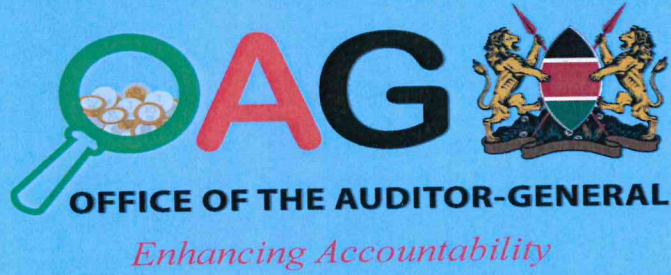


REPUBLIC OF KENYA



REPORT

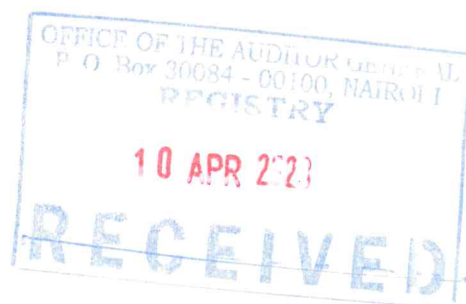
OF

THE AUDITOR-GENERAL

ON

**KENYATTA UNIVERSITY TEACHING,
REFERRAL AND RESEARCH HOSPITAL**

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



**KENYATTA UNIVERSITY TEACHING, REFERRAL AND RESEARCH
HOSPITAL ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2022**

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

KENYATTA UNIVERSITY TEACHING, REFERRAL AND RESEARCH HOSPITAL

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for the year ended June 30, 2022.

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1. Key Entity Information and Management

(a) Background information

Kenyatta University Teaching, Referral and Research Hospital was established as a state corporation under the State Corporations Act Cap 446 through a Legal Notice No.4 of 2019. The Hospital's infrastructure was constructed by M/s China Jiangxi Corporation for International Economic and Technical Co-operation (CJIC). The Contract for construction was signed on 12th August 2010; construction works commenced on 1st November 2012 and was completed on 14th December 2016.

The Hospital Board was inaugurated by the Cabinet Secretary, Ministry of Health, on Monday, 8th April 2019. An acting Chief Executive Officer was appointed with the principal assignment of operationalizing the Hospital by August 2019. The Hospital was handed over to the Hospital Board by the Contractor on 24th May 2019. The Hospital opened its doors to the first patient on Monday, 28th October 2019 after successfully conducting a dry run from 27th September to 27th October 2019 that was followed by a successful soft run between 28th October 2019 to 24th November 2019.

The Hospital is an ultra-modern 650-bed state-of-the-art Hospital sitting on 100 acres of land along the northern bypass road. It is providing tertiary (highly specialized) health care services as a referral facility for level 4 and 5 facilities in the region, thereby helping decongest Kenyatta National Hospital (KNH) and surrounding county government Hospitals. In addition, and in keeping up with evidence-based decision making, it is also involved in training and research with the aim of becoming the Model for research based Integrated Health Care Delivery System that responds to global health issues. KUTRRH is currently the only public facility in the East and Central African region that offers the complete continuum of Cancer treatment with the establishment of the Integrated Molecular Imaging Centre.

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(b) Principal Activities

The functions of the Hospital as enumerated in the Legal Notice No. 4 of 25th January 2019 of the State Corporations Act (Cap 446) are:

- To receive patients on referral from other hospitals or institutions within or outside Kenya for specialized health care.
- To provide facilities for medical education for university and for Research either directly or through other cooperating health institutions.
- To provide facilities for education and training in nursing and other health and allied professions.
- To participate as a national referral Hospital in national health Planning.

VISION

To be a premier referral hospital renowned for excellence in clinical care, training, research, and innovation.

MISSION

To enhance health and wellbeing of Kenyans and global citizens through provision of quality patient-centred and evidence-based healthcare.

SPECIFIC OBJECTIVE

Provision of Quality Specialized Health Services and Modernization of Infrastructure and Medical Equipment.

THE BIG FOUR GOVERNMENT AGENDA

KUTRRH is playing a key role in enhancing public access to high quality and affordable health care for all as envisioned in the Universal Health Care pillar of the Government's Big Four Agenda. KUTRRH is well positioned to address the increasing demand for highly specialized quality health care services due to the growing population, emerging increase in Non-Communicable Diseases such as cancer, limited number of specialized health facilities, shortage of medical personnel, and lack of specialized research.

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(c) Key Management

The KUTRRH's day-to-day management is under the following key offices:

- Chief Executive Officer
- Directors
- Chief Finance Officer
- Deputy Directors

(d) Fiduciary Management

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

No.	Name	Designation
1	Dr. Victor Njom Miganda	Ag. Chief Executive Officer
2	Dr. Ruth Ndungu	Ag. Chief Operations Officer
3	CPA Edward Maundu	Chief Finance Officer
4	Dr. Aliza Monroe	Ag. Director, Clinical Services
5	Mr. Edward Omondi	Ag. Director, Nursing Services (01-04-2020 to 30-03-2022)
6	Ms. Jackline Tindih	Ag. Director, Nursing Services (01-04-2022 to 30-06-2022)
7	CPA Samuel Mwaura	Director Finance Strategy and Development (15-10-2019 to 06-05-2022)
8	Dr. Tabby W Mungai	Director Human Resource & Development
9	Prof. Wangari Mwai	Director Training, Research & Innovation
10	Mr. Ahmed Dagane	Director Partnerships Linkages & Resource Mobilization & Ag. Director Administration and Corporate Services
11	Mr. Isaac Kamau	Director, Integrated Molecular Imaging Center (IMIC)

(e) Fiduciary Oversight Arrangements

i. The Finance Strategy Planning Development & Administration committee of the Board functions include:

- Development and approval of Strategic Plans
- Reviews and approves Budgets, Annual Work Plans and Procurement Plans
- Makes recommendations to the Board on how to improve service delivery.
- Monitors the implementation of Budgets, Procurement Plans and usage of Hospital finances and resources.
- Resource mobilization.
- Performs any other tasks that may be assigned by the board geared towards implementing the mandate of the board.

ii. The Audit and Compliance Committee
The functions of the committee are as follows:

- To monitor the financial integrity of financial statements of the board and any communication relating to the Hospitals Financial Performance
- To review the Hospitals internal financial control and risk management systems
- To monitor and review the effectiveness of Hospitals internal audit function and make recommendations to the Board, in relation to the appointment of an external auditor and proposed remuneration and terms and conditions of the external auditor
- Advise the Hospital Board on financial investments and risks thereof
- Perform any activities that may be assigned by the Hospital Board

iii. Human Resource & Clinical Services Committee

The functions of the Committee are as follows:

- Formulate policy guidelines based on Government regulations on Terms and Conditions of Service for Staff.
- Undertake reviews of Terms and Conditions of Service for Staff and make recommendations to the Board for consideration and action.
- Handle disciplinary cases for Senior Managers in Job Group KU2 and above.

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- Receive and consider disciplinary appeal cases from members of staff and make appropriate decisions.
- Receive and consider views and recommendations from members of staff on terms and conditions of service and take the necessary action.
- Provide policy guidelines on housing, staff welfare, training, industrial relations and work environment.
- Review quarterly Hospital Performance Management in relation to Board Performance Contract.
- Formulate clinical policies based on existing government guidelines.

iv. Training Research and Innovation Committee

The functions of the Committee are as follows:

- **Training**
 - To ensure that the Hospital has policy guidelines, procedures and regulations governing training and capacity building in the Hospital.
 - Provide oversight and direction for smooth, effective and efficient operation of Hospital Training activities.
 - Ensure monitoring of all KUTRRH's training programmes and curricula in line with the hospital's Strategic Plan
 - Support the provision of medical education for Kenyatta University and other co-operating health institutions
 - Review any changes on policy issues relating to training and capacity building in the Hospital

- **Research**
 - To ensure that the Hospital has policy guidelines, procedures and regulations governing the conduct of research in the Hospital
 - Ensure effective implementation and monitoring of all KUTRRH's research programmes
 - To ensure that research is prioritized across all hospital departments.

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- Support resource mobilization activities to promote research within the hospital
 - Innovation
 - Ensure development, implementation and review of policies, guidelines and procedures on Innovations and Entrepreneurship within the hospital
 - Promote the establishment of an Innovation Ecosystem to spur medical innovations within KUTRRH
 - Undertake comprehensive quarterly monitoring and evaluation of medical innovations
 - Review and incubate innovations
 - Accelerate viable innovations to commercial products
 - Identify markets for the commercialized products
 - Quality Assurance
 - Ensure development, implementation and review of policies, guidelines and procedures on Quality Assurance within the hospital
 - Encourage benchmarking to ensure best practice in service delivery.
 - To provide guidance on development, implementation, monitoring and evaluation, of quality assurance programs in the Hospital
 - Undertake comprehensive quarterly evaluation of standards, quality assurance programs in the Hospital

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(f) Entity Headquarters

Kenyatta University Teaching, Referral & Research Hospital,

Northern Bypass Rd., Kahawa West

P.O Box 7674 - 00100 GPO

Nairobi, Kenya.

(g) Entity Contacts

Tel: +254 800 721 038

Email: info@kutrrh.go.ke

Website: [Error! Hyperlink reference not valid.](#)

(h) Entity Bankers

Kenya Commercial Bank

Thika Road Mall (TRM) Branch

P.O. Box 105515-00101

Nairobi, Kenya.

(i) Independent Auditors

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

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(j) Principal Legal Adviser

The Attorney General

State Law Office and Department of Justice

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

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2. The Board of Directors



Prof. Olive Mugenda, Ph.D., CBS, MGH
CHAIRPERSON
D.O.B-25/12/1954

Prof. Mugenda is a non-executive member of the Board. She holds MSc and Ph.D. degrees from Iowa State University (USA). She also holds an MBA degree from ESAMI, Arusha (Tanzania). She was previously the Vice Chancellor of Kenyatta University from 2006 to 2016. Before this, she was the Deputy Vice Chancellor (Finance Planning & Development). She has also held various Board positions in several organizations including Chairperson, Association of Commonwealth Universities; Vice-President-International Association of Universities; Director, Nation Media Group; Member, Association of African Universities; Kenya National Examinations Council; Kenya Education Management Institute (KEMI) among others.

She is currently one of the Commissioners at the Judicial Service Commission (JSC)



Ms. Gladys Ogallo
MBA
D.O.B-06/12/1966

Ms. Gladys Ogallo is an independent member of the Board. She is the Chair of the Human Resource and Clinical Services Committee and a member of the Training Research and Innovation Committee. Ms. Gladys is an experienced and an accomplished HRM specialist and board member, serving on both Africa and International boards. She has sector experience in Telecommunications, Banking, Insurance, Investment and Education with special reference to managing Human Resources. She is currently the Managing Director of Virtual Human Resources Services Ltd, a Human Resource consulting company.



