted phase 1, 2 & 3 culture change management sessions focusing on personal effectiveness • Installed 5 laparoscopic towers and training personnel on use • Developed three concept notes (Liver transplant Bone Marrow Interventional radiology) • Developed succession plan and talent management policy • Increased number of staff trained from 1,297 to 1,893 | <p>Financial: <i>indicate whether the hospital strategy, implementation, and execution are contributing to bottom-line improvement</i></p> <ul style="list-style-type: none"> • Revenue increased to 8.217 Billion • Rollout E-Solutions • Increased KPCC bed occupancy from 87.5% to 94% |

Board Performance Contract

Kenyatta National Hospital cascades its strategic plan from tier-one down to tier three to ensure effective execution and measuring the progress of implementation. In light of the above, the cascaded plan forms a basis for the formulation of a Board Performance Contract in line with the Government 's agenda of performance-based management.

To this end, the Performance Contract is a performance management tool aimed at improving efficiency and effectiveness in the management of the public service. This is a freely negotiated agreement between the Government and the management of a public entity.

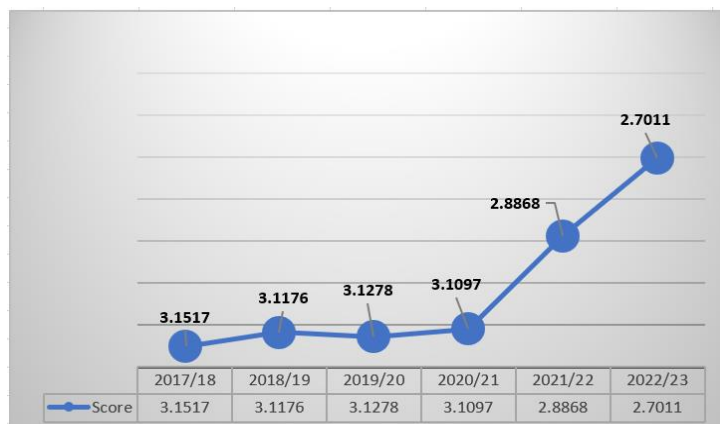


Cascading of performance targets

The Hospital has developed a cascading framework for strategy implementation at all levels (Directorates, Divisions, Departments, Units, and individuals). Further, a robust appraisal system has been institutionalized within the Hospital functions for ease of target setting, monitoring, and evaluating performance. For ease of strategy execution, annual performance contracts for the BoM, EMC, and other functional heads are developed and monitored periodically. Performance review is held on a bi-annual basis to create a platform for shared understanding, gauge performance, document lessons learned and chart a way forward towards the realization of desired goals.

Board Performance Contract Composite Score

The composite score is an aggregate rating that takes into consideration the PC parameters (financial, service delivery, core mandate, implementation of presidential directives, promotion of local content, and cross-cutting.) This score is computed by adding up the weighted scores of all the performance indicators in the performance contract. The score ranges from 1.00 (excellent) to 5.00 (Poor).



Board Performance Contract Parameters

During the period under review, the Board of Management on behalf of KNH signed a Performance Contract for the FY 2022/23 with the Government of Kenya, through the Ministry of Health. Below are the

highlights of performance for the year.

The hospital performed specialized surgeries that include thirty-two (32) major liver resections. These specialized surgeries include maxillofacial, obstetrics and gynaecology, paediatrics surgery, cardiothoracic surgery, neurosurgery, plastic surgery, general surgery, ENT surgery, orthopaedic surgery, ophthalmology.

i. Kidney Transplants

In the FY 2022/23 the Hospital increased kidney transplants by 47% from 15 in the FY 2021/23 to 22 in the FY 2022/23. Other specialized renal services provided increased from 13,991 in the FY 2021/22 to 16,106 in the FY 2022/23. The specialized renal services provided included Continuous Renal Replacement Therapy (CRRT), Tissue Typing, Venesection, Haemodialysis, Peritoneal dialysis, dialysis Catheter procedures and Renal Biopsy.



ii. Heart Surgeries

The Hospital performed 627 heart surgeries in FY 2022/23 an increase from 465 done in FY 2021/22. Other specialized cardiothoracic procedures increased from 1,773 in the FY 2021/22 to 2,613. Cardiology procedures increased from 14,093 in the FY 2021/22 to 19,107 in the FY 2022/23 across various sub specialties which include Coronary angioplasty, stent implantation, thrombolytic therapy, Coronary artery bypass graft surgery (CABG), Artificial pacemaker surgery, Defibrillation and heart valve surgery.



iii. Uniportal Video Assisted Surgery

KNH Conducted a specialized uniportal Video Assisted Surgery. The specialized surgery entailed a multi-disciplinary team of cardiothoracic surgeons, anaesthesiologists, cardiothoracic residents and nurses. Video assisted thoracic surgery is a technique of minimally invasive surgical procedures. It involves the use of small incisions less than 5cm in size. In the Uniportal technique only one incision is made, the surgeon then introduces a camera (thoracoscope) through that incision which displays images from the chest onto a screen. The surgery is carried out through the incision with the surgeon viewing images on the screen. The benefits of this technique include reduced postoperative pain, short duration of hospital stay and small scars.



iv. The Histocompatibility & Immunogenetics Laboratory

The KNH Histocompatibility; Immunogenetics Laboratory (HLA Lab) is a state-of-the-art laboratory for histocompatibility and genetic testing for solid organ and bone marrow transplantation. The lab is the first of its kind in East Africa and will greatly support organ and tissue transplants by the testing donor and recipient matching locally. The establishment of this laboratory has been well received by our clients who no longer depend on foreign laboratories for HLA tissue typing services. The laboratory opened its door to patients on December 14, 2022. Among the readily available tests include HLA-A, B, C, DR, DQ, DP, Class I & II Antibody, Class I ID Antibody Detection, Class II IDv2 Antibody Detection, Donor Specific Antibody Detection, Single Antigen Class I Detection, Single Antigen Class II Detection, Single Antigen MIC Antibody Detection, and Complement Dependent Cytotoxicity.

v. Liver Transplantation and Hepatobiliary Resection

KNH conducted specialized liver resection surgical procedures during the period under review. The hospital has created a pool of highly specialized skills after several years of training in hepatobiliary medicine. During the FY 2021/22, the hospital performed twenty (21) major liver resections, fifteen (15) in the FY 2021/22 and 29 in the FY 2022/23.



Intrauterine transfusion



During the period under review, a team of four specialist doctors conducted transfusion of anaemic foetus (haemolytic disease) in mother's womb. In the procedure red blood cells from a donor are injected into the foetus. The procedure entails transfusing a baby while still in the mother's uterus. The haemolytic disease is a blood disorder that occurs when the blood types of a mother and baby are incompatible. This is a situation in pregnancy when the maternal red blood cells (RBCs) lacking the rhesus antigen are exposed to rhesus-positive red blood cells through the placenta leading to the activation of the maternal immune system.

vi. Capacity building to counties

In the FY 2020/21 the Hospital conducted 163 outreaches, 177 in 20201/22 and 391 in the FY 2022/23 to improve management of patients before referral and conduct general public awareness. A total of 123 county referring facilities were visited and the health care workers sensitized accordingly. In the period under review, cumulatively a total of 42,209 clients were reviewed and screened and 2,711 cases referred for specialized treatment. The outreaches comprised of Multidisciplinary Tumour Board Meetings, Ear Drop outreach, AIDS Control, Minimal Access Surgery, Surgical Outreach on Safe circumcision for hemophilic males, Pediatric Surgery, Anorectal Malformation (ARM), Obstetrics and



Gynecology among others. KNH established a diagnostic and reporting centre in the FY 2020/21 which incorporates a medical teleconferencing facility and artificial intelligence tele-radiology center which enables relay of radiological images from referring hospitals.

vii. Management of Retinoblastoma

During the year, KNH team of specialists comprising of interventional radiologists, ophthalmologists, pediatric oncologists, and nursing teams performed another intricate intra-arterial chemotherapy, (a procedure that reduces the side effects of chemotherapy) on a six-year-old girl with cancer of the eye (retinoblastoma). The procedure saved the remaining eye of a baby who had already lost one eye to retinoblastoma.



Mwai Kibaki Hospital

Mwai Kibaki Hospital formerly KNH Othaya was handed over to KNH management and was fully operationalized in FY 2021/22. To date, patients seen increased from 133,2016 in the FY 2021/22 to 285,901 in the FY 2022/23. New services introduced increased from 6 in the FY 2021/22 to 21 in the FY 2022/23. In addition, the Hospital expanded the following services; cardiology, oncology, vaccination, renal, family planning, physiotherapy, farewell home, plastic & reconstructive surgery and laparoscopic surgery.



In furtherance of UHC aspirations, the hospital increased medical camps and outreaches from 4 in the FY 2021/22 to 6 in the FY 2022/23. Clients reviewed and screened increased from 4,850 in the FY 2021/22 to 6,293 in the FY 2022/23. The hospital further renovated the Critical Care Unit (CCU) and expanded its capacity from 6 in the FY 2021/22 to 21 beds in the FY 2022/23. The Hospital renovated the New-Born Unit that culminated to an increase bed capacity from 6 in the FY 2021/22 to 16 in the FY 2022/23. The Hospital has further operationalized general medicine, general surgery, orthopaedic, urology, ophthalmology, Ear, Nose & throat, dental & maxillofacial, obstetrics & gynaecology, dermatology, psychiatry, endocrinology, oncology, Paediatrics, plastic & reconstructive surgery and neuro-surgery among other specialized services.

Commissioning of Mwai Kibaki Hospital

KNH has ensured full operationalization of Mwai Kibaki Hospital as a level six (6) Hospital. Mwai Kibaki Hospital is now fully operational and it's offering a wide range of services and specialized care including Surgical Outpatient Clinic (SOPC), General Outpatient Clinic (GOPC), Dermatology, Ophthalmology, Psychiatry, Endocrinology and Ear, Nose & Throat (ENT). To date, a total of 121,349 patients have received specialized healthcare services in the facility.

Kenyatta National Hospital



The hospital boasts of specialized personnel, modern health infrastructure, CCU, NBU, and a state-of-the-art Oxygen production unit with a capacity of producing over 2million liters of oxygen per day will serve Kenyans in the populous Central Kenya region.

Renal Dialysis Services in Mwai Kibaki Hospital

During the period under review, the Hospital operationalized Renal Unit. The Unit provided renal dialysis services to 1,440 patients in the FY 2021/23 and 1,811 in the FY 2022/23. A haemodialysis sessions increased from 11,252 in the FY 2021/22 to 17,987 in the FY 2022/23.



Oxygen Plant in Mwai Kibaki Hospital

To meet the rising demand for CCU, Mwai Kibaki Hospital constructed and operationalized an Oxygen plant with a capacity to produce 1,500 litres of oxygen per minute, 2,160,000 in 24 hours, and has 18 ports filling station with an ability to fill in 72 oxygen cylinders in 24 hours. In addition, the Hospital acquired a 3000-litres bulk liquid oxygen tank in the FY 2021/22. The facility is also supporting the provision of oxygen to other health facilities within the region.



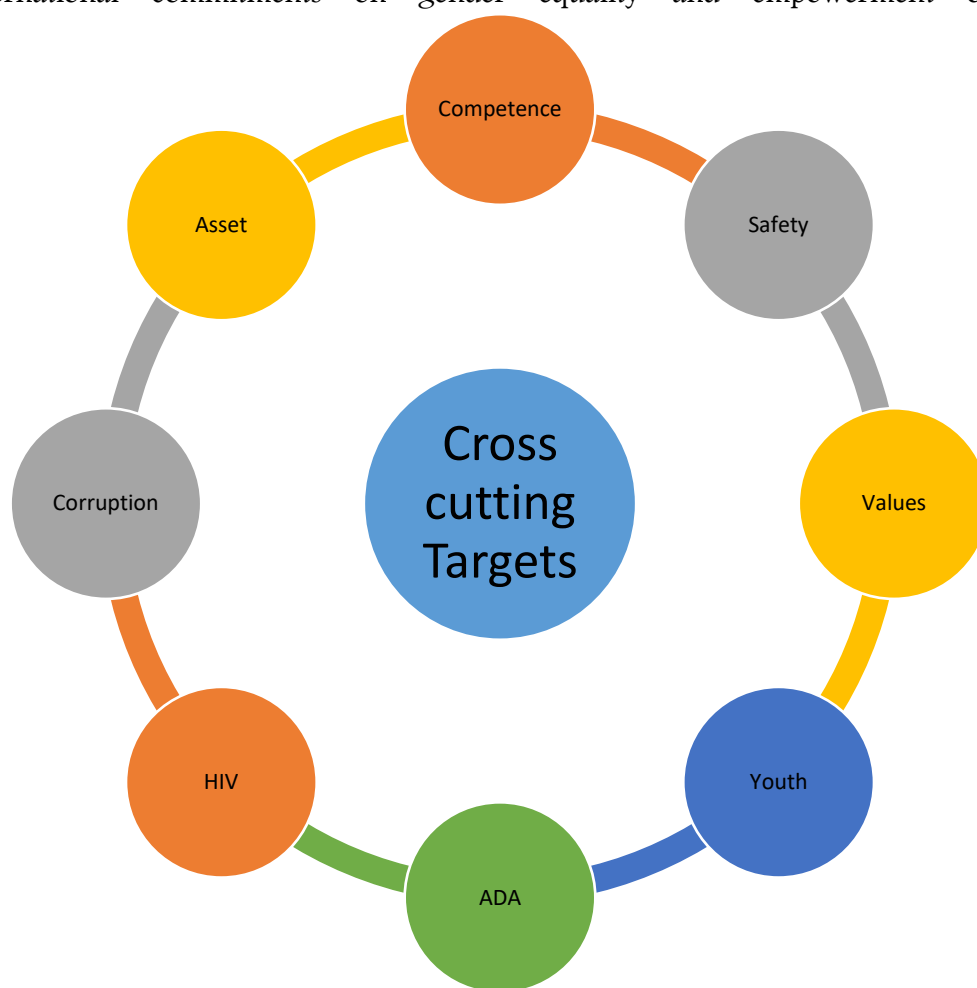
Mama Margaret Uhuru Hospital

During the period under review, KNH was handed over the management of the former Mathare North Level IV Hospital, to be an annex of the Hospital. Today, MMUH is offering a wide range of services and specialized care including Paediatric Outpatient Clinic (POPC), General Paediatric Emergency and Outpatient Clinic (GOPC), Dermatology, Ophthalmology, Comprehensive care services, Ear, Nose & Throat (ENT), Rehabilitative services; orthopaedic trauma, physiotherapy and occupational therapy. A total of 1,233 inpatients and 16,641 out-patients were attended to in MMUH during the FY 2022/23.



Cross Cutting Performance Targets

During the year, the Hospital offered internships, industrial attachments, and apprenticeship opportunities to 2,933 youth through a rigorous and progressive skills transfer. The Hospital developed career progression guidelines, skills gap analysis, training needs assessment, knowledge management initiatives, and performance appraisal and implemented various initiatives that include operationalization of the disability mainstreaming committee, increasing equal and easy access of services to PWDS: maintained tactile lifts, six (6) parking slots to persons with disabilities and disability-friendly washrooms and submitted the Disability Mainstreaming Policy and the annual work plan to NCPWD. The implementation of these performance initiatives will go a long way in ensuring the Government promotes gender equality and empowerment of women as per the existing commitments in the Constitution of Kenya, the Kenya Vision 2030 MTP III, and numerous regional and international commitments on gender equality and empowerment of women.



The Hospital undertook various gender mainstreaming initiatives including allocation of an annual budget for gender mainstreaming, the establishment of a gender mainstreaming committee, development of a gender mainstreaming policy, disaggregation of data on all employees as guided in the reporting tool including recruitment and promotions and disaggregation of data on Board members as guided. Further, the Hospital undertook a Baseline Survey on Alcohol and Drug Abuse

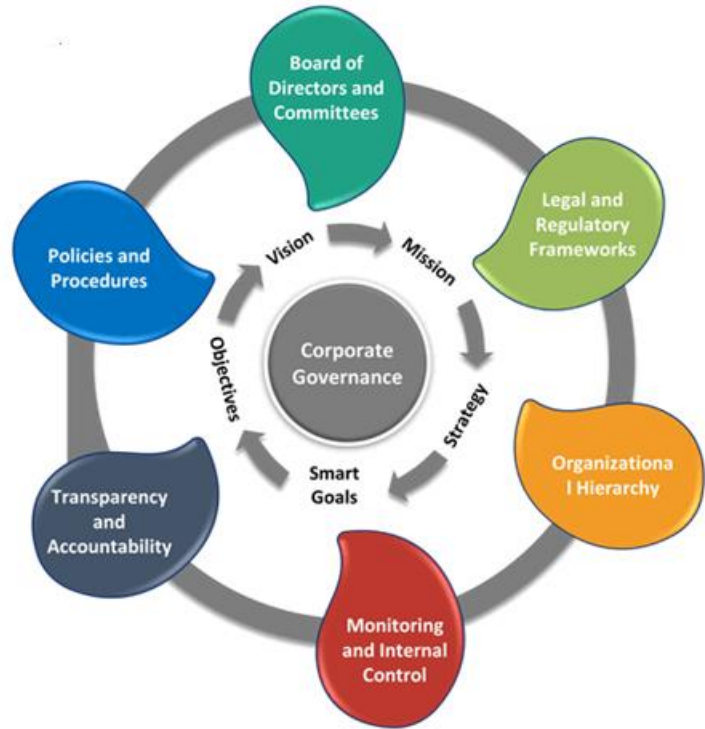
(ADA), established an ADA control committee, developed an ADA Workplace Prevention Policy using the national ADA Workplace Prevention Guidelines and established support mechanisms for employees with substance use disorders monitoring of the impact. The Hospital undertook various HIV/AIDS prevention measures which included the introduction of a health screening package for HIV, cancer, blood pressure, blood sugar, and BMI, sensitization on conflict and stress management, sensitization to persons on Non-Communicable Diseases (NCDs) including cancer (breast, cervical and prostate), diabetes, hypertension, stress management and rollout of a sensitization package on HIV prevention.

To promote a value-driven corporate culture, KNH inculcated the national cohesion and values aimed at making them a central rallying ingredient and theme in the planning and execution of national policies, programs, projects, and activities for effective service delivery as envisaged in Sessional Paper No.8 of 2013 on National Values and Principles of Governance. In addition, the Hospital has incorporated Article 10 and 232 of the Constitution governance guidelines in all policies and guidelines. Corruption risk mitigation plans were implemented in line with the Hospital's commitment to combat and prevent corruption, unethical practices and promote best practices in governance as per the Ethics and Anti-Corruption Act No. 22 of 2011, the Leadership and Integrity Act of 2012, and the Constitution of Kenya, 2010.

Statement of Corporate Governance

Governance

The KNH Board of Management is committed to maintain the highest standards of integrity, ethics and compliance with applicable laws in all its operations. In the performance of its functions, the Board is guided by the Constitution of Kenya, the State Corporations Act, the Code of Governance for State Corporations, and other applicable laws. The Board is committed to ensuring that the Hospital's obligations, roles and responsibilities to its various stakeholders are fulfilled through its corporate governance practices.



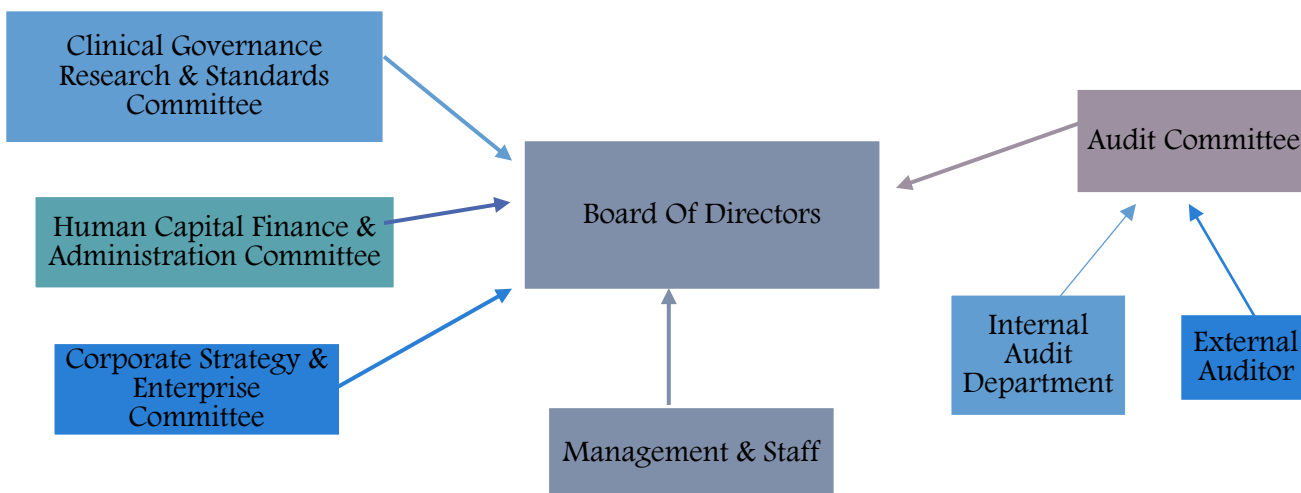
Board Composition and Diversity

The Board consists of a non-executive Chairperson; the Cabinet Secretary-The National Treasury and Planning; the Principal Secretary-State Department of Medical Services; and the Hon. Attorney General. The members also include three (3) independent non-executive members. The Chief Executive Officer is an ex-officio member. The members are distinguished professionals with expertise in medicine, business management, finance, legal, and project management. Their collective wealth of knowledge and understanding is leveraged to guide the Hospital's strategic direction for improved business performance.

Gender Balance



Governance Structure



Separation of Powers and Duties of the Chairman and the Chief Executive Officer

The roles and responsibilities of the Chairman and the Chief Executive Officer are separate with each having clearly defined duties and responsibilities. The Chairman is responsible for leadership of the Board, ensuring its effectiveness, and facilitating the productive contribution of both Executive and Non-Executive Directors. He sets the agenda for Board meetings in consultation with the Chief Executive Officer and the Corporation Secretary. The Chairman is accountable to the Board for guiding the Hospital's corporate and financial strategy and overseeing the policies that govern the business's conduct.

Conversely, the Chief Executive Officer is responsible for the day-to-day management of the Hospital and its satellite facilities. He provides leadership to facilitate the successful planning and execution of the objectives and strategies agreed upon by the Board.

The Corporation Secretary

The Corporation Secretary holds active membership in good standing with the Institute of Certified Secretaries. The Corporation Secretary serves as a primary point of reference for the Board on matters of governance, statutory compliance, and adherence to regulatory requirements. The roles and responsibilities of the Corporation Secretary are delineated in the Code of Governance for State Corporations.

Inspectorate of State Corporations

Section 18(2)(c) of the State Corporation Act provides that the Inspector General (Corporations) with the power to attend meetings of any state corporation including the meetings of the Board and its

Committees. In the FY2022/2023, Mr. Isaac Odek, Deputy Inspector General, was designated as the representative of the Inspector of State Corporation in all Board and Committee meetings.

Role of the Board

The Board's principal collective duty is to deliver quality specialized healthcare services through setting the Hospital's strategy and overseeing its implementation. In so doing, the Board is responsible for the overall strategic direction and operational guidance of the Hospital by:

- i. Establishing short and long-term goals of the Hospital and developing strategies to achieve these goals;
- ii. Monitoring the Hospital's performance against these set goals;
- iii. Overseeing the preparation of annual financial statements and reports; and
- iv. Ensuring that the Hospital has adequate systems of internal controls together with appropriate monitoring of compliance activities to ensure business continuity.

Achievements of the Board during the FY2022/2023

During the year under review, the Board's accomplished the following:

- i. Successful implementation of the KNH Strategic Plan 2018-2023;
- ii. Formulated the Hospital's fifth KNH Strategic Plan 2023-2028;
- iii. Development of an online integrated Enterprise Risk Management tool;
- iv. Approved and monitored the implementation of the Hospital's Annual Operating Plans and Budget of Kshs. 21,115 million;
- v. Monitored the implementation of the Hospital's Performance Contract, achieving a score of 2.70, an improvement from 2.88 in FY2021/2022;
- vi. Roll out of the SAP-ERP system within the Hospital;
- vii. Implementation of the KNH Culture Change Strategy 2022-2025;
- viii. Reviewed operations of the Hospital's satellite facilities, i.e. Mwai Kibaki and Mama Margaret Uhuru Kenyatta hospitals;
- ix. Oversaw the expansion of paediatrics chemotherapy, and 24hr chemotherapy services; and
- x. Development and launch of the Antimicrobial Resistance guidelines.

Board Attendance

The Board is required to meet at least once every quarter depending on the needs of the business of the Hospital. During the period under review, the Board held six (6) meetings and two (2) retreats to deliberate on matters that could not be discharged during normal Board meetings. The summary of Board and Committees attendance is provided as below:

Table 2: Board Meetings Attendance

| Board Member | Board Position | Full Board | Board Committees | | | | |
|--|--|------------|-----------------------------|------|-----|-------|-------|
| | | | CGRS | HCFA | CSE | AUDIT | ADHOC |
| | | 10 | No. of Meetings/ Attendance | | | | |
| | | | 4 | 5 | 4 | 2 | 1 |
| Dr. Samier Muravvej | Chairman | 2 | - | - | - | - | - |
| Mr. George Ooko (Term revoked on 6 th February 2023) | | 9 | 1 (in attendance) | - | - | - | 1 |
| Dr. Evanson Kamuri, EBS | Chief Executive Officer | 10 | 4 | 4 | 4 | - | - |
| Prof. Njuguna Ndung'u, CBS | CS, The National Treasury | - | - | - | - | - | - |
| Mr. Michael A. Kagika, EBS | Alternate to CS, The National Treasury | 10 | 1 (in attendance) | 3 | 3 | 1 | - |
| Eng. Peter Tum, OGW | PS, State Department of Medical Services | 1 | - | - | - | - | - |
| Mr. Harry Kimtai, CBS | | - | - | - | - | - | - |
| Dr. Julius Ogato (Appointed CEO, Mathare Mental Hospital) | Alternate to PS, Medical Services | 8 | 4 | - | 4 | - | 1 |
| Dr. Bartilol Kigen | | 1 | - | - | - | - | - |
| Hon. Justin B.N. Muturi, EGH | Hon. Attorney General | - | - | - | - | - | - |
| Mr. Emmanuel Bitta, MBS (Reassigned to the Salaries Remuneration Commission) | Alternate to Hon. Attorney General | 8 | - | 3 | - | 2 | 1 |
| Mr. Samuel O. Kaumba | | 1 | - | 1 | - | - | - |
| Prof. James M. M'Imunya (Term ended on 31 st July 2022) | Dean, Faculty of Medicine | 1 | 1 | - | - | - | - |
| Pro. George O. Osanjo | | 5 | 4 | 2 | - | - | - |
| Ms. Winne Beuttah (Term revoked on 6 th March 2023) | Non-Executive Member | 7 | - | 3 | 3 | - | 1 |
| Ms. Catherine Kihara (Term revoked on 6 th March 2023) | Non-Executive Member | 5 | 3 | - | - | 2 | - |

| Board Member | Board Position | Full Board | Board Committees | | | | AUDIT | ADHOC |
|--|----------------------|------------|------------------|-------|-----|-----------------------------|-------|-------|
| | | | CGRS | HCEFA | CSE | No. of Meetings/ Attendance | | |
| | | 10 | 4 | 5 | 4 | 2 | 1 | |
| Dr. Stanley K. Maina, OGW (Term revoked on 6 th March 2023) | Non-Executive Member | 7 | - | - | - | 2 | 1 | |
| Ms. Catherine K. Samwels | Non-Executive Member | 1 | - | - | 1 | 1 | - | |
| Dr. Joseph W. Mutunga | Non-Executive Member | 1 | 1 | - | - | 1 | - | |
| Mr. Thomas Cheruiyot | Non-Executive Member | 1 | - | 2 | 1 | - | - | |

Board Committees

The Board has established four committees to enhance its efficiency and effectiveness. Appointment to these Board committees takes into consideration diversity of the members' skills, expertise and experience required to handle respective functions. The committees operate in accordance with specified terms of reference. The Chief Executive Officer is the Secretary to the Board and its committees, except the Audit Committee where the Director, Risk & Audit performs this function. The current membership and responsibilities of Board committees is summarized below:

Table 3: Board Committees

| Board Committees | Clinical Governance Research Standards | Human Finance & Administration | Capital & Enterprise | Corporate Strategy | Audit Committee |
|------------------|--|---|--|--------------------|---|
| Mandate | Clinical governance, medical research, processes and standards, patient safety and healthcare quality management | Financial performance, implementation of the procurement plan, and human resource activities. | Hospital's strategic direction, innovation, investments and resource mobilization | | Oversight on financial reporting. Audit process, internal controls and compliance |
| Members | <ul style="list-style-type: none"> • Dr. Joseph Mutunga (Chair) • Prof. George Osanjo • Dr. Bartilol Kigen • CEO | <ul style="list-style-type: none"> • Mr. Thomas Cheruiyot (Chair) • Prof. George Osanjo • Mr. Samuel Kaumba • CEO | <ul style="list-style-type: none"> • Ms. Catherine Kathure (Chair) • Dr. Bartilol Kigen • Mr. Thomas Cheruiyot • CEO | | <ul style="list-style-type: none"> • Mr. Michael Kagika (Chair) • Dr. Joseph Mutunga • Ms. Catherine Kathure • Director, Risk & Audit |

| Board Committees | Clinical Governance Research Standards | Human Finance & Administration | Capital & Enterprise | Corporate Strategy & Enterprise | Audit Committee |
|-------------------|--|---|---|---|-----------------|
| Invitation | <ul style="list-style-type: none"> • Senior Director, Clinical Services • All Clinical Directors as required • Inspectorate of State Corporations (Rep.) • Corporation Secretary | <ul style="list-style-type: none"> • Senior Director, Corporate Services • Director, Finance • Director, Supply Chain Management • Director, Human Resource • Inspectorate of State Corporations (Rep.) • Corporation Secretary | <ul style="list-style-type: none"> • Senior Director, Corporate Services • Director, Planning & Strategy • Director, Institutional Development • Inspectorate of State Corporations (Rep.) • Corporation Secretary | <ul style="list-style-type: none"> • All Directors as required. • Inspectorate of State Corporations (Rep.) | |

Capacity Building for the Board

Each year the Board of Directors prepares a training calendar where specific training needs are identified and scheduled. The trainings focus on leadership, risk management, governance, finance and other relevant areas.

The newly appointed Directors underwent a comprehensive induction programme tailored to their individual needs. This program aimed to acquaint them with their responsibilities and provide insight into the Hospital's strategy and operations. In addition, the members attended a three-day workshop for Board members of State Corporations organized by the State Corporations Advisory Committee. The Board was also trained in Corporate Governance.

Board Evaluation

The Board undertakes an annual self-assessment for continuous growth and development of individual members and to enhance collective performance. During the year, the Board undertook the annual evaluation assisted by the State Corporations Advisory Committee.

Board Remuneration

The Board's remuneration is guided within the government set limits for state corporations as outlined in circular OP/CAB.9/21/2A/41/43 of 23/11/2004. The Chairman receives a monthly honorarium. Directors' fees are not payable. During the year, there were no Directors' loans. Details of Directors remuneration during the year are shown in note 15 to the financial statements.

Governance Policies

The Hospital has in place the following related policies for effective management of the Company

- Code of Conduct and Ethics
- Whistle Blower policy
- Supply Chain Management Policy
- ICT Policy

- Enterprise Risk Management Policy Framework
- Corporate Communications Strategy
- Knowledge Management Policy
- Environmental & Safety Policy

Conflict of Interest

The Board has formal procedures for managing conflict of interest in accordance with the Board Charter. Any conflict of interest or apparent conflict of interest between the Hospital and its Directors is avoided. Directors are required to declare any potential or actual conflicts of interest that could interfere with their ability to act in the best interests of the Hospital.

Any circumstances which may give rise to actual or potential conflicts of interest are disclosed to the Board upon appointment and subsequent changes highlighted as they arise. Directors are also given the opportunity, at the start of every Board meeting, to declare any actual or potential conflict of interest with their role as Directors. During the course of FY 2022/2023 no conflict of interest was declared by any Director.

Financial and Business Reporting

The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Hospital's position through the Annual Report. It is appropriate to treat this business as a going concern as there is sufficient existing financing available to meet expected requirements in the foreseeable future

Internal Control

The Board is responsible for determining the nature and extent of the significant risks that the Hospital is willing to take to achieve its strategic objectives and for maintaining sound risk management and internal control systems. With the support of the Audit Committee, the Board carries out a review of the effectiveness of its risk management and internal control systems covering all material controls including financial, operational and compliance controls and risk management systems.

The Directors have also defined procedures and financial controls to ensure that the Hospital's system of internal controls provide reasonable assurance that the assets are safeguarded, transactions are authorized and recorded properly, and that material errors and irregularities are either prevented or detected within a reasonable period of time. There is a clearly defined organizational structure within which individual responsibilities are identified in relation to internal controls. The structure is complemented by defined procedures, financial controls and information system controls.

Looking forward

As we progress towards becoming a high performing organization, the Board remains focused on ensuring that the Hospital attracts and retains high performing, committed and motivated staff to enable the Hospital to achieve its objectives. We will continue to foster positive relationships with the various unions and other stakeholders to ensure that all staff work for the advancement of the

Hospital. We will focus on ensuring our policies enable objective and robust performance management while ensuring our staff have a positive working environment.

Going Concern

The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Hospital's position through the Annual Report. It is appropriate to treat this business as a going concern as there is sufficient existing financing available to meet expected requirements in the foreseeable future.

Material Litigation

In the reporting period, the Hospital was not involved in any material litigation or arbitration proceedings, nor were the directors aware of any pending or threatened legal issues which may have a material impact on the Hospital's financial position.

Management Discussions & Analysis

Clinical Performance

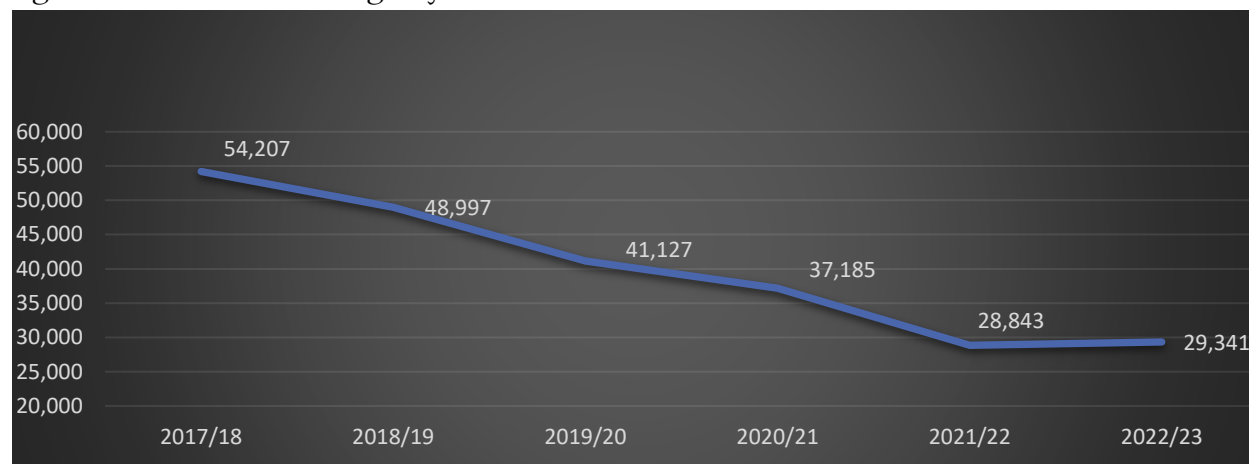
Outpatient Services

The Hospital provides emergency services at the accident & emergency and at the pediatric emergency unit. In addition, specialized outpatient services which include disciplines in Pediatrics, Gynaecology, ENT, Surgery, Medicine, Orthopedics, and Ophthalmology are provided. With the implementation of the national referral policy, patients with minor non complicated conditions are encouraged to be seen in lower-level facilities leaving KNH to attend to referred cases that require specialized medical services.

Accident and Emergency attendance

Accident and Emergency attendance over the last five years has been dropping as a result of strict implementation of the referral system as highlighted in the figure below.

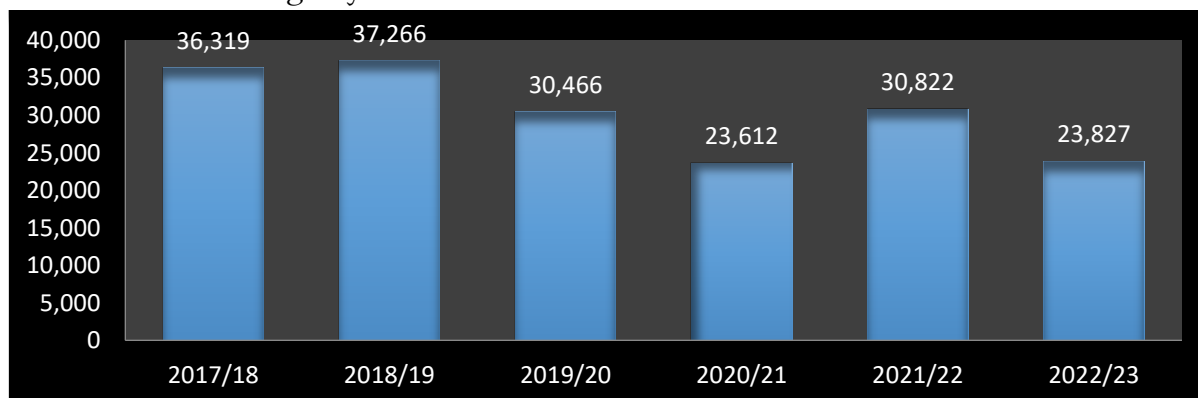
Figure 1: Accident and Emergency Attendance



Paediatrics Emergency Unit Attendance

The Hospital has a well-established Paediatrics Emergency Unit. The PEU attendance trend is shown below:

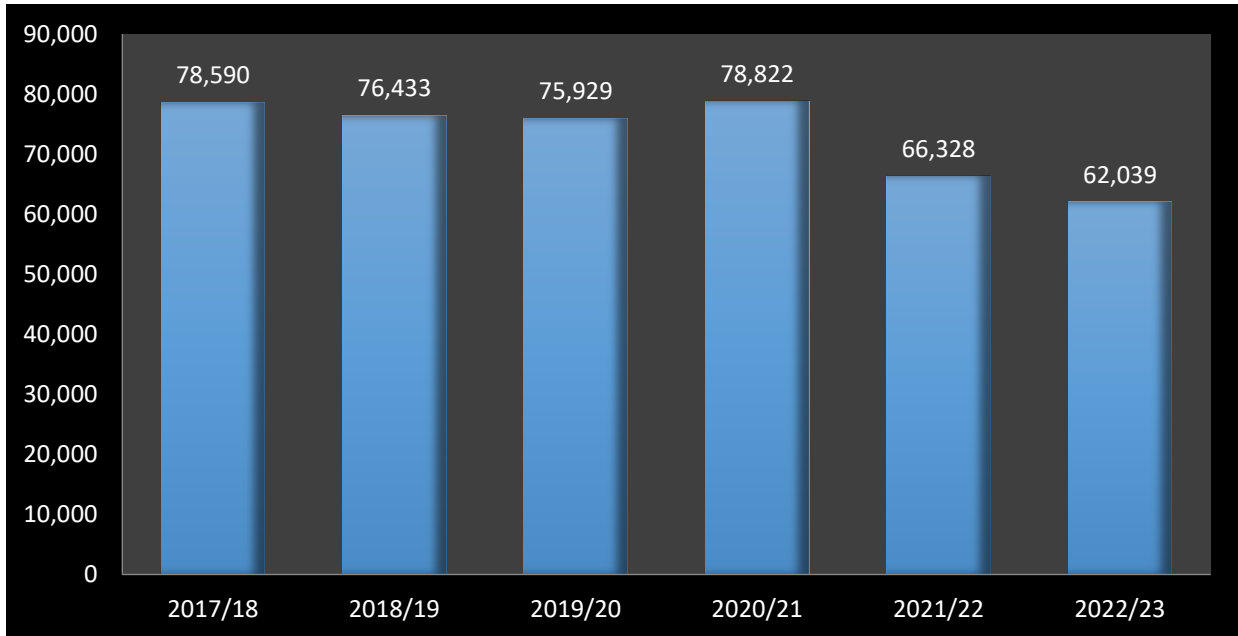
Figure 2: Paediatrics Emergency unit Attendance



Inpatient Attendance

During the year under review, the Hospital attended a total of 62,039 inpatients which is a decline as compared to 66,328 in the previous year. The trend for inpatient attendance is illustrated in the figure below.

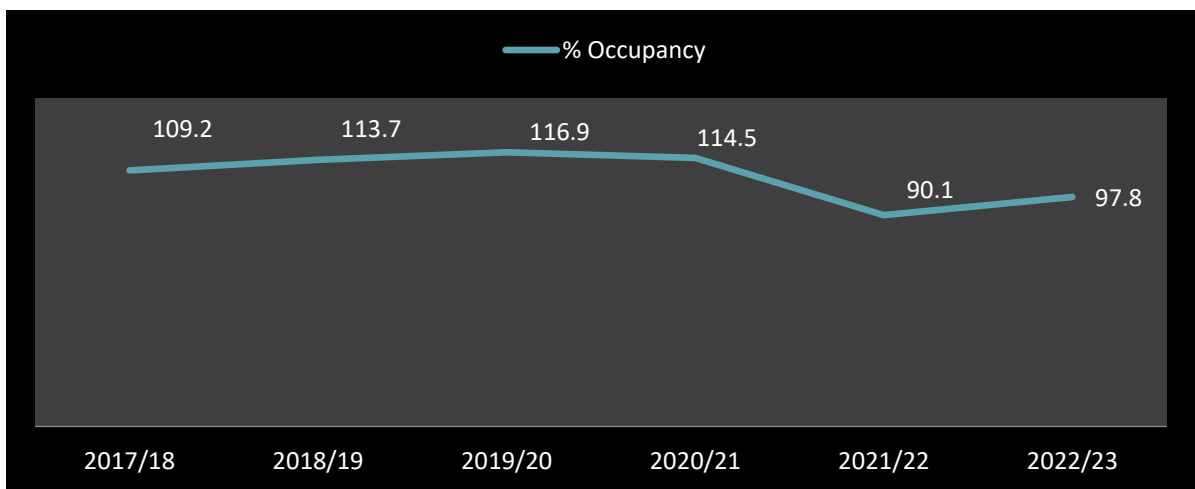
Figure 3: Inpatient attendance



Bed Occupancy

The bed occupancy trend over the last 6 years is as shown below.

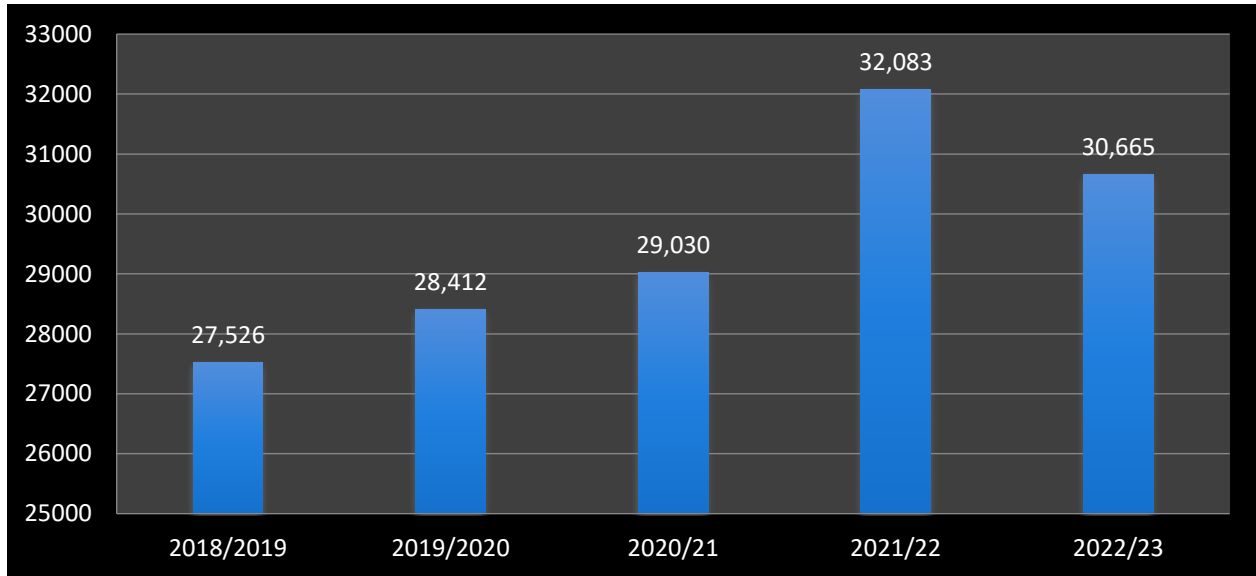
Figure 4: Bed Occupancy



Surgical procedures

The Hospital has a total of 26 theatres. Specialized surgical procedures performed over the last 5 years are displayed in the chart below.

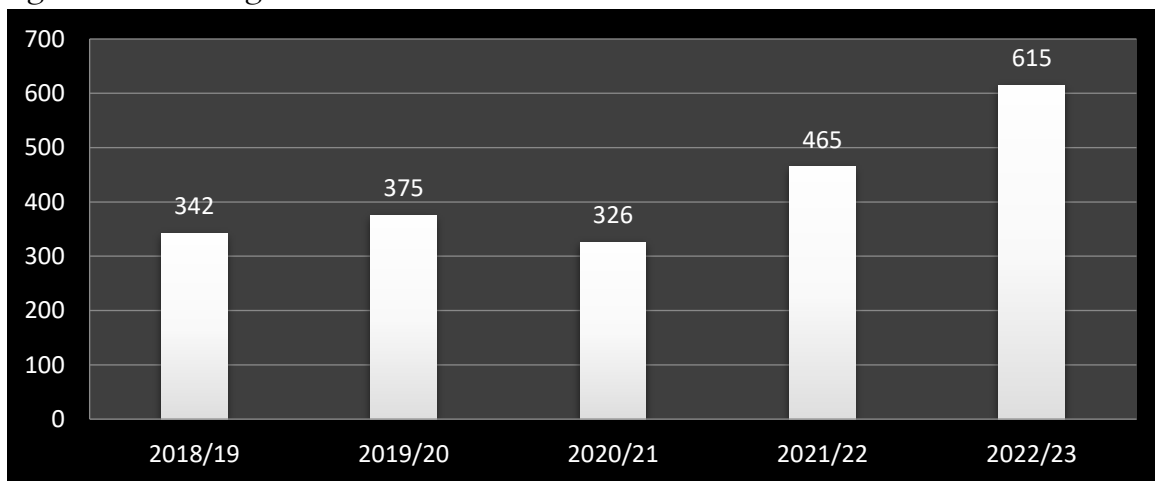
Figure 5: Surgical Procedures



Heart Surgeries

The Hospital has continuously increased the number of heart surgeries performed from 326 in FY 2020/21 to 465 in FY 2021/22 and 615 in FY 2022/23.

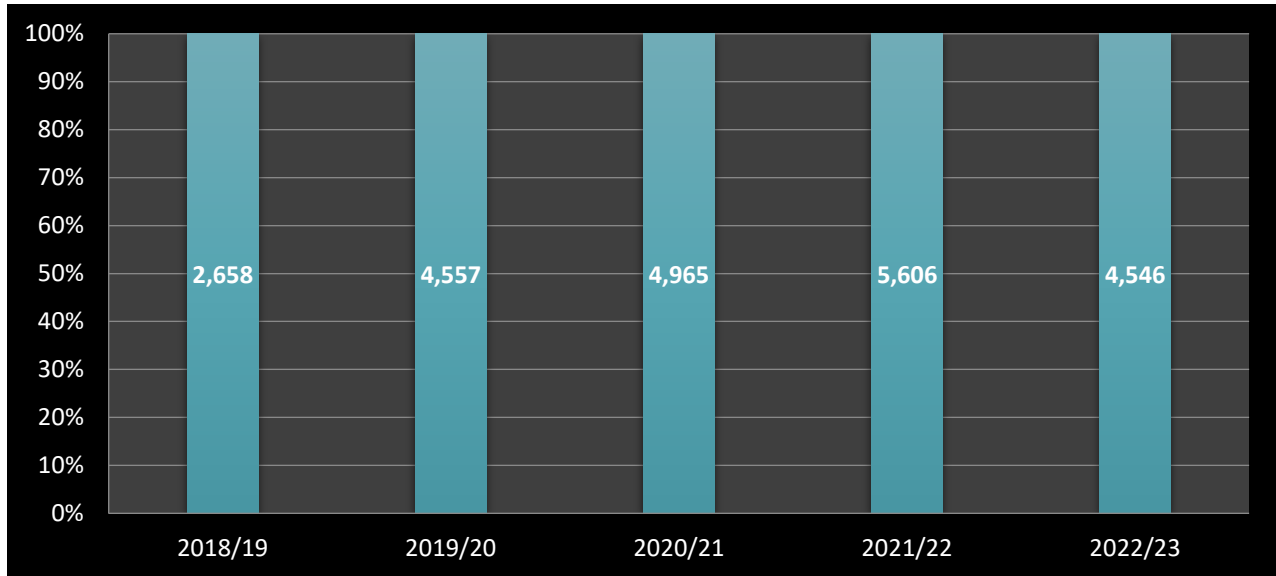
Figure 6: Heart Surgeries



Minimally Invasive Surgeries

Over the years, there has been increased demand for minimally invasive surgeries which has contributed to the growth in numbers for this service as shown in the figure below.

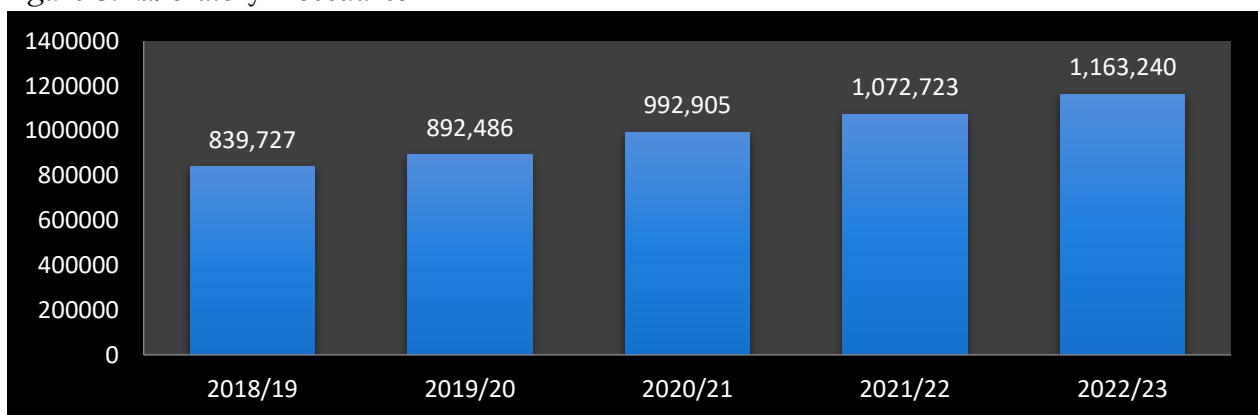
Figure 7: Minimally Invasive Surgeries



Laboratory Procedures

There was an increase in the number of laboratory procedures conducted in 2022/23 compared to the previous years as shown below.

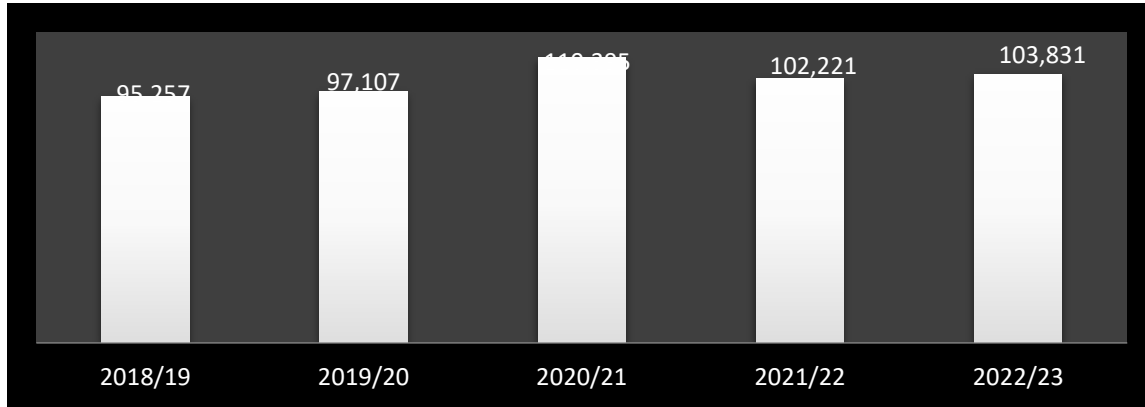
Figure 8: Laboratory Procedures



Radiology Procedures

The trend of radiology procedures carried out over the last five years is shown in the figure below.

Figure 9: Radiology Procedures



Clinical Milestones

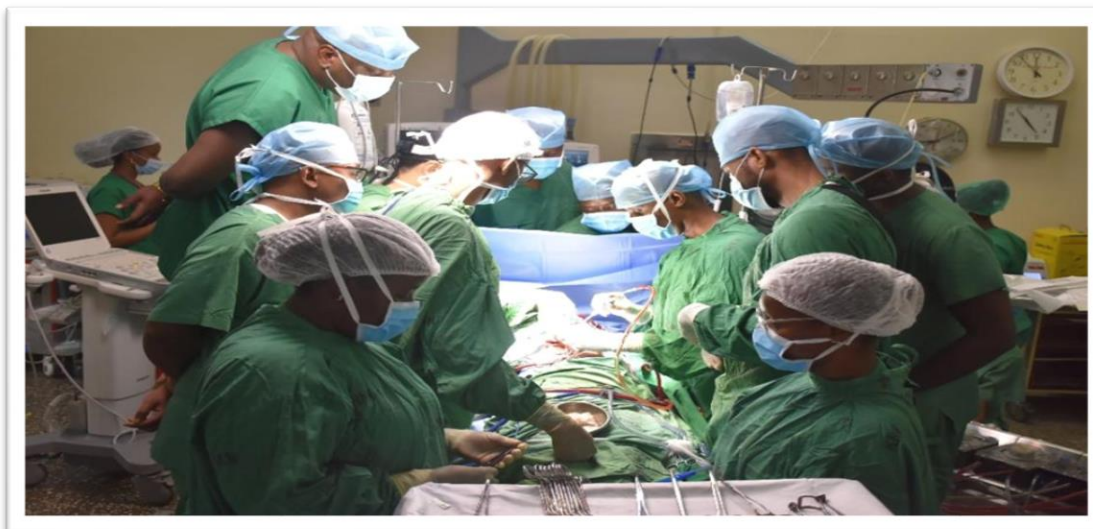
Separation of Conjoined Twins

A team of 38 medical specialists conducted a successful 15 hour long complex separation of conjoined twins who had holes in the hearts, shared a liver, and two hearts in one cavity.



Pediatric Cardiac Surgeries

KNH in collaboration with Care for a Child's Heart (CFACH) held a pediatric cardiac surgical camp from 12th – 23rd June 2023 where 14 high-risk cases were successfully operated on. The operations were performed by Dr. Simon Nderitu and Dr. Mohammed Khaled.



Medical Expertise Showcased

Ms. Fauziya Lugogo (Front L)- a Nurse at KNH Prime Care Center, was part of a heart-warming story, that not only showcased the remarkable medical expertise of our nurses at Kenyatta National Hospital but also exemplifies the dedication that our healthcare professionals have for their patients, even in unconventional settings. The Nurse helped a mother deliver in a train coach on 21st June 2023.



Antimicrobial Guidelines

Kenyatta National Hospital in partnership with the University of Nairobi and the Fleming Fund launched the antimicrobial guidelines during the year under review.

The guidelines titled “Kenya National Hospital guidelines for empiric antimicrobial therapy, 2023 edition” and “Kenya National Hospital guidelines on antibiotics use for surgical prophylaxis, 2nd edition 2023” were formulated by the KNH Antimicrobial Stewardship Committee and key stakeholders.



Medical skills transfer

KNH Plastic Surgery Unit and Department of Plastic, Reconstructive, and Aesthetic Surgery UON conducted a micro-surgical workshop from 24-28th April 2023.

Participants were taken through various activities including live surgeries. The workshop acted as a skills transfer platform with experts from San Giuseppe Hospital, Milan, Italy; providing free training on micro-surgical skills, and acting as linkage to global regional faculty that facilitated international symposiums in microsurgery.



Percutaneous Coronary Intervention

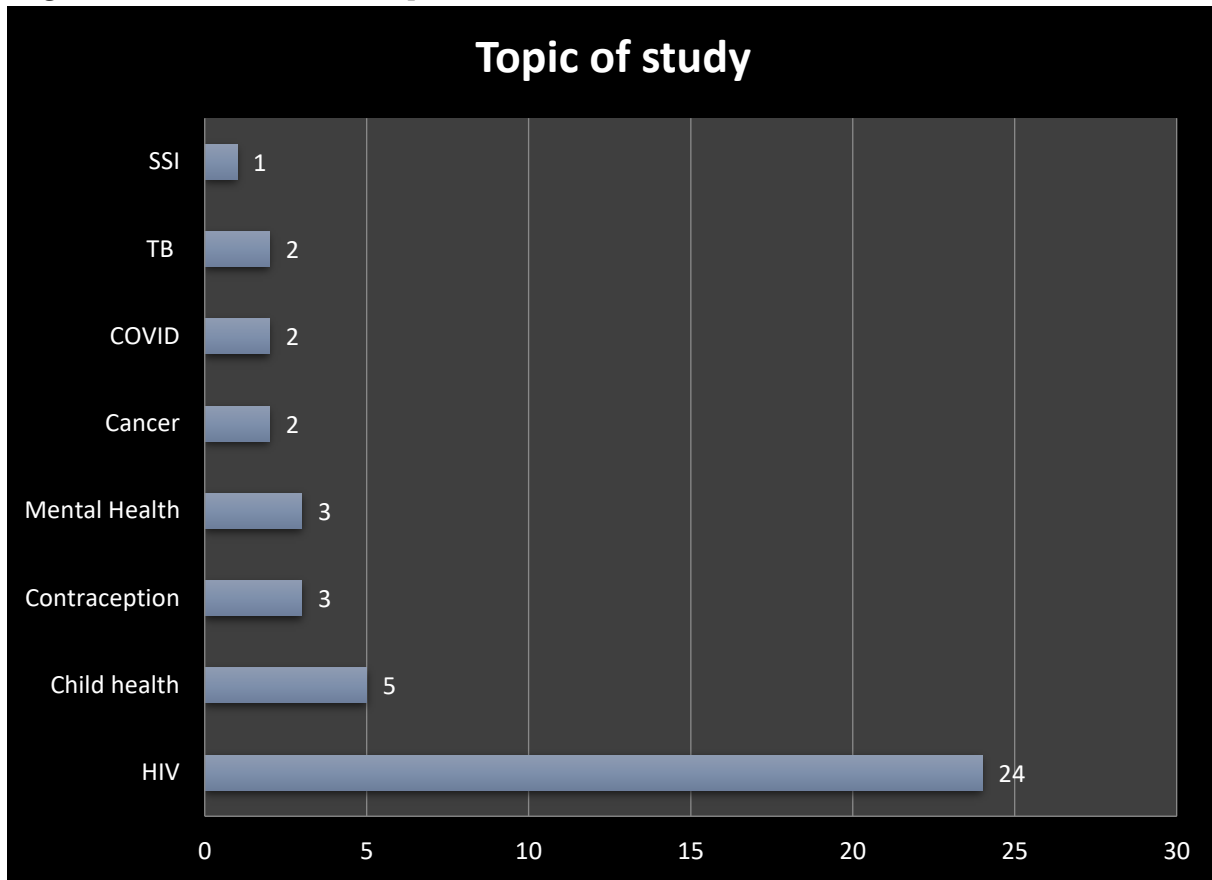
Medics at Kenyatta National Hospital hosted a week-long Percutaneous Coronary Intervention (PCI) Camp. The camp, held between May 22nd and 26th May 2023 saw resident Cardiologists undergo training on Percutaneous Transvenous Mitral Commissurotomy and Complex Percutaneous Coronary Angioplasty procedures. More than 30 patients underwent surgical procedures for Coronary Valve disease.



Research

During FY 2022/23 forty-two studies were implemented. Most studies were on HIV and primarily evaluating strategies to scale up antiretroviral pre-exposure prophylaxis. In the year, the hospital was awarded a grant as the prime grant receipt with University of Washington as the sub-awardee. The grant will support PHD training (4) at University of Washington, Masters in public health (5) and offer 4 post –doctoral fellowships at KNH as well short courses in research methods at the KNH training and research Centre.

Figure 10: Research Studies Implemented



Fellowships and sponsorship for advanced research training



Dr. Nancy Ngumbau
Research Scientist

Three employees were awarded international fellowships and scholarships. Two received United States Yale University Global Health Equity Scholars program and one with United States Washington University in St. Louis HIV, Infectious Disease and Global Health Implementation Research Institute. These research fellowships will be conducted mainly in Kenya with trainees traveling to the sponsoring US institution for advanced research for a brief period. Four research project staff received scholarships to travel to University of Washington through the KNH/UW HIV Care Cascade/INTEGRATE program for MPH training and one staff received a scholarship for PHD training through UW School of nursing.



Dr. Caroline Robai, Head Clinical & Nursing Services -MMUK, GHES recipient

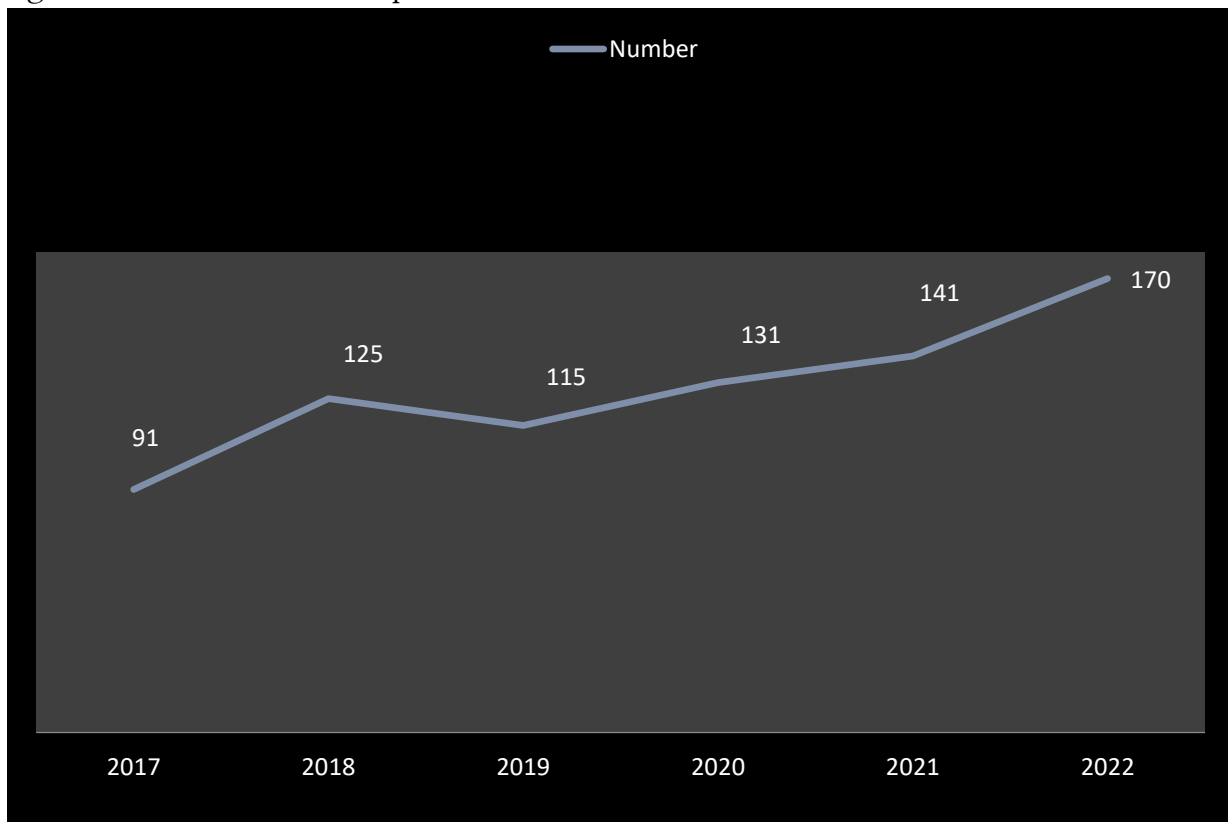
KNH-UoN Webinars

The Hospital conducted 170 webinars covering diverse topics ranging from oncology to disaster preparedness. MoH and CDC supported the increase in attendance capacity from 1000 to 3000 when the platform was selected to be used to train staff on Ebola. Over 1000 participants joined the webinars in 83% of the sessions. Health providers from diverse disciplines from across the country joined the webinars. Presenters were drawn mainly from KNH, UoN, Ministry of health.