Ms. Kavi Mwendwa
Diploma Hospitality
Administration/Management

D.O.B: 14-11-1965

Ms. Kavi is an independent member of the Board. She was appointed to the Board in April 2022 to replace Mr. Kithinji Kiragu an independent member whose term had ended. She is a member of the Training Research and Innovation Committee and the Human Resource and Clinical Services Committee. Kavi has had a long illustrious career serving her country and the international community in Protocol, Diplomacy, and Government Relations. She has experience working in government owned enterprises, and over 25 years working in Corporate Management and Governance. She served on the Board of the Kenyatta International Convention Centre and was the Head of Government Relations at the InterContinental Hotel Nairobi.

Kavi has hosted Heads of States from many African Countries, internationally acclaimed Global Leaders and even the Secretary General of the United Nations. She has helped to organize and execute bilateral meetings, regional negotiations and award-winning international conferences and has been mentored by some of the world's greatest leaders. Her personal mission is to make sure that the guests' experience in the country is most favourable, seamless and guarantees that they take home only the best memories of Kenya wherever they go. This is a valuable contribution to the KUTHRRH, which has international partners and serves not only Kenya, but all the countries in the Horn of Africa, and the Central and Southern African Region.

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Ms. Jane Wambugu

MBA, Finance

Alternate PS, Treasury

D.O.B-09/05/1965

Ms. Jane Wambugu was appointed to the Board as the Alternate Director to the Principal Secretary, the National Treasury in March, 2020. She is a member of two Committees of the Board; the Finance Strategy Development and Administration Committee and the Audit and Compliance Committee. Ms. Jane is currently working at the National Treasury in the Directorate of Public Investment and Portfolio Management. She has more than 20 years of experience working in various Government Ministries and in the World Bank and AFD donor funded projects in the Ministry of Energy. She holds a Masters degree in Business Administration (Finance) and she is a Certified Public Accountant of Kenya (CPA[K]). Madam Jane is a member of the Institute of Public Accountants (ICPAK) and a member of the Institute of Certified Investment Financial Analyst (ICIFA).



Ms. Pauline Mcharo

Master's in international law

Alternate Attorney General

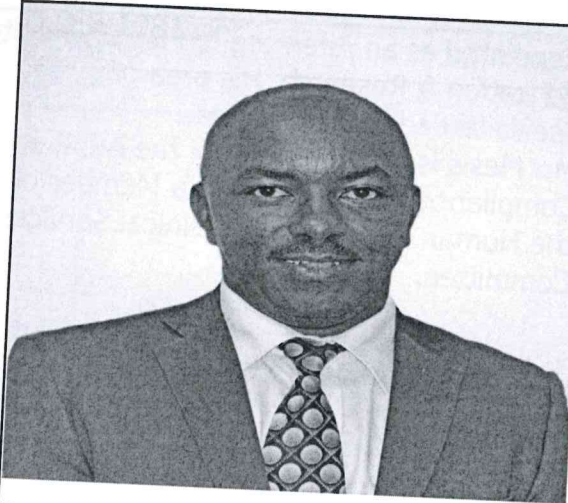
D.O.B- 24/07/1977

Ms. Pauline Mcharo represents the Attorney General to the Board. She is a member of the Finance Strategy Development and Administration Committee and a member of the Training Research and Innovation Committee. She is the Deputy Chief State Counsel, International Law Division, at the Office of the Attorney General in the Department of Justice. Her current assignments include representing Government in international investment and commercial disputes and assisting in resolution of Territorial and Maritime Delimitation disputes.

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Dr. Alfred Karagu

Alternate PS, Health

Masters of Science Health Systems
Management

D.O.B-1981

Dr. Karagu represents the Principal Secretary, Ministry of Health, to the Board. He is the Chair of the Training Research and Innovation Committee, and a member of the Human Resource and Clinical Services Committee. He is a public health specialist with over 14 years' experience in clinical care, health services management, monitoring and evaluation, training, and public health research. He holds a bachelor's degree in Medicine and Surgery and a Master of Science in Health Systems Management.



Dr. Francisca A. Ongecha Owuor

Dean, School of Medicine

Kenyatta University

M. Med. Psych., (MBCHB)

D.O.B: 27-02-1969

Dr. Francisca A. O. Owuor joined the Board in May 2022 to replace Dr. Gilbert Munyoki whose term had ended. She is the Dean School of Medicine Kenyatta University. Dr. Francisca is a member of the Training Research and Innovation Committee of the Board. She is a fulltime lecturer and consultant psychiatrist at Kenyatta University in the Department of Psychiatry and Mental Health. She's the founding chairperson of the department of psychiatry and mental health at Kenyatta University. She's a Fogarty international clinical research Fellow. She worked at the Ministry of health and left as an Assistant Director of Medical services. She has extensive experience in managing psychosocial programmes in substance use management, psycho-trauma, sexual gender-based violence among others. She's a board member of the National Cancer Institute of Kenya and school boards as well.

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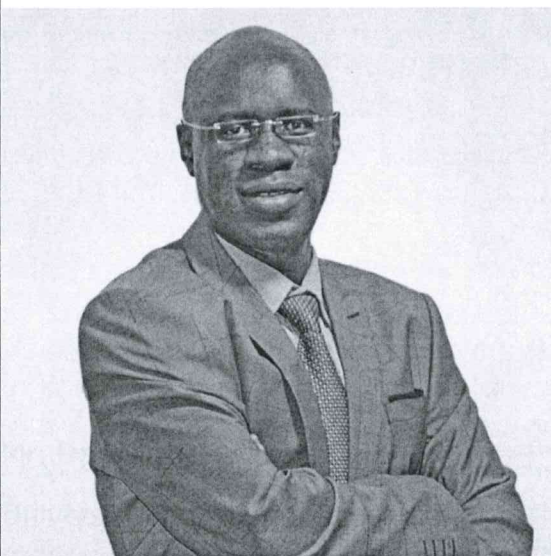
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Mr. Dan Mesis - Alternate PS,
University Education & Research
Post Graduate Diploma in National Defence
D.O.B-09/03/1965

Appointed as an Alternate to PS - University Education & Research. His area of specialization is Governance. Mr. Mesis is the Chairman of the Audit and Compliance Committee and a Member of the Human Resource and Clinical Services Committee.



Dr. Victor Njom, MD
Ag. Chief Executive Officer
MMED in Ophthalmology
D.O.B-19/08/1974

Dr. Njom is a member of the Finance Strategy Development and Administration Committee and a member of the Human Resource and Clinical Services Committee. Dr. Njom is a Licensed medical doctor with specialist degree in Ophthalmology and 19 years of experience providing top-notch medical services in various Kenyan hospitals. Outstanding interpersonal skills with a track record of establishing positive relationships with clients, other medical professionals and healthcare organizations. He also has a passion for teaching, leadership, governance and change management.



Dr. Njom is currently the Ag. CEO, KUTRRH. He has previously served as the Director for Clinical Services at the same institution. Previously, Dr. Njom was a Lecturer in the School of Medicine at Maseno University, Deputy Chief Administrator and Consultant Ophthalmologist/Head of Department at Coast Provincial General Hospital.

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3. Management Team

1.	 <p>Dr. Victor Njom Ag. Chief Executive Officer MMED in Ophthalmology MBA (HealthCare Management)</p>	<p>Providing strategic leadership; drawing and execution of plans for implementation of the Hospital's mandate and overall implementation of the Board's decisions.</p>
2.	 <p>Dr. Ruth Ndungu Ag. Chief Operations Officer/ Deputy Director, Gatundu Hospital Annex Doctor of Philosophy in Literature-Applied Linguistics</p>	<p>Providing technical and professional guidance to administrative functions of the hospital; ensuring effective execution of Hospital mandate; ensuring optimal utilization of resources</p>

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for the year ended June 30, 2022.

3	 <p>Dr. Aliza Monroe-Wise MSC. Epidemiology Medical Doctor Ag. Director of Clinical Services</p>	<p>The mandate of the Director Clinical services is to monitor clinical performance throughout the Hospital, promoting a culture of excellence, patient safety, quality of care and patient experience”.</p>
4.	 <p>CPA. Edward Maundu Chief Finance Officer CPA(K), BBA (Finance &Accounting), MA (Monitoring & Evaluation)</p>	<p>Organize and coordinate financial management functions; Ensure optimal utilization of financial resources, Ensure compliance with statutory requirements; Financial reporting to management and regulatory bodies. Provide technical guidance on formulation and implementation of strategies & policies; establishment and implementation of monitoring & evaluation systems; budgeting and development of quality improvement initiatives</p>

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for the year ended June 30, 2022.

5.		<p>The Directorate is responsible for providing technical and professional guidance to Human Resource functions in the hospital; creating strategic, operational, and administrative procedures to support employees to ensure optimum performance in provision of high-quality patient centered healthcare services. The Directorate is responsible for recruiting, developing and retaining top talent and plays a key role in shaping the DNA of the Hospital by ensuring that staff members are inducted into the KUTRRH culture and that the core values of the Hospital are strongly instilled in them.</p>
Dr. Tabby Mungai, PhD	Director of Human Resource Development	
Doctor of Philosophy in Education Administration, M.ED, Higher Diploma (Public Relations & Personnel Mgt, Diploma Human Resource Management)		
Certified Human Resource Professional (CHRP-K)		
6.		<p>Formulation, review and interpretation of KUTRRH 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.</p>
Ms. Jackline Tindi	Ag. Director, Nursing Services	
KRN, KRM, KRCCN, BSN, MSC (Critical Care), MBA (Health Care Management)		
Diploma Nursing Midwifery, Masters Infections		

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7	 <p>Mr. Ahmed Dagane Director Partnerships, Linkages & Resource Mobilization MBA in Healthcare Management</p>	<p>The role of this Directorate is to identify new opportunities to work in partnerships that further the professional and strategic ambitions of the hospital</p>
8	 <p>Prof. Wangari Mwai Director, Training & Capacity Building Doctor of Philosophy in Literature, EMBA (Business & Leadership)</p>	<p>The directorates provide facilities for medical education and training in nursing and other health and allied institutions through the establishment of an institute for specialized nursing and offering short courses. It also ensures continuous learning/re-tooling of staff, through providing facilities for medical education, clinical placements & rotations, and medical internships.</p>

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9	 <p>Mr. Isaac Kamau The Director Integrated Molecular Imaging Centre (IMIC). Bsc Therapeutic Radiography</p>	<p>The Directorate of Integrated Molecular Imaging Centre (IMIC) offers both diagnostic and therapeutic services in the management of cancer and other diseases. It is an ultra-modern and the first-ever public IMIC not only in Kenya but also in the region. The goal of the directorate is to increase the capacity of the Hospital to offer a fully comprehensive continuum of cancer care. This capacity entails Prevention, Screening, Diagnosis, Treatment, Survivorship and Palliative Care.</p>
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4. Chairperson's Statement

The operationalization of Kenyatta University Teaching, Referral & Research Hospital that culminated to the opening of its doors to patients on 28th October 2019 marked a momentous milestone of a journey that started with the conceptualization of the idea in the year 2008. In line with the national healthcare goals, KUTRRH has continued playing a key role in enhancing public access to high quality and affordable health care for all as envisioned in the Universal Health Care pillar of the Government's Big Four Agenda. To achieve this, the hospital is equipped with state-of-the-art technology and equipment that will support our highly skilled Healthcare workforce in delivery of care.