Publications

The number of publications in peer reviewed journals has continued to increase. The Hospital organizes manuscript writing workshops to support staff acquire manuscript writing skills. During the year under review, UW Centre for AIDS research supported a manuscript writing workshop at KNH training and research Centre.

Figure 11: Research Studies Implemented



Policy briefs

The Hospital submitted two policy briefs to the Ministry of Health. The hospital in collaboration with the department of research, ministry of health organizes policy brief trainings for staff.

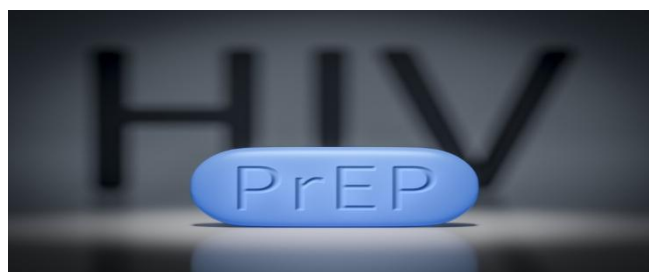
Policy Brief 1: The brief addressed Integration of PrEP delivery in maternal and child health clinics as is important for women at risk of HIV acquisition during pregnancy and delivery strategies should balance the benefits of HIV prevention against unnecessary PrEP exposure.

Our study sought to understand if a risk-guided model would facilitate appropriate PrEP use among MCH attendees better than universally offering PrEP. The risk-guided model involved one-on-one evaluation of HIV risk factors with each woman to help them understand their HIV risk, followed by PrEP offer to those who had high risk (estimated with a standardized score).

The universal PrEP model included standardized messages on HIV risk factors followed by PrEP offer to all women. The universal PrEP model relied on women to make their own decision about risk and PrEP following the counseling without discussing their reasons for wanting PrEP.

The study demonstrated that a risk-guided PrEP offer did not improve PrEP decision-making. PrEP was accepted by 18% of women in the risk-guided arm versus 20% of women in the universal arm. 'Appropriate PrEP use', defined as no PrEP uptake among low-risk women and PrEP uptake among high-risk women did not differ significantly between the risk-guided and universal groups (59.1% vs 68.4% respectively). Additionally, risk-guided PrEP did not influence HIV incidence compared to universal PrEP offer (0.3/100 person-years versus 0.4/100 person-years respectively).

This demonstrates that offering universal counseling of PrEP following simple standard counseling is an effective and efficient approach of PrEP delivery and scale-up within MCHs that will allow appropriate PrEP use and may reduce new HIV infections.



Policy brief 1

Key Message: Universal PrEP offer is an effective and efficient approach of PrEP delivery

Title: Risk-based vs universal PrEP delivery during pregnancy: a cluster randomized trial in Western Kenya from 2018 to 2019

Finding: Universal counselling of PrEP following simple standard counselling is an effective and efficient approach of PrEP delivery and scale-up within MCHs that will allow appropriate PrEP use and may reduce new HIV infections

Policy Brief 2: There's an increasing number of young patients who have colorectal cancer. Previous research in Nairobi and Bomet, revealed that the highest affected age group was the 41 – 50 group, accounting for 17 - 34% of all colorectal cancer patients in the 2 regions. This is disturbing because they are the productive age group thus advanced cancer in them leads to depreciation of the Kenyan workforce. This study was done to assess how colorectal cancer was being diagnosed and treated in 4 public referral hospitals in Kenya, and to determine the outcome of these patients. This was done by reviewing the medical records of patients treated for colorectal cancer between January 2016 & January 2020 in Kenyatta National Hospital, Moi Teaching & Referral Hospital, Coast General Teaching & Referral Hospital and Nakuru Level 6 Hospital.

Only 58% of the paper-based medical records of patients with colorectal cancer could be retrieved. Of the 994 patients with colorectal cancer, almost half of the patients were less than 50 years old and approximately a third were less than 40 years old.

These young patients had advanced colorectal cancer at diagnosis, with 81% of them having Stage 3 & 4 disease. Only 5% of colorectal cancer patients were diagnosed before they developed symptoms indicative of the dire lack of access to screening facilities which would help pick cancer earlier. An average of 65 days was observed from diagnosis to treatment which is a significant delay. as it led to a higher chance of death (>50%) from colorectal cancer.

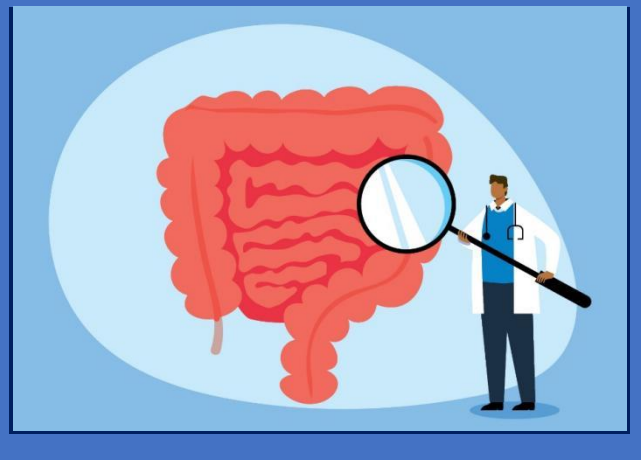
This demonstrates the increasing need for colorectal cancer screening to be accessible to all and target the young so as to catch the disease early and provide cure. There is need to strengthen cancer referral systems to reduce the over 2-month delay in beginning colorectal cancer treatment. Establishment of national digital cancer registries will inform better colorectal cancer detection and treatment practices in Kenya.

Policy Brief 2

Key Message: Need to promote screening for colorectal cancer among adults <50 years

Title: Increasing Numbers of Colorectal Cancer in Young Kenyans: A Multi-Site Audit

Finding: Almost half of the patients were less than 50 years old and approximately a third were less than 40 years old Only 5% of colorectal cancer patients diagnosed before they developed symptoms. Increased mortality with late diagnosis of colorectal cancer.



Mwai Kibaki Hospital Clinical Performance

Over the last four years, Mwai Kibaki Hospital has continued to expand the range of services offered at the facility as shown in the table below:

Table 4: Mwai Kibaki Hospital Clinical performance

| Operation Area | FY 2019/20 | FY 2020/21 | FY 2021/22 | FY 2022/23 |
|---------------------------------------|------------|------------|------------|------------|
| Accident and Emergency Attendance | 13,791 | 33,017 | 42,716 | 23,816 |
| Admissions | 1,214 | 4,663 | 5,457 | 5,686 |
| Paediatrics Emergency Unit Attendance | - | - | 3,241 | 5,547 |
| Surgical procedures | 714 | 1,378 | 1,698 | 1,904 |
| Specialized Clinics Attendance | 3,696 | 13,347 | 20,227 | 22,274 |
| Blood Transfusion procedures | - | - | 4,964 | 5,469 |
| Radiology procedures | 4,722 | 10,078 | 12,469 | 13,089 |
| Laboratory procedures | - | - | 166,165 | 164,934 |
| Integrated Clinics attendance | - | - | 7,279 | 7,326 |

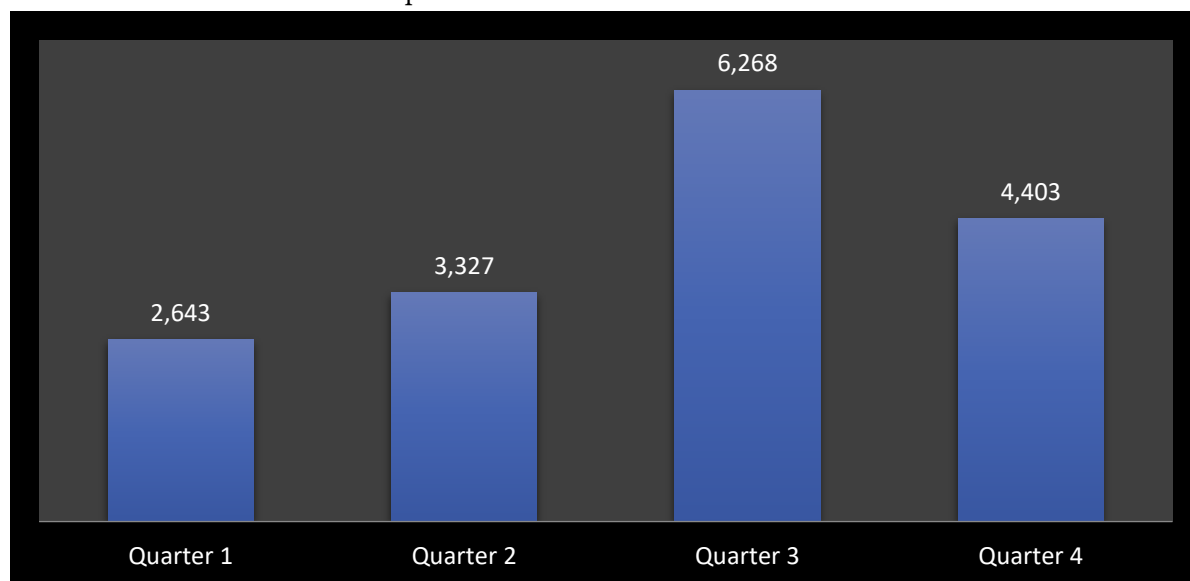
Mama Margaret Uhuru Hospital Clinical Performance

Mama Margaret Uhuru Hospital (MMUH), an annex of KNH, started operations during the FY 2022/24. The clinical performance for the year under review is discussed below.

MMUH Outpatients Attendance

Cumulatively, a total of 16,641 outpatients were attended to at MMUH as shown in the figure below.

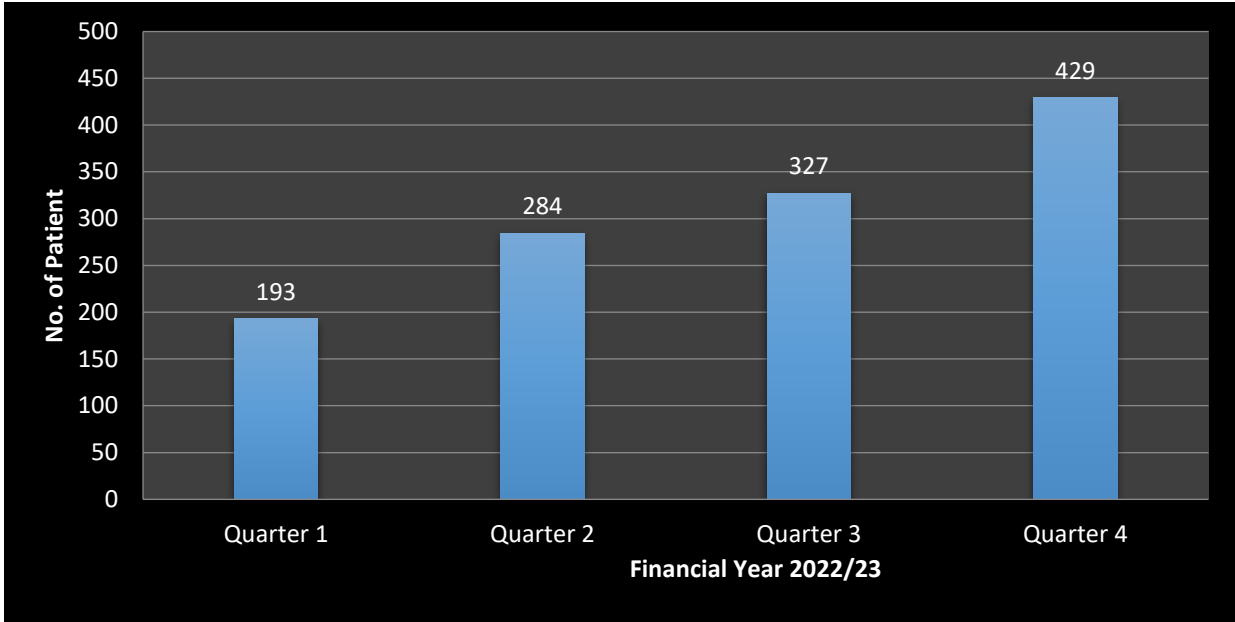
Figure 12: MMUH FY 2022/23 Outpatients Attendance



MMUH Inpatients Attendance

The total number of inpatients attended to during the year under review was 1,233 as shown below:

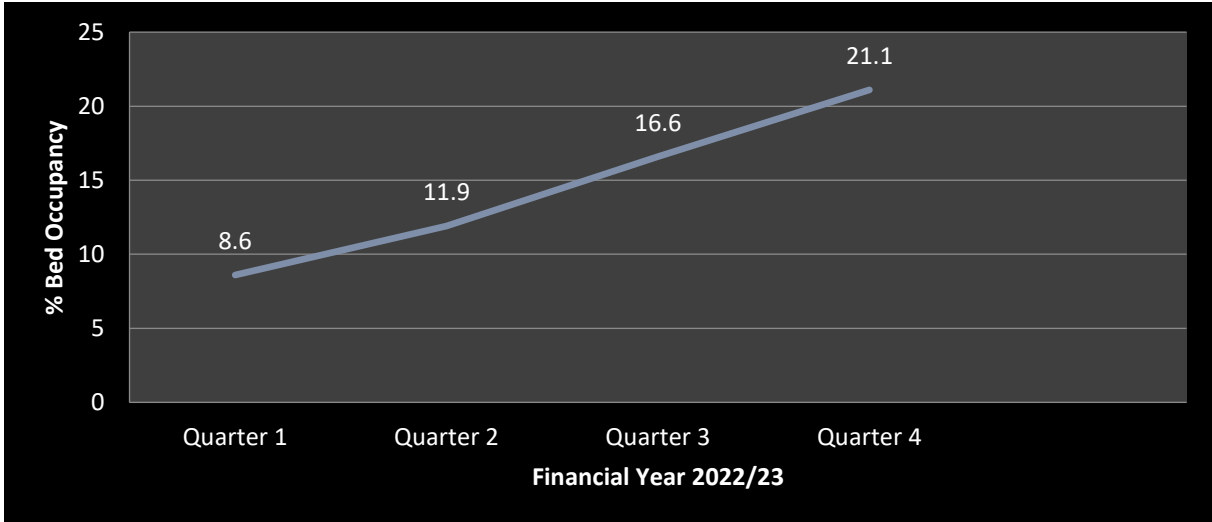
Figure 13: MMUH inpatients Attendance



MMUH Bed Occupancy

Bed occupancy improved from 8.6% in the first quarter to 21.1% in fourth quarter of FY 2022/23 as shown below.

Figure 14: MMUH FY 2022/23 Bed Occupancy



Key Hospital Projects

The capital projects that the Hospital is implemented are outlined below:

Rehabilitation and refurbishment of KNH

This project covers renovation of 8th floor and replacement of Hospital lifts.

Renovation of the 8th Floor: Project entails demolition of masonry walls, walling, partitioning and painting. The project cost is Kshs. 102,264,152 which is being financed by Government of Kenya. The project commenced on 29th August 2022. As at 30th June 2023, the level of project completion was at 45%.



Tower Block 8th Floor renovation at 45% completion

Hospital Lifts: The project involves the installation of two lifts at the Tower Block to optimize customer experience. The project commenced on 18th August 2022 and is being financed by the government of Kenya at a cost of Kshs. 19,780,957. The project was 80% Complete as at 30th June 2023.

Construction and Equipping of Cancer Center

The state-of-the-art Cancer Centre of Excellence is a two phased project; Phase I is a three-storey building to house outpatient clinics, laboratory, chemotherapy, and related services and including part equipping. Phase II is an extension of the super structure up to the 10th floor.

The project is being financed by the Government of Kenya and the estimated cost of phase I and Phase II is Kshs. 293 Million and 700 Million respectively. Phase I was completed and handed over to the hospital in July 2023.



Construction of Cancer Center phase I at 100% Completion

Construction and Equipping of Radiotherapy Bunkers

The Project Scope entails the construction and equipping of two bunkers next to the Cancer Treatment Centre at a cost of Kshs. 96,789,750 and is funded by the Government of Kenya. The project commenced on 29th August 2022 and is 80% complete.



Construction of Bunker at 80% complete

Construction and Equipping of Medical Oxygen Generating Plant

The project entails the construction and equipping of a medical oxygen generating plant at cost is Kshs. 443 million financed by Government of Kenya. The project commenced on 18th October 2022 and was 65% complete as at 30th June 2023.



Oxygen tank installation



Oxygen plant housing under construction

Burns Management Centre and Paediatric Emergency Centre

The Burns Centre will contain 82 general ward beds, 14 ICU beds and 6 HDU beds while the Paediatric Centre will contain 82 general ward beds, 24 ICU and 6 High Dependency beds at an estimated cost is Kshs. 2.9billion. The project is being finance by: Government of Kenya; OPEC Fund for Economic Development; Arab Bank for Economic Development of Africa and Saudi Fund for Development.

The Project Commenced on 31st August 2018 and expected to be complete on 31st December 2023. The current completion rate is 58% builders works.



Burns Management and Paediatric Emergency Centre under construction

Replacement of Obsolete Equipment

This project involves the replacement of medical equipment and Steam generating boiler and reticulation system. The project is funded by the Sports, Arts and Social Development Fund at a cost of Kshs. 627 million. Medical equipment worth Kshs. 500,193,389 was procured to replace obsolete equipment and equipping of Zarina Merali Daycare Surgical Center. In addition, steam generating boilers and reticulation system were installed at a cost of Kshs.126,881,631. The Installation of two boilers and steam condensate reticulation system is completed and commissioned. 80% of the equipment procured have been delivered and installed.

Expansion of Specialized Health Services

The project entails acquisition of prioritized equipment for expansion of specialized health services and is funded by the Sports, Arts and Social Development Fund at a cost of Kshs. 667,136,605. The focus areas include theatres, cardiology, specialized surgery, medicine among others. This project is expected to reduce the turn-around time for patient care especially for patients in need of critical and emergency services. It will also enable the Hospital to effectively implement the referral system in a manner that enables efficient access to treatment by critically ill patients. As at 30th June 2023, the Hospital was awaiting disbursement of the grant.

Invitro Fertilization Centre of Excellence

The project involves establishment of an Invitro Fertilization Centre of Excellence at KNH funded by the Sports, Arts and Social Development Fund at a cost of Kshs. 133,595,940. The project will entail renovation of the existing infrastructure at the Reproductive Health Clinic 66 and requisite medical equipment. As at 30th June 2023, the Hospital was awaiting disbursement of the grant.

KNH Hope Hostel

The project aims to prevent interruptions of cancer treatment due to transport and accommodation challenges experienced by patients. It's estimated to cost Kshs. 494 million and will be financed by the American Cancer Society, friends of Hope Hostel, and public donations. The partners have reviewed the financing agreement and have submitted to National Treasury for Review and approval.



Architectural Design of the Hope Hostel

Partnerships and Collaborations

During the FY 2022/23 the Hospital actively sought collaborations with philanthropists and organizations who share our vision of enhancing healthcare services and promoting patient well-being. The support of partners has played a significant role in improving Hospital efficiency in service delivery as well as providing numerous benefits to patients. Highlighted below are our partners and their contributions during the year under review.



Murshidaat Organization donated prayer mats, digital tasbih and other assorted items to the Hospital in September 2022



Kenyatta National Hospital in collaboration with The Seventh Day Adventist Church and Kenya National Blood Transfusion Services partnered in a blood donation drive exercise with the theme 'TOKEA TUSAVE LIFE' in September 2022.



Citi Bank in partnership with Toto Care Box, Junior Achievement Kenya and Miti Alliance donated 10 beds towards the Adopt-a-Bed initiative, 665 Toto Care Box package, 20 chairs to the labour ward & dignity pack bags in August 2022



KNH administrative services unit donated 2 beds towards the Adopt-a-Bed initiative.



Harambee Sacco donated 10 beds in support of the Adopt-a-Bed initiative in August, 2022



July 2022, members of the World Federation of Hemophilia led by their President, Mr. Cesar Garrido visited KNH to engage in the collaboration on haemophilia management. The team visited the KNH Special Haematology and Parasitology Laboratories to check on the progress of their operations in managing Hemophilia.



KNH Board Chairman, Mr. George Ooko received ten beds from Ushuru Sacco Society Limited Chairman, Mr. Isaac Kiprop in July 2022



Adopt-a-Bed campaign received 4 beds from the Nursing Council of Kenya in July 2022



Lued A Chemicals LTD carried out renovation, refurbishment, and equipment upgrade in the Blood Transfusion Unit which was handed over to the Hospital in January 2023.



Mrs. Tessy Mudavadi, together with the National Social Security Fund and partners donated 23 beds to boost the Adopt-a-Bed Campaign. In addition, they donated 250 breastfeeding containers to store excess milk from the mothers, and 400-foot print stickers to guide mothers to the New Born Units.

Other partners who donated to the Hospital are tabulated below.

Table 5: Donors

| FY 2022/23 Donors | |
|---------------------------------------|--|
| ACK men enough | Medtronic & International Balsam Organization |
| Acts of Mercy Foundation | MEGA WE CARE |
| Afresh Chapter | Metronic |
| Alice Wanjiru | Mr. Akpofure Enajemo |
| ALL Saints Cathedral | Mr. Martin Mugambi & Dr. Catherine Napo |
| Angela sane | Mr. Steve Isaacs |
| Art Without Borders | Ms. Caroline Chege |
| Bayer (Kwaho) | Ms. Irene Mwirigi |
| Bianka Mlindzwe | Ms. Leilah Jonah/Pregnacare |
| Catholic Union Medical School | Ms. Mary Wanyoike/ Ms. Christine Ndinda/Ms. Lydia Koimburi |
| Cecilia Murithi | Ms. Rachel Kahwai |
| Christ the King Catholic Church | Ms. Rahma Abdirahim |
| CIHEB | MSAUN-UON |
| Citi Bank | MSN Laboratories |
| Club Foot Kenya | MUNA ABDIRAHIM |
| Clubfoot Care for Kenya | Muslim well wishers |
| Co-operative bank pcs team | Nairobi Enterprises Limited Enterprises |
| Cosmos | National Bank of Kenya |
| Crown Health Care | National Social Security Fund 3crank |
| Direct Line Assurance | NEST 360 |
| Donate a Wig | Nissan Patrol Owners Club (Kichaka Patrol) |
| Dr. Bhatt | Norsemen Club Kenya |
| Edith Chiluyi | Novartis |
| Egis Group | Nursing Council |
| Energy Petroleum Reguratoty Authority | Oncology Doctors |
| Europa Healthcare Ltd | One Purpose Sadaqa Organization |
| FadlCarda Leukimia Foundation | Optiven Enterprises |
| Farah & Shanice | Our Lady Queen Of Peace |

| FY 2022/23 Donors | |
|-------------------------------------|---|
| Faraja Cancer Support Group | PCEA Bahati Martyrs church |
| FSE International SA | PCEA Langata Men's Fellowship |
| Gideon Karugo | PCEA St. Andrews Church |
| Glenmark Pharmaceuticals | PCEA Uthiru church |
| Global Wach | Pharmaco |
| Gold Ribbon Initiative | Preemie Love Foundation |
| Harambee Sacco | Princess Maximus & Novartis |
| Harley's Limited | RAD-AID International |
| HEART Africa | Redcross Society of Kenya |
| Home of Smile Foundation | Retirement Benefits Authority |
| Hope for Cancer Kids | Riabama Limited |
| Hope for Cancer Kids | ROCHE |
| Huduma Kenya Services | Safaricom Sacco |
| IEEE UON Student Branch | Salaries and Remuneration Commission |
| IMAAAN NASUBO OCHWADA & FRIENDS | Salvation Army Nairobi Temple |
| International Atomic Energy Agency | Sharon Wanjiru |
| iProcure Ltd | Simon Wanyoike Kungu |
| Jane , Lydia and Christine | Smiles for Change (Sarakasi) |
| Josphat & Friends (Bridge Ministry) | Smiles For Children Foundation |
| Kappu Africa | Solomon /Rhoda and friends |
| Keeping the Smile | Spinabifida& hydrocephalus Association |
| Kelvin Otieno | St. James ACK Buruburu |
| KEMSA | St. Peters Ack Kahawa Sukari Church |
| Kencancer | ST.Stephens Anglican cathedral Jogoo Road |
| Kenya Haemophilia Association | Start a Library/Kenya Margistrates & Judges Association |
| Kenya Roads Board | Stephen Isacc |
| Kenyatta Matibabu Sacco | Stoma World Kenya |
| Kenyatta University | Symbio Healthcare Ltd |
| Kingdom of Jesus Christ | The Nairobi Hospital |
| KMTC NAIROBI Christian Union | Totocare Box & Citi bank |

| FY 2022/23 Donors | |
|--|--------------------------------------|
| KNH Administration | USAID Kenya & East Africa |
| KNH EMC | Ushiriki Wema |
| Latter Day Saints Charities | Ushuru Sacco |
| Lavington SDA Church | Vigor Medical (K) Ltd |
| Lavington United Women Fellowship | Wangari Nganga |
| Lazor Pharmaceutical | World Child Cancer/ Princess Maximus |
| League of Friends | World Federation Of Hemophilia |
| Lions Club Dagoretti, Karen, CarGen,Phoenix,Masaku Pioneer, Ruiru Pioneer, Nairobi Greater | Young Engineers |
| Live, Love & Share | ZAKAM |
| Margret | |

The Hospital Board of Management extends their deepest gratitude to all the philanthropists and organizations who supported Kenyatta National Hospital in FY 2022/23. We remain dedicated to maximizing the impact of these donations and continue to strive for excellence in delivering exceptional healthcare services.

Risk Management Report

Introduction

Risk management in healthcare has evolved, becoming more complex over time as a result of the dynamic technological, regulatory, legal and political climate. Enterprise Risk Management (“ERM”) in healthcare comprises clinical and administrative systems, processes and reports employed to detect, monitor, assess, mitigate and prevent risks.

The hospital proactively and systematically safeguards patient safety as well as the organization’s assets through the established risk management processes and internal control system.

Risk Management Process

The Board of management is responsible for establishing an effective risk management strategy within the Hospital. The Board Audit Committee plays an integral role in risk management and oversees the adequacy and efficiency of internal controls across the Hospital through internal audit reports. Accordingly, the Hospital has implemented operational and management controls while establishing mitigation plans which are regularly verified by the Hospital Risk Management committee and the Internal Audit.

Risk Identification and Classification

The objective of risk management is to establish an integrated and effective risk management framework within which important risks, including climate-related ones, are identified, quantified, prioritized and managed for an optimal risk profile.

The identified risks are also classified into five categories:

1. **Operational:** The risk of loss from inadequate failed processes, people, systems, or external events.
 - Process Risk: Risks arising from failed internal processes.
 - People Risk: Risks arising from employees and their relationship with the Hospital.

- External Risk: Risks arising from changes to the world outside the Hospital’s control: political, economic, social, technological, legal and environmental.
2. **Strategic Risks:** this relates to risk of Choosing and continuing to follow sub optimal strategies to meet objectives, not executing the strategies successfully and changing the business-as-usual risks differently from expected.
 3. **Compliance Risks :** The risk of exposure to legal penalties, financial forfeiture and material loss, if the Hospital fails to act in accordance with relevant Government Statutes, industry laws and regulations, internal policies or prescribed best practices.
 4. **Financial Risks :** This includes:
 - Credit Risk: The risk of profit or loss due to changing credit quality and the risk of loss from a counterparty failing to meet their obligations as and when they fall due;
 - Liquidity Risk: Risk of being unable to meet cash flow obligations as and when they fall due;
 - Market Risk: The risk of profit or loss due to a future movement in market rates i.e. foreign exchange risk, Interest rate risk and price risk.
 5. **Technological risk:** The potential that a given threat will exploit vulnerabilities to cause loss or damage to an information/communication asset or group of assets and hence directly or indirectly to the Hospital.
 6. **Clinical risk:** The risk of compromised quality and safety of health care services resulting in undesirable clinical care or clinical outcomes. Includes quality risks and patient safety risks

Key Performance Highlights

- Facilitation in the development of risk registers at departmental level which involves assessment of risks on the objectives of the year for all Hospital Departments.
- Continuous provision of guidance and collaboration with all directorates and departments to update their risk mitigation status on quarterly basis.
- Review of risk management policy.

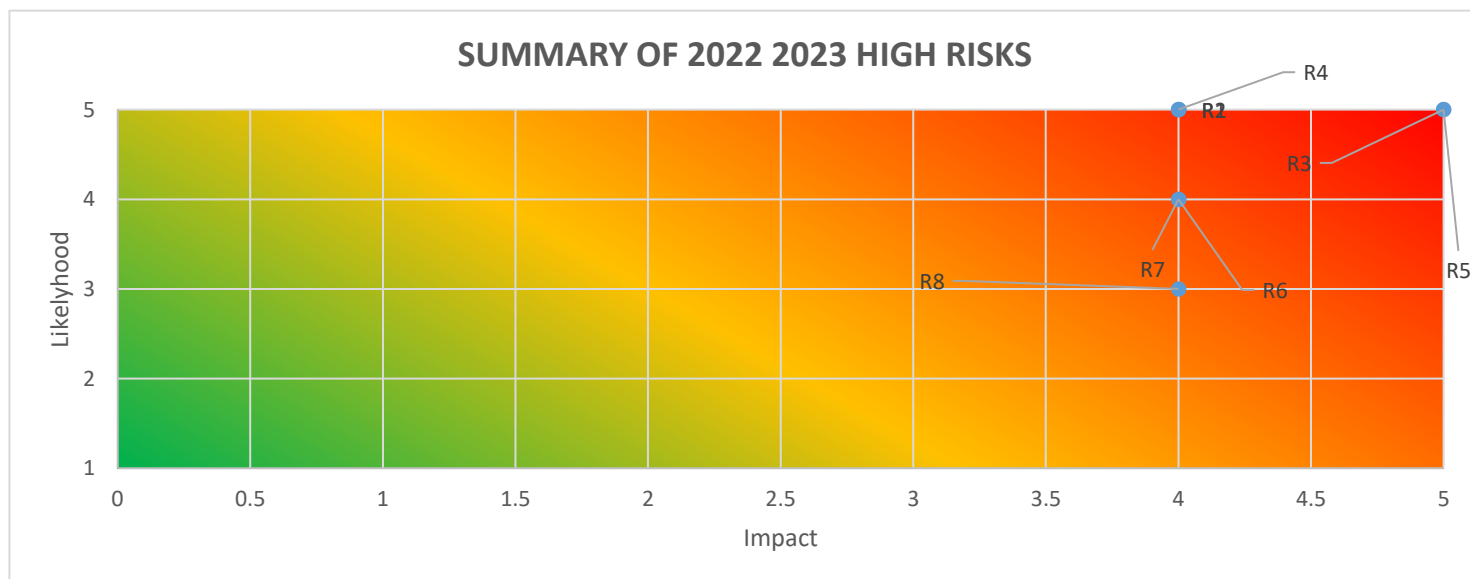
Summary of Principal Risks & Opportunities Evaluated During the Year

Principal risks are risks that can materially affect our strategy. These are determined through a strategic risk review process where top risks are identified and assessed by executive management committees and the hospital risk Committee.

Hospital’s risk landscape is reviewed regularly by the Hospital Risk Committee and the Board. Political, economic, social, technological, environmental and legal developments that may impact the hospital operations and strategy in the short, medium or long term are reviewed to identify emerging risks. During the year under review, the following risks continued to be monitored.




| Risk | Rating | Classification | | | | |
|---|----------|----------------|-------------|---------------|-----------|------------|
| | | Clinical | Operational | Technological | Financial | Compliance |
| R1 High turnaround time | Critical | √ | | | | |
| R2 High mortality rate | Critical | √ | | | | |
| R3 Long hospital stay | Critical | √ | | | | |
| R4 Inadequate human capacity | Critical | | √ | | | |
| R5 Inadequate equipment availability | Critical | | √ | | | |
| R6 Digitalization and innovation | Critical | | | √ | | |
| R7 Pending Bills | Critical | | | | √ | |
| R8 Compliance Risk | Medium | | | | | √ |

Heat Map Showing Hospital’s Key Risks









HOSPITAL PRINCIPAL RISKS& OPPORTUNITIES

TREND DESCRIPTION







| | |
|---|--|
|  | Risk exposure remain unchanged due to change in the business environment, increased dependency manual operations ,pandemic exposure and political interference |
|  | Risk exposure improved as the operating and regulatory environments have remained stable and enhanced risk mitigation measures have kept the risk at the same level. |
|  | Proactive and continuous monitoring, favourable results of negotiations and risk management processes have resulted in lowering of risk exposure |
| | |

CLINICAL/PATIENT SAFETY RISKS

1. High turnaround time

| | RISK RATING-HIGH | KEY MITIGATION | ACTION STATUS | OPPORTUNITIES | | | | |
|--|--|---|---|---------------|---|---|---|---------------------|
| <p>This risk is occasioned by manual systems in patient registration and patient management, Equipment downtime, High patient numbers and inadequate staff to patient ratio.</p> <p>It impacts the achievement of the Hospital’s Objectives as it would lead to increased patient complaints, low staff morale, loss of revenue, high cost of operation and patient long stay.</p> | <p>TREND</p> <table border="1"> <tr> <td>21/2 2</td> <td style="text-align: center;"></td> </tr> <tr> <td>22/2 3</td> <td style="text-align: center;"></td> </tr> </table> | 21/2 2 |  | 22/2 3 |  | <ul style="list-style-type: none"> Implementation of referral strategy Automation of all hospital processes | <ul style="list-style-type: none"> Automation of hospital operations ongoing | Automated processes |
| | 21/2 2 |  | | | | | | |
| 22/2 3 |  | | | | | | | |

2. High Mortality Rate

| | RISK RATING-HIGH | KEY MITIGATION | ACTION STATUS | OPPORTUNITY | | | | |
|---|--|---|---|-------------|---|---|---|----------------------------------|
| <p>These risks result from breakdown of machine, delay diagnostics results or Hospital Acquired Infections.</p> | <p>TREND</p> <table border="1"> <tr> <td>21/2 2</td> <td style="text-align: center;"></td> </tr> <tr> <td>22/2 3</td> <td style="text-align: center;"></td> </tr> </table> | 21/2 2 |  | 22/2 3 |  | <ul style="list-style-type: none"> Clinical audits Mortality audits | <ul style="list-style-type: none"> Implementation of clinical audits recommendations | Pursue more specialized services |
| | 21/2 2 |  | | | | | | |
| 22/2 3 |  | | | | | | | |

3. Long Hospital Stay

| | RISK RATING-HIGH | KEY MITIGATION | ACTION STATUS | OPPORTUNITY | | | | |
|---|---|--|--|--|------|--|---|--|
| These risks is occasioned by increased theatre cancellations, acquired hospital infections, Accumulated medical bills and nature of illness | TREND | <ul style="list-style-type: none"> Clinical audits Mortality audits IPC sensitization | Awareness programs initiated staff to enhance infection prevention control | Collaborate with insurance and medical schemes | | | | |
| | <table border="1"> <tr> <td>21/2</td> <td></td> </tr> <tr> <td>2</td> <td></td> </tr> <tr> <td>22/2</td> <td></td> </tr> <tr> <td>3</td> <td></td> </tr> </table> | | | | 21/2 | | 2 | |
| 21/2 | | | | | | | | |
| 2 | | | | | | | | |
| 22/2 | | | | | | | | |
| 3 | | | | | | | | |

OPERATIONAL RISK

4. Inadequate human capacity

| | RISK RATING-HIGH | KEY MITIGATION | ACTION STATUS | OPPORTUNITY | | | | |
|--|---|---|---|-------------------------------------|------|--|---|--|
| This risk is occasioned by inadequate patient staff ratios for the health workers, Shortage of specialists in all Hospital ,long staff replacement cycle, inadequate succession planning for continuity purposes | TREND | <ul style="list-style-type: none"> Recruitment and deployment of additional staff as per the approved establishment Implementation of retention policy to motivate and retain specialized staff | <ul style="list-style-type: none"> Programs introduced to transform organizational culture and create a cohesive team environment. | Train and retain specialized skills | | | | |
| | <table border="1"> <tr> <td>21/2</td> <td></td> </tr> <tr> <td>2</td> <td></td> </tr> <tr> <td>22/2</td> <td></td> </tr> <tr> <td>3</td> <td></td> </tr> </table> | | | | 21/2 | | 2 | |
| 21/2 | | | | | | | | |
| 2 | | | | | | | | |
| 22/2 | | | | | | | | |
| 3 | | | | | | | | |

5. Inadequate equipment availability

| | RISK RATING-HIGH | KEY MITIGATION | ACTION STATUS | OPPORTUNITY | | | | |
|---|---|---|--|---|------|--|---|--|
| Equipment inadequacy is caused by non-allocation of funds to purchase the equipment due to High cost of the equipment, non-adherence to planned preventive maintenance schedules and non-replacement of worn out and obsolete equipment | TREND | Effective supply chain especially stock management procedures to facilitate maintenance and replacement of worn-out equipment | Periodic review and calibrations of medical equipment by the Bio-Medical engineering team to ensure expected performance | Backup arrangements for utility services and critical medical equipment | | | | |
| | <table border="1"> <tr> <td>21/2</td> <td></td> </tr> <tr> <td>2</td> <td></td> </tr> <tr> <td>22/2</td> <td></td> </tr> <tr> <td>3</td> <td></td> </tr> </table> | | | | 21/2 | | 2 | |
| 21/2 | | | | | | | | |
| 2 | | | | | | | | |
| 22/2 | | | | | | | | |
| 3 | | | | | | | | |

INNOVATION AND TECHNOLOGICAL

6. Digitalization and Innovation

| | RISK RATING- HIGH | KEY MITIGATION | ACTION STATUS | OPPORTUNITY |
|---|----------------------|---|-------------------------------|--|
| It refers to the extent at which the hospital has adopted new technologies and to what extent technological opportunities are exploited by being responsive and innovative in healthcare market | TREND 21/2 2 | <ul style="list-style-type: none"> Upgrade and maintain equipment to reduce system downtime Increase availability of technological equipment to fill the gaps | Implementation of ERP ongoing | Strengthened IT governance and cyber security framework. |
| | 22/2 3 | | | |

FINANCIAL RISK

7. Pending bills

| | RISK RATING- CRITICAL | KEY MITIGATION | ACTION STATUS | OPPORTUNITY |
|---|--------------------------|----------------------------------|---|---------------------------------|
| This risks relate to unpaid financial obligations for the period under review | TREND 21/2 2 | Proactive stakeholder engagement | Taking prompt steps to reduce pending bills | Enhanced stakeholder engagement |
| | 22/2 3 | | | |

COMPLIANCE ®ULATORY RISK

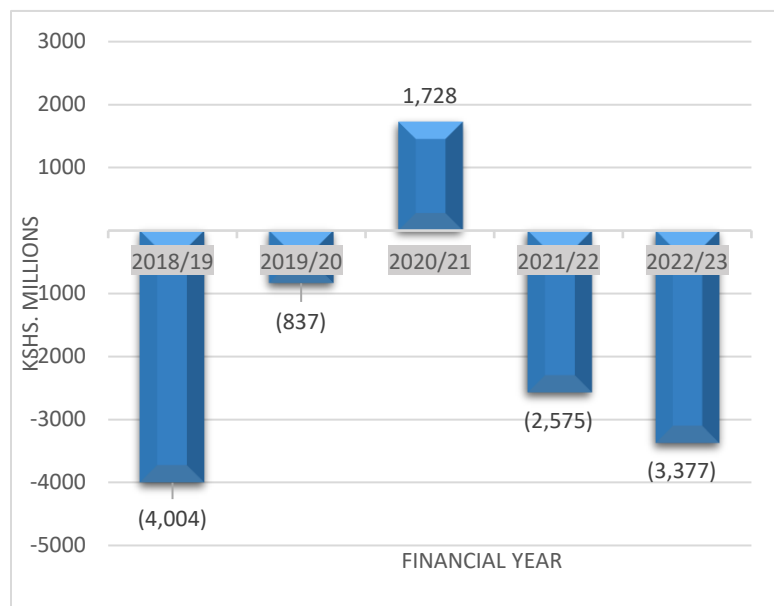
8. Hospital tax compliance

| RISK DEFINATION | RISK RATING-HIGH | KEY MITIGATION | ACTION STATUS | OPPORTUNITY |
|--|--------------------|---|--|-------------|
| This may result to penalties and fines | TREND 21/2 2 | Training and sensitization in tax matters | Participation in tax awareness forums to ensure increased consistency with respect to Government policies and initiatives. | |
| | 22/2 3 | | | |

Financial Highlights

Performance Results

Figure 15: Performance Results



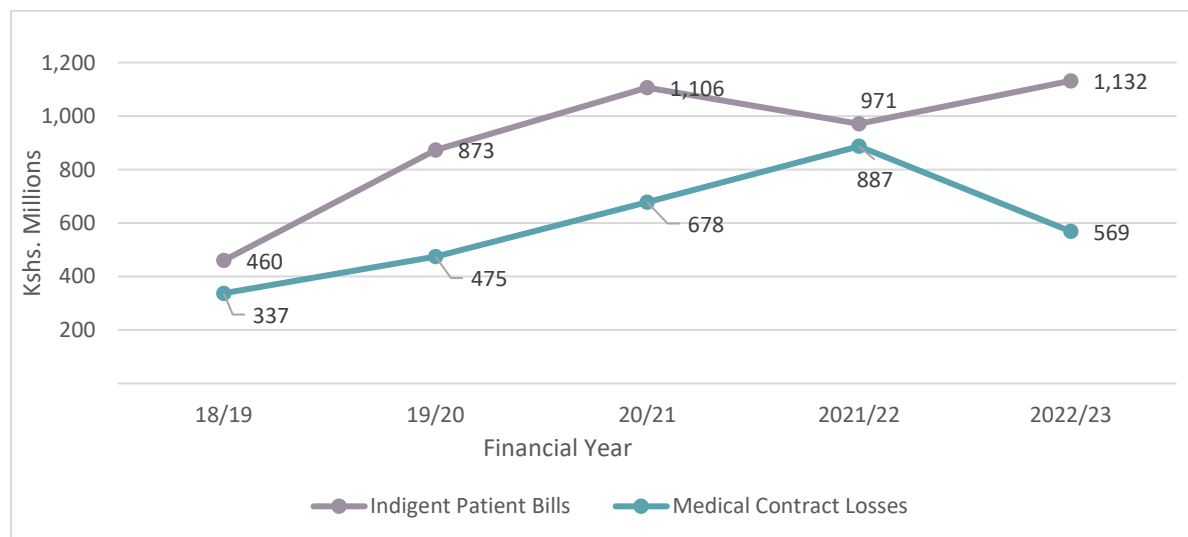
The Hospital recorded a deficit of Kshs. 3,377,233,747 during the year under review compared to the deficit of Kshs 2,574,719,165 of the previous year. The deficit attributed to the net actuarial loss in the net liability for the defined benefit scheme recognized in the year under review (Kshs. 1,406,245,750).

The deficit position is also attributed to provision of bad and doubtful debts relating to receivables owed by indigent patients who are unable to settle medical bills upon discharge for which the Hospital is not compensated for the resultant cost.

In addition, the reimbursement rates for the free maternity services and the NHIF comprehensive care contract have been below the cost-of-service provision and therefore resulting to losses as depicted in the chart below;

Indigent Patients bills and Medical Contracts Losses

Figure: Indigent patient Bills and Medical contract losses



In an effort to minimize losses arising from the NHIF contract, the Hospital has continuously engaged the Fund on the review of the packages where cost is not adequately compensated.

Revenue and Expenditure

The hospital’s sources of income during the year under review include recurrent grant from GoK and internally generated revenue from fees charged for services rendered. The funds were utilized to meet employee costs and operation & maintenance costs. The revenue and expenditure trend are shown below;

Figure 16: Revenue and Expenditure

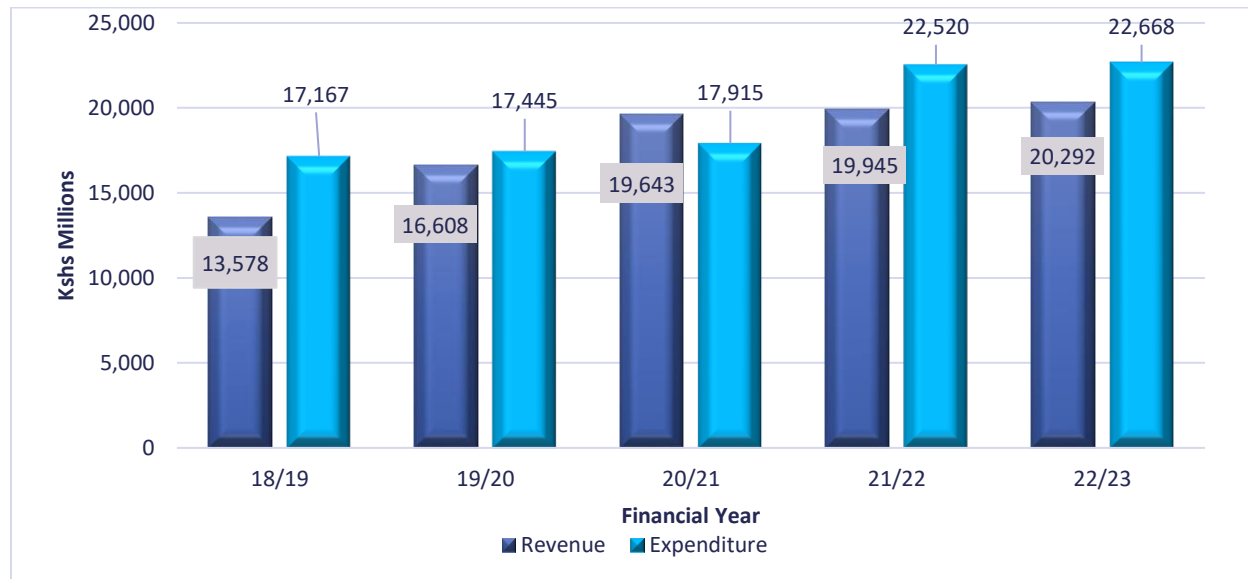


Figure 17: Income Sources FY 2022/2023 2022/23

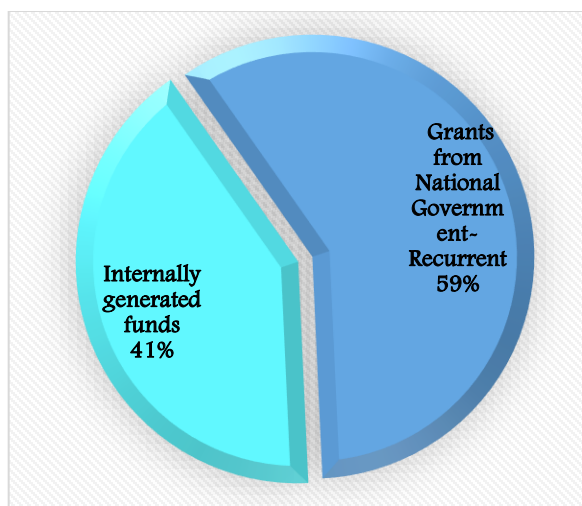
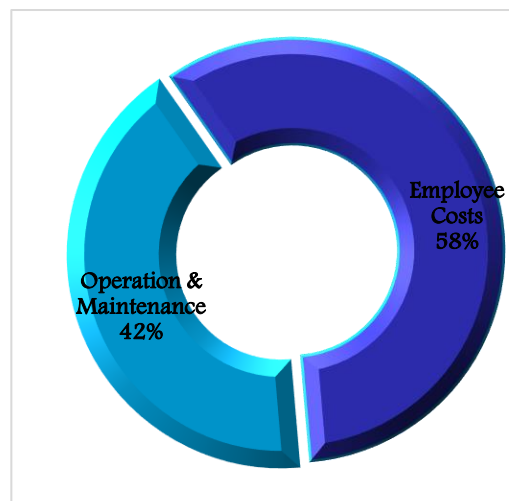


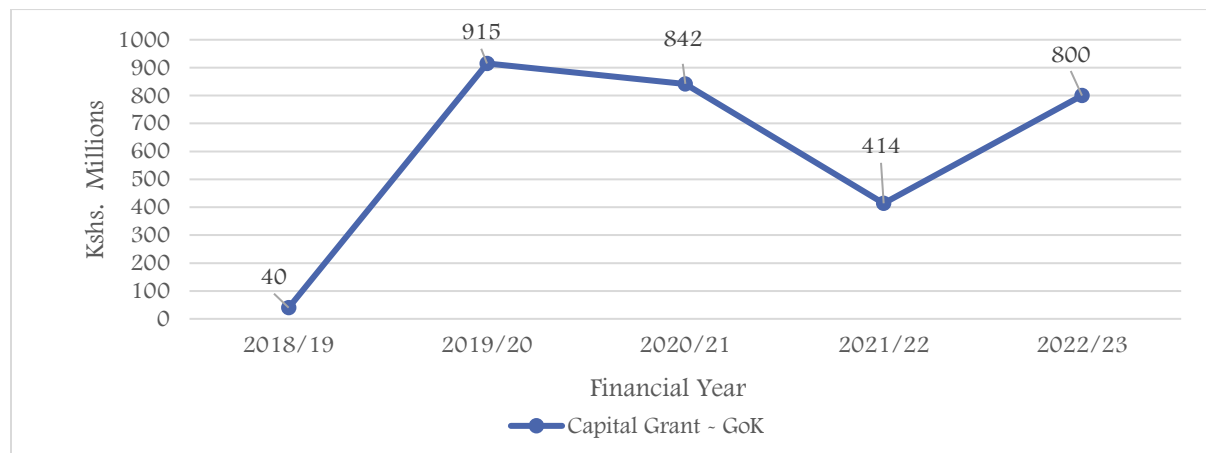
Figure 18: Utilization of Funds FY 2022/2023



Capital and Recurrent Grants Allocation

The Hospital receives allocation from the National Government for capital expenditure to cater for development projects. In addition, the Hospital is allocated for recurrent expenditure to cater for employee costs. The allocation for capital expenditure over the last five years is as shown below;

Figure 19: Capital Grant Allocation



Recurrent grants from the National Government Vs Employee costs

During the year under review, GoK funding of Kshs. 11,599,156,965 received in the Hospital towards employee costs was below the actual costs of Kshs. 13,817,723,511. The Hospital augments funding gap through internally generated funds. The funding gap is depicted in the figure below.

Figure 20: Employee Costs Funding gap



Material Arrears in Statutory and Other Financial Obligations

Tax Liability

Kenya Revenue Authority (KRA) conducted an in-depth audit on KNH and issued an assessment on July 1, 2014, of the tax liability of Kshs. 592,860,909 relating to the period January 2010 to March 2014. KNH objected to the findings and on June 5, 2015, KRA issued a confirmed assessment amounting to Kshs. 545,693,303. On February 7, 2017, the Hospital paid Kshs. 18,022,978 representing the tax not under dispute in relation to withholding tax and VAT.

The Hospital engaged KRA through the office of the Attorney General on the disputed assessment. Following a mediation meeting held on June 23, 2017, at the Attorney General Chambers, KRA issued a revised assessment dated July 19, 2017, of Kshs. 170,590,114 comprising of principal tax of Kshs. 90,056,488, a penalty of Kshs. 22,514,122 and interest of Kshs. 58,019,505. The Hospital paid the principal tax liability in the year 2017/18 and submitted an appeal for the penalty and interest totalling Kshs. 80,533,626 which is still outstanding as of June 30, 2023. The Hospital is waiting for KRA's response on the appeal made.

Corporation Tax on Rental and Interest Income

Kenya Revenue Authority (KRA) computed tax due on interest income and rental income earned and declared in the Hospital financial statements for the period relating from 2014/2015 to 2018/2019 and issued a notice of the amendment to the income tax returns for the said period. KRA demanded that the Hospital pay the Commissioner of Domestic Taxes Kshs. 615,642,650 composed of principal tax (Kshs. 360,407,283), interest (Kshs. 154,788,542) and penalty (Kshs. 100,446,825) for taxes not filed.

The demand to amend the income tax returns was premised on the notion that the Hospital is not exempt under the First Schedule of the Income Tax Act or any other law and the Hospital had no valid tax exemption certificate. Consequently, the Hospital applied for a Tax-Exempt Certificate on the basis that the Hospital is a State Corporation whose income is solely for the relief of poverty or distress of the public. The Hospital also appealed to KRA to vacate the position demanding payment of taxes on rental income and bank interest that the Hospital earned for the period the income tax returns were filed.

The Hospital Management executed a Debt Payment Instalment Agreement of Kshs. 360,407,283 for the principal tax liability to be paid on monthly instalment of Kshs. 20,032,380 over a period of 18 months. The first instalment of Kshs. 10million was paid in the month of June 30, 2023.

In order to avoid future tax demands, Kenyatta National Hospital made an application for income tax exemption certificate on 10th March 2021. The Hospital is following up with KRA to ensure issuance of tax exemption certificate.

National Social Security Fund Arrears

The outstanding amount relates to contribution arrears for the period April 2001 to November 2009 when KNH had sought an exemption on complying with the NSSF Act from the Ministry of Labour



and Human Resource Development given the Hospital had a better Pension Scheme. The Ministry declined the request for exemption in 2011 on the basis that NSSF was a universal social security pillar and was thus mandatory. The Hospital had by then accumulated arrears totaling Kshs. 311 million excluding penalties. The Hospital has included this amount in the budget for funding to offset the arrears as all personnel-related expenses are funded through the Government of Kenya recurrent grant. This amount has, however, not been funded and has thus remained outstanding.

Since FY 2016/17, the Hospital has been paying Kshs. 24 million each year towards the arrears awaiting Ministry of Health intervention. The outstanding amount as of June 30, 2023, is Kshs. 142,830,280 million.

Defined Benefit (DB) Pension Scheme Deficit

The Hospital operates a defined benefit pension scheme in which contribution is at 10% and 5% of pensionable salaries by KNH and employees respectively. The scheme was closed to new members on June 30, 2011, except for members who were over 45 years and above at the time of closure of the DB scheme in compliance with the notice of discontinuance and adoption of the defined contribution pension scheme.

Actuarial valuation to fulfil the financial reporting and disclosure requirements of IPSAS 39 was carried out as of 30 June 2022 by Actuarial Services East Africa Limited. The valuation reflects defined benefit obligation liabilities of Kshs. 15,929,538,190 against the scheme's assets of Kshs. 6,403,244,533 resulting to a deficit of Kshs. 9,526,294. The deficit is to be paid by KNH as the scheme sponsor.

The Hospital has been requesting funding to bridge the deficit through the budgetary process from FY 2015/16 to 2021/22. The Hospital has been funded to the extent of Kshs.100 million each year, which has been allocated and subsequently disbursed to the DB scheme. However, in the FY 2022/23, the allocation was increased to Kshs.300 million and the Hospital is still engaging the Government for more funding.

Environmental and Sustainability Report

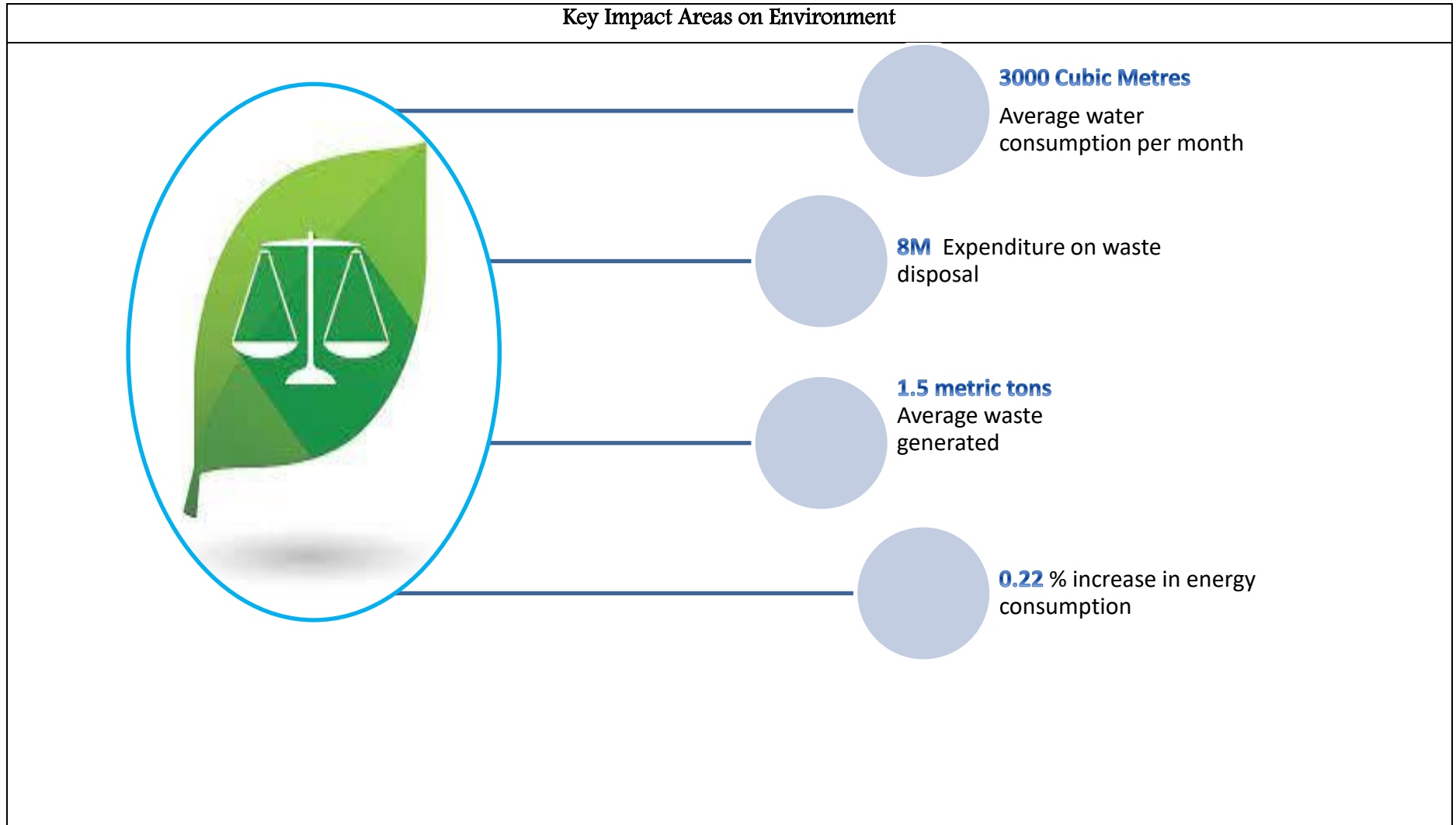
Our approach to Sustainability

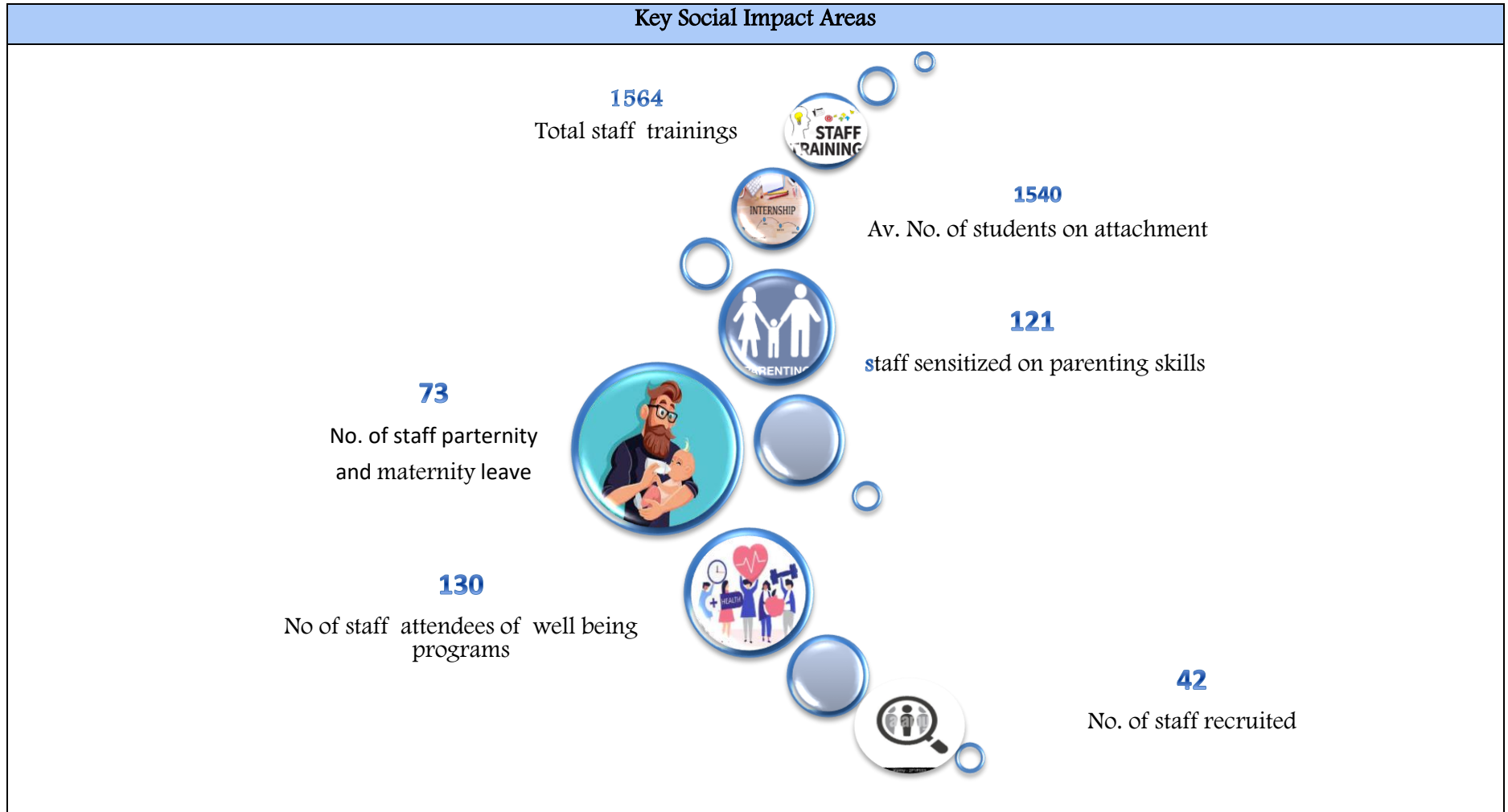
The Hospital strategic plan takes into consideration Sustainable Development Goals and its implementation clearly show the deployment across the board. The hospital uses an integrated approach for planning and reporting on significant sustainable development matters which are embedded in the strategic initiatives and responsibility assigned. This approach makes it easier for the whole hospital to understand, manage and evaluate sustainability related data and performance. Transparency for our stakeholders is increased through continuous and proactive monitoring and reporting on our progress in delivering towards them.

Further, the Hospital has an established Environmental Sustainability Committee(ES) whose mandate includes all aspects related to environmental management focusing on all such matters including waste management (solid and liquid), sustainable use of utilities (water and energy), and mitigation measures for air and noise pollution, among other core functions. The ES Committee reviews the Hospital sustainability issues annually.