In addition to the many specialty's areas, KUTRRH is the only public facility in the East and Central African region to offer the comprehensive continuum of Cancer care with the establishment of an Integrated Molecular Imaging Cancer (IMIC) diagnostic and Treatment Centre coupled with a Hospitality Center.

The project was completed in October 2021 and all equipment delivered and installed. The facility was commissioned on 16th October 2021. This Center has a Cyclotron and radio pharmacy equipment for production of fluorodeoxyglucose (FDGs) which are radioactive products injected into patients to enable imaging of malignant cells for cancer diagnosis using PET/SPECT scans. In addition, the Centre has state of the art Positron Emission Tomography (PET/CT) and Single-Photon Emission Computed Tomography (SPECT/CT) technologies that help in early diagnosis and management of cancer that is expected to increase the survivorship of cancer patients, reverse outbound medical tourism while at the same time increasing inbound medical tourism into Kenya. The center started operations on 10th January 2022 and since then, the facility has been able to perform 1,148 successful scans as of 30th June 2022.

The Hospital is currently expecting the delivery, installation, and commissioning of the Cyberknife which was procured during the year. CyberKnife is a unique and dedicated stereotactic radiosurgery (SRS) treatment technology that offers treatment options for patients with inoperable or recurrent tumours or an alternative for patients who do not want to endure the risks of surgery. This treatment is painless, non-invasive, and currently not offered in Kenya and the entire African continent and therefore having this treatment at KUTRRH will offer a chance to patients with inoperable or recurrent tumours to be treated. This project

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will also extend Kenya's superiority in medical advancement in the region and the continent and reduces cases of outbound medical tourism. Lack of cyber knife treatment in the country and the entire African continent has been a major reason for medical tourism to Asia and Europe. Having this type of treatment at KUTRRH will not only enhance cancer treatment in the country but also reduce medical tourism by Kenyans outside the country. At KUTRRH, we see this as a huge opportunity to increase access to quality cancer care through addressing existing gaps and potential future growth through innovative, care delivery models.

The hospital also started construction of the extension to the Oncology centre. The expected patient influx necessitates the Oncology Centre to be expanded by additional floor space to the existing centre. The Oncology Extension building will cover three floors and will have an additional 60 beds, Doctor and Nurses Offices, Staff and Conference rooms and Patient Consultation Rooms. In addition, KUTRRH was mandated to enhance service delivery at Gatundu Level V Hospital through the signing of a Memorandum of Understanding between the Ministry of Health, KUTRRH and the County Government of Kiambu on 10th September 2020.

The responsibilities of KUTRRH as cited from the MOU are:

- Enhance the provision of specialized services to Gatundu Level 5 Hospital
- Share equipment and plant for emergency needs with Gatundu Level 5 Hospital
- Automation of the Hospital Management Information System (HMIS) at Gatundu Level 5 Hospital
- Organize practicum arrangements for Gatundu Level 5 to support the staff on capacity building
- Institutionalize training, research, and innovation amongst Gatundu Level 5 staff
- Enhance cross referral of patients between the two institutions.
- Sharing knowledge of ICT in management and care of patients with Gatundu Level 5 Hospital

In the last three years of operation, KUTRRH has established itself as premier public healthcare institution of choice in Kenya and the whole of Africa for patients across all socio-economic status. A paradigm shift is being witnessed as patients will no longer need to seek advanced

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medical care abroad, as KUTRRH increases the width and breadth of world class healthcare services. The board is committed to continue putting in place the governance and leadership structures that will ensure the Hospital achieves its strategic objectives and the core mandate of being a preferred public referral facility, renowned for highly specialized and quality healthcare both for the country and the region.

Name

Oliver Nugege

Signature

Nugege

Date

30/3/2023

KENYATTA UNIVERSITY TEACHING, REFERRAL AND RESEARCH HOSPITAL

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5. Report of the Chief Executive Officer

During the 2021/2022 reporting period, KUTRRH has continued to realize marked improvement in respect to operationalization of key services as well as numerous performance achievements. During the period, the hospital set priority areas and programmes in line with available resources to achieve set objectives and live up to the vision of being a renowned facility for clinical excellence.

A Citizens Service delivery charter was fully implemented over the period with all attendant requirements. These included translations, display in clear visible sizes as well as sensitization of employees on the same. Monitoring of the same in line with performance contracting guidelines was carried out over the period and compliance mechanisms put in place. In respect to business process re-engineering, the hospital set out to document all processes and procedures as well as workflows and sensitization of staff on the same carried. This has contributed to an improved understanding for staff members on the hospital's service delivery processes.

In line with the hospital's core mandate, an increase in the number of patients attending specialized outpatient clinics was realized. From an initial 3,358 patients in 2020/2021 financial year, the hospital's target of 9,000 patients was significantly surpassed with a total attendance by June 30, 2022 being 30,510 patients. Other marked improvements from set targets included increased bed occupancy over the period from an initial target of 300 to 506 beds, increased ICU admissions from a set target of 30 to 88 admissions, a sharp rise in cases of major and minor surgeries from a target of 520 cases to 1,617 surgeries. Chemotherapy and radiotherapy sessions conducted rose from an initial target of 3,500 and 8,500 to 8,433 and 16,141 respectively.

During the 2021/2022 financial year, the hospital had projected to carry out 6,000 renal dialysis sessions. This was significantly surpassed with a total of 9,826 dialysis sessions carried out. Other key services operationalized during the financial year included maternity services. Having commenced services during the financial year, an initial target of 60 high risk delivery

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cases was significantly surpassed with the department recording 178 high risk delivery cases by June 30, 2022, on referral basis.

Besides significant achievements in performance from various departments, the hospital continued to deepen partnerships and collaborations during the period under review. The hospital undertook to engage in partnerships and sign 7 MoUs to guide modalities of engagement by June 2022 in key areas such as research & innovation, training & capacity building, and clinical services. At the close of the financial year, a total of 12 partnerships had been firmed up.

Operationalization of the partnerships and collaborations was also undertaken during the financial year. Among these include the University of Manchester/Christie Foundation Collaboration. By the close of the year, the collaboration had yielded a successful grant of over Ksh.400 million towards oesophageal cancer research. Other initiatives included community outreach programmes which saw a marked increase in the hospital's involvement from a target of 6 outreaches to a total of 10 outreaches carried out by the end of the financial year.

Name

AHMED

DAGANK

Signature

Ahmed

Date

30/3/23

KENYATTA UNIVERSITY TEACHING, REFERRAL AND RESEARCH HOSPITAL

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for the year ended June 30, 2022.

6. Statement of Performance against Predetermined Objectives for FY 2021/22

KUTRRH has developed a Strategic Plan for the period 2020-2030. The plan has 11 strategic pillars that guide development activities. These strategic pillars are as follows:

- Development of high caliber clinical and non-clinical staff
- Physical and technological infrastructure
- Training and capacity building
- Research and innovation
- Value driven clinical services
- Partnerships, networks, and collaborations
- Communication, branding and marketing
- Community health outreach and extension
- Hospital advancement and resource mobilization
- Leadership, governance and management
- Quality assurance and monitoring and evaluation

KUTRRH develops its annual work plans based on the above 11 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2021/2022 period for its 11 strategic pillars, as indicated in the table below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Value driven clinical services	Provide value based clinical services to all KUTRRH patients	Increase in the number of patients	Increase the number of patients being seen at the Specialized Clinics to 18,000	30,150 patients attended to
		Bed occupancy	Increase hospital bed occupancy to 300	Occupancy at 506 beds
		No. of major Surgeries	Perform 300 major Surgeries	1,364 major surgeries performed

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		No. of minor Surgeries	Perform 320 minor Surgeries	525 minor surgeries performed
		No. of dialysis sessions	Carry out 5,000 dialysis sessions	9,802 dialysis sessions
		No. of Magnetic Resonance Imaging (MRIs)	Carry out 2,000 MRI Scans	2,223 MRIs
		No. of Computed Tomography Scan (CTs)	Carry out 6,000 CT scans	8,781 CT scans
		No. of Lab Tests	Carry out 160,000 Diagnostic Tests	191,719 Laboratory tests
		Availability of essential pharmaceuticals for hospital services offered.	Ensure availability of essential pharmaceuticals for hospital services offered.	95% Availability
		No. of chemotherapy sessions	Undertake 4,000 chemotherapy sessions	8,933 chemotherapy sessions
		No. of Radiotherapy sessions	Undertake 10,000 Radiotherapy sessions	16,141 radiotherapy sessions
Physical and technological infrastructure	To provide quality State of the Art physical infrastructure for delivery of healthcare	No of beds operationalized	Operationalization of the Hospital	600 beds operationalized
		Completion rate	Operationalization of Integrated Molecular Imaging Centre	100% Operationalized
		Completion rate	Construction of IMIC Hospitality Centre	100% completion
		Completion rate	Construction of Gatundu Level 5 Hospital Tower 2	40% completion
		Completion rate	Expansion of the Cancer Centre	60% completion
		Completion rate	Completion and commissioning of the CATH Lab	100% completion
		Completion rate	Procurement, supply, installation and commissioning of the Robotic stereotactic	85% completion

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			radiosurgery system (cyber knife)	
Development of high caliber clinical and non-clinical staff	To attract, motivate and retain qualified staff	No. of youths engaged	Engage 60 Youths in internship/industrial attachment	125 youths engaged
		Training Needs Assessment in place	Carry out Training Needs Assessment	100%
		Skills Gap Analysis in place	Conduct Skills Gap Analysis	100%
		Score in Performance Contract	Prevention of Alcohol and Drug Abuse	97% score achieved
		Score in Performance Contract	Prevention of HIV Infections	96% score achieved
Training and capacity building	To offer programs which are responsive to the needs of staff and the society	No. of students enrolled	Student enrollment in the Institute of Specialized Nursing	45 students enrolled
		No. of staff Trained	Conduct internal and external trainings for Staff	250 staff trained
Partnerships, networks and collaborations	To mainstream collaborations and partnerships	No. of partnerships	Establish 3 local Partnerships and Collaborations	5 partnerships established
		No. of partnerships	Establish 2 international Partnerships and Collaborations	3 partnerships established
Research and innovation	To build research capacity in the hospital	No. of Research Proposals Submitted	Develop and submit research proposals	17 Research
		No. of Research conducted	Conduct research	7 Research
		No. of Published Research Articles	Publish Research Articles	2 Published
		No. of innovations identified and incubated	Identify and incubate innovations	13 innovations