A summary of our key impact areas on sustainable development according to our strategy and stakeholder expectations are as described below;

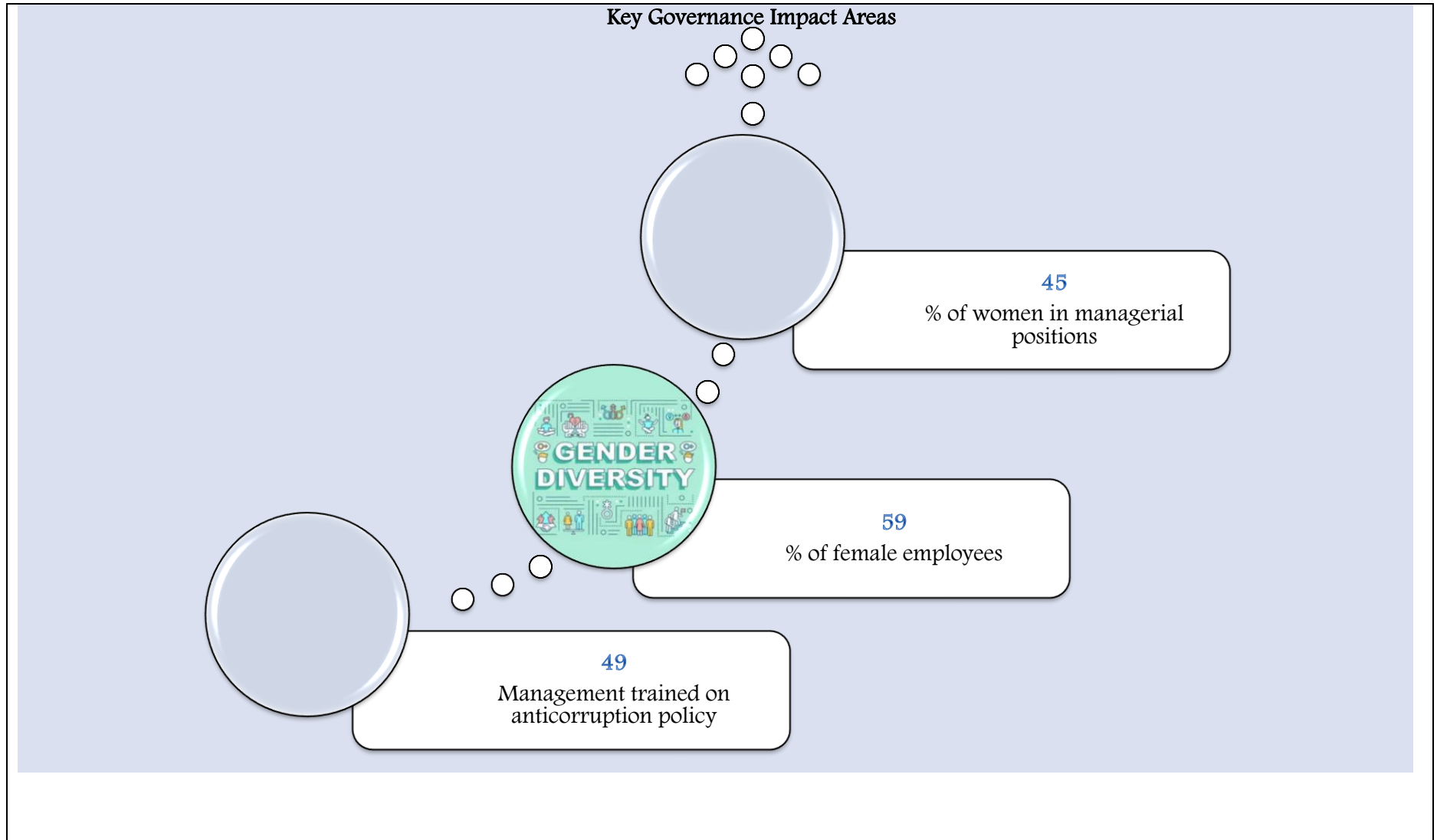






| Social Impact Areas for KNH | |
|---|--|
| <p>The Hospital has the following social initiatives to address social factors in sustainability:</p> <p>Employee Wellness and Safety</p> <ul style="list-style-type: none"> ✓ Does not discriminate employees against pregnancy and promote shared responsibility of childcare among couples ✓ Lactating employees are provided with a lactation room that is equipped with the relevant facilities to ensure that they are comfortable ✓ Has introduced family health and safety policies and Well-being programs for staff and their dependents ✓ Creates awareness on alcohol: alcohol's impact on health, alcohol at work, pregnancy and alcohol social harms ✓ Has a robust Occupational Health and Safety program ✓ Conducts environmental assessments when significant environmental, health or safety impacts are detected. ✓ Provides Group Personal Accident Insurance Cover that indemnifies employees against accidents resulting from occupational hazards that may result to injuries or death. ✓ Provides Personal Protective Equipment's (PPE) to prevent employees from occupational hazards | <p>Employee Training</p> <ol style="list-style-type: none"> 1. Adopts comprehensive and coordinated Corporate Policies and programs on staff training 2. Supports training programs provided by Governments through providing access to Internship Programs related to Hospital Strategy <p>Supply Chain</p> <p>Established fair policies for the selection of suppliers, and improved economic inclusion throughout the Supply Chain.</p> |





| Key Governance Impact Areas For KNH | |
|--|--|
| <p>The Hospital has put in place measures to address the following:</p> <p>Gender Based Violence</p> <ul style="list-style-type: none"> • A policy/code addressing workplace harassment (including sexual harassment) • An anonymous whistleblowing helpline to report offences • Creation of awareness of the relevant laws, codes and regulations among employees <p>Corruption</p> <ul style="list-style-type: none"> • Demonstrates a zero-tolerance approach to corruption and bribery at top management and leadership levels • Conducts a periodic anti-corruption risk assessment and implements mitigation actions | <p>Inclusion</p> <ul style="list-style-type: none"> • Ensures sufficient participation of women in decision making and governance bodies at all levels • Allows for freedom of association and collective bargaining <p>Ethics and Integrity</p> <ul style="list-style-type: none"> • Ethical behaviour culture promoted as a strategic matter • Effective performance management system that follows us on ethical issues • A provision for disciplinary action for non-compliance with ethical values of the hospital • Compliance with tax requirements |





Kenyatta National Hospital emerged the winner as the Best Public Institution in Energy Management category, during the 18th Energy Management Awards held at the Safari Park Hotel on July 8, 2022.

Team Building Activities

The Hospital supports team building activities to build cohesion among employees.



CEO Dr. Evanson N. Kamuri handing over the winner's trophy to the Diagnostic Services & Health Information/Farewell Home/Laboratory Services team on the 16th June 2023 after an entertaining final game against the Surgical Services team and the runner's-up trophy to the Surgical Services team.

Team Building Activities

The Hospital supports team building activities to build cohesion among employees.



The KNH Marketing and Communication department team during their annual team building on 10th Sep 2022.



The KNH Prime Care Centre (KPCC) team at Mt. Longonot Kilele Ngamia (highest peak) during teambuilding on 4th March 2023



Kenyatta National Hospital Renal Department staff members celebrate having reached one of the peaks of Ngong Hills on the 24th June 2023, during a team building exercise.



The Hospital provides free parking space for all employees.



Ramps, reserved parking and washrooms for staff living with disability are provided.



KNH Board Chair George Ooko presents a certificate to Ward 8D Hemato-Oncology nurse Mr. Kirunyu Ndirangu in recognition of his excellent performance and professionalism while at work. The nurse had been recognized by one patient, in a television interview, for the good care offered by the nurse while admitted at the facility.



Staff led by Chief Executive Officer Dr. Evanson Kamuri participated in the second phase of the clean-up campaign. More than one hundred trees were planted at the KNH Estate. Other activities included general and drainage cleaning, grass cutting, and picking litter.

Community Engagement

The Hospital carried out medical camps and outreaches to the community. This is a valuable endeavor that enhances healthcare accessibility, early detection, community engagement, and public health education. These initiatives reflect a commitment to the well-being of underserved populations and make a significant positive impact on both individuals and the community as a whole. Highlighted below are some of the activities undertaken during the year under review.



KNH staff visited Mercy Servant of the Poor Home in Kithyoko, Machakos county. The team, bought food, beddings, and hygienic products for the home as an extension of the celebrations of World Day of the Sick that was commemorated on 15th Feb 2023.



KNH Nutrition department staff conducted an onsite outreach to members of the public by offering support to lactating mothers and parents with young children in recognition that support for mothers is a community responsibility.



KNH staff held a fire Safety & Burns Awareness Week and carried out sensitization to members of the public on October 14, 2022



September 22, 2022 – Cardiology Medical Camp at Witima Health Centre



October 22, 2022 - Othaya Men's Group medical camp at Iriaini



mark
od



Commemoration of World Occupational Therapy Day. Members of the public were engaged.

**CELEBRATING
WORLD OCCUPATIONAL THERAPY, 2022**

Venue: KNH Information Centre Grounds.
Time: 09.00AM

Theme: Opportunity + choice = justice
Sub-Theme: Empowering every day lives in mental health

Disability screening.

Partner logos: MEDIX, QINTEGRA, others.



KNH celebrated World Sight Day whose theme was 'Love your eyes'. The team held a procession to create awareness on the day.

Financial Statements

Report of the Board of Management

The Board of Management submits their report together with the unaudited financial statements for the year ended June 30, 2023, which shows the state of the Hospital affairs.

Principal Activities

The principal activities of the Hospital are:

- a. To receive patients on referral from other Hospitals or institutions within or outside Kenya for specialized health care;
- b. To provide facilities for medical education for the University of Nairobi and research either directly or through other co-operating health institutions;
- c. To provide facilities for education and training in nursing and other health and allied institutions;
- d. To participate, as a national referral Hospital, in national health planning.

Results

The results of the Hospital for the year ended June 30, 2023, are set out on page 97.

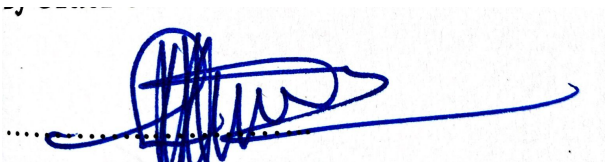
Board of Management

The members of the Board of Management who served during the year, those who retired, and new appointments are shown under the corporate governance statement in the annual report.

Auditors

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

By Order of the Board



Dr. Evanson Kamuri, EBS
SECRETARY TO THE BOARD

Date: 18-02-2024

Statement of Board’s Responsibilities

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the board to prepare financial statements in respect of the Hospital, which give a true and fair view of the state of affairs of the Hospital at the end of the financial year and the operating results of the Hospital for that year. The Board is also required to ensure that the Hospital keeps proper accounting records that disclose with reasonable accuracy the financial position of the Hospital. The board is also responsible for safeguarding the assets of the Hospital.

The Board 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, 2023. 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

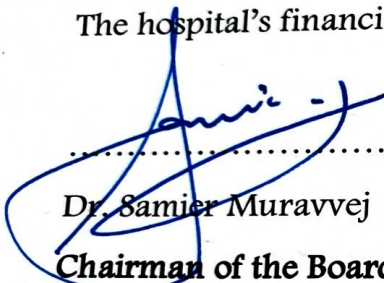
The Board accepts responsibility for the Hospital’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standard (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act.

The Board believes that the Hospital’s financial statements give a true and fair view of the state of the Hospital’s transactions during the financial year ended June 30, 2023, and of the Hospital’s financial position as at that date. The Board further confirms 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 entity 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 signed on behalf of the Board of Management by:


.....
Dr. Samier Muravvej
Chairman of the Board
Date... **27-09-2023**


.....
Dr. Evanson Kamuri, EBS
Chief Executive Officer
Date... **27-09-2023**

Report of the Auditor-General on Kenyatta National Hospital





Statement of Financial Performance
For the Period Ended June 30, 2023

| | Note | 2023 Kshs. '000' | 2022 (Restated) Kshs. '000' |
|---|------|---------------------|--------------------------------|
| Revenue | | | |
| Revenue from non-Exchange transactions | | | |
| Grants from National Government | 6 | 11,735,608 | 11,350,703 |
| Donor funded research projects grants | 7 | 488,029 | 359,372 |
| Public contributions and donations | 8 | 84,579 | 167,846 |
| Total Revenue from non-exchange transactions | | 12,308,216 | 11,877,921 |
| Revenue from exchange transactions | | | |
| Rendering of services | 9 | 7,721,700 | 7,764,155 |
| Sale of Goods | 10 | 1,903 | 2,237 |
| Rental revenue from facilities | 11 | 135,378 | 133,221 |
| Interest income | 12 | 124,055 | 165,588 |
| Total revenue from exchange transactions | | 7,983,036 | 8,065,201 |
| Total revenue | | 20,291,252 | 19,943,122 |
| Expenses | | | |
| Clinical costs | 13 | 3,480,405 | 3,456,275 |
| Employee costs | 14 | 13,817,724 | 13,496,755 |
| Board of management expenses | 15 | 37,350 | 26,624 |
| Depreciation | 16 | 739,644 | 715,857 |
| Repairs and maintenance expenses | 17 | 447,146 | 441,353 |
| Administrative expenses | 18 | 1,551,399 | 707,709 |
| Donor funded research projects expenses | 19 | 488,029 | 359,372 |
| Total expenses | | 20,561,697 | 19,203,945 |
| Other (gains)/losses | | | |
| (Gain)/loss on sale of fixed assets | 20 | (425) | (1,791) |
| Impairment loss on receivables | 21 | 1,131,730 | 970,965 |
| Medical service contracts loss | 22 | 569,237 | 886,718 |
| Net actuarial losses/(gains) in net liability-DB Scheme | 23 | 1,406,246 | 1,458,004 |
| Total Other (gains)/losses | | 3,106,788 | 3,313,896 |
| Deficit for the year | | (3,377,233) | (2,574,719) |

The notes set out on Pages 105 to 148 form an integral part of these Financial Statements. The Financial Statements set out on pages 97 to 148 were signed on behalf of the Board by:

.....
Dr. Evanson Kamuri, EBS
Chief Executive Officer

.....
CPA. Michael Kihuga
Director, Finance

.....
Dr. Samier Muravej
Chairman of the Board

Date... 18/02/2024

ICPAK No. 3884
Date... 18/02/2024

Date... 18/02/2024



Statement of Financial Position
As at June 30, 2023

| | Note | 2023 Kshs. '000' | 2022(Restated) Kshs. '000' |
|--|------|---------------------|-------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 24 | 734,669 | 3,176,835 |
| Receivable from exchange transactions | 25 | 2,790,107 | 1,652,353 |
| Receivable from non- exchange transactions | 26 | 2,096,281 | 18,365 |
| Inventories | 27 | 607,007 | 651,702 |
| Total current assets | | 6,228,064 | 5,499,255 |
| Non-current assets | | | |
| Property, plant and equipment | 28 | 13,070,099 | 13,012,044 |
| Intangible assets | 29 | | |
| Total non-current assets | | 13,070,099 | 13,012,044 |
| Total assets | | 19,298,163 | 18,511,299 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 30 | 2,874,256 | 1,569,872 |
| Deposits from customers | 31 | 65,976 | 67,459 |
| Provision for leave pay | 32 | 116,947 | 186,998 |
| Deferred income | 33 | 281,798 | 340,919 |
| Total current liabilities | | 3,338,977 | 2,165,248 |
| Non-current liabilities | | | |
| NSSF Arrears | 34 | 142,830 | 166,830 |
| Net Defined Benefit liability | 35 | 11,689,145 | 9,526,294 |
| Finance Lease Liability | 36 | 4,093 | 6,410 |
| Total Non-current liabilities | | 11,836,068 | 9,699,534 |
| Total liabilities | | 15,175,045 | 11,864,782 |
| Net assets | | | |
| Capital reserve | 37 | 12,996,747 | 12,142,913 |
| Accumulated fund | 38 | (17,497,369) | (14,120,136) |
| Revaluation reserve | 39 | 8,623,740 | 8,623,740 |
| Total Net assets | | 4,123,118 | 6,646,517 |
| Total net assets and liabilities | | 19,298,163 | 18,511,299 |

The Financial Statements set out on pages 97 to 148 were signed on behalf of the Board by:

.....
Dr. Evanson Kamuri
 Chief Executive Officer

.....
CPA. Michael Kihuga
 Director, Finance

.....
Dr. Samier Muravvej
 Chairman of the Board

Date.....**18/02/2024**.....

Date.....**18/02/2024**.....

Date.....**18/02/2024**.....



Statement of Changes in Net Assets

For the Period Ended June 30, 2023

| | | Capital Reserve | Accumulated Fund | Revaluation Reserve | Total |
|------------------------------------|-----------|-------------------|---------------------|---------------------|------------------|
| | Note | Kshs. '000' | Kshs. '000' | Kshs. '000' | Kshs. '000' |
| Balance as of July 1, 2021 | | 10,510,592 | (11,545,417) | 8,770,669 | 7,735,844 |
| Adjustment on Land | 28 b (ii) | (3,089) | | (146,929) | (150,018) |
| Capital grants | 37 | 1,635,410 | | | 1,635,410 |
| Deficit for the year (Restated) | 38 | | (2,574,719) | | (2,574,719) |
| Balance as at June 30, 2022 | | 12,142,913 | (14,120,136) | 8,623,740 | 6,646,517 |
| Balance as of July 1, 2022 | | 12,142,913 | (14,120,136) | 8,623,740 | 6,646,517 |
| Capital grants | | 853,834 | - | - | 853,834 |
| Deficit for the period | 38 | - | (3,377,233) | - | (3,377,233) |
| Balance as at June 30, 2023 | | 12,996,747 | (17,497,369) | 8,623,740 | 4,123,118 |

Statement of Cash Flow

For the Period Ended June 30, 2023

| | | 2023 | 2022 |
|---|------|--------------------|-------------------|
| | Note | Kshs. '000' | Kshs. '000' |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Grants from National Government | | 10,299,667 | 10,830,000 |
| Rendering of services | | 1,201,560 | 1,437,917 |
| Accounts receivables | | 3,490,761 | 4,548,208 |
| GoK grants Receivables | | 0 | 2,064,333 |
| Deposits from customers | | 548,846 | 553,891 |
| Donor funded research projects grants | | 475,328 | 366,344 |
| Doctors' fee | | 177,124 | 212,457 |
| Total Receipts | | 16,193,286 | 20,013,150 |
| Payments | | | |
| Employees costs | | 12,633,706 | 12,626,021 |
| Goods and services | | 4,528,550 | 4,417,300 |
| Tax remittances | | 151,734 | 160,082 |
| Board of Management expenses | | 13,424 | 8,864 |
| Donor funded research projects expenses | | 450,058 | 348,472 |
| Donor funded research projects refunds | | 62 | - |
| Customer deposits refunds | | 18,422 | 22,265 |
| Doctors' fee | | 440,508 | 580,694 |
| Total payments | | 18,236,464 | 18,163,698 |
| Net cash flows from operating activities | 40 | (2,043,178) | 1,849,452 |
| Cash flows from investing activities | | | |
| Purchase of property, plant, and equipment | | (523,311) | (524,224) |
| Interest income | 12 | 123,898 | 165,568 |
| Proceeds from the sale of fixed assets | 20 | 425 | 1,791 |
| Net cash flows used in investing activities | | (398,988) | (356,865) |
| Cash flows from financing activities | | | |
| Capital grant | | - | 414,000 |
| Net cash flow from financing activities | | - | 414,000 |
| Net Increase/(decrease) in cash and cash equivalents | | (2,442,166) | 1,906,587 |
| Cash and cash equivalents at July 1 ,2022 | | 3,176,835 | 1,270,248 |
| Cash and cash equivalents at June 30, 2023 | | 734,669 | 3,176,835 |

Statement of Comparison of Budget and Actual Amounts

For the Year Ended June 30, 2023

| Recurrent Budget | Original Budget | Adjustment | Final Budget | Actual Cumulative | Variance | % of Utilization | Note |
|--|-------------------|------------------|-------------------|--------------------|--------------------|------------------|-------------|
| | Kshs. '000' | Kshs. '000' | Kshs. '000' | Kshs. '000' | Kshs. '000' | | Kshs. '000' |
| Revenue | | | | | | | |
| Grants from National Government | 11,236,000 | 373,400 | 11,609,400 | 11,735,608 | 126,208 | 101% | |
| Donor Funded Research Grants | 197,397 | 294,536 | 491,933 | 488,029 | (3,904) | 99% | |
| Public contributions & donations | 457 | 3,266 | 3,723 | 84,579 | 80,856 | 2272% | a |
| Rendering of services | 7,464,154 | 1,212,636 | 8,676,790 | 7,721,700 | (955,090) | 89% | b |
| Sale of Goods | 855 | 10,593 | 11,448 | 1,903 | (9,545) | 17% | b |
| Rental revenue from facilities | 149,793 | 10,737 | 160,530 | 135,378 | (25,152) | 84% | c |
| Interest income | 55,244 | 105,649 | 160,893 | 124,055 | (36,838) | 77% | d |
| Total Income | 19,103,900 | 2,010,817 | 21,114,717 | 20,291,252 | (823,465) | 96% | |
| Expenditure | | | | | | | |
| Clinical Costs | 3,186,731 | 143,639 | 3,330,370 | 3,480,405 | 150,035 | 105% | |
| Employee Costs | 13,574,858 | 779,073 | 14,353,931 | 13,817,724 | (536,207) | 96% | |
| Board Expenses | 30,000 | 9,008 | 39,008 | 37,350 | (1,658) | 96% | |
| Depreciation | 651,493 | (392) | 651,101 | 739,644 | 88,543 | 114% | e |
| Repairs and Maintenance | 426,175 | 77,408 | 503,583 | 447,146 | (56,437) | 89% | |
| Administrative expenses | 821,268 | 84,748 | 906,016 | 1,551,399 | 645,383 | 171% | f |
| Donor funded Research Projects Exp | 197,397 | 294,536 | 491,933 | 488,029 | (3,904) | 99% | |
| Total Recurrent Expenditure | 18,887,922 | 1,388,020 | 20,275,942 | 20,561,697 | 285,755 | 101% | |
| Other (gains)/losses | | | | | | | |
| (Gain)/Loss on Sale of Assets | | | | (425) | (425) | | |
| Impairment Loss on Receivables | 127,856 | 347,429 | 475,285 | 1,131,730 | 656,445 | 238% | g |
| Medical service contracts Loss | 88,123 | 275,367 | 363,490 | 569,237 | 205,747 | 157% | h |
| Net Actuarial (Gain)/Loss | | | | 1,406,246 | 1,406,246 | | |
| Total Other (gains)/losses | 215,979 | 622,796 | 838,775 | 3,106,788 | 2,268,013 | 370% | |
| Total Expenses & Other Losses | 19,103,900 | 2,010,816 | 21,114,717 | 23,668,485 | 2,553,768 | | |
| Deficit for the period | | | | (3,377,233) | (3,377,233) | | |



Explanation for material under/over utilization of Recurrent Budget

a) Public contributions & donations

During the period under review, the Hospital received increased contributions and donations from the members of public. General donations of Kshs.70,528,071 in form of clinical consumables and cash donations were received. In addition, Kshs. 14,051,033.47 recognized in the statement of financial performance relates to donations in kind which is the amortized value for fixed assets donated to the Hospital.

b) Rendering of Services and Sale of goods

The revenue generated by the Hospital during the year fell short of the budget due to reduced number of patients seen in the hospital. The reduced number of patients is attributed to implementation of the National Referral Policy and System.

c) Rental Revenue from facilities

The budgeted rental revenue had taken into consideration review of lease agreements where monthly rent was to be revised during the year under review. However, the revision did not take place and therefore the shortfall of 16% of rental revenue against budget. The revised rental rates are expected to be implemented in FY 2023/24.

d) Interest Income

The interest income earned by the hospital during the period fell short of the budget by 23%. This is because the cash held in the bank during the year under review reduced following late disbursement of Capital grants for the period.

e) Depreciation

The over absorption of the depreciation by 14% during the period under review is attributed to the acquisition on new medical equipment.

f) Administrative expenses

The actual expenditure for administrative expenses overshot the budget by 71%. This is attributed to accrual of tax liability of Kshs. 615,642,650 for unpaid Corporation tax, interest and penalty levied on the Hospital by KRA relating to rental and interest income earned for the period 2015 to 2019. In addition, during the year under review, there was loss of funds totalling to Kshs. 47,915,516 occasioned by fraud where monies were paid out to wrongful recipients' bank accounts. These expenses had not been budgeted for.

g) Impairment Loss on Receivables

This relates to provision for bad and doubtful debts owed to the hospital by indigent patients who are accorded medical care services but are unable to settle the medical bills on discharge. The indigent patients are released on unsecured credit and their bills have been fully provided for as doubtful debts. The amount was above budget due to the increased number of indigent cases during the period under review.

h) Medical Service Contract Loss

The loss relates to medical bills for patients who are members to NHIF where the rebate reimbursed by the Fund based on the existing medical service contract is lower than the actual bills. The unfavourable variance of 57% is as a result of increased number of patients who use the NHIF cards as a mode of payment due to the enhanced awareness of the benefits of the card and the Linda Mama program. The

hospital is in continuous negotiation with NHIF to review the terms of the Medical Service Contract with a view of mitigating against the loss.

Explanation for adjustment of Recurrent Budget

The original budget was revised to take into consideration supplementary recurrent grant allocation as well as re-allocation within revenue and expenditure budget lines.

Statement of Comparison of Capital Budget and Actual Amounts For the Year Ended June 30, 2023

| Capital Budget | Original budget | Adjustment | Final budget | Actual on comparable basis | Performance difference | % of utilization | Note |
|---|-----------------|------------------|------------------|----------------------------|------------------------|------------------|----------|
| | Kshs "000" | Kshs "000" | Kshs "000" | Kshs "000" | Kshs "000" | | |
| | a | b | C=(a+b) | d | e=(c-d) | F=d/c | |
| Strengthening of Cancer Management | 200,000 | 57,376 | 257,376 | 93,173 | 164,203 | 36% | |
| Burns and Paediatrics Emergency Centre | 540,500 | 261,421 | 801,921 | 189,615 | 612,306 | 24% | |
| Tower block lifts | | 24,000 | 24,000 | 9,076 | 14,924 | 38% | |
| Day Care Centre | | 17,929 | 17,929 | 17,929 | 0 | 100% | |
| Conversion of Day-care to COVID-19 ward | | 106,286 | 106,286 | 36,041 | 70,245 | 34% | |
| Mwai Kibaki Hospital Infrastructural development | | 20,904 | 20,904 | 11,993 | 8,911 | 57% | |
| COVID-19 Emergency response | | 11,285 | 11,285 | 9,540 | 1,745 | 85% | |
| Daycare Equipment & Replacement of Obsolete Equipment | | 464,173 | 464,173 | 301,464 | 162,709 | 65% | |
| Oxygen Plant | | 300,000 | 300,000 | 39,030 | 260,970 | 13% | |
| Renovation & Equipping Mbagathi Isolation Centre | | 259 | 259 | | 259 | 0% | |
| Total Capital Budget | 740,500 | 1,263,633 | 2,004,133 | 707,861 | 1,296,272 | 35% | a |

Explanation of Material under-utilization of Capital Budget and Actual amounts

- a. The underutilization of total capital budget by 35% is due to ongoing projects for which interim certificates had not been received as at June 30, 2023. The funds will be rolled over to FY 2023/24.

Explanation for adjustment of Capital Budget

The Capital budget for FY 2022/23 was revised due to:

- a. Revised allocation by Ministry of Health for Strengthening of cancer management from Kshs. 200 million to Kshs. 100 million.
- b. Revised allocation by Ministry of Health for Burns and Paediatrics Emergency Centre from Kshs. 541 million to Kshs. 400 million
- c. Allocation of Kshs. 300 million for Oxygen plant which was not in the original capital budget.
- d. Capital funds for ongoing projects rolled over from FY 2021/22 totalling to Kshs. 1,204 million.

Notes to the Financial Statements

1. General Information

Kenyatta National Hospital is established through legal notice No 109 of April 6, 1987, and derives its authority from The State Corporations Act. The Hospital is wholly owned by the Government of Kenya and is domiciled in Kenya.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, 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 judgment 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 the notes to these financial statements.

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, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

| | |
|---|--|
| <p>IPSAS 41: Financial Instruments</p> | <p>Applicable: 1st January 2023: This standard is relevant to the Hospital and will be applied effective financial ending June 30, 2023. Classification, recognition, and measurement of cash, accounts receivables, accounts payable, and borrowings will change in line with the requirements in the new standard. In addition, the impairment loss on accounts receivables will significantly change given the requirements of this standard.</p> |
| <p>IPSAS 42: Social Benefits</p> | <p>Applicable: 1st January 2023: The Hospital does not operate any social benefits schemes and therefore this standard is not relevant to the Hospital.</p> |
| <p>IPSAS 43:</p> | <p>Applicable: 1st January 2025: The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance, and cash flows of an Entity.</p> |

| | |
|--|---|
| | <p>The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.</p> <p>This standard is relevant to the Hospital and will be applied effective financial year ending June 30, 2025.</p> |
|--|---|

ii. Early Adoption of Standards

The Hospital did not early – adopt any new or amended standards in the year 2022/2023.

4. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

a) Revenue Recognition

i) Revenue from non-exchange transactions

Grants from National Government

Recurrent grants from the Government are recognized in the statement of financial performance on a systematic basis over the periods in which the grants are intended to compensate. Recurrent grants that are receivable as compensation for expenses or losses already incurred or to give immediate financial support to the Hospital with no future related costs are recognized in the statement of financial performance in the period in which they become receivable.

Development grants whose primary condition is that the Hospital should purchase, construct, or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to capital reserve on completion/acquisition.

Donor Funded Projects Grants

Grants received for donor-funded projects are recognized in the statement of financial performance on a systematic basis over the periods in which the grants are intended to compensate, only to the extent of expenditure incurred during the year. Grants not utilized are recognized as deferred income in the statement of financial position.

Public Contributions and Donations

Cash donations: Income from endowments, donations, research grants, and other similar services rendered are recognized when received and included only to the extent of expenditure incurred during the year.

Donations in-kind: The revenue from donations in kind is measured at fair value and recognized on obtaining control of the asset (goods, services, and property) if the transfer is free from conditions and it is probable that the economic benefits (including cost saving from the donation) or service potential related to the asset will flow to the Hospital and can be measured reliably. On initial recognition, gifts and donations including goods in-kind (tangible assets) are measured at their fair value as at the date of acquisition, which is ascertained by reference to an active market or by an appraisal by a member of the valuation profession.

Revenue from Exchange Transactions

Rendering of Services

The Hospital recognizes revenue from the 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 the costs that reflect services performed. 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.

Rental Revenue from Facilities

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

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.

b) Budget Information

The original budget for the financial year 2022/2023 was approved by the Board of Management on 27th January 2022. Subsequent revisions and additional appropriations were made to the approved budget in accordance with specific approvals from the Board of Management and Ministry of Health.

The annual budget is prepared on an accrual basis. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance. All planned costs and income are presented in a single statement to determine the needs of the Hospital. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing, or Hospital differences that would require reconciliation between the actual comparable amounts, and the budget amounts are presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) 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 uses a revaluation model for measurement of property, plant, and equipment after initial recognition. The Hospital derecognizes items of property, plant, and equipment, and/or any significant part

of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use.

Any gain or loss arising on the de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when an asset is de-recognized.

The value of land does not depreciate. Depreciation on other assets is calculated on a straight-line basis to write off the cost of each asset, or the revalued amount, to their residual values over the estimated useful life. The annual rates used for each class of assets are:

| | | | |
|------------------------|-------|--------------------|-------|
| Buildings | 2.5% | Tractors | 37.5% |
| Plant & Machinery | 12.5% | Computers, copiers | 33.3% |
| Furniture and Fittings | 12.5% | Medical Equipment | 12.5% |
| Motor Vehicles | 25% | Intangible Assets | 30% |

d) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and benefits incidental to ownership of the leased asset to the Hospital. All other leases are classified as operating leases.

Finance Lease

Assets held under 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 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.

Operating Lease

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

e) 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.



f) Financial Instruments Financial assets

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

a) Financial Assets

Initial Recognition and Measurement

Financial assets are classified as financial assets at fair value through surplus or deficit, loans, and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Hospital determines the classification of its financial assets at initial recognition.

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. Losses arising from impairment are recognized in the surplus or deficit.

Impairment of Financial Assets

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

b) Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are measured at fair value through surplus or deficit. The Hospital determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of borrowings, plus directly attributable transaction costs.

Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

g) Inventories

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

h) Provisions

Provisions are recognized when the Hospital has a present obligation (legal or constructive) as a result of a past event, an outflow of resources embodying economic benefits or service potential will probably 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, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

Contingent Liabilities

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

Contingent Assets

The Hospital does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Hospital in the notes to the financial statements.

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

i) Nature and Purpose of Reserves

The reserves maintained by the Hospital include;

Capital Reserve

Capital reserve relates to the initial value of property, plant, and equipment the Board of Management inherited from the Ministry of Health when KNH became a State Corporation. Capital grants received from the National Government are treated as an addition to the capital reserve. Movements in the capital reserve are shown in the statement of changes in net assets.

Revaluation Reserve

Revaluation reserve arises on revaluation of property, plant, and equipment. When revalued property, plant, and equipment are disposed of, the portion of revaluation reserve that relates to the asset is transferred directly to the revaluation reserve. Movements in the revaluation reserve are shown in the statement of changes in net assets.

Accumulated Fund

An accumulated fund is a revenue fund where the results (surplus/deficit) for each year's financial performance are accumulated. Movements in the revaluation reserve are shown in the statement of changes in net assets.

j) 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.

k) Employee Retirement Benefit Plans

The Hospital provides retirement benefits for its employees. It operates the following employee benefits retirement plans:

i) Retirement Benefits

The Hospital operates a defined benefit pension scheme and defined contributions pension scheme.

Payments made by the Hospital to a defined contribution pension scheme are recognized as an expense when employees have rendered service entitling them to the contributions.

In the case of a defined benefit pension scheme, the actuarial valuation of the scheme is carried out at the end of the financial year.

The cost of providing benefits is determined using the projected unit credit method. Re-measurements, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable), and the return on scheme assets (excluding interest), is reflected in the statement of financial position with a charge or credit recognized in the other gains/losses in the period in which they occur.

Re-measurement recognized in other gains/losses is reflected in surplus/deficit.

Past service cost is recognized as surplus or deficit in the financial year of scheme amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense, or income and re-measurement.

The Hospital presents current service cost and past service cost in the statement of financial performance in the line-item Pension cost – defined benefit scheme (included in employee costs). Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the statement of financial position represents the actual deficit or surplus in the Hospital's defined benefit scheme. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

ii) National Social Security Fund (NSSF)

This is a statutory defined contribution pension scheme in which the Hospital and employees contribute equal amounts. The Hospital's contribution is expensed in the respective year in which it's made.

iii) Other Entitlements

The monetary benefits for employees accrued annual leave entitlement as per the Hospital policy at end of the financial year are recognized as a provision.

l) Foreign Currency Transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising

from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

m) 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 the construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

n) Related Parties

The Hospital regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Hospital or vice versa. Members of key management are regarded as related parties and comprise the Hospital Board of Management and the Executive management is made up of the Chief Executive Officer, Senior Directors, and Directors.

o) Cash and Cash Equivalents

Cash and cash equivalents comprise mobile money, 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 an insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and various commercial banks at the end of the financial year.

p) Comparative Figures

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

q) Subsequent Events

There have been no events after the financial year-end with a significant impact on the financial statements for the year ended June 30, 2023.

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.

a) 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 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.

b) Actuarial Valuation of Defined Benefits Scheme

The asset or liability due under the defined benefit scheme is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates, and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

c) 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:

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

d) Provisions

Provisions were raised and management determined an estimate based on the information available. 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. Provisions made by the management include:

Provision for Bad Debts

A debt is deemed impaired if, and only if, there is objective evidence that the recoverability of that debt is doubtful. Indigent patients who are unable to settle their medical bills upon clinical discharge are allowed home on unsecured credit, and since the payment of these debts is highly doubtful, they are provided for as bad and doubtful.

Provision for Leave Pay

The provision for leave pay has been calculated based on the leave entitlement due to staff at year-end adjusted for; experience adjustment in relation to the forfeiture of leave and leave taken trends and salary scales applicable at the time of realization of leave by employees.

| | 2023 Kshs. '000' | 2022 (Restated) Kshs. '000' |
|---|---------------------|--------------------------------|
| 6 Grant from National Government | | |
| Transfers from the Ministry of Health | | |
| Recurrent Grants | | |
| Recurrent grants received | 10,299,667 | 10,830,000 |
| Recurrent grants receivable (note 26) | 1,286,333 | |
| Total recurrent grants allocation FY 2022/23 | 11,586,000 | 10,830,000 |
| Recurrent grants utilized from deferred (see note 33) | 9,884 | 520,703 |
| Recurrent grants received from MOH (Non- cash) | 136,451 | |
| Drawings from KEMSA | 3,273 | |
| Recognized in the statement of financial performance | 11,735,608 | 11,350,703 |
| Capital grants | | |
| Capital Grants recognized in capital reserves (see note 37) | 853,834 | 1,635,410 |

Recurrent Grants received.

The Hospital recurrent grants allocated towards employee costs for the period was Kshs. 11,586,000,000 comprising of Kshs.10,441,000,000 for KNH Main Hospital, Kshs.350,000,000 for Mama Margaret Uhuru Hospital and Kshs. 795,000,000 for Mwai Kibaki Hospital. Grants received as at 30th June 2023 amounted to Kshs.10,299,666,674 .

Recurrent Grant Receivable

The grants receivable of Kshs. 1,286,333,333.33 relates to a grant for the month of June 2023, which had not been received as at 30th June 2023. The grant was disbursed in July 2023.

Recurrent grants utilized from deferred

During the period ended June 30, 2023, the Hospital utilized recurrent grants totaling to Kshs. 9,984,334 out of Kshs. 44,722,182.60 grants that were deferred in FY 2021/22.

Recurrent grants received from MOH (Non- cash)

During the period ended June 30, 2023, the hospital received grants (Non-cash) from the MOH in form of consumables which included pharmaceuticals and laboratory chemicals worth Kshs.136,450,605.

Drawings from KEMSA

The Hospital was allocated drawing rights from KEMSA of Kshs. 23,171,154 for FY 2022/23. Actual drawings for the period ended June 30, 2023, amounted to Kshs. 3,272,626.

Capital Grants recognized in Capital reserves.

Capital grants in the capital reserves amounting to Kshs.990,284,906.55 comprise of: disbursements made by Development partners (BADEA & OFID) for Pediatrics Emergency & Burns management Centre (kshs.31,212,440); grant for Construction of Cancer Treatment Centre (Kshs. 100,000,000); grant from MOH for Construction of Pediatrics Emergency & Burns management Centre (Kshs. 400,000,000); grant for Construction of Oxygen Plant (Kshs.300,000,000) and COVID-19 Fund of Kshs.22,612,862 was utilized to procure medical equipment during the period under review.

| | 2023 Kshs. '000' | 2022(Restated) Kshs. '000' |
|---------------------------------------|---------------------|-------------------------------|
| 7 Donor funded projects grants | | |
| ABC Study | 7,100 | 4,069 |
| ACTIV RCT STUDY | 100 | - |
| AGYW STUDY | 9,266 | 11,210 |
| AHISA STUDY | 4,464 | 26 |
| AI Neo Study | 279 | 1,263 |
| Aps-Modified Assisted Partner Study | 1 | - |
| Breast Cancer Chemo Study | - | 44 |
| Bubble Cpap Study | 1,126 | 6,063 |
| Caffeine Study | 22,819 | - |
| CFAR-Study | 416 | - |
| CHV-Neo Study | 20,248 | 1,043 |
| CONNECT PROJECT | 136,099 | 69,693 |
| Drip Assist Study | - | 458 |
| ELEWA Project | 818 | 1,598 |
| ELEZA Study | 2,209 | - |
| Fertility Intentions Study | 1,359 | - |
| FP Plus Study | 25,575 | 24,194 |
| GIRL STUDY | 4,874 | 2,957 |
| HCV TX Study | - | 3,870 |
| HIV Cascade Training Program | 7,502 | 6,118 |
| HIV Testing & Care in AECI Study | - | 1,703 |
| HIV-TB Emory | 293 | 1,199 |
| HIV-TB Study | 151 | 7,049 |
| HOPE Kenya Study | 1,487 | - |
| IAEA FELLOWSHIP | 258 | - |
| Integrate Study | 3,281 | - |
| KCV HIV Study | - | 1,124 |
| KNH HEU - Hope Project | 23,493 | 20,751 |
| LAI study | 10,949 | 4,293 |
| Micro Biota & Preterm Birth study | - | 585 |
| MIIA Study | 2,104 | 585 |
| MMAP STUDY | 901 | 6,833 |
| Mobile WACH NEO RCT | 21,288 | 24,436 |
| mPACT Study | 1,077 | 3,980 |
| Mwach Empower Study | 21,822 | 2,774 |

| | 2023 Kshs. '000' | 2022 (Restated) Kshs. '000' |
|--|---------------------|--------------------------------|
| MwACH-PrEP Study | 37,526 | 18,311 |
| Novation- 1 (Genova RCT Study) | 325 | - |
| PACT-COE project | 205 | 20,908 |
| Partners in Prevention Study | - | 1,326 |
| Patient Navigation Programme | 16,835 | 17,136 |
| PIMA STUDY | - | 2,576 |
| PriMA Anciliary | 6,703 | 1,616 |
| PrIMA -DTG | 2,175 | - |
| PRIMA Study | - | 2,010 |
| PrIMA-X | 24,977 | 22,047 |
| Sharp Study | - | 9,854 |
| Summit Study | 33,890 | 19,302 |
| Surgical Site Infection (SSI) | 1,898 | - |
| TES-NES Efficacy study | 16,468 | 19,366 |
| Timiza Study | 14,995 | 12,397 |
| WHO Case Study | - | 4,605 |
| Zingatia Study | 673 | - |
| Total Donor funded projects grants | 488,029 | 359,372 |
| Conditional grants reconciliation | | |
| Balance unspent at beginning of period | 98,769 | 91,797 |
| Current period receipts | 475,328 | 366,344 |
| Refund during the period | (62) | - |
| Conditions met- transferred to revenue | (488,029) | (359,372) |
| Conditions not met (deferred) – See note 33 | 86,006 | 98,769 |
| 8 Public contributions and donations | | |
| General Donations | 70,528 | 153,210 |
| Donations in kind | 14,051 | 14,636 |
| Total Public contributions and donations | 84,579 | 167,846 |

General Donations

General Donations of Kshs.70,528,071 relates to contributions received in the Hospital in form of clinical consumables and cash donations from the members of public during the year under review.

Donations in kind

The amount of Kshs 14,051,033.47 recognized in the statement of financial performance for donations in kind is the amortized value for fixed assets received as donations in the Hospital. The net book value of the fixed assets is deferred to be recognized over the life of the fixed assets. (See note 33)



| | 2023 Kshs. '000' | 2022 (Restated) Kshs. '000' |
|--|---------------------|--------------------------------|
| 9 Rendering of services | | |
| a) Medical services revenue | | |
| Accident and Emergency services fee | 114,971 | 93,683 |
| Anesthesia services fee | 16,730 | 30,303 |
| Burns unit services fee | 9,975 | 22,605 |
| Cancer Centre Services fee | 134,844 | 148,753 |
| Cardiology services fee | 187,391 | 180,276 |
| Comprehensive Care Centre fee | 2,579 | 4,527 |
| Corporate outpatient consultation fee | 82,546 | 51,805 |
| Critical care unit services fee | 67,801 | 80,437 |
| Dental services fees | 65,264 | 77,846 |
| Ear nose & throat services fee | 107,689 | 102,802 |
| Farewell home services fee | 133,573 | 89,240 |
| General surgery services fee | 271,098 | 209,331 |
| Health Information Services charges | 63,631 | 60,117 |
| Laboratory services fee | 955,477 | 879,395 |
| Medical gases income | 183,071 | 188,548 |
| Medicine services fee | 191,598 | 262,983 |
| Nursing procedures and consumables fee | 453,598 | 528,279 |
| Nutrition services fee | 121,217 | 129,379 |
| Occupational therapy services fee | 72,341 | 60,316 |
| Ophthalmology services fee | 60,287 | 58,395 |
| Orthopedics services fee | 302,797 | 246,804 |
| Outpatient Consultation | 2,645 | 1,584 |
| Paediatrics services fee | 344,807 | 382,200 |
| Pharmaceutical services fee | 1,433,083 | 1,362,807 |
| Physiotherapy services Fee | 83,237 | 90,963 |
| Plastic surgery services fee | 92,366 | 69,903 |
| In-Patient Fee | 418,213 | 478,989 |
| Radiology services Fee | 342,110 | 444,644 |
| Renal unit services fee | 114,888 | 104,571 |
| Reproductive health services fee | 408,555 | 317,370 |
| Sale of theatre services consumables | 193,931 | 346,181 |
| Theatre services fee | 291,909 | 280,308 |
| TSSU/ CSSD services fee | 75,813 | 74,629 |
| Other medical services fee | 73,569 | 88,834 |
| Total medical services revenue | 7,473,604 | 7,548,807 |

| | 2023 Kshs. '000' | 2022 (Restated) Kshs. '000' |
|--|---------------------|--------------------------------|
| b) Administrative services revenue | | |
| Administration charges | 167,510 | 139,705 |
| Nursing School fee | 42,733 | 46,025 |
| Seminars and training | 25,823 | 16,498 |
| Parking Fee | 12,030 | 13,120 |
| Total administrative services revenue | 248,096 | 215,348 |
| Total rendering of services revenue | 7,721,700 | 7,764,155 |

Other medical services fee includes: Endoscopy fees, Orthopedic Technology fees, Palliative Care fees, Mental Health Services fees, Catering Services fees, Respiratory Infectious diseases services fees and Public Health services fees.

| | | |
|------------------------------------|--------------|--------------|
| 10 Sale of goods | | |
| Sale of stores | 1,333 | 1,737 |
| Tender documents | 18 | 489 |
| Pigs will | 552 | 11 |
| Total Sale of goods revenue | 1,903 | 2,237 |

| | | |
|--|----------------|----------------|
| 11 Rental revenue from facilities | | |
| Residential properties | 100,062 | 99,912 |
| Commercial properties | 35,316 | 33,310 |
| Total rental revenue | 135,378 | 133,222 |

| | | |
|---------------------------------|----------------|----------------|
| 12 Interest income | | |
| Bank interest | 123,898 | 165,418 |
| Interest on short term deposits | 157 | 170 |
| Total interest income | 124,055 | 165,588 |

| | 2023 Kshs. '000' | 2022 (Restated) Kshs. '000' |
|---------------------------------------|---------------------|--------------------------------|
| 13 Clinical costs | | |
| Cardiology materials | 27,781 | 32,736 |
| Cardiothoracic Consumables | 10,419 | 16,149 |
| Cleansing Materials | 69,729 | 71,812 |
| COVID -19 Patient Bills | - | 62,490 |
| Dental Materials | 5,680 | 12,771 |
| Dressing & Appliances | 79,117 | 98,312 |
| Enteral & Nutrition Feed | 45,580 | 54,298 |
| Health Information Stationery | 10,659 | 11,455 |
| ICU Materials | 54,816 | 79,273 |
| Laboratory Chemicals & Reagents | 263,237 | 370,389 |
| Medical Gases | 388,869 | 354,924 |
| Orthopedic materials | 49,376 | 23,572 |
| Patients Food | 322,530 | 256,349 |
| Patients Uniform & Clothing | 49,182 | 68,898 |
| Pharmaceutical supplies | 1,165,940 | 956,094 |
| Radiology material & Chemicals | 70,827 | 74,968 |
| Renal materials | 67,358 | 62,958 |
| Reproductive Health Costs | - | 3,347 |
| Stock Change | 43,710 | (68,003) |
| Surgical consumables | 597,607 | 343,270 |
| Sutures | 56,233 | 426,024 |
| UHC Patient Bills | - | 32,252 |
| Waste disposal expenses | 1,857 | 8,462 |
| Other clinical costs | 99,898 | 103,475 |
| Total Clinical Costs | 3,480,405 | 3,456,275 |
| 14 Employee costs | | |
| Contribution to NSSF | 16,847 | 15,575 |
| Insurance premiums | 92,125 | 90,936 |
| Pension Cost - DB Scheme | 1,120,840 | 903,076 |
| Pension Cost – DC Scheme | 472,194 | 437,020 |
| Provision for leave pay (see note 32) | (70,051) | (8,657) |
| Salaries and wages | 11,498,126 | 11,361,658 |
| Service Gratuity | 137,147 | 22,751 |

| | 2023 Kshs. '000' | 2022 (Restated) Kshs. '000' |
|--|---------------------|--------------------------------|
| Staff medical expenses | 437,577 | 501,836 |
| Staff training and development | 76,220 | 127,992 |
| Staff welfare expenses | 9,758 | 5,448 |
| Travelling and accommodation | 26,941 | 39,120 |
| Total Employee costs | 13,817,724 | 13,496,755 |
| 15 Board of Management expenses | | |
| Sitting allowance | 6,260 | 3,740 |
| Accommodation allowance | 4,320 | 3,470 |
| Chairman honoraria | 960 | 900 |
| Chief Executive Officer Salary | 12,508 | 11,108 |
| Airtime | 84 | 77 |
| Insurance | 380 | 960 |
| Mileage | 630 | 260 |
| Training | 12,208 | 6,109 |
| Total Board of Management expenses | 37,350 | 26,624 |
| 16 Depreciation | | |
| Freehold Buildings | 228,974 | 227,872 |
| Plant, Machinery & Medical Equipment | 484,185 | 460,291 |
| Motor Vehicles | 7,318 | 7,318 |
| Furniture & Fittings | 3,178 | 3,220 |
| Computers, Copiers & Faxes | 15,989 | 17,156 |
| Total depreciation | 739,644 | 715,857 |
| 17 Repair and maintenance expenses | | |
| Buildings | 156,754 | 202,453 |
| Medical equipment | 65,921 | 117,373 |
| Motor vehicle running expenses | 30,516 | 26,764 |
| Office equipment | 23,632 | 6,829 |
| Plant and machinery | 170,323 | 87,934 |
| Total repair and maintenance expenses | 447,146 | 441,353 |

| | 2023 Kshs. '000' | 2022 (Restated) Kshs. '000' |
|---|---------------------|--------------------------------|
| 18 Administrative expenses | | |
| Audit Fees | 4,860 | 4,600 |
| Bank Charges | 5,398 | 8,264 |
| Boiler fuel Expenses | 107,250 | 73,229 |
| Cleaning Services | 86,749 | 41,007 |
| Clearing and Forwarding Expenses | 114 | 997 |
| Computer Consumables | 91,751 | 25,967 |
| Electricity Expenses | 204,010 | 166,420 |
| Ethics & Research expenses | 2,182 | 2,590 |
| General Insurance Premiums | 13,052 | 11,003 |
| ICT Licenses & Permits expense | 3,927 | 38,148 |
| Interest on Finance Lease | 700 | 980 |
| KNH Training & Research | 1,328 | - |
| Legal Expenses | 11,267 | 8,080 |
| Loss of Funds | 47,916 | - |
| Marketing and Communication | 25,764 | 29,302 |
| Outsourced Security | 84,963 | 84,327 |
| Quality Assurance expenses | 500 | 231 |
| Research & Development expenses | 10,292 | 8,538 |
| Resource Mobilization resources | 144 | 1,923 |
| Sports Activities | 821 | 316 |
| Staff Uniform | 538 | 11,767 |
| Stationery | 21,874 | 16,887 |
| Tax Expenses | 625,735 | 18,240 |
| Telephone Expenses | 10,092 | 11,789 |
| Water & Conservancy expenses | 110,057 | 105,104 |
| Other Administrative and general Expenses | 80,115 | 38,000 |
| Total administrative expenses | 1,551,399 | 707,709 |

Tax Expenses - Kshs. 625,734,686

The tax expenses of Kshs. 625,734,686 comprises of Kshs. 615,642,650 and Kshs. 10,092,036 relating to Corporation tax and withholding income tax respectively.

Corporation Tax expense of Kshs. 615,642,650 relates to accrued tax liability for unpaid Corporation tax (Kshs.360,407,283), interest (Kshs 154,788,542.37) and penalty (Kshs 100,446,824.85) levied on the Hospital by KRA relating to rental and interest income earned for the period 2015 to 2019. The tax expense and liability arising from the demand by KRA has been recognized in the financial statements for the period ended 2022/2023.

Withholding income tax expense of Kshs. 10,092,036 relates to withholding tax levied on bank interest income for the period.

Loss of funds Kshs 47,915,516.95

During FY 2022/23, there was loss of funds totalling to Kshs.47,915,516 occasioned by fraud where monies were paid out to wrongful recipients’ bank accounts. The matter is under investigation by the Directorate of Criminal Investigation and the National Bank reported to Bank Fraud Investigation Unit.

| 19 Donor funded Projects expenses | 2023 Kshs. ‘000’ | 2022(Restated) Kshs. ‘000’ |
|-------------------------------------|---------------------|-------------------------------|
| ABC Study | 7,100 | 4,069 |
| Activ Rct Study | 100 | - |
| AGYW Study | 9,266 | 11,210 |
| AHISA Study | 4,464 | 26 |
| AI Neo Study | 279 | 1,263 |
| Aps-Modified Assisted Partner Study | 1 | - |
| Breast Cancer Chemo Study | - | 44 |
| Bubble Cpap Study | 1,126 | 6,063 |
| Caffeine Study | 22,819 | - |
| CFAR-Study | 416 | - |
| CHV-Neo Study | 20,248 | 1,043 |
| Connect Project | 136,099 | 69,693 |
| Drip Assist Study | - | 458 |
| ELEWA Project | 818 | 1,598 |
| ELEZA Study | 2,209 | - |
| Fertility Intentions Study | 1,359 | - |
| FP Plus Study | 25,575 | 24,194 |
| Girl Study | 4,874 | 2,957 |
| HCV TX Study | - | 3,870 |
| HIV Cascade Training Program | 7,502 | 6,118 |
| HIV Testing & Care in AECI Study | - | 1,703 |
| HIV-TB Emory | 293 | 1,199 |
| HIV-TB Study | 151 | 7,049 |
| HOPE Kenya Study | 1,487 | - |
| IAEA Fellowship | 258 | - |
| Integrate Study | 3281 | - |
| KCV HIV Study | - | 1,124 |
| KNH HEU - Hope Project | 23,493 | 20,751 |
| LAI study | 10,949 | 4,293 |
| Micro Biota & Preterm Birth study | - | 585 |



| | 2023 Kshs. '000' | 2022 (Restated) Kshs. '000' |
|---|---------------------|--------------------------------|
| MIIA Study | 2,104 | 585 |
| MMAP STUDY | 901 | 6,833 |
| Mobile WACH NEO RCT | 21,288 | 24,436 |
| mPACT Study | 1,077 | 3,980 |
| Mwach Empower Study | 21,822 | 2,774 |
| MwACH-PrEP Study | 37,526 | 18,311 |
| Novation- 1 (Genova RCT Study) | 325 | - |
| PACT-COE project | 205 | 20,908 |
| Partners in Prevention Study | - | 1,326 |
| Patient Navigation Programme | 16,835 | 17,136 |
| PIMA STUDY | - | 2,576 |
| PriMA Anciliary | 6,703 | 1,616 |
| PrIMA -DTG | 2,175 | - |
| PRIMA Study | - | 2,010 |
| PrIMA-X | 24,977 | 22,047 |
| SHARP STUDY | - | 9,854 |
| Summit Study | 33,890 | 19,302 |
| Surgical Site Infection (SSI) | 1,898 | - |
| TES-NES Efficacy study | 16,468 | 19,366 |
| Timiza Study | 14,995 | 12,397 |
| WHO Case Study | - | 4,605 |
| Zingatia Study | 673 | - |
| Total Donor funded projects grants | 488,029 | 359,372 |
| 20 Loss on Sale of Fixed Assets | | |
| Cost of fixed assets disposed | 73,010 | 128,345 |
| Accumulated depreciation | (73,010) | (128,345) |
| Net book value of assets disposed | | |
| Less: Sale proceeds on fixed assets disposal | (425) | (1,791) |
| (Gain)/Loss on sale of fixed assets | (425) | (1,791) |
| 21 Impairment loss on Receivables | | |
| Allowance for impairment loss on Receivables from Exchange transactions | 1,131,730 | 970,965 |
| Total Impairment loss on Receivables | 1,131,730 | 970,965 |

The impairment loss for receivables from exchange transactions relates to provision for bad and doubtful debts on accounts receivables. Some of the patients who are referred for specialized health care are underprivileged and upon clinical discharge are unable to settle their medical bills. These patients are released from the Hospital on unsecured credit based on a commitment to settle their bills in the future. However, efforts to collect the due receivables from this category of patients are largely fruitless. Further, deceased patients whose bodies are not claimed by relatives are disposed of in accordance with the Public Health Act. Consequently, a provision for bad and doubtful debts has been made for the impaired receivables relating to indigent patients bills and unclaimed bodies bills (see note 25).

22 Medical services contracts loss

| | | |
|---|----------------|----------------|
| Contracts with NHIF | 379,100 | 655,313 |
| Linda Mama program | 190,137 | 231,405 |
| Total medical service contracts loss | 569,237 | 886,718 |

A contract exists between the Hospital and NHIF (Fund) whereby the Hospital provides medical services to the Fund members and in return, the Fund compensates the Hospital according to the applicable package as listed below:

Inpatient daily rebate of Kshs. 4,000 (comprehensive cover).

Reimbursement for surgical procedures is based on pre-determined comprehensive packages for which pre-authorization by the Fund is given before a procedure is done.

Radiology services i.e., C.T Scan and M.R.I. at Kshs. 8,000 and Kshs. 15,000, respectively.

Renal dialysis at Kshs. 9,500

Chemotherapy and radiotherapy services reimbursed at the pre-determined package upon prior approval by the Fund.

The NHIF loss arises where the medical cost incurred on a patient who is a contributor to the Fund is greater than the rebate reimbursed by the Fund based on the existing medical service contracts.

Linda Mama Program loss

This loss has been occasioned by free maternity services offered by the Hospital under the Presidential directive in June 2013, which was aimed at ensuring that all mothers deliver in a health facility under the care of a skilled health worker.

Under this plan, the Government reimburses the Hospital Kshs. 17,500 per delivery. KNH being a referral Hospital, however, receives complicated maternal referrals for specialized care services such as renal dialysis, critical care services, and neonatal care the medical cost of which is way above Kshs. 100,000.



With effect from July 2017, the Government transferred the Free Maternity program to NHIF under Linda Mama Program. While Linda Mama program still reimburses the Hospital Kshs. 17,500 per delivery, the package has now been enhanced so that in case of complication the Hospital is allowed to claim a normal rebate rate of Kshs. 4,000 per day in addition to the Kshs. 17,500.

| | 2023 Kshs. '000' | 2022(Restated) Kshs. '000' |
|--|---------------------|-------------------------------|
| 23 Net actuarial losses/(gains) in net liability-DB Scheme | | |
| Net actuarial losses/(gains) and experience adjustments arising from participants experience | 860,510 | 860,510 |
| Actual return on assets less implied return included in net interest costs | 545,736 | 597,494 |
| Net actuarial losses/(gains) in net liability (see note 35) | 1,406,246 | 1,458,004 |
| 24 Cash and cash equivalents | | |
| Current accounts | 726,291 | 3,168,677 |
| On-call deposits | 291 | 366 |
| Staff Mortgage Deposit | 7,687 | 7,559 |
| M-PESA Account | 400 | 233 |
| Total cash and cash equivalents | 734,669 | 3,176,835 |
| a) Current accounts | | |
| National Bank of Kenya | 712,568 | 3,140,761 |
| Equity Bank | 2,770 | 2,257 |
| Kenya Commercial Bank | 10,953 | 25,659 |
| Total current accounts | 726,291 | 3,168,677 |
| b) On-call deposits | | |
| National Bank of Kenya | 291 | 366 |
| Euro Bank Ltd (in liquidation) | 429,661 | 429,661 |
| Less: Provision for impairment | (429,661) | (429,661) |
| Total on-call deposits | 291 | 366 |
| c) Staff Mortgage deposit | | |
| Housing Finance Co. of Kenya | 7,687 | 7,559 |
| d) M-PESA Account | | |
| KNH MPESA Refund | 400 | 233 |
| Total cash & cash equivalents | 734,669 | 3,176,835 |

Cash at bank earns interest at a floating rate based on daily bank deposit rates. On-call deposits are made for varying periods, depending on the immediate cash requirements of the Hospital, and earn interest at the prevailing call deposit rate. The provision for impairment of Kshs. 429,660,514 relates to short-term deposits held in Euro bank now in liquidation

Detailed Analysis of Cash and Cash Equivalents

| | | | 2023 | 2022 |
|--|-----------------------------------|----------------|----------------|------------------|
| | | | Kshs. '000' | Kshs. '000' |
| Financial Institution | Account Name | Account Number | | |
| Current Accounts | | | | |
| Equity Bank | Equity PDQ | 810260741031 | 2,770 | 2,257 |
| Kenya Commercial bank | KNH Othaya | 1135769672 | 8,491 | 23,225 |
| Kenya Commercial bank | Hope Hostel | 1144842999 | 2,462 | 2,434 |
| National Bank of Kenya | Development 1 | 1003058005300 | 15,566 | 28,031 |
| National Bank of Kenya | Heart Fund | 1003058005700 | 140,636 | 96,212 |
| National Bank of Kenya | Pact-Coe | 1003086493600 | 11,711 | 16,757 |
| National Bank of Kenya | Payroll & Administration | 1003058005000 | 193,620 | 181,143 |
| National Bank of Kenya | Recurrent | 1003058004900 | 126,440 | 152,242 |
| National Bank of Kenya | Revenue | 1003058005200 | 64,996 | 1,825,265 |
| National Bank of Kenya | VCT | 1003058137700 | 1 | 151 |
| National Bank of Kenya | Private Wing | 1003058005800 | 159,598 | 840,960 |
| Sub-Total Held in Current Accounts | | | 726,291 | 3,168,677 |
| On-call deposits | | | | |
| National Bank of Kenya | KNH & M/S Guserwa & Co. Advocates | 1403058066000 | 291 | 366 |
| Kenya Commercial bank | | | | |
| Euro Bank | | | 429,661 | 429,661 |
| Provision for impairment | | | (429,661) | (429,661) |
| Sub-Total on-call deposits | | | 291 | 366 |
| Staff mortgage deposit | | | | |
| Housing Finance Co. of Kenya | Mortgage Scheme Deposit Account | 2000027328-0 | 7,687 | 7,559 |
| Cash at hand | | | | |
| Safaricom PLC | KNH MPESA Refund | 333700997 | 400 | 233 |
| Grand Total cash & cash equivalents | | | 734,669 | 3,176,835 |

The cash and cash equivalents of Kshs. 734,669,061 held by the Hospital as at June 30, 2023 is composed of funds designated for on-going capital projects (Kshs. 487,100,673), Conditional grants received for

donor funded projects (KShs.165,060,259), COVID-19 preparedness (Kshs.12,215,987) and Kshs.70,292,142 to cater for the Hospital's financial obligations.

| | 2023 Kshs. '000' | 2022 (Restated) Kshs. '000' |
|--|---------------------|--------------------------------|
| 25 Receivable from exchange transactions | | |
| a) Receivable from exchange transactions | | |
| Medical services receivables | 13,139,787 | 11,053,025 |
| Rental receivables | 36,371 | 36,525 |
| School of Nursing receivables | 560 | 1,449 |
| Insurance compensation receivables | 23,684 | 23,684 |
| Subtotal | 13,200,402 | 11,114,683 |
| Prepayments | 518,624 | 339,339 |
| Accrued Investment income | 101 | 20 |
| Legal fees Deposit | 19,155 | 14,756 |
| Subtotal | 13,738,282 | 11,468,798 |
| Less: Impairment allowance | (10,948,175) | (9,816,445) |
| Total Receivable from exchange transactions | 2,790,107 | 1,652,353 |