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Communication, branding and marketing	To create and enhance KUTRRH corporate image	Plan in place	Development of marketing and branding plan	Plan in place
		Functional website	Develop and continuously update an interactive and friendly website	Functional website
		Interactive social media pages	Open and continuously update Hospital accounts with social media apps (twitter, Facebook etc.)	Interactive social media pages
Community health outreach and extension	Institutionalize Community health outreach	No. of programmes	Undertake Community outreach programmes in level 4 and 5 Hospitals	6 outreaches undertaken
		No. of camps	Undertake medical camps at the hospital	2 medical camps undertaken
Hospital advancement and resource mobilization	To enhance revenue base for effective implementation of Hospital programs	Absorption rate	Absorption of Allocated Funds (GoK)	100% absorption rate
		Amount of funds raised	Raise A-in-A	1,620 M shillings raised
		Pending Bills	Ensure pending bills are below 1% of the annual budget	The Hospital did not have any pending bills at the end of the year
Leadership, governance and management	To institutionalize effective and efficient governance structures	Implementation rate	Implementation of Citizen Service Delivery Charter	100% implementation achieved
		Score from Commission on Administrative Justice	Resolution of Public Complaints	96% score from CAJ
		Plan in place	Development of Strategic Plan	100% achieved
	To foster inclusivity in all	Score in Performance Contract	Undertake Disability Mainstreaming	96% score achieved

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	hospital operations	Score in Performance Contract	Undertake Gender Mainstreaming	100% score achieved
Quality assurance and monitoring and evaluation	To institutionalize quality assurance in all the Hospital operations	No. of policies developed	Development of Hospital Policies	12 policies developed and approved
		Number of SOPs developed	Development of Standard Operating Procedures	50 SOPs developed and approved
		Level of implementation	Implementation of Information Security Management System	Training of champions and staff undertaken
	Operate a robust Monitoring and Evaluation System	Number of reports prepared	Preparation of quarterly and annual performance reports	Quarterly prepared, approved and submitted
		Number of reports prepared	Preparation annual performance reports	Annual reports prepared, approved and submitted

KUTRRH develops Annual Work Plans derived from its mandate as per the Legal Order establishing it and the activities outlined in the Strategic and Vision Plan 2020-2030. The Work Plans form the basis for setting targets for the Hospital Strategic Plan as well as the Individual Staff Performance Appraisal. Quarterly evaluation of the Work Plans and Performance Contract is carried out and reports prepared. Annual performance reports are prepared at the end of the year and form the basis for Annual Performance Evaluation.

7. Corporate Governance Statement

Kenyatta University Teaching, Referral and Research Hospital (KUTRRH) is a State Corporation and is registered under Legal Notice No. 4 of the State Corporations Act as a Level 6 Referral Hospital. The Hospital Board was inaugurated by the Cabinet Secretary, Ministry of Health, on Monday, 8th April 2019 and subsequently opened its doors to the public on 28th October 2019.

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The hospital has the Board of Directors as the apex decision making organ which sets the direction for good corporate governance underpinned by effective leadership, oversight and management accountability based on a sound and ethical foundation.

The KUTRRH Board of Directors acknowledges the significant role of good corporate governance guided by the State Corporations Act Cap 446, Leadership and Integrity Act 2012, Public Officers Ethics Act 2003, Legal Notice No. 4 of 2019, Health Act of 2017 and Mwongozo Code of Governance for State Corporations. This entails the processes and structures used to direct and manage the affairs of the hospital, the framework for internal controls and the respective roles of individual Board Members and management.

During the year, capacity building for Board members was undertaken in the areas of Corporate Governance & Leadership, Financial Management and Stewardship in an effort to enhance their capacity for oversight in corporate governance. The State Corporations Advisory Committee (SCAC) conducts annual evaluations for the Board and its members upon which improvement plans are put in place to enhance performance in subsequent evaluations. The Board has four functional committees with clear terms of reference which report to the Board on quarterly basis. They include Finance, Strategy, Development & Administration; Human Resource & Clinical Services; Training, Research, & Innovation; and Audit & Compliance Committee.

The Composition of the Board of Directors

The Board comprises of nine (9) Board members as per the Legal Notice No. 4 of 2019 and the Legal Notice No. 39 of 1st March 2021. The Board is comprised of an appropriate balance of knowledge, skills, experience, diversity, and independence to discharge its governance role and responsibilities objectively and effectively. The independent members have diverse skills, experience, and backgrounds necessary for the Board to execute its mandate. They are principally free from any business relationship that could hamper their objectivity or judgment in terms of the business and activities of the Hospital. The roles of the Chairperson and the Chief Executive Officer are separate, with their individual responsibilities clearly defined. The Chairperson is an independent non-executive Board member and is responsible for leading

the Board and ensuring its effectiveness. The Chief Executive is responsible for execution of the Hospital's strategy and running of the day-to-day business of the Hospital.

The Role of the Board

The Board of Directors provides leadership and strategic direction of the hospital.

The main responsibilities of the Board are:

- establishment of the short and long-term goals of the hospital and strategic plans to achieve those goals.
- approval and review of annual budgets.
- risk management and compliance by ensuring adequate systems of internal controls are in place to ensure business continuity.
- review of financial performance, expenditure, and commitments.
- setting and periodically reviewing organizational key performance indicators as well as management performance; and
- supporting management to enhance stakeholder value.

To effectively discharge this role, the Board of Directors has full access to the Chief Executive Officer and also to relevant hospital information. Existing regulatory instruments also allow them to seek independent professional advice on Hospital matters, where necessary, at the expense of the Hospital.

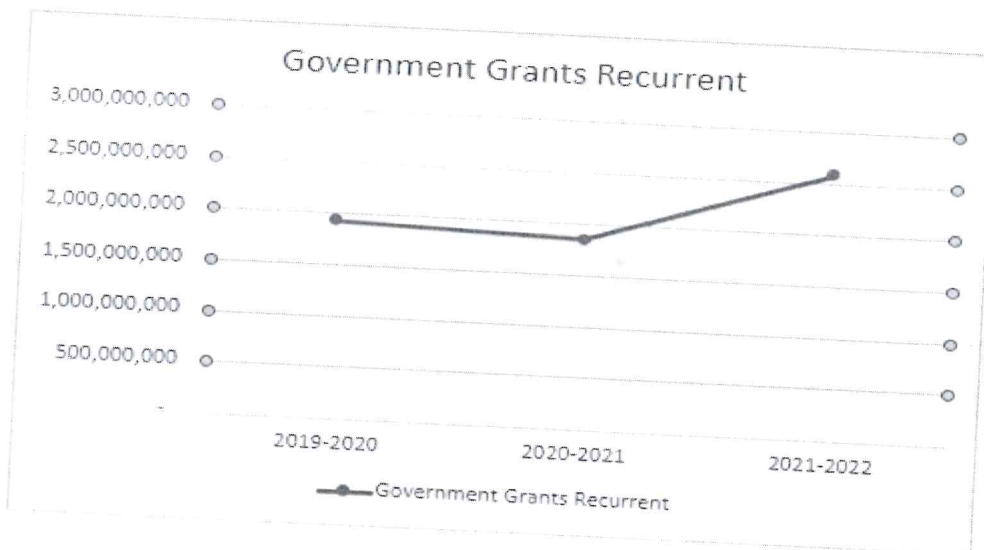
Board Meetings

The Board meetings are scheduled in the Annual Board calendar and follow a stipulated agenda. The Board members receive adequate notice and detailed reports in good time to facilitate informed deliberations and decision making during the Board and Committee meetings. The Board promotes an environment of innovative thinking, consultation, cordial relations, information sharing, and openness in communication.

8. Management Discussion and Analysis

The Hospital revenue comprises of grants from the National Government, fee charged for services rendered, public contributions and donations, grants from development partners and interest income. During the year under review, revenue grew by 47% from Kshs.3.3 billion reported in the FY 2020/21 to Kshs.4.8 billion. The sources of revenue for the year under review and the trend over the last three years are as depicted in the charts below:

Revenue Sources

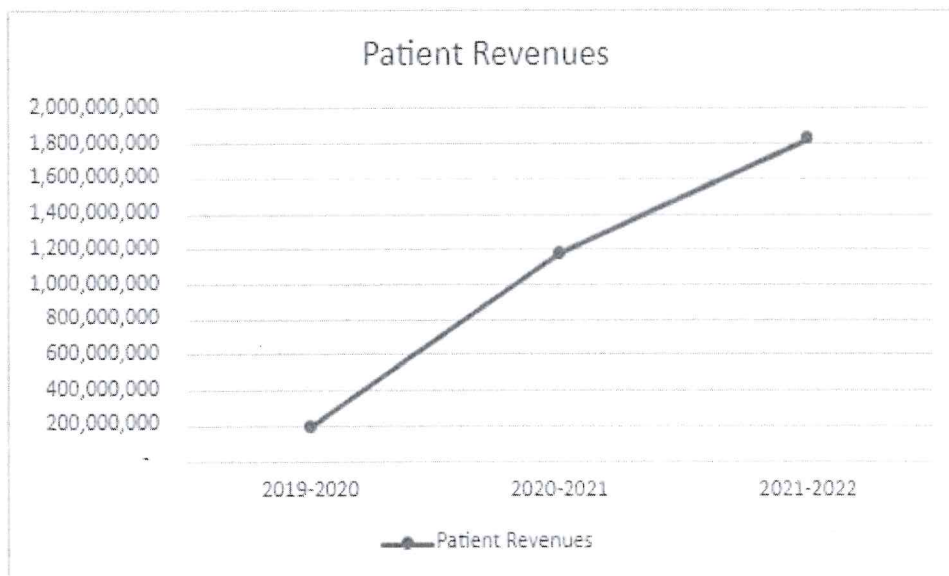


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Revenue Trends



Performance results

The hospital continued to grow tremendously in the generation of revenue. The hospital had an under absorption of Kshs. 176.87 million in the year under review, with a usage of 98% of the total budget. This is an increase from the previous year's deficit of Kshs 70.63 million. The positive performance is attributed to the opening of the IMIC, specialized clinics, operationalization of the general wards, and increased dialysis sessions, among others.

KUTRRH key projects

- Integrated Molecular Imaging Cancer (IMIC)

KUTRRH is currently the only public facility in the East and Central African region that offers the comprehensive continuum of Cancer care with the establishment of an Integrated Molecular Imaging Cancer (IMIC) Centre with a Hospitality Centre.

The project was completed in October 2021 and all equipment delivered and installed. The facility was commissioned on 16th October 2021. This Centre has a Cyclotron and radio pharmacy equipment for production of fluorodeoxyglucose (FDGs) which are radioactive products injected into patients to enable imaging of malignant cells for cancer diagnosis using

PET/SPECT scans. In addition, the Centre has state of the art Positron Emission Tomography (PET/CT) and Single-Photon Emission Computed Tomography (SPECT/CT) technologies that help in early diagnosis and management of cancer that is expected to increase the survivorship of cancer patients, reverse outbound medical tourism while at the same time increasing inbound medical tourism into Kenya. The centre started operations on 10th January 2022 and since then, the facility has been able to perform 1,148 successful scans as of 30th June 2022.

Robotic Stereotactic Radiosurgery System (Cyberknife)

The Hospital is currently expecting the delivery, installation, and commissioning of the Cyberknife which was procured during the year. Cyberknife is a unique and dedicated stereotactic radiosurgery (SRS) treatment technology that offers treatment options for patients with inoperable or recurrent tumours or an alternative for patients who do not want to endure the risks of surgery. This treatment is painless, non-invasive, and currently not offered in Kenya and the entire African continent and therefore having this treatment at KUTRRH will offer a chance to patients with inoperable or recurrent tumours to be treated. This project will also extend Kenyan superiority in medical advancement in the region and the continent and improve medical tourism. Lack of cyber knife treatment in the country and the entire African continent has been a major reason for medical tourism to Asia and Europe. Having this type of treatment at KUTRRH will not only enhance cancer treatment in the country but also reduce medical tourism by Kenyans outside the country.

As KUTRRH, we see this as a huge opportunity to increase access to quality cancer care through addressing existing gaps and potential future growth through innovative, care delivery models.

Extension of Oncology Centre

The hospital also started construction of the extension to the Oncology centre. The expected patient influx necessitates the Oncology Centre to be expanded by additional floor space to the existing centre. The Oncology Extension building will cover three floors and will have an additional 60 beds, Doctor and Nurses Offices, Staff and Conference rooms and Patient Consultation Rooms.

KUTRRH Gatundu Level Five Hospital Collaboration

Collaborative consultations between KUTRRH and the County Government of Kiambu have been ongoing. The partnership is to allow for cooperation of the parties for purposes of enhancing quality, efficiency, and effectiveness in provision of quality health care and referral services to the populace in preparation of takeover. Memorandum of Understanding (MoU) was signed on 10th September 2020 between the Ministry of Health through KUTRRH and the County Government of Kiambu on collaboration in the management of Gatundu Level Five Hospital. The areas of collaboration per the MoU are as follows:

- Provision of Health care service delivery and referral
- Infrastructural development and modernization of equipment
- Sharing of Human Resources for health (HRH)
- Sharing and development of Health Products and Technology
- Sharing of Health Information and Management System
- Training, Research, and Innovation
- Leadership and Governance

Construction of the Gatundu Level Five Hospital Tower II

KUTRRH and the County Government of Kiambu embarked on operationalization of the MoU in October 2020. With the completion the first phase of physical infrastructural renovations in 2021, there has been an increased number of patients seeking health services at Gatundu Hospital due to improved infrastructure and service delivery, thus overstressing the existing facilities. This has created a need for expansion of the physical infrastructure. Tower II will not only serve the increased number of patients but also host much needed

services that cannot be housed in Tower I. The contract was awarded, and construction is in progress.

9. Environmental and Sustainability Reporting

KUTRRH exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the patient first, delivering quality patient centred care, and improving operational excellence. Below is an outline of the hospital's policies and activities that promote sustainability.

Sustainability strategy and profile

KUTRRH is committed to sustainable development in line with the Constitution of Kenya 2010. The Hospital has therefore developed a Strategic and Vision Plan to guide its operations in the next 10 years. The plan sets out priorities for the Board and Management and gives a guide on the benchmarks both local and international. The plan was developed in the year 2020/21 and implementation is ongoing.

One of the main factors affecting sustainability priorities is inadequate funding. To address this, the Hospital Board has come up with robust resource mobilization and Hospital advancement activities that will help in raising funds for funding the various programmes.

Environmental performance

The Hospital Board and Management ensures that all operations and new developments are environmentally sound and are within the requirements of Environmental Management Act. The Hospital has therefore conducted Annual Environmental Audits and Safety Audits and Fire Safety Audits. Implementation of the recommendations is ongoing.

Hospital Waste management is carried as per NEMA regulations with the Hospital operating a modern Incinerator Plant. Where outsourcing is done for waste management, we ensure that the contracted companies are licensed by NEMA and that they deploy proper waste management practices.

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Employee welfare

The Hospital follows the approved Human Resource Instruments during recruitment. The Human Resource Policy and Procedures Manual guides Human Resource management practices at KUTRRH. The Hospital has established a Staff Pension Scheme and provides a generous medical scheme to cater for employee welfare. A staff welfare programme has also been established. A Staff Performance Management System has been established to guide staff performance and appraisals

Matters Occupational Health and Safety are taken very seriously, and the Hospital has complied with Occupational Safety and Health Act (OSHA) of 2007. OSHA Audits have been carried out and recommendations implemented. The Hospital is registered as a Workplace by Directorate of Occupation Safety and Health in the Ministry of Labour.

Market place practices

Responsible competition practice.

KUTRRH has taken steps to ensure responsible competition practices in its operations. This includes pricing services and consumables fairly to ensure patients afford quality healthcare in the hospital. The hospital also has working relationships with other private, county and national referral hospitals which facilitates referrals of patients in and out of the hospital.

The hospital's marketing policy which guides all marketing activities has been written in line with Competition Authority of Kenya requirements.

Responsible Supply chain and supplier relations

The hospital adheres to the Public Procurement and Asset Disposal Act in its procurement processes. Suppliers are issued with Local Purchase Orders (LPOs) and Local Service Orders (LSOs) only when there is availability of funds to pay them. Contracts and Service agreements are also entered in to after the hospital has acquired the necessary budget allocation to fund them. This ensures that suppliers and other service providers are paid within the mutually agreed credit period.

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Results

The results of the Entity for the year ended June 30, 2022, are set out on page 1.

Directors

The members of the Board of Directors who served during the year are shown from page x to xiv. During the year two directors were replaced after their terms ended.

Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

Auditors

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

By Order of the Board



.....
Name

Kendi Njara

Corporate Secretary/Secretary to the Board

30/3/23

KENYATTA UNIVERSITY TEACHING, REFERRAL AND RESEARCH HOSPITAL

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11. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Legal Notice Number 4 of the State Corporations Act Cap. 446 require the Directors to prepare financial statements in respect of that Hospital, which give a true and fair view of the state of affairs of the hospital at the end of the financial year/period and the operating results of the hospital for that year/period. The Directors are also required to ensure that the hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the hospital. The Directors are also responsible for safeguarding the assets of the hospital.

The Directors are 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, 2022. This responsibility includes:

- Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the hospital;
- 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;
- Safeguarding the assets of the hospital;
- Selecting and applying appropriate accounting policies; and
- Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Legal Notice Number 4 of the State Corporations Act Cap. 446. The Directors are of the opinion that the hospital's

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financial statements give a true and fair view of the state of hospital's transactions during the financial year ended June 30, 2022, and of the hospital's financial position as at that date.

The Directors 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 Directors to indicate that the hospital will not remain a going concern for at least the next twelve months from the date of this statement

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 23/09 2022 and signed on its behalf by:

OLIVE MUGEWDA

Name Omwede.

Chairperson of the Board/Council

Alfred DAgonk

Name

Accounting Officer

Alfred
30/3/23

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYATTA UNIVERSITY TEACHING, REFERRAL AND RESEARCH 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 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 University Teaching, Referral and Research Hospital set out on pages 1 to 67, 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

Report of the Auditor-General of Kenyatta University Teaching, Referral and Research Hospital for the year ended 30 June, 2022

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 the Kenyatta University Teaching, Referral and Research Hospital as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Legal Notice No. 4 of 25 January, 2019 of the State Corporation Act (CAP 446).

Basis for Qualified Opinion

1. Inaccuracies on Employee Costs

The statement of financial performance reflects employee costs balance of Kshs.2,352,734,668 as disclosed in Note 12 to the financial statements. However, the following inconsistencies were however noted:

1.1. Basic Salaries

Included in the salaries and wages amount of Kshs.1,076,067,874 is basic pay of Kshs.5,322,400 paid to various members of staff above the approved rate. Conversely, basic salaries amounting to Kshs.14,927,450 was under paid as the rate applied was lower than the approved.

1.2. House Allowances

Included in the housing benefits and allowances of Kshs.247,536,777 is an amount of Kshs.3,255,613 which was paid to various staff members below the approved rate. Conversely, house allowances amounting to Kshs.6,715,000 was under paid as the rate applied was lower than the approved.

In the circumstances, the accuracy of employee costs of Kshs.2,352,734,668 could not be confirmed.

2. Missing Land Ownership Documents

The statement of financial position reflects property, plant and equipment balance of Kshs.9,609,138,079 as disclosed in Note 23 to the financial statements. The balance includes land and buildings balance of Kshs.5,268,306,620 whose ownership documents were not provided for audit.

In the circumstances, the rightful ownership to land and buildings valued at Kshs.5,275,326 could not be confirmed.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with Executive Order No.2 of 2018

The statement of financial performance reflects use of goods and services amount of Kshs.1,289,346,350 as disclosed in Note 11 to the financial statements. Included in the use of goods and services expenditure are advertising, internet connectivity, office expenses, mortuary expenses and consumables of Kshs.42,670,836, Kshs.4,558,625, Kshs.19,392,484, Kshs.10,379,420 and Kshs.616,674,571 respectively. However, the tender notices, ongoing tenders and contracts for the financial year 2021/2022 on the expenditures were not published in Public Procurement Information Portal. This was contrary to the Executive Order No.2 of 2018 which requires all public procurement entities to publish the tender and supplier data.

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

2. Failure to Notify Direct Procurement

The statement of financial performance reflects use of goods and services amount of Kshs.1,289,346,350 as disclosed in Note 11 to the financial statements. Included in the use of goods and services expenditure are consumables expenditures of Kshs.616,674,571 out of which Kshs.16,837,941 was procured by way of direct procurement method. However, Management did not report within fourteen days after the notification of the award of the contracts to the Public Procurement Regulatory Authority all direct procurement of a value exceeding five hundred thousand shillings. This was contrary to Regulation 90 (1)(b) which states that an accounting officer shall, within fourteen days after the notification of the award of the contract, report any direct procurement of a value exceeding five hundred thousand shillings to the Authority in a format provided by the Authority.