As at June 30, 2023 trade receivables of Kshs. 10,948,174,999.46 (June 2022: Kshs. 9,816,444,487) were impaired and fully provided for.

b) Reconciliation for impairment allowance for receivables from exchange transactions

| | 2023 Kshs. '000' | 2022 (Restated) Kshs. '000' |
|---------------------------------------|---------------------|--------------------------------|
| At the beginning of the year | 9,816,445 | 8,845,480 |
| Additional provisions during the year | 1,131,730 | 970,965 |
| At the end of year | 10,948,175 | 9,816,445 |

26 Receivable from non-exchange transactions

a) Receivable from non-exchange transactions

| | 2023 Kshs. '000' | 2022 (Restated) Kshs. '000' |
|--|---------------------|--------------------------------|
| Grants from National Government | 2,354,501 | 268,168 |
| Staff receivables | 10,816 | 19,233 |
| Sub-total | 2,365,317 | 287,401 |
| Less: Impairment allowance on GoK recurrent grant | (268,168) | (268,168) |
| Less: Impairment allowance on Staff receivables | (868) | (868) |
| Total Receivable from non-exchange transactions | 2,096,281 | 18,365 |

The grants from The National Government receivable relate to recurrent grants not disbursed to the Hospital by MoH as per allocation in the FY 2009/10 (Kshs. 145 million), FY 2014/15 (Kshs. 113 million) and FY 2017/18 (Kshs. 10 million), and for FY 2022/23 (Kshs. 1,286 million) and Kshs. 800 million for capital projects as at June 30 2023. The impairment on recurrent grant relates to grants aging beyond FY 2022/23.

b) **Reconciliation for impairment allowance for receivables from exchange transactions**

| | 2023 Kshs. '000' | 2022(Restated) Kshs. '000' |
|---------------------------------------|---------------------|-------------------------------|
| At the beginning of the year | 269,036 | 269,036 |
| Additional provisions during the year | - | - |
| At the end of year | 269,036 | 269,036 |
| 27 Inventories | | |
| Pharmaceutical Supplies | 496,681 | 512,221 |
| Maintenance Supplies | 52,916 | 51,758 |
| Food Supplies | 8,591 | 8,181 |
| Linen and clothing | 42,584 | 57,527 |
| General stores | 7,219 | 30,215 |
| Sub-Total | 607,991 | 659,902 |
| Less: obsolete stock | (984) | (8,200) |
| Total Inventories | 607,007 | 651,702 |

28. Property plant and equipment

| Description | Freehold Land Kshs '000' | Freehold Building Kshs '000' | Plant, Machinery & Medical Equipment Kshs '000' | Motor vehicles Kshs '000' | Furniture and fittings Kshs '000' | Computers, copiers and faxes Kshs '000' | Capital work in progress Kshs '000' | Total Kshs '000' |
|--------------------------|-----------------------------|---------------------------------|---|------------------------------|---|--|---|---------------------|
| Rate of Depreciation | 0% | 2.50% | 12.50% | 25% & 37.5% | 25% | 33% | | |
| COST OR VALUATION | Kshs. '000' | Kshs. '000' | Kshs. '000' | Kshs. '000' | Kshs. '000' | Kshs. '000' | Kshs. '000' | Kshs. '000' |
| As at 30th June 2022 | 3,627,314 | 8,996,124 | 6,742,544 | 107,275 | 291,566 | 329,865 | 1,346,987 | 21,441,675 |
| As at 1st July, 2022 | 3,627,314 | 8,996,124 | 6,742,544 | 107,275 | 291,566 | 329,865 | 1,346,987 | 21,441,675 |
| Additions | | | 352,759 | 7,643 | 341 | 12,161 | 253,531 | 626,435 |
| Disposals | | | (125,966) | (2,000) | (379) | | | (128,345) |
| Transfer of Land | (150,018) | | | | | | | (150,018) |
| Transfers from WIP | | 118,772 | 126,153 | | | | (244,925) | - |
| As at 30th June 2022 | 3,477,296 | 9,114,896 | 7,095,490 | 112,918 | 291,528 | 342,026 | 1,355,593 | 21,789,747 |
| As at 1st July, 2022 | 3,477,296 | 9,114,896 | 7,095,490 | 112,918 | 291,528 | 342,026 | 1,355,593 | 21,789,747 |
| Additions | | | 432,149 | | 2,225 | 2,447 | 360,878 | 797,699 |
| Disposals | | | (73,010) | | | | | (73,010) |
| Transfers from WIP | | 44,046 | | | | | (44,046) | - |
| As at 30th June 2023 | 3,477,296 | 9,158,942 | 7,454,629 | 112,918 | 293,753 | 344,473 | 1,672,425 | 22,514,436 |
| Depreciation | | | | | | | | |
| As at 1st July, 2021 | | 2,661,010 | 4,857,069 | 91,054 | 275,459 | 305,599 | | 8,190,191 |
| Charge for the year | | 227,872 | 460,290 | 7,318 | 3,220 | 17,157 | | 715,857 |
| Disposal | | | (125,966) | (2,000) | -379 | | | (128,345) |
| As at 30th June, 2022 | - | 2,888,882 | 5,191,393 | 96,372 | 278,300 | 322,756 | - | 8,777,703 |
| As at 1st July, 2022 | | 2,888,882 | 5,191,393 | 96,372 | 278,300 | 322,756 | - | 8,777,703 |
| Charge for the year | | 228,974 | 484,185 | 7,318 | 3,178 | 15,989 | | 739,644 |
| Disposal | | | (73,010) | | | | | (73,010) |
| As at 30th June, 2023 | - | 3,117,856 | 5,602,568 | 103,690 | 281,478 | 338,745 | - | 9,444,337 |
| NET BOOK VALUE | | | | | | | | |
| As at 30th June 2022 | 3,477,296 | 6,226,014 | 1,904,097 | 16,546 | 13,228 | 19,270 | 1,355,593 | 13,012,044 |
| As at 31st June 2023 | 3,477,296 | 6,041,086 | 1,852,061 | 9,228 | 12,275 | 5,728 | 1,672,425 | 13,070,099 |

28 Property, Plant & Equipment (continued)

a) Fully Depreciated Assets

Property plant and Equipment includes the following assets that are fully depreciated:

| Description | Cost or valuation | Normal annual depreciation charge |
|--|-------------------|-----------------------------------|
| | Kshs. '000' | Kshs. '000' |
| Plant and Machinery | 3,530,418 | 441,302 |
| Motor Vehicles including Motorcycles | 83,647 | 20,912 |
| Computers and Related Equipment | 221,486 | 27,686 |
| Office Equipment, Furniture and Fittings | 337,355 | 112,440 |
| Total | 4,172,906 | 602,340 |

Included in the Property, Plant & Equipment are motor vehicles (Kshs.83,646,634), plant machinery and medical equipment (Kshs.3,530,418,397), furniture and fittings (Kshs.221,486,282) and Computers, copiers & faxes (Kshs.337,354,852) whose net book value is nil balance. This has been occasioned by use of straight-line method of depreciation. The management is in recognition that these fixed assets are fully depreciated and still in use. A revaluation process has been initiated to determine the economic value of the fully depreciated assets.

b) Freehold Land

i) Land Reference No. 209/25138, 209/11460 and 209/12822

During FY 2018/19, adjustment was made to remove proportions of land that were compulsorily acquired for construction of the Mbagathi Way Link Road. The Hospital did not receive compensation for the excised land. The parcels of land and the respective book values that were excised for road construction is as tabulated below:

| No. | Land Reference No. | Portion Excised for Road Construction | |
|-----|--------------------|---------------------------------------|--------------------|
| | | Area in Hectares | Book Value Kshs. |
| | LRN 209/25138 | 2.1695 | 160,844,735 |
| | LRN 209/11460 | 0.2173 | 15,816,139 |
| | LRN 209/12822 | 0.0308 | 2,270,270 |
| | Total | 2.4176 | 178,931,144 |

ii) Land Reference No. 209/25138

Included in land, is a parcel of land (LRN 209/25138) measuring 45.01 hectares valued at Kshs. 3,337,000,000.

A portion of this land measures 1.35 hectares with a book value of Kshs. 100,087,758 is owned by National Quality Control Laboratories (NQCL) for which the process of excision is on-going.

Adjustment on Land in FY 2021/22: In addition, a portion of this land measuring 2.02 hectares (5 acres) with a book value of Kshs. 150,017,982 was transferred to the Kenya Police for the construction of the Kenya Police Service

Hospital in line with Cabinet directive and Board approval. The adjustment to remove this parcel of land has been effected in the Hospital books in FY2021/22. The process of excision is on-going.

The value of land recognized in the financial statements in relation to LRN 209/25138 excludes the portions excised for NQCL, Kenya Police Service and Mbagathi Way Link Road.

iii) Land Reference No 209/13978

Included in land is a parcel of land LRN 209/13978 measuring 2.544 hectares that is jointly owned by Kenyatta National Hospital, University of Nairobi and Kenya Medical Training College. The total value of this parcel of land is Kshs. 220 million. The value of this land that is recognized in the Hospital financial statements in a third proportion at Kshs. 73,333,333.

iv) Mwai Kibaki Hospital Land

Included in the land is a parcel of land measuring 7.9 Acres and valued at Kshs. 50,000,000 for Mwai Kibaki Hospital.

c) Capital Work in Progress

The composition of capital work in progress included in the property, plant, and equipment as at June 30, 2023 is tabulated below:

| Description | Amount |
|--|------------------|
| | Kshs.'000' |
| Construction of Pediatrics Emergency and Burns Management Centre | 939,922 |
| Construction of Cancer Treatment Centre | 350,815 |
| Implementation of ERP | 237,077 |
| Construction of Bunker | 35,831 |
| Construction of Lifts | 18,458 |
| Construction of Oxygen Plant | 40,337 |
| Renovation of 8th floor Tower Block | 49,985 |
| Total | 1,672,425 |

| | 2023 Kshs. '000' | 2022(Restated) Kshs. '000' |
|---|---------------------|-------------------------------|
| 29 Intangible Assets- Software | | |
| Cost | | |
| At the beginning of the year (July 1) | 31,408 | 31,408 |
| At the end of the year (June 30) | 31,408 | 31,408 |
| Amortization | | |
| At the beginning of the year | 31,408 | 31,408 |
| Charge for the period | | |
| At the end of the year (June 30) | 31,408 | 31,408 |
| Net Book Value as at June 30 | ~ | ~ |

30 Trade and other payables

| | 2023 Kshs. '000' | 2022 (Restated) Kshs. '000' |
|---------------------------------------|---------------------|--------------------------------|
| Trade payables | 1,412,169 | 1,055,900 |
| Retention money | 112,980 | 117,935 |
| Remittances | 215,061 | 59,112 |
| Doctors' fees | 446,009 | 253,000 |
| Tax liability | 686,165 | 80,534 |
| Other payables | 1,872 | 3,391 |
| Total trade and other payables | 2,874,256 | 1,569,872 |

Other payables include unpaid salaries and over recovery from staff.

Tax Liability- Kshs. 686,164,963

The tax liability of Kshs. 686,164,963 comprises of Kshs. 615,642,650 and Kshs. 80,533, 626 relating to Corporation tax and interest & penalties respectively as explained below;

Corporation Tax liability- Kshs. 615,642,650

This relates to unpaid Corporation tax, interest and penalty levied on the Hospital by KRA during FY 2022/23 relating to rental and interest income earned for the period 2015 to 2019 as tabulated below;

| Details | Principal Tax Kshs. | Interest Kshs. | Penalty Kshs. | Total Kshs. |
|----------------------|------------------------|--------------------|--------------------|--------------------|
| Interest Income | 169,118,700 | 79,637,734 | 62,189,108 | 310,945,542 |
| Rent Income | 191,288,583 | 75,150,809 | 38,257,716 | 304,697,108 |
| Tax Liability | 360,407,283 | 154,788,543 | 100,446,824 | 615,642,650 |

The Hospital Management entered into an agreement with KRA on repayment of the Principal Corporation Tax liability on monthly instalment of Kshs. 20,032,380 for a period of 18 months. The Hospital started remitting the payments with effect from June 2023.

Interest & Penalties tax liability-Kshs. 80,533, 626

Kenya Revenue Authority (KRA) conducted an in-depth audit on KNH and issued an assessment on July 1, 2014, of the tax liability of Kshs. 592,860,909 relating to the period January 2010 to March 2014. KNH objected to the findings of KRA and on June 5, 2015, KRA issued a confirmed assessment amounting to Kshs. 545,693,303. On February 7, 2017, the Hospital paid Kshs. 18,022,978 being the tax not under dispute in relation to withholding tax and VAT.

The Hospital engaged KRA through the office of the Attorney General on the disputed assessment. Following a mediation meeting held on June 23, 2017, at the Attorney General Chambers, KRA issued a revised assessment dated July 19, 2017, of Kshs. 170,590,114 comprising of principal tax of Kshs. 90,056,488, a penalty of Kshs. 22,514,122 and interest of Kshs. 58,019,505.

The Hospital paid the principal tax liability in the FY 2017/18 and submitted an appeal for waiver of the penalty and interest totaling Kshs. 80,533,626 which is still outstanding as of June 30, 2023. The Hospital is awaiting KRA's response on the appeal made.

| | 2023 Kshs. '000' | 2022(Restated) Kshs. '000' |
|-------------------------------------|---------------------|-------------------------------|
| 31 Deposit from customers | | |
| Admission deposit | 25,760 | 32,881 |
| Advance receipts | 22,328 | 17,354 |
| Caution Money | 1,017 | 1,108 |
| Institutional deposit | 14,470 | 14,470 |
| Medical Report Deposit | 1,362 | 1,600 |
| Rent Deposit | 11 | 11 |
| Tender Deposit | 896 | |
| TVETA Quality Assurance | 132 | 35 |
| Total deposit from customers | 65,976 | 67,459 |

| | | |
|---|----------------|----------------|
| 32 Provision for leave pay | | |
| Balance at the beginning of the year | 186,998 | 195,655 |
| Additional provision raised | | |
| Provision utilized | (70,051) | (8,657) |
| Total provisions for leave pay at year end | 116,947 | 186,998 |

The provision was calculated based on the leave entitlement due to staff at year-end adjusted for; experience adjustment in relation to the forfeiture of leave and leave taken trends and Salary scales applicable at the time of realization of leave by employees.

| | | |
|---|----------------|----------------|
| 33 Deferred income | | |
| Donor funded projects grants | 86,006 | 98,769 |
| Donations in kind | 172,552 | 186,603 |
| Specific donations | 3,736 | 3,880 |
| Recurrent Grants from National Government | 12,217 | 44,723 |
| School of Nursing pre-paid fee | 7,287 | 6,944 |
| Total deferred income | 281,798 | 340,919 |

The deferred income movement is as follows:

| Details | Donor funded projects grants Kshs. '000' | Donations in kind Kshs. '000' | Specific donations Kshs. '000' | Recurrent Grants from National Government Kshs. '000' | School of Nursing pre-paid fee Kshs. '000' | Total Kshs. '000' |
|------------------------------|---|----------------------------------|-----------------------------------|--|---|----------------------|
| Balance B/fwd. | 98,769 | 186,603 | 3,880 | 44,723 | 6,944 | 340,919 |
| Receipts during the year | 475,328 | - | 2,751 | - | 29,976 | 508,055 |
| Refund during the year | (62) | - | - | - | - | (62) |
| Recognized in SOFP | (488,029) | (14,051) | (2,895) | (9,884) | (29,633) | (544,492) |
| Transfer to Capital Reserves | - | - | - | (22,622) | - | (22,622) |
| Deferred income | 86,006 | 172,552 | 3,736 | 12,217 | 7,287 | 281,798 |

Donor Funded Projects grants deferred.

Donor funded projects grants deferred relates to grants received from donors for utilization beyond the period ended June 30, 2023.

Donations in Kind deferred.

Donations in kind relate to fixed assets donated by members of the public to the Hospital. These donations are amortized over their respective useful life. The deferred amount of Kshs. 172,515,486.91 is the value of the fixed assets that was not amortized as at the end of the year under review. The amortization for the period is recognized as revenue in the statement of financial performance (see note 8).

Specific Donations deferred.

Specific donations deferred relates to cash donated by members of the public towards construction of Hope Hostel (Kshs. 2,445,998), Construction of Children Play Area (Kshs. 690,172.54) and contribution towards KNH Sports Health Day (Kshs.600,000).

Recurrent grants deferred.

During the period ended June 30,2023, the Hospital utilized recurrent grants totaling to Kshs. 9,884,334 out of Kshs. 44,722,183 grants that were deferred in FY 2021/22. The utilization of Kshs.1,262,517 relates to Mwai Kibaki Hospital presidential launch preparation expenses and Kshs.8,621,817relates to COVID-19 expenses during the period under review.

The deferred grants of Kshs. 12,216,987 relate to COVID-19 management funds that had not been utilized as at June 30, 2023.

School of Nursing pre-paid fee

School of Nursing pre-paid fee of Kshs. 7,287,333.69 relates to fee paid by students for semesters running beyond the period ended June 30, 2023.

34 National Social Security Arrears

This is a statutory defined contribution pension scheme in which the employer and employee contribute equal amounts. The Hospital’s contribution during the year under review has been charged to the statement of financial performance.

The outstanding amount relates to contribution arrears for the period April 2001 to November 2009 when KNH had sought an exemption on complying with the NSSF Act from the Ministry of Labor and Human Resource Development given the Hospital had a better Pension Scheme. The Ministry declined the request for exemption in the year 2011 on the basis that NSSF was a universal social security pillar and was thus mandatory. The Hospital had by then accumulated arrears totaling to Kshs. 311 million excluding penalties.

The Hospital has been including this amount in the budget for funding to offset the arrears as all personnel-related expenses are funded through the Government of Kenya recurrent grant. This amount has, however, not been funded and has thus remained outstanding. Since FY 2016/17 to 2022/23 the Hospital has been paying Kshs. 24 million each year awaiting Ministry of Health intervention.

| | 2023 | 2022(Restated) |
|--|-------------|----------------|
| | Kshs. ‘000’ | Kshs. ‘000’ |
| National Social Security Fund arrears | 142,830 | 166,830 |

35 Retirement Benefits Obligation

The Hospital operates a defined benefits pension scheme (KNH Staff Superannuation Scheme) and a defined contribution pension scheme (KNH Staff Retirement Benefits Scheme).

i) Defined Contribution (DC) Pension Scheme

The KNH Staff Retirement Benefits Scheme assets are managed by fund managers on behalf of the Fund trustees. The current fund managers are Sanlam Investments East Africa Ltd and GenAfrica Asset Managements. The Hospital’s contribution to KNH Staff Retirement Benefits Scheme is at 10% while employees contribute at 5% of basic salary. The Hospital’s obligation is limited to any unpaid contribution. Contribution to the scheme during the year under review has been charged to the statement of financial performance.

ii) Defined Benefit (DB) Pension Scheme

The Hospital operates a funded defined benefit scheme (KNH Staff Superannuation Scheme) for its employees that is established under irrevocable trust. The scheme was closed to new members with effect from 30th June 2011 (closure date) and future accrual of benefits on March 31, 2012. Members aged 45 and above as of the closure date were given the option to remain in the scheme and continue to accrue benefits.

Members aged below 45 years as at closure date are entitled to benefits accrued under the scheme up to March 31, 2012, and benefits from April 1, 2012, would accrue in the new defined contribution (DC) scheme. Their benefits in the closed scheme are based on the lower of member’s basic salary at the date of leaving service or annual basic salary as at closure date valued at 7% p.a. to date of leaving service, retirement, or death in service.

The DB scheme assets are managed by fund managers on behalf of the scheme trustees. The current fund managers are British American Insurance Company (K) Ltd and GenAfrica Asset Management. The Hospital contributes to the DB scheme in respect of those members who opted to remain in the scheme. The Hospital's contribution to the DB scheme is at 10% while employees contribute at 5% of basic salary.

Valuation of the DB scheme assets and the present value of the defined benefit obligation was carried out as at June 30, 2022, by Actuarial Services (E.A) Ltd to fulfill the financial reporting and disclosure requirements of IPSAS 39. The present value of the defined benefit obligation and the related current cost was measured using the Projected Unit Credit Method.

The principal assumptions used for purposes of the actuarial valuations were as follows:

| Details | 2023 | 2022 |
|---|----------|----------|
| Discount rate (% p.a.) | 10% | 10% |
| Future salary increases (% p.a.) | 7% | 7% |
| Future pension increases (% p.a.): | | |
| - Service before July 1998 | 3% | 3% |
| - Service after June 1998 | 0% | 0% |
| Mortality - males | A1949/52 | A1949/52 |
| Mortality - females | A1949/52 | A1949/52 |
| The weighted average duration of the defined benefit obligation | 6.8 | 6.8 |

Amount recognized in the statement of financial performance.

The amount recognized in the statement of financial performance in respect of the defined benefit scheme is as shown below:

| Details | 2023 | 2022 |
|---|------------------|----------------|
| | Kshs. '000' | Kshs. '000' |
| Current service cost net of employee's contributions | 169,025 | 169,025 |
| Interest on net liability | 951,815 | 734,051 |
| Total included in Employee costs in respect to the DB scheme | 1,120,840 | 903,076 |

Net actuarial losses/ (gains) in net liability recognized in the year.

| Details | 2023 | 2022 |
|---|------------------|------------------|
| | Kshs. '000' | Kshs. '000' |
| Net actuarial losses/ (gains) and experience adjustments arising from participants experience | 860,510 | 860,510 |
| Actual return on assets less implied return included in net interest costs | 545,736 | 597,494 |
| Total included in other losses/ (gains) in respect of the scheme | 1,406,246 | 1,458,004 |

Amount recognized in the statement of financial position.

The amount included in the statement of the financial position arising from the Hospital’s obligation in respect of the defined benefit scheme is as follows:

| | 30-Jun-23 | 30-Jun-22 |
|---|---------------------|--------------------|
| Details | Kshs. ‘000’ | Kshs. ‘000’ |
| Present value of funded obligations | (16,749,609) | (15,929,538) |
| Fair value of Scheme assets | 5,060,464 | 6,403,244 |
| Net Defined Benefit liability (Retirement Benefits Obligation) | (11,689,145) | (9,526,294) |

36 Finance Lease Liability

The Hospital leased an Automated car parking system with effect from December 14, 2019, for five years under a finance lease as outlined below:

| | 30-Jun-23 | 30-Jun-22 |
|--|--------------|--------------|
| Description | Kshs. ‘000’ | Kshs. ‘000’ |
| Finance lease liability at the beginning of period | 6,410 | 8,447 |
| Less: Repayment during the year | (2,317) | (2,037) |
| Finance lease liability as of June 30 | 4,093 | 6,410 |

Maturity Analysis:

| Period | Amount Kshs. |
|--------------|----------------------|
| Year 2019/20 | 811,937.47 |
| Year 2020/21 | 1,790,173.62 |
| Year 2021/22 | 2,037,274.03 |
| Year 2022/23 | 2,318,482.05 |
| Year 2023/24 | 4,091,342.69 |
| Total | 11,049,209.86 |

37 Capital Reserve

As at July 1
 Capital Grants received during the year
 Kenya Police Service Land adjustment
As at End of the Period

| | 2023 Kshs. ‘000’ | 2022(Restated) Kshs. ‘000’ |
|---|---------------------|-------------------------------|
| As at July 1 | 12,142,913 | 10,510,592 |
| Capital Grants received during the year | 853,834 | 1,635,410 |
| Kenya Police Service Land adjustment | ~ | (3,089) |
| As at End of the Period | 12,996,747 | 12,142,913 |

| Details | Grant Type | Amount Kshs. '000' |
|---|------------|-----------------------|
| Construction of Cancer Treatment Centre | Cash | 100,000 |
| Construction of Paediatrics Emergency and Burns Management Centre | Cash | 400,000 |
| Construction of Oxygen Plant | Cash | 300,000 |
| Procurement of Medical Equipment | Cash | 22,622 |
| Payment made by development partners (BADEA) | Financier | 12,827 |
| Payment made by development partners (OFID) | Financier | 18,385 |
| Total GoK Capital Grants | | 853,834 |

| | 2023 Kshs. '000' | 2022(Restated) Kshs. '000' |
|-----------------------------------|---------------------|-------------------------------|
| 38 Accumulated fund | | |
| As of July, 1 | (14,120,136) | (11,545,417) |
| Surplus/ (Deficit) for the period | (3,377,233) | (2,574,719) |
| As at End of the Period | (17,497,369) | (14,120,136) |
| 39 Revaluation reserve | | |
| As at July 1 | 8,623,740 | 8,770,669 |
| Adjustment on land | - | (146,929) |
| As at End of the Period | 8,623,740 | 8,623,740 |

| | 2023 Kshs. '000' | 2022(Restated) Kshs. '000' |
|---|---------------------|-------------------------------|
| 40 Cash generated from operations | | |
| Surplus/ (Deficit) for the year | (3,377,233) | (2,574,719) |
| Adjusted for: - | | |
| Depreciation | 739,644 | 715,857 |
| (Gain)/ Loss on disposal of fixed | (425) | (1,791) |
| Non-cash grants received | (84,579) | (167,846) |
| Interest income | 124,055 | 165,588 |
| Operating deficit before working capital changes | (2,598,538) | (1,862,911) |
| (Increase) / Decrease in stock | 44,694 | 59,803 |
| (Increase) / Decrease in receivables | (2,048,057) | 1,989,363 |
| Increase / (Decrease) in payables | 2,687,895 | 2,016,987 |
| Increase / (Decrease) in deferred income | (59,121) | (345,133) |
| Increase / (Decrease) in provision for leave pay | (70,051) | (8,657) |
| Net cash outflow from operating activities | (2,043,178) | 1,849,452 |

41 Contingent Liabilities

Pediatric Emergency Centre and Burns Management Centre Project

The construction of the pediatric Emergency Centre and Burns Management Centre commenced in August 2018. The Burns Centre will contain 82 general ward beds, 14 ICU beds and 6 HDU beds while the pediatric Centre will contain 82 general ward beds, 24 ICU and 6 High Dependency beds. The construction of the pediatric Emergency Centre and Burns Management Centre commenced in August 2018. The Burns Centre will contain 82 general ward beds, 14 ICU beds and 6 HDU beds while the pediatric Centre will contain 82 general ward beds, 24 ICU and 6 High Dependency beds. The civil works were expected to be completed on 20th August 2020, but the date was revised to 9th January 2023. The amount certified as at 30th June 2023 for the contractor is Kshs.1,080,078,497 which is at 58% of the builders works.

The Contractor

The contractor raised Interim Payment Certificate 12 of Kshs.103,536,882 dated 3rd March 2023. The amount owed to the contractor is Kshs.71,959,552. The contractor has submitted a claim on idle plant and machinery of Kshs.905,279,216.16 out of which the consultant has reviewed it downwards to Kshs. 283,257,855 as analyzed below:

| Details | Amount(Kshs) |
|---------------------------------|----------------------|
| Contractor's Project Cost | 2,959,511,555 |
| Interest Paid | 34,364,555 |
| Interest Claim on late payments | 10,254,075 |
| Defect rectification | 81,236,740 |
| Financial Claim | 283,257,855 |
| Total | 3,368,624,780 |

The Project Consultant

The project consultant suspended consultancy services on 1st March 2021 due to non-payment of fee note 1 to 3 amounting to Kshs.20,191,983 which was paid by Gok and resumed services on 20th September 2021. . The project consultant has raised a claim of interest on delayed payments on fee note 1 to 3 of Kshs.17,203,412.77. The hospital is in the process of verifying the claim, change of scope and prolongation cost of Kshs.130,371,288.17 as tabulated below

| Details | Amount (Kshs) |
|-------------------------|--------------------|
| Consultant Project Cost | 39,927,200 |
| Accrued Interest | 17,203,412 |
| Change of Scope | 130,371,288 |
| Prolongation Cost | 76,457,641 |
| Total | 263,959,541 |

42 Restatement

a) Donor funded Projects Grants

The expenses in Donor funded projects was restated in the financial statements for the FY2021/2022 since the MMAP study expenses were overstated by Kshs.176,250. Kshs 171,000 relates to suppliers' payments erroneously recognized twice as an expense. In addition, Kshs.5,250 was paid from the MMAP income instead of the Basic Salary expense.

The effect of the restatement on the financial statement is summarized as below;

| Description | Kshs. |
|---------------------------------|-----------|
| Decrease in Donor Funded grants | (171,000) |
| Decrease in Donor Funded grants | (5,250) |
| Increase in Deferred Income | 171,000 |
| Increase in Deferred Income | 5,250 |
| Decrease in Deficit | 176,250 |
| Decrease in Net assets/Equity | (176,250) |

b) Public Contributions & Donations

Public Contributions & Donations has been restated by Kshs.463,530 which relates to donated Toyota ambulance hearse whose income was recognized for only 9 months instead of 12 months (Kshs. 450,000 understated) and recognition of understated donations in kind for a HP desktop computer (kshs.13,530).

The effect of the restatement on the financial statement is summarized as below;

| Description | Kshs. |
|--|--------------|
| Increase in Public Contributions & Donations | 450,000 |
| Increase in Public Contributions & Donations | 13,530 |
| Decrease in Deferred Income | (463,530) |
| Increase in Deferred Income | 463,530 |
| Increase in deficit | (463,530) |
| Increase in Net assets/Equity | (463,530) |

c) Employee Expenses

Employee Expenses in the financial statements of FY2021/22 have been restated by Kshs.11,308,125.50 due to recognition of the final actuarial Report for current cost of the DB scheme of Kshs.9,909,643 and overstated Interest on Net liability from the DB scheme of Kshs.495,482 respectively. This was attributed to the omission of the final actuarial report for the FY2021/2022 in the financial statements.

Kshs. 5,250 was erroneously paid out from the donor funded expenses instead of the Basic salary expense and Kshs.897,751 was erroneously omitted in financial statements relating to Staff Medical cost.

The effect of the restatement on the financial statement is summarized as below;

| Description | Kshs. |
|---------------------------------------|--------------|
| Increase in Current Costs | 9,909,643 |
| Decrease in Interest on Net Liability | 495,482 |
| Increase in Basic Salary | 5,250 |
| Increase in Staff Medical Costs | 897,751 |
| Increase in Deficit | (11,308,126) |
| Increase in Net assets/Equity | 11,308,126 |

d) Depreciation Expenses

Depreciation expense in the financial statements of FY2021/22 has been restated by Kshs. 25,297 due to recognition of 3 months depreciation expense of a donated HP Computer whose cost was Kshs.101,186.80 instead of 12 months recognition totalling to Kshs.25,2967.

The effect of the restatement on the financial statement is summarized as below;

| Description | Kshs. |
|----------------------------------|--------------|
| Increase in depreciation expense | 25,297 |
| Increase in Deficit | (25,297) |
| Increase in Net assets/Equity | 25,297 |

e) Administrative Expenses

Administrative expenses in the financial statements of FY2021/22 have been restated by Kshs. 364,000 due to erroneous recognition of a Capital Equipment under Contracted security expense.

The effect of the restatement on the financial statement is summarized as below;

| Description | Kshs. |
|---|--------------|
| Decrease in Contracted Security Expense | (364,000) |
| Decrease in Deficit | 364,000 |
| Decrease in Net assets/Equity | (364,000) |

f) Net Actuarial (Gain) /Loss Expense

Net actuarial (gain)/Loss expense in the financial statements of FY2021/22 has been restated by Kshs.84,249,053 due to recognition of the final actuarial Report for Net Actuarial (Gain)/Loss of the DB scheme. This was attributed to the omission of the final actuarial report for the FY2021/2022 in the financial statements.

The effect of the restatement on the financial statement is summarized as below;

| Description | Kshs. |
|--|--------------|
| Decrease in Net Actuarial loss / (gain) in net liability | (84,249,053) |
| Decrease in Deficit | 84,249,053 |
| Decrease in Net assets/Equity | (84,249,053) |

g) Donor funded Projects Expenses

The expenses in Donor funded projects have been restated in the financial statements for the FY2021/2022 since the MMAP study expenses were overstated by Kshs. 176,250. Kshs 171,000 relates to suppliers' payments erroneously recognized twice as an expense. In addition, Kshs. 5,250 was paid from the MMAP expense instead of the Basic Salary expense.

The effect of the restatement on the financial statement is summarized as below;

| Description | Kshs. |
|---------------------------------|--------------|
| Decrease in Donor Funded grants | (171,000) |
| Decrease in Donor Funded grants | (5,250) |
| Increase in Deferred Income | 171,000 |
| Increase in Deferred Income | 5,250 |
| Decrease in Deficit | 176,250 |
| Decrease in Net assets/Equity | (176,250) |

h) Cash & Cash Equivalent

Cash & Cash Equivalent in the financial statements of FY2021/22 has been restated by Kshs. 407,872 due to omission of cash received from patients and not receipted as at June 30, 2022.

| Description | Kshs. |
|---------------------------------------|------------|
| Increase in Cash and Cash Equivalents | 407,872.00 |
| Increase in Trade & Other Payables | 407,872.00 |

i) Property, Plant & Building

The effect of restatement in the financial statements on Property, Plant & Equipment is as summarized below;

| Description | Kshs. |
|--|-----------------------|
| Increase in Capital Asset - Correction as per Note 42 (e) | 364,000 |
| Increase in accumulated depreciation - Correction as per Note 42 (d) | <u>(25,297)</u> |
| Net Increase in PPE | <u>338,703</u> |

j) Trade & Other Payables

The effect of restatement in the financial statements on Trade and other Payables is as summarized below;

| Description | Kshs. |
|---|-------------------------|
| Increase in Doctors' Fees- Correction as per Note 42(h) | 407,872 |
| Increase in Doctors' Fees -Correction as per Note 42(c) | 897,751 |
| Decrease in Trade & Other Payables Correction as per Note 42(g) | <u>(171,000)</u> |
| Net Increase in Trade & other Payables | <u>1,134,623</u> |

k) Deferred Income

Deferred income in the financial statements for FY2021/2022 has been restated by Kshs.287,280 due to errors of double recognition of the MMAP study expenses which were overstated by Kshs.176,250. Kshs 171,000 relates to suppliers' payments erroneously recognized twice as an expense. In addition, Kshs.5,250 was paid from the MMAP expense instead of the Basic Salary expense.

In addition, Public Contributions & Donations has been restated by Kshs.463,530 which relates to donated Toyota ambulance hiace whose deferred income was recognized for only 9 months instead of 12 months (Kshs. 450,000 understated) and recognition of understated donations in kind for a HP desktop computer (Kshs.13,530).

The effect of restatement in the financial statements on Net Defined Benefit Liability is as summarized below;

| Description | Kshs. |
|--|------------------|
| Correction as per Note 42(a) | 176,250 |
| Decrease in Deficit -Correction as per Note 42 (b) | (463,530) |
| Net decrease in Deferred Income | (287,280) |

l) Net Defined Benefit Liability

The effect of restatement in the financial statements on Net Defined Benefit Liability is as summarized below;



| Description | Kshs. |
|---|---------------------|
| Increase in Current Costs for the DB Scheme- Correction as per Note 42(c) | 9,909,643 |
| Increase Interest in Net Liability of the DB scheme -Correction as per Note 42(c) | 495,482 |
| Decrease in Net Actuarial (gain)/ loss on Net liability from the DB Scheme - Correction as per Note 42(f) | (84,249,053) |
| Net decrease in Net defined Benefit Liability | (73,843,928) |

m) Accumulated Funds

The effect of restatement on Accumulated funds in the financial statements of FY 2021/22 is as summarized below;

| Description | Kshs. |
|---|------------------------|
| Reported Deficit as at June 30, 2022 | (2,648,462,326) |
| Decrease in Deficit -Correction as per Note 42(b) | 463,530 |
| Increase in Deficit- Correction as per Note 42(c) | (11,308,126) |
| Increase in deficit - Correction as per Note 42(d) | (25,297) |
| Decrease in Deficit - Correction as per Note 42(e) | 364,000 |
| Decrease in Deficit Correction as per Note 42(f) | 84,249,053 |
| Net decrease in Deficit due to restatement | 73,743,160 |
| Restated Deficit for the year as at June 30,2022 | (2,574,719,166) |

43 Financial instruments

Capital risk management

The Hospital manages its capital to ensure it can continue as a going concern while maximizing return. The Hospital's overall strategy remains unchanged from the prior year and is not subject to externally imposed capital requirements. The Hospital capital structure comprises the following funds;

| | 2023 Kshs. '000' | 2022(Restated) Kshs. '000' |
|-------------------------------|---------------------|-------------------------------|
| Revaluation Reserve | 8,623,740 | 8,623,740 |
| Accumulated Fund | (17,497,369) | (14,120,136) |
| Capital Reserve | 12,996,747 | 12,142,913 |
| Total Funds | 4,123,118 | 6,645,517 |
| Finance Lease Liability | 4,093 | 6,410 |
| Net Defined Benefit Liability | 11,689,145 | 9,526,294 |

| | 2023 Kshs. '000' | 2022(Restated) Kshs. '000' |
|---|---------------------|-------------------------------|
| NSSF Arrears | 142,830 | 166,830 |
| Total Borrowings | 11,836,068 | 9,699,534 |
| Less: Cash and bank balances | (734,669) | (3,176,835) |
| Net debt / (excess cash & cash equivalent) | 11,101,399 | 6,522,699 |
| Gearing ratio: (borrowings to total funds) | 287% | 146% |

Financial Risk Management

The Hospital is exposed to credit and liquidity risks related to financial instruments. The Hospital does not enter into or trade-in financial instruments and investments in securities, including derivative financial instruments for speculative purposes.

Credit risk

Exposure to credit risk

Financial assets that potentially subject the Hospital to the concentration of credit risk consist principally of cash, short-term deposits, and trade and other receivables. The Hospital's cash equivalents and short-term deposits are placed with financial institutions with a high credit rating. Trade receivables are represented net of the allowance for doubtful receivables.

The carrying amounts of financial assets included in the statement of financial position represent the Hospital's maximum exposure to credit risk in relation to these assets. Between June 30, 2022 and June 30, 2023, the Hospital did not consider there to be a significant concentration of credit risk.

| Description | Total Amount | Fully performing | Past due | Impaired |
|--|-------------------|------------------|------------------|-------------------|
| | Kshs. '000' | Kshs. '000' | Kshs. '000' | Kshs. '000' |
| As at June 30, 2023 | | | | |
| Receivables from exchange transactions | 13,738,282 | 2,790,107 | 1,131,730 | 9,816,445 |
| Receivables from non-exchange transactions | 2,365,317 | 2,096,281 | - | 269,036 |
| Bank balances | 1,164,330 | 734,669 | 0 | 429,661 |
| Total | 17,267,929 | 5,626,992 | 1,131,730 | 10,515,142 |
| As at June 30, 2022 | | | | |
| Receivables from exchange transactions | 11,468,798 | 1,652,353 | 970,965 | 8,845,480 |
| Receivables from non-exchange transactions | 287,401 | 18,365 | - | 269,036 |
| Bank balances | 3,606,496 | 3,176,835 | - | 429,661 |
| Total | 15,362,695 | 4,847,553 | 970,965 | 9,544,177 |

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 NHIF. 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.

Liquidity risk

The ultimate responsibility for liquidity risk management rests with the Directors of the Hospital, 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 by maintaining adequate reserves by continuously monitoring the forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is the risk that the Hospital will be unable to meet its funding requirements. The table below summarizes the maturity profile of the Hospital's non-derivative financial liabilities. The contractual maturity of the financial liabilities has been determined based on the remaining period at the end of the reporting period to the contractual repayment date.

The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the liabilities as of June 30, 2023, based on existing contractual repayment arrangements was as follows:

| | Less than 1 month Kshs. '000' | Between 1-3 months Kshs. '000' | Over 5 months Kshs. '000' | Total Kshs. '000' |
|-------------------------------|----------------------------------|-----------------------------------|------------------------------|----------------------|
| As of June 30, 2023 | | | | |
| Trade payables | 1,310,276 | 1,117,129 | 446,852 | 2,874,257 |
| Provisions | | | 116,947 | 116,947 |
| Deferred Income | | | 265,129 | 265,129 |
| NSSF arrears | | | 142,830 | 142,830 |
| Finance Lease Liability | | | 4,093 | 4,093 |
| Net Defined Benefit Liability | | 1,120,840 | 10,568,305 | 11,689,145 |
| | 1,310,276 | 2,237,969 | 11,544,156 | 15,092,401 |
| As at June 30, 2022 | | | | |
| Trade payables | 1,173,370 | 234,674 | 161,828 | 1,569,872 |
| Provisions | | | 186,998 | 186,998 |
| Deferred Income | | | 339,479 | 339,479 |
| NSSF arrears | | | 166,830 | 166,830 |
| Finance Lease Liability | | | 6,410 | 6,410 |
| Net Defined Benefit Liability | | 903,076 | 8,623,218 | 9,526,294 |
| Total | 1,173,370 | 1,137,750 | 9,484,763 | 11,795,883 |

44 Related party disclosures

Nature of related party relationships

Kenyatta National Hospital is related to the National Government, Ministry of Health, University of Nairobi, Kenya Medical Training College, the Board of Management, and key management.

| | 2023 Kshs. '000' | 2022(Restated) Kshs. '000' |
|---|---------------------|-------------------------------|
| Amount due from Related Parties | | |
| (i) Transfers from Ministry of Health | 12,386,000 | 10,830,000 |
| (ii) Board of Management remuneration | | |
| Sitting Allowance | 6,260 | 3,740 |
| Accommodation Allowance | 4,320 | 3,470 |
| Chairman Honoraria | 960 | 900 |
| Mileage | 630 | 260 |
| CEO Salary | 12,508 | 11,108 |
| Airtime | 84 | 77 |
| Total Board of Management remuneration | 24,762 | 19,555 |

There were 9 members of the Board of Management during the year

| | 2023 Kshs. '000' | 2022(Restated) Kshs. '000' |
|--|---------------------|-------------------------------|
| (iii) Key management compensation | | |
| Gross Salaries | 124,559 | 154,866 |
| Gratuity | 4,366 | |
| Total key management compensation | 128,925 | 154,866 |

20 members of senior management served during the year

45 Events after the Reporting Period

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

46 Ultimate and Holding Entity

Kenyatta National Hospital is a state corporation under the Ministry of Health. Its ultimate parent is the Government of Kenya.

47 Currency

The Financial statements are presented in Kenya Shillings Thousands (Kshs) 000

Appendices

Appendix I: Progress on Follow Up of Auditor Recommendations

1. Variance in Donation in Kind

Issue / Observations from Auditor

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects public contributions and donations amount of Kshs.167,382,000. Included in this amount are donations in kind of Kshs.14,173,000 while the supporting schedule reflects Kshs.13,440,177 resulting to unexplained variance of Kshs.732,823. In the circumstance the accuracy and completeness of public contributions and donations amount of Kshs.14,173,000 as at 30 June, 2022 could not be confirmed.

Management Response

Reconciliation has been done and adjusting entries have been done and effected in the FY2021/22 in the hospital's books of account and financial statements restated for the FY2021/2022.

Status: Resolved

Time frame: June 30, 2023

2. Misclassification of Employee Costs

Issue / Observations from Auditor

The statement of financial performance and as disclosed in Note 14 to financial statements reflects employee costs of Kshs.13,485,447,000. Included in the expenditure is an amount of Kshs.172,559,824 incurred on staff welfare, staff training & development, travelling and accommodation which had been budgeted under administration costs but reported under employee costs. In the circumstance the accuracy, and the classification of employee costs of Kshs.13,485,447,000 for the year ended 30 June, 2022 could not be confirmed.

Management Response

The approved budget provided to the Auditor was a direct output of the Government Investment Management Information system (GIMIS) – the National Treasury automated platform for submission and approval of state corporations' budgets. The classification of financial statements in the hospital is slightly different from those of the GIMIS system. The overall budget amount does not differ and a reconciliation of the classification as per the financial statement to GIMIS account is available for audit verification.

Status: Resolved

Time frame: June 30, 2023

3. Unsupported Stock Movements

Issue / Observations from Auditor

The statement of financial performance and as disclosed in Note 13 to the financial statements reflects clinical costs of Kshs.3,456,275,000. The expenditure includes a balance of Kshs.68,003,000 in respect

to stock change /movement being consumed inventory for the year under review. However, the signed stock take register was not provided for audit to confirm the opening stock, additions, issues and closing stock.

In addition, physical verification at Kenyatta National Hospital – Annex revealed six (6) stock items were reflected in the stock take sheets to have 280,660 units while the respective bin cards reflected 250,295 units resulting to unexplained variance of 30,365 units valued at Kshs.1, 591,135. In the circumstances, the accuracy and validity of clinical costs of Kshs.3,456,275,000 for the year ended 30 June, 2022 could not be confirmed.

Management Response

The hospital management formed a Board of Enquire (BOE) to investigate the variances and upon completion shall provide recommendations for action.

Status: Resolved

Time frame: June 30, 2023

4. Long Outstanding Receivables Balances

Issue / Observations from Auditor

The statement of financial position and as disclosed in Note 26 to the financial statements reflects receivables from exchange transactions balance of Kshs.1,652,353,000. Included in this balance is medical services receivables of Kshs.11,053,025,000, an increase by Kshs.893,476,000 or (8%) from the prior year balance. In addition, total trade receivables of Kshs.9,816,444,487 were impaired as at 30 June, 2022 an increase of Kshs.970,964,776 or (10%).The balances also includes insurance compensation receivables of Kshs.23,684,000 which have been outstanding since the year 2007, an indication of slow debt recovery measures. In the circumstances, the recoverability of receivables balance from exchange transactions balance of Kshs.23,684,000 as at June 30 2022 could not be confirmed.

Management Response

The Hospital renders services to all patients referred for specialized and emergency healthcare without discrimination. Some of these patients who were offered services are indigents and upon clinical discharge are unable to settle their medical bills and thus released on unsecured credit in line with the hospital credit policy. Efforts to collect the due receivables from the indigent patients has not been fruitful. Included in the impairment allowance are bills relating to unclaimed bodies that are disposed off by the Hospital as per the Public Health Act. The impairment allowance for accounts receivable has been fully provided for as bad and doubtful debts in line with International Public Sector Accounting Standard. The Hospital is unable to follow up on the recovery of the amounts advanced to Monarch Insurance Company since section 4(1) of the Limitation of Actions Act, Cap 22 provides that actions founded on contract may not be brought after the end of six (6) years from the date on which the cause of action accrued.

Status: Unresolved

Time frame: June 30, 2024

5. Increase in Deficit

Issue / Observations from Auditor

The statement of financial performance reflects a deficit of Kshs.2,648,462,000 from a surplus of Kshs.1,728,153,000 reported in the previous year leading to an unfavourable change of Kshs.4,437,615,000. In the circumstances, the Hospital sustainability of referral services is heavily dependent on continued support by the Government, donors and creditors.

Management Response

Some of the factors driving the deficit are external and beyond the hospital's control. For instance, the medical service contract losses, indigent bills and actuarial losses from the DB scheme. Policy interventions have been proposed to address these losses.

Status: Resolved

Time frame: June 30, 2023

6. Budget Control and Performance

Issue / Observations from Auditor

The summary statement of comparison of budget and actual amount reflects final revenue budget of Kshs.20,318,931,000 and actual on comparable basis of Kshs.19,942,835,000 resulting to an under-funding of Kshs.376,096,000. Similarly, the Hospital spent Kshs.19,193,152,000 against an approved budget of Kshs.18,804,104,000 resulting to an over-expenditure of Kshs.389,047,000 which was not explained. In the circumstances, the underfunding may affect planned activities of receiving patients on referral, provision of medical education to university students, training of nurses and other health and allied institutions

Management Response

The hospital is in the process of automating the budget making and monitoring process. This will institute a more vibrant budget implementation and follow-up mechanism and feedback process to ensure that all activities are implemented as budgeted and planned.

Status: Resolved

Time frame: June 30, 2023

7. Unresolved Prior Year Matters

Issue / Observations from Auditor

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

Management Response

The Hospital has appointed an Audit Resolution Committee with specific mandate to resolve pending prior year matters for presentation to the Parliamentary Investment Committee. The committee has effectively resolved all the issues except those that involve external partners such as the land matters. Management will endeavour to have the pending matters settled within the current year.

Status: Resolved
Time frame: June 30, 2023

8. Unjustified use of Framework Contracts

Issue / Observations from Auditor

The statement of financial performance and as disclosed in Note 18 of the financial statements reflects administration expenses of Kshs.708,073,000. The amount includes procurement of stationery and staff uniform cost of Kshs.6,032,262 through framework contracting but the expenditure does not meet the prescribed criteria of framework contracts. This was contrary to Section 114(1) the Public Procurement and Asset Disposal Act, 2015 which states that, a procuring entity may enter into a framework agreement through open tender if the required quantity of goods, works or non-consultancy services cannot be determined at the time of entering into the agreement. In the circumstances, Management was in breach of the law.

Management Response

The Word “Framework” on professional opinion was used in error for the items procured under open tender. The quantities procured were of definite amount and within the procurement plan. The errors have been noted and hospital has reorganized the document flow and human resource involved to avoid such occurrence in future. The open tender for items in question was published, opened, evaluated and awarded in accordance to the procedure laid down by PPADA (2015). No time the hospital procured the said items using framework agreement thus the criteria was not applicable. The management notably regret the error on use of word “framework”.

Status: Resolved
Time frame: June 30, 2023

9. Late Remittances of Statutory Deductions

Issue / Observations from Auditor

The statement of financial position and as disclosed in Note 30 to the financial statements reflects trade and other payables balance of Kshs.1,568,737,000. The balance includes Kshs.59,112,000 relating to unremitted statutory and other deductions on the due dates. This was contrary to Section 94(1)(a) of Public Finance Management Act, 2012 which states that a state organ or public entity is in serious material breach of the measure established under the Act if it has failed to make payments as and when due and has defaulted financial obligations for financial reasons. In the circumstances, Management was in breach of the law.

Management Response

All the outstanding remittances have been reconciled and remitted to the statutory bodies as required.

Status: Resolved
Time frame: June 30, 2023

10. Irregular Procurement of Cleaning Materials Issue / Observations from Auditor

The statement of financial performance and as disclosed in Note 13 to financial statements reflects clinical costs expenditure of Kshs.3,456,275,000. The expenditure includes cleaning materials expenditure of Kshs.71,812,000 which were procured through direct procurement at Kshs.6,917,584 during the year under review. However, there is no evidence of fulfilling the criteria set out in Section 103(2) of the Public Procurement and Asset Disposal Act, 2015. In the circumstances, Management was in breach of the law.

Management Response

The tender for cleaning services was awarded during the COVID 19 pandemic and Hospital was operating under extra ordinary situation. Access to wards and corridors where treatment of Covid Patient was taking place required people who were prepared and ready to take up the challenge. It was appropriate to engage the firm which was on ground with trained officer in terms of Hospital Cleaning. Direct procurement for enhancement of scope of work for cleaning services was in line with Section 103 (d) of PPADA (2015) and the same was reported to PPRA.

Status: Resolved
Time frame: June 30, 2023

11. Irregular and Wasteful Disposal of Property Issue / Observations from Auditor

During the year under review, thirty (30) fully depreciated assets with cost value of Kshs.124,484,104 were disposed-off at Kshs.1,790,000 through request for quotation to only two (2) bidders. However, the disposal method is not among those prescribed under Section 165 of the Public Procurement and Asset Disposal Act, 2015. There was also no evidence on the constitution of the disposal committee while there was no technical report to inform the reserve prices against market prices of the disposed items. Further, dates of disposal of two (2) motor vehicles were not specified. In the circumstances, Management was in breach of the law.

Management Response

The management notes the observation and the disposal method prescribed in Public Procurement and Asset Disposal Act 2015.i.e

- a) transfer to another public entity or part of a public entity, with or without; financial adjustment;
- (b) sale by public tender;
- (c) sale by public auction;
- (d) trade-in;
- (e) waste disposal management; or
- (f) as may be prescribed

The Hospital selected sale by public tender but owing to the threshold of the subject disposal, the invitation to bidder was done through request for quotation. Although the words “Sale by public tender”

were not expressly indicated in the request for quotation, section 2 of the Public Procurement and Asset Disposal Act 2015 defines a tender “an offer in writing by a candidate to supply goods, services or works at a price; or to acquire or dispose stores, equipment or other assets at a price, pursuant to an invitation to tender, request for quotation or proposal by a procuring entity”. All Disposal proceedings are carried out in the Hospital through duly appointed Disposal committee in line with Section 163 of PPADA (2015). The committee considered the technical report and prevailing market rate. The two motor vehicles KAJ 524S (Mitsubishi-Hearse) and KAG 671F (Nissan Sunny (B12) were disposed in November 2019 and full disclosure was made in the financial statements for the year ended 30 June, 2020 in Note 29.

Status: Resolved
Time frame: June 30, 2023

12. Expired/Obsolete Inventory **Issue / Observations from Auditor**

The statement of financial performance reflects clinical costs of Kshs.3,456,275,000 as disclosed in Note 13 to the financial statements. The expenditure includes other clinical costs of Kshs.103,475,000 out of which Kshs.8,199,955 was in relation to the obsolete stock which increased by Kshs.3,456,955 in comparison to prior year reported amount of from Kshs.4,743,000. This increase of 72% is indicative of weak inventory management system. In the circumstances, the effectiveness of internal controls over inventory management are weak.

Management Response

The value of obsolete/expired stock is not included in the figure reported as closing balance of inventory. The value of obsolete stock reported under other clinical costs is recognized as an expense since the goods have expired and cannot be sold. The value is an allowable expense as disclosed in note 28 of the financial statements. The Hospital Management has introduced cycle counts to monitor obsolete and expired inventory and purchases are made using on the procurement plan for the year.

Status: Resolved
Time frame: June 30, 2023

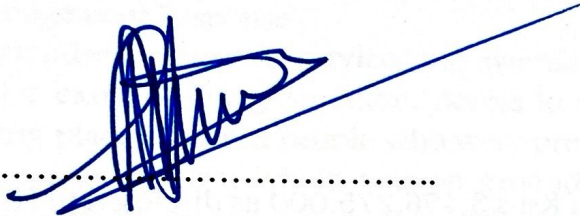
13. Inspection and Acceptance Committee **Issue / Observations from Auditor**

The statement of financial performance reflects administration expenses of Kshs.708,073,000 as disclosed in Note 18 to the financial statements. A sample of administrative expenses items amounting to Kshs.5,557,787 revealed that the inspection of goods was performed individually and on different dates instead of the entire committee membership and on the same date. This was contrary to Section 48(3) of Public Procurement and Asset Disposal Act, 2015 which states that inspection and acceptance committee shall immediately after the delivery of the goods, works or services— inspect and review the goods, works or services in order to ensure compliance with the terms and specifications of the contract. In the circumstances, the Hospital Management is in breach of the law.

Management Response

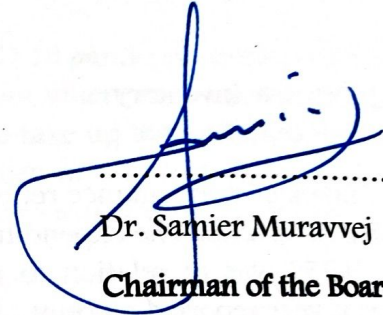
The procurement of goods and services totalling Kshs. 5,557,787 was supported by Stamped delivery notes from the suppliers with the Inspection and acceptances committees' signatures reflected on the stamped grid in the delivery notes. The hospital did not have a formal certificate for the same. The Inspection and acceptance certificate has now been introduced.

Status: Resolved
Time frame: June 30, 2023



.....
Dr. Evanson Kamuri , EBS
Chief Executive Officer

Date... 18/09/2024



.....
Dr. Samier Muravvej
Chairman of the Board

Date..... 18/02/2024

Appendix II: Projects Implemented by Kenyatta National Hospital

| | Project title | Source of Funding | Period/ duration | Donor commitment | Separate donor reporting required as per the donor agreement (Yes/No) | Consolidated in these financial statements (Yes/No) |
|----|---|--|---------------------|---------------------|--|---|
| 1. | Cancer Treatment Centre Phase 1 | GOK | 52 | 293M | NO | YES |
| 2. | Burns and paediatrics Emergency Centre | GOK, OFID, SFD BADEA | 254 weeks | | NO | YES |
| 3. | Hope Hostel | ACS, FHH, DEVKI | 52 weeks | 200M | NO | YES |
| 4. | Replacement of Obsolete Equipment & Equipping Day care Centre | Sports, Art and Social development fund | 52 weeks | 627.075M | YES | YES |
| 5. | Bunkers | GOK | 52 Weeks | 96.7 M | NO | YES |
| 6. | Expansion of specialized services | Sports, Art and Social development fund | 52 Weeks | 667 M | Yes | YES |
| 7. | Rehabilitation and refurbishment of KNH | | | | | YES |
| a | Renovation of the 8th Floor | GOK | 52 Weeks | 102 M | NO | YES |
| b | Hospital Lifts | GOK | 52 Weeks | 24M | No | YES |
| c | Renovation and equipping of the KNH Fertility centre | Sports, Art and Social development fund | 52 Weeks | 133.59 M | YES | YES |

| | Project | Total project Cost | Total expended to date | Completion % to date | Sources of funds |
|----|---|---------------------------|---|--|---|
| 1. | Cancer Treatment Centre Phase 1 | KShs. 244,721,296 | KShs 330,185,505 | 100% | GOK |
| 2. | Burns and paediatrics Emergency Centre | KShs. 2,959,511,555.29 | KShs. 295,951,155 Advance Payment, KShs 911,723,851 by KNH including Interest | 58% | GOK, OFID, SFD BADEA |
| 3. | Hope Hostel | KShs. 494,000,000 | - | | ACS, FHH |
| 4. | Replacement of Obsolete Equipment & Equipping Day care Centre (Boiler and reticulation system | KShs 627,075,000 | KShs 481,586,030.04 | 100% installation 80% Equipping | Sports, Art and Social development fund |
| 5. | Bunkers | 96,789,750 | 45,361,387 | 80% | GOK |
| 6. | Expansion of specialized services | 667 M | 0 | 1% | Sports, Art and Social development fund |
| 7. | Rehabilitation and refurbishment of KNH | | | | |
| a | Renovation of the 8th Floor | 102,264,152.50 | 32,944,248.26 | 45% | GOK |
| b | Hospital Lifts | 24,000,000 | 9,401,094 | 80% | GOK |
| c | Renovation and equipping of the KNH Fertility centre | 133,597,940 | 0 | 0 | Sports, Art and Social development fund |

| | Project | Total project Cost | Total expended to date | Completion % to date | Sources of funds |
|---|---------------------------------|--------------------|------------------------|----------------------|------------------------|
| 9 | Medical Oxygen Generating Plant | 443,000,000 | 39,029,940 | 65% | GOK through World bank |

Appendix III: Inter-Entity Transfers Confirmation

KENYATTA NATIONAL HOSPITAL
Hospital Rd. along, Ngong Rd
P.O. Box 20723, Nairobi



Tel: 2726300-/2726450/2726550
Fax: 2725272
Email: Knhadmin@knh.or.ke

Ref: KNH/FIN/12/Vol.II/121

Date: 13th July, 2023

Harry Kimtai, CBS
The Principal Secretary
Ministry of Health
P.O Box 30016 - 00100
NAIROBI



Attn: Accountant Incharge

RE: INTER ENTITY TRANSFER CONFIRMATION FOR FINANCIAL YEAR 2022/23

In line with Public Sector Accounting Standards Board (PSASB) requirement, Kenya National Hospital wishes to confirm the amount received from your disbursement as at 30th June 2023.

According to our records, KNH received Kshs.12,386,000,004 comprising of Kshs.11,586,000,004 recurrent grant and Kshs.800,000,000 Capital grant being GOK grant for FY 2022/2023 as tabulated below;

Appendix ii: Transfer from Ministries, Departments and Agencies

| Reference | Date disbursed | Recurrent Grant (Kshs) (A) | Development Grant (Kshs) (B) | Total (C)=(A+B) | Amount received by KNH for FY 2022/2023 (Kshs) (E) |
|--------------|----------------|----------------------------|------------------------------|-----------------|--|
| FT22220Y5GM6 | 08/08/2022 | 870,083,334 | | 870,083,334 | 870,083,334 |
| FT22222ZMJJ8 | 10/08/2022 | 66,250,000 | | 66,250,000 | 66,250,000 |
| FT222511C57K | 08/09/2022 | 870,083,334 | | 870,083,334 | 870,083,334 |
| FT222511RLHB | 08/09/2022 | 66,250,000 | | 66,250,000 | 66,250,000 |
| FT22280XRVH5 | 07/10/2022 | 870,083,331 | | 870,083,331 | 870,083,331 |
| FT222788VJQB | 05/10/2022 | 66,250,000 | | 66,250,000 | 66,250,000 |
| FT22318B2S09 | 14/11/2022 | 870,083,334 | | 870,083,334 | 870,083,334 |
| FT22318B2G05 | 14/11/2022 | 66,250,000 | | 66,250,000 | 66,250,000 |
| FT22347KTF1K | 13/12/2022 | 870,083,334 | | 870,083,334 | 870,083,334 |
| FT22347VMPXT | 13/12/2022 | 66,250,000 | | 66,250,000 | 66,250,000 |
| T23006SD01R | 06/01/2023 | 870,083,333 | | 870,083,333 | 870,083,333 |
| FT23006S4G58 | 06/01/2023 | 66,250,000 | | 66,250,000 | 66,250,000 |
| FT2304701PSC | 16/2/2023 | 870,083,334 | | 870,083,334 | 870,083,334 |
| FT2304728DOC | 16/2/2023 | 66,250,000 | | 66,250,000 | 66,250,000 |

| Reference | Date disbursed | Recurrent Grant (Kshs) (A) | Development Grant (Kshs) (B) | Total (C)=(A+B) | Amount received by KNH for FY 2022/2023 (Kshs) (E) |
|--------------------------------|----------------|----------------------------|------------------------------|-----------------------|--|
| FT23083PRXY9 | 24/3/2023 | 870,083,333 | | 870,083,333 | 870,083,333 |
| FT23083BCXD8 | 24/3/2023 | 66,250,000 | | 66,250,000 | 66,250,000 |
| FT23118VBNH0 | 27/4/2023 | 870,083,333 | | 870,083,333 | 870,083,333 |
| FT23118RY362 | 28/4/2023 | 66,250,000 | | 66,250,000 | 66,250,000 |
| FT23156RR7R2 | 5/6/2023 | 66,250,000 | | 66,250,000 | 66,250,000 |
| FT23156W5XFF | 5/6/2023 | 870,083,335 | | 870,083,335 | 870,083,335 |
| FT23163FZMJY | 12/6/2023 | 870,083,335 | | 870,083,335 | 870,083,335 |
| FT23163QBHCK | 12/6/2023 | 66,250,000 | | 66,250,000 | 66,250,000 |
| FT23184BJVL8 | 3/7/2023 | 66,250,000 | | 66,250,000 | 66,250,000 |
| FT2318463B8X | 3/7/2023 | 870,083,334 | | 870,083,334 | 870,083,334 |
| FT231840WMBC | 3/7/2023 | 350,000,000 | | 350,000,000 | 350,000,000 |
| FT23184CHV1V | 3/7/2023 | | 100,000,000.0 | 100,000,000.0 | 100,000,000.0 |
| FT231841LPC6 | 3/7/2023 | | 300,000,000.0 | 300,000,000.0 | 300,000,000.0 |
| FT231842G4W4 | 3/7/2023 | | 300,000,000.0 | 300,000,000.0 | 300,000,000.0 |
| FT2318408BNO | 3/7/2023 | | 50,000,000.00 | 50,000,000.00 | 50,000,000.00 |
| FT23184TY8C0 | 3/7/2023 | | 50,000,000.00 | 50,000,000.00 | 50,000,000.00 |
| Total Transfer from MOH | | 11,586,000,004 | 800,000,000 | 12,386,000,004 | 12,386,000,000 |

Confirm that the amounts shown above are correct as indicated.

Head of Accounts Department, Kenyatta National Hospital

Name: Rose M. Signature: [Signature] Date: 13/07/2023

Head of Accounts Department, Ministry of Health

Name: Moses Gitari Signature: [Signature] Date: 30-8-23