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

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.

- 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 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 revenue 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 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

25 April, 2023

13. Statement of Financial Performance for the year ended 30 June

		2021-2022	2020-2021
	Notes	Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from GOK	6	2,592,680,713	1,851,239,910
Public Contributions and donations	7	163,890,000	165,075,489
Gatundu Transfers	26	263,875,895	91,680,311
		3,020,446,608	2,107,995,710
Revenue from exchange transactions			
Rendering of services	8	1,856,115,195	1,177,068,776
Finance Income	9	41,168,044	39,603,591
Other Income	10	475,000	82,000
		1,897,758,238	1,216,754,367
Total revenue		4,918,204,846	3,324,750,077
Expenses			
Use of goods and services	11	1,289,346,350	1,000,759,531
Employee costs	12	2,352,537,668	1,569,374,356
Board Expenses	13	10,603,781	7,722,200
Depreciation and amortization expense	14	481,595,915	466,632,713
Repairs and Maintenance	15	34,184,578	14,526,154
Contracted services	16	252,152,973	175,717,885
Impairment of Receivables	17	57,040,043	69,000,668
Gatundu Transfers	26	263,875,895	91,680,311
Total expenses		4,741,337,202	3,395,413,818
Other gains/(losses)			
Surplus before Tax		176,867,644	(70,663,741)
Taxation			
Surplus for the period		176,867,644	(70,663,741)

The notes set out on pages 10 to 59 form an integral part of these Financial Statements.

KENYATTA UNIVERSITY TEACHING, REFERRAL AND RESEARCH HOSPITAL

Annual Report and Financial Statements

for the year ended June 30, 2022.

The Financial Statements set out on pages 1 to 9 were signed on behalf of the Board of Directors by:

Accounting Officer

Head of Finance

Chairman of the Board

Name:

Name:

Name: PROF OLIVE MUGANDA

AHMED DAGANK

Edward Mawda

(Signature)

ICPAK Member Number

(Signature)

20119

Date

30/3/23

Date 30/03/2023

Date

30/3/2023

KENYATTA UNIVERSITY TEACHING, REFERRAL AND RESEARCH HOSPITAL

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for the year ended June 30, 2022.

14. Statement of Financial Position as at 30th June 2022

		2021-2022	2020-2021
	Notes	Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	18	2,943,692,779	2,663,465
Accounts Receivable	19	525,961,518	323,299
Prepayments	20	-	901
Grant Receivable	21	-	200,000
Inventories	22	121,425,925	128,722
		3,591,080,222	3,316,389
Non-current assets			
Property, plant and equipment	23	9,609,138,079	8,489,271
Total Assets		13,200,218,301	11,805,661
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	24	497,662,121	476,714
Employee benefit obligation	25	417,743,521	298,416
Gatundu funds	26	574,874,783	195,859
Refundable Deposits and Prepayments from Customers	27	12,784,084	635
Total liabilities		1,503,064,509	971,625
Net assets		11,697,153,792	10,834,036
Financed By:			
Capital Grant		10,918,796,399	10,232,546
Accumulated surplus		778,357,393	601,489
Total net assets and liabilities		11,697,153,792	10,834,036

KENYATTA UNIVERSITY TEACHING, REFERRAL AND RESEARCH HOSPITAL

Annual Report and Financial Statements

for the year ended June 30, 2022.

The financial statements set out on pages 1 to 9 were signed on behalf of the Board of Directors by:



Name
AHMED DALGANK
Accounting Officer

Date **30/3/23**



Name
Edward Mawdu
Head of Finance

ICPAK Member Number:
20119
Date **30/03/2023**



Name
OLIVE MUGGUDA
Chairman of the Board

Date **30/3/2023**

KENYATTA UNIVERSITY TEACHING, REFERRAL AND RESEARCH HOSPITAL

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for the year ended June 30, 2022.

15. Statement of Changes in Net Assets for the year ended 30 June 2022

	Retained earnings	Capital/Development Grants/ Funds	Total
As at July 1, 2020	672,153,490	7,904,100,239	8,576,253,729
Capital/Development grants received during the year	-	2,278,410,000	2,278,410,000
Donations in kind (Assets)	-	50,306,160	50,036,160
Surplus/Deficit for the year	70,663,741	-	-
As at June 30, 2021	601,489,749	10,232,546,399	10,834,036,148
Capital/Development grants received during the year (Cyberknife)	-	350,000,000	666,250,000
Capital/Development grants received during the year (IMIC Project)	-	316,250,000	
Donations in kind (Assets)	-	20,000,000	20,000,000
Surplus for the year	176,867,644	-	176,867,644
As at June 30, 2022	778,357,393	10,918,796,399	11,697,153,792

4. Summary of Significant Accounting Policies

- a) Revenue recognition
 - i) Revenue from non-exchange transactions

Fees, taxes, and fines

The Hospital recognizes revenues from fees, taxes, and fines when the event occurs, and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

- ii) Revenue from exchange transactions

Rendering of services

The Hospital recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Entity recorded additional appropriations of Kshs. 2.3B on the 2021-2022 budget following the governing body's approval.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

The Hospital's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under note 17 of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Hospital operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

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Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Entity and the same taxation authority.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sales tax

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

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

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at

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intervals, the Entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

g) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

h) Research and development costs

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

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

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

i) Financial instruments

a) Financial assets

Initial recognition and measurement

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

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Loans and receivables

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Held-to-maturity.

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

Impairment of financial assets

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

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

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition., All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Loans and borrowing

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

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

After initial recognition, inventory is measured at the lower of 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 of 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

k) Provisions

Provisions are recognized when the hospital has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the hospital expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

l) 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.

m) 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 Entity 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.

n) 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 Kenyatta University when the hospital 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, the portion of revaluation reserve that relates to the asset is transferred directly to revaluation reserve.

Accumulated Fund

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

o) Changes in accounting policies and estimates

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

p) Employee Benefits

Retirement benefit plans

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

q) 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.

r) Borrowing costs

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

s) 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 CEO, directors, deputy directors and senior managers.

t) Service concession arrangements

The Hospital analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. Where a private party contributes an asset to the arrangement, the Hospital recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

u) Cash and cash equivalents

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

v) Comparative figures

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

w) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Notes to the Financial Statements (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

Useful lives and residual value

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 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

Provisions

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 such as:

- Provision for Bad Debts

A debt is deemed to be 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 are highly doubtful, they are provided for as bad and doubtful.

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Notes to the Financial Statements (Continued)

6. Transfers from Government

Description	2021-2022	2020-2021
	Kshs	Kshs
Recurrent Government grants		
Operational grant	1,992,680,713	1,004,000,000
Supplementary Budget Received	600,000,000	647,239,910
Supplementary Budget Receivable	-	200,000,000
Total KUTRRH Recurrent Government grants	2,592,680,713	1,851,239,910

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for the year ended June 30, 2022

Notes to the Financial Statements (Continued)

7. Public Contributions and Donations

Description	2021-2022	2020-2021
	Kshs	Kshs
Insurance Regulatory Authority	2,500,000	1,500,000
Kenya Commercial Bank		1,000,000
Bata Kenya		500,000
MOH launch of IMIC project	10,000,000	-
KEMSA – Assorted Consumables	750,000	50,637,164
Disease Surveillance and Response	-	578,100
Unicef	-	5,529,913
Ministry of Interior	-	62,850
DCI China	-	370,500
Ministry of Health (KEMSA drawing rights)	-	0
KEMSA Drawing Rights	150,000,000	39,254,666
Equity Bank Foundation	640,000	30,393,000
Egyptian Donations		304,350
World Bank/MOH		9,109,200
Rose Movers		2,500,000
USAID		2,612,780
WB CHERP		1,384,195
BOC		500,006
Global Fund		3,752,305
Beijin		956,160
ABSA STAN		550,000
Surgipharm Limited		40,000
Angelica		13,540,300
TOTAL	163,890,000	165,075,489

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Annual Reports and Financial Statements

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Notes to the Financial Statements (Continued)

8. Rendering of Services

The rendering of service revenue is generated from different service point in the hospital.

	Description	2021-2022	2020-2021
		Kshs	Kshs
1	Medicine services fee	83,503,212	14,068,528
2	Covid Test	-	4,046,829
3	Pharmaceutical services fee	179,172,690	13,469,169
4	Palliative	-	91,626
5	Health Information services charges	299,939	222,641
6	Home Based Care	444,819	1,576,710
7	Nutrition services fee	67,150	107,930
8	Admission Deposit	-	32,970,647
9	Chemotherapy	153,502,195	87,646,898
10	Radiotherapy	50,781,198	51,360,815
11	Bed Charges Fees	570,421,748	-
12	Cancer Centre services Fee	7,638,196	-
13	Farewell Home Services fee	30,942,500	28,681,082
14	Renal Unit services Fee	98,301,624	55,252,542
15	Laboratory services Fee	189,650,126	28,480,419
16	Nursing Procedures and consumables	132,603,011	2,320,666
17	Physiotherapy services Fee	22,120,304	2,439,724
18	Radiology services Fee	148,102,460	44,355,470
19	Cardiology services Fee	9,276,812	562,700
20	Theatre services fee	75,191,310	25,336,955
21	ICU/HDU/IDU	-	42,280,484
22	Dental services fees	960,679	290,150
23	Isolation	1,453,154	51,563,372
24	Ambulance services Fees	1,107,541	547,147
25	Patient Discharge	6,920,459	675,033,962
26	IMIC Hospitality Accomodation Fees	1,615,200	-
27	IMIC Nuclear Medicine services Fees	52,039,200	-
28	Brachytherapy Services Fees	5,011,400	-
29	Restaurant Sales	26,533,054	13,636,535
30	Marketing Services Fees	280,000	-
31	Nursing School fee	8,175,214	725,775
	TOTALS	1,856,115,195	1,177,068,776

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9. Finance Income

This refers to the gross credit interest income earned in FY 2021/2022 from deposits in the hospital's Current account at KCB Bank. The hospital does not have a fixed deposit account.

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank Interest	41,168,044	39,603,591
Total finance income	41,168,044	39,603,591

10. Other Income

This relates to revenue generated from sale of packaging materials during the financial year under review.

Description	2021-2022	2020-2021
	Kshs	Kshs
Sale of packaging materials	475,000	-
Sale of tender documents	-	82,000
Total other income	475,000	82,000

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11. Use of Goods and Services

Description	2021-2022	2020-2021
	Kshs	Kshs
Advertising	42,670,836	3,360,520
Audit fees	1,000,000	1,000,000
Cleaning Materials	22,058,525	10,033,547
Refunds	-	(11,500)
Electricity	93,324,631	81,438,426
Gas and Cooking Fuel	46,817,881	31,048,546
Water and sewerage costs	16,002,908	13,561,803
Printing and stationery	18,585,061	22,143,008
Telecommunication	2,623,898	1,652,355
Local Travel & accommodation	13,188,555	3,587,317
External Travel	9,167,640	-
Seminars and Conferences (CME)	12,766,288	4,420,126
Staff Uniform	3,619,800	7,599,899
Internet Connectivity	4,558,625	6,672,859
Fuel Motor vehicles	2,796,400	2,573,625
Office Expenses	19,392,484	7,096,681
Subscriptions and Registration Fees	2,547,250	1,011,696
Staff Training	861,643	-
Hospital Branding	-	16,482,764
Mortuary Expenses	10,379,420	6,007,130
Newspapers and Magazines	249,720	216,960
Ceremonial activities	3,846,075	13,749,042
Environmental audit	-	1,280,000

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Description	2021-2022	2020-2021
	Kshs	Kshs
Health and Safety Audit	700,000	-
Fire Assessment Audit	220,000	-
ISO Certification	399,500	-
Legal costs	1,894,400	-
Training School	2,752,043	-
Licenses	4,241,500	4,490,082
Indemnity Insurance	1,506,790	401,840
Pharmaceuticals	141,074,611	155,896,728
Surgical Materials	-	34,147,576
Consumables	616,674,571	383,704,499
Infections Control	31,935,753	47,393,703
House Keeping	576,816	3,472,964
Linen and Clothing	25,737,809	2,345,701
Catering Expenses	106,995,195	108,073,392
Bank Charges	14,738,176	8,576,623
Finance Costs (Tax on Interest)	6,145,176	5,940,540
TOTAL GOODS & SERVICES	1,282,049,978	989,368,452
Add Opening stock (Clinical Costs)	109,633,791	132,250,848
Add Opening Stock (General Expenses)	19,088,506	7,862,528
Less Closing stock (Clinical Costs)	(107,382,292)	(109,633,791)
Less Closing Stock (General Expenses)	(14,043,633)	(19,088,506)
COST OF GOODS SOLD	1,289,346,350	1,000,759,531

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12. Employee Costs

The following expenses relate to employee costs incurred during FY 2021/2022. Pension/Gratuity Provision of Kshs 220,522,370 was accrued in the year as KUTRRH is yet to set up a pension scheme.

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries and wages	1,075,870,874	774,516,610
Travel, motor car, accommodation, subsistence and other allowances	632,574,252	419,933,467
Housing benefits and allowances	247,536,777	170,116,148
Provision for Staff Gratuity and Pension	220,522,370	140,927,545
Provision for staff Leave Allowance	-	30,217,819
Staff Medical	176,033,395	33,662,767
TOTAL	2,352,537,668	1,569,374,356

13. Board Expenses

Director's costs relate to allowances and other related costs for the Board of directors. During the year 2021/22 Board expenses were Kshs 10,603,781

Description	2021-2022	2020-2021
	Kshs	Kshs
Chairpersons Honoraria	960,000	960,000
Sitting Allowance	5,567,000	6,088,200
Medical Insurance	1,000,641	-
Induction and Training	375,840	-
Travel and Accommodation	2,023,107	-
Mileage Allowance	515,193	428,000
Lunch Allowance	162,000	246,000
Total Board Expenses	10,603,781	7,722,200

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Notes to the Financial Statements (Continued)

14. Depreciation and Amortization Expense

The depreciation for the year was Kshs 481,595,915/=

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, plant and equipment	481,595,915	466,632,713
Total depreciation and amortization	481,595,915	466,632,713

15. Repairs and Maintenance

Description	2021-2022	2020-2021
	Kshs	Kshs
Motor Vehicles	2,503,498	883,707
Other Equipment	20,594,653	12,199,721
Furniture and Fittings	464,821	-
Buildings	2,583,223	547,203
Grounds and Landscaping	4,820,054	261,153
Fumigation	3,218,330	634,370
Total Repairs and Maintenance	34,184,578	14,526,154

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16. Contracted Services

Description	2021-2022	2020-2021
	Kshs	Kshs
Cleaning Services	43,720,620	55,492,654
Security Services	26,184,567	21,769,568
Laundry Services	8,287,358	7,217,850
Sanitary services	995,760	495,103
Consultancy	29,324,435	1,803,450
Insurance Buildings and Equipment	-	2,300,967
Insurance Motor vehicle	401,810	815,991
Medical Equipment	115,291,228	85,822,302
WIBA/GPA Insurance	27,947,195	-
Total Contracted Services	252,152,973	175,717,885

17. Impairment of Receivables

This relates to patient bills of Kshs 57,040,043 waived during the financial year 2021/2022.

Description	2021-2022	2020-2021
	Kshs	Kshs
Impairment of Receivables (Waivers)	57,040,043	69,000,668
Total Grants and Subsidies	57,040,043	69,000,668

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18. Cash and Cash Equivalents

BANK	Account Name	Description Bank Account	2021-2022 Kshs	2020-2021 Kshs
Kenya Commercial Bank TRM	KUTRRH RECURRENT A/C	1258637243	2,633,104,084	787,027,077
Kenya Commercial Bank TRM	KUTRRH PROJECT A/C	1283661012	75,502,935	1,401,475,973
Kenya Commercial Bank TRM	GATUNDU RECURRENT A/C	1283666138	234,929,351	431,163,945
Kenya Commercial Bank TRM	GATUNDU PROJECT A/C	1283669935	26,793	43,746,518
Cash in hand			129,616	52,279
Grand total			2,943,692,779	2,663,465,792

Notes to the Financial Statements (Continued)

9. Receivables from Exchange Transactions

	NHIF	CORPORATE	INDIVIDUAL	TOTAL
Opening Balance 1.07.2021	213,917,460	41,688,094	67,693,937	323,299,491
Payments During the year	415,450,992	44,032,621	6,722,393	466,206,006
Provisions for the Year	504,105,996	86,070,375	78,691,662	668,868,033
Closing Balance 30.6.2022	302,572,464	83,725,848	139,663,206	525,961,518

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20. Prepayments

There were no prepayments relating to the FY 2021/2022.

Description	2021-2022	2020-2021
	Kshs	Kshs
Aga Khan University Hospital	-	500,000
Motor Vehicle Insurance Prepayment	-	401,810
Total	-	901,810

21. Grant Receivable

There were no grants receivable in the year as all funds were received within the year.

Description	2021-2022	2020-2021
	Kshs	Kshs
Grant Receivable	-	200,000,000
Total	-	200,000,000

Notes to the Financial Statements (Continued)

22. Inventories

Inventory is measured at the lower of cost and net realizable value as at the end of the Financial Year. The table below shows the inventory as at 30th June 2022.

Description	2021-2022	2020-2021
	Kshs	Kshs
Pharmaceuticals	1,283,200	34,005,603
Rehabilitation items	5,240,912	-
Public health items	5,498,025	1,418,727
Radiology items	9,186,480	2,450,586
Non-pharmaceuticals	65,238,034	43,018,891

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Description	2021-2022	2020-2021
	Kshs	Kshs
Kitchen store items	-	2,373,576
Theatre items	6,426,417	5,975,144
ICT items	1,385,506	-
Housekeeping items	758,360	-
General office supplies	9,898,781	12,329,122
Electrical items	1,109,137	-
Paints	1,650,209	6,759,384
Linen	10,761,418	9,041,751
Laboratory items	2,989,445	11,349,513
TOTAL	121,425,925	128,722,297

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Notes to the Financial Statements (Continued)

23. Property, Plant and Equipment

Details	Land & Buildings		Capital Work in Progress		Motor vehicles		Furniture and fittings		ICT Infrastructure		Hospital Equipment		Computers & Accessories		Security Equipment		Software		Total		
	Kshs		Kshs		Kshs		Kshs		Kshs		Kshs		Kshs		Kshs		Kshs		Kshs		
Property, plant and equipment																					
Cost at 1st July 2020	5,456,519,224		809,822		51,962,470		131,858,408		10,790,974		2,070,648,842		74,097,789		8,954,846		17,695,650				7,823,338,025
Additions	139,498,170		1,116,612,425		-		24,060,773		27,779,420		180,789,341		43,762,231		2,493,522		48,873,762				1,583,869,645
Total Cost at 30th June 2020	5,596,017,394		1,117,422,247		51,962,470		155,919,181		38,570,394		2,251,438,183		117,860,020		11,448,368		66,569,412				9,407,207,670
Depreciation for the period	136,490,110		-		9,742,963		17,429,610		10,599,931		249,075,885		28,689,205		1,291,127		13,313,882				466,632,713
Accumulated Depreciation	272,903,091		-		22,733,581		33,911,911		13,837,223		507,906,990		50,918,542		2,410,482		13,313,882				917,935,702
Net Carrying Amount at 30th June 2020	5,323,114,303		1,117,422,247		29,228,889		122,007,270		24,733,171		1,743,531,193		66,941,478		9,037,886		53,255,530				8,489,271,968
Property, plant and equipment																					
Cost as at 1st July 2021	5,596,017,394		1,117,422,247		51,962,470		155,919,181		38,570,394		2,251,438,183		117,860,020		11,448,368		66,569,412				9,407,207,670
Additions	80,277,102		1,088,979,892		-		77,663,272		51,866,921		253,402,889		4,006,744		6,267,310		38,997,896				1,601,462,026
Total Cost at 30th June 2021	5,676,294,496		2,206,402,138		51,962,470		233,582,453		90,437,315		2,504,841,072		121,866,764		17,715,678		105,567,308				11,008,669,695
Depreciation for the period	135,084,785		-		7,307,222		24,958,818		22,980,028		249,616,760		21,284,467		1,913,149		18,450,685				481,595,915
Accumulated Depreciation	407,987,876		-		30,040,803		58,870,729		36,817,251		757,523,750		72,203,008		4,323,632		31,764,568				1,399,531,616
Net Carrying Amount at 30th June 2022	5,268,306,620		2,206,402,138		21,921,667		174,711,725		53,620,065		1,747,317,322		49,663,756		13,392,046		73,802,741				9,609,138,079

The work in progress relate to project which were not complete as at the end of the financial year they include the IMIC project & Cyberknife Installation.

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24. Trade and other Payables

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade and other Payables	495,662,121	431,051,226
Provision for audit fees	2,000,000	2,000,000
Gatundu Creditors	-	42,663,206
TOTAL	497,662,121	476,714,432

25. Employee Benefit Obligation

This is provision for employee pension, gratuity, and accrued salaries for the financial year 2021/22

Description	2021-2022	2020-2021
	Kshs	Kshs
Balance b/f	298,416,160	-
Provision for Pension	79,583,858	54,060,464
Provision for Staff Gratuity	140,938,512	132,608,416
Staff Gratuity & Final dues paid in the year	(37,353,947)	-
Provision for staff Leave Allowance	-	46,065,718
Accrued Salaries paid in the year	(65,681,562)	65,681,562
Staff welfare accrued	1,840,500	-
TOTAL	417,743,521	298,416,160

Retirement benefit Asset/ Liability

The hospital operates a defined contribution scheme for all permanent employees from Feb 1, 2022. The scheme is administered by Zamara Group while KCB are the custodians of the scheme. The hospital's contribution to KUTRRH Staff Retirement Benefits Scheme is at 15% while employees contribute 7.5% of their basic salary.

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26. Gatundu Level 5 Funds

This are funds which are received by KUTRRH on behalf of Gatundu level 5 hospital for the implementation of the MOU between the Ministry of Health, KUTRRH and Gatundu Level 5 hospital. The expenditure by KUTRRH relating to Gatundu is being reported as a transfer due to the nature of the relationship between the entities.

Gatundu Level 5 Hospital Transfer

DETAILS	AMOUNTS (KSHS)	AMOUNTS (KSHS)
Property, plant, and equipment	103,361,141	57,318,376
Medical Equipment	1,508,809	
Software	43,860,911	
Other Equipment	20,433,575	4,600,829
Salaries and wages	66,528,991	10,197,155
Casuals	10,805,934	12,401,629
Locums	2,264,220	
Board Allowances	90,000	
Pharmaceuticals	150,000	937,416
Non-Pharmaceuticals	5,028,932	4,357,510
Fumigation	29,000	
Gas and Cooking Fuel	439,460	
Security	1,392,000	
Local travel	1,633,750	
Sanitary services	176,898	
Seminars and conferences	106,138	
Printing and Publishing	487,798	8,000
Publicity and Marketing	32,000	
Telephone	36,503	
Office Expenses	482,040	
Connectivity & bandwidth	509,878	
Bank charges	174,053	6,359
Repairs and Maintenance	873,756	
Grounds and landscaping and Fumigation	3,470,108	1,853,037
TOTAL	263,875,895	91,680,311

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Gatundu Level 5 Funds

DETAILS	2021/2022	2020/2021
OPENING BALANCE	195,859,412	-
GRANT FROM GOK	600,000,000	353,000,000
INTERBANK TRANSFER	227,261	-
UNKNOWN DEPOSITS	800	-
TRANSFERS TO GATUNDU	263,875,895	(114,477,382)
GATUNDU CREDITORS	42,663,205	(42,663,206)
TOTAL	574,874,783	195,859,412

27. Refundable Deposits and Prepayments from Customers

This was the amount of cash credited in KUTRRH bank account, where services had not been rendered as at the close of the year.

Description	2021-2022	2020-2021
	Kshs	Kshs
Patient Deposits	12,784,084	635,208

28. Events after the Reporting Period

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

29. Ultimate and Holding Entity

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

30. Currency

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

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19. Appendix

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Item	Issue/Observations from Auditor	Management Comment	Status/Timeframe
1	<p>Lack of Ownership Documents and Valuation for Land</p> <p>The statement of financial position reflects property, plant, and equipment balance of Kshs.8,489,271,968 as disclosed in Note 23 to the financial statements. The balance includes land and buildings with a net book value of Ksh.5,323,114,303. As previously reported, the land and building balance does not include the value of the land on which the Hospital has been built. However, as indicated under Note 28 to the financial statements, the land is owned by Kenyatta University, a Semi-Autonomous Government Agency in the Ministry of Education, and has been assigned a nominal value of Kshs 1 as at 30 June,2021 which is unrealistic.</p>	<p>The hospital sits on 81.26 acres of land under the ownership of Kenyatta University. As a young parastatal, there are many items that are still in transition discussions between the boards of KUTRRH and Kenyatta university under the guidance of the parent ministries. The issue of land ownership and transfer is one such item and will therefore be resolved with time. The KUTRRH Board Chairperson wrote to the Head of Public Service through a letter referenced KUTRRH/CBD/F9/VOL.1/378 dated 21st October 2021 requesting for a title deed for the Hospital's land. The letter has been availed to the audit team.</p>	<p>There have been deliberate efforts of follow up by the Management and the Hospital is still waiting for the Title deed to be issued as per the following documents from the Ministry of Lands and Physical Planning: REF: PPD/42/31/XIX/ (12) dated 30th August 2022 referring to a Cabinet memo and a public notice in September 2022 of the completion of local physical and land use development plan no 42/31/2022/01.</p>

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	<p>Management has disclosed that the Hospital has no documents on ownership and valuation of the land. Other records indicated that the ownership of the land was one of the items that were in transition discussions between the Hospital's Board and the Management of Kenyatta University under the guidance of the parent Ministries. The Hospital had, therefore, not acquired the title deed to the land or carried out any valuation thereof as at 30 June, 2021.</p> <p>In the circumstances, the accuracy, completeness, valuation and ownership of the land and buildings balance of Kshs 5,323,114,303 as at 30 June, 2021 could not be confirmed.</p>		
	<p>Key Audit Matters</p>	<p>Key Audit Matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. I have determined that there are no other key audit matters to communicate in my report.</p>	

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Other Matter	
2	<p>Budgetary Control and Performance</p> <p>The statement of comparison of budget and actual amounts reflects a revenue budget and an actual amount of Kshs 3,523,205,757 and Kshs 3,812,571,773 respectively resulting to over-collection of Kshs 289,366,016 or 8% of the budget. Similarly, the statement reflects expenditure budget amount of Kshs 3,323,206,757 and actual expenditure of Kshs 3,770,990,727 resulting to an over-expenditure of Kshs 247,783,970 (or 21%). Therefore, the Hospital spent funds that had not been budgeted for. This was contrary to the provisions of regulation 43 (b) of the Public Finance Management (National Government) Regulations, 2015 which states that an Accounting Officer shall ensure that public funds entrusted to their care are safeguarded and are only applied for purposes which they were</p>
	<ul style="list-style-type: none"> ○ Being in the second year of operation, the budget allocations were estimates with no past trends to guide on the expected expenditure for the period. As the hospital stabilizes the previous trends will inform the future trajectory of the allocations. This, however, did not involve any loss of funds. ○ The actual expenditure of Kshs. 3,770,990,727 included depreciation expense of Kshs. 466,632,713. This expense did not involve any outflow of funds hence there was no budget overabsorption of Kshs. 247,783,970 as indicated.
	<ul style="list-style-type: none"> ○ KUTRRH, through the Budget Implementation Committee prepares informed budget estimates based on the hospital's current and past financial performance. ○ Consequently, periodic reviews are carried out to reallocate funds and prepare supplementary budgets in order to avoid over and under absorption of the budget. These reallocations and supplementary budgets are approved by the relevant authorities before the hospital spends the funds.

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		<p>intended and appropriated by the National Assembly.</p>		
<p>3</p>	<p>Unresolved Prior Year Matters</p>	<p>In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved some of the issues.</p>	<p>Most issues raised were resolved and the following are being addressed:-</p> <ul style="list-style-type: none"> i. Land ownership and valuation. ii. Assets and Liabilities Registers. iii. Compliance with the National Cohesion and Integration Act, 2008 	<p>Land ownership and valuation.</p> <p>There have been deliberate efforts of follow up by the Management and the Hospital is still waiting for the Title deed to be issued as per the following documents from the Ministry of Lands and Physical Planning:</p> <p>REF: PPD/42/31/XIX/ (12)</p> <p>dated 30th August 2022 referring to a Cabinet memo and a public notice in September 2022 of the completion of local physical and land use development plan no 42/31/2022/01.</p> <p>Assets and Liabilities Registers.</p>

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			<p>Management has started developing the Assets Registers in line with template from the National Treasury and KUTTRH Finance Policy and Procedure Manual. The registers will be complete by 31st March 2023 for submission to the National Treasury in line with regulations.</p> <p>Compliance with the National Cohesion and Integration Act,2008</p> <ul style="list-style-type: none">○ As of December 2022, KUTTRH had advertised, recruited, selected, and appointed a total of 1,535 (One Thousand Five Hundred and Thirty-Five) employees out of which 1,404 (One thousand four hundred and four)
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	<p>employees are still in active employment.</p> <ul style="list-style-type: none">○ Out of the forty-five (45) ethnic groups in Kenya, the Hospital had managed to recruit from twenty-seven (27) ethnic groups in an effort to have a Kenyan representation of the Hospital.○ The Hospital has analyzed the data of representation and has plans to progressively achieve compliance in the areas of under representation without compromising on merit requirements.○ To encourage more applicants from various communities to apply, and in order to avoid skewed representation, the Hospital's job adverts are placed in 'my Gov' pull out in daily newspapers with a wide circulation.
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				Encouragement for candidates from diverse backgrounds to apply is deliberately included in the job adverts to encourage diversity in the applications.
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	Inadequate Verification and Tagging of Fixed Assets	The statement of financial performance reflects use of goods and services of Kshs. 1,000,759,531(2020-Ksh.298,592,838), as disclosed in Note 11 to the financial statements. The amount includes Hospital branding expenses totalling Kshs.	The Management has developed the Assets and Liabilities Registers as per the Guidelines on Assets and Liabilities issued by The National Treasury. The registers, which are in the final stages of development include; <ul style="list-style-type: none"> • Motor Vehicle register 	Management has developed the Assets Registers in line with template from the National Treasury and KUTTRH Finance Policy and Procedure Manual. The registers will be complete by 31st March 2023 for submission

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	<p>16,482,784 which further includes Kshs. 10,083,300 in respect to payments for provision of asset verification and tagging services whose contract sum was Kshs. 10,614,000. However, the report submitted by the contractor in respect to the assets did not include their estimated open market and insurance values, purchase prices, depreciation amounts, residual value, motor vehicles, land, buildings, and photos of the assets. In addition, the assets register provided for audit review had not been updated to incorporate all the assets reflected in the financial statements.</p> <p>In the circumstances, the Hospital may not have achieved value for money from the expenditure of Kshs. 10,614,000 spent on branding its assets.</p>	<ul style="list-style-type: none"> • Buildings Register • ICT Computers Register • Furniture & Fittings • Plant & Machinery • Other Infrastructure Register • Office Equipment Register 	<p>to the National Treasury in line with regulations</p>
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<p>2 Non-Adherence to Staff Ethnic Balance Requirement</p>	<p>Review of human resources records revealed that out of the nine hundred and ninety-nine (999) staff in service as at 30 June 2021, four hundred and forth- five (445) or 44% of the total number of staff were from the same ethnic, or dominant community. This was contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act,2008 which requires “all public offices to seek to represent the diversity of the people pf Kenya in employment of staff and that no public institution should have more than one third of its staff establishment from the same ethnic community “ .</p> <p>In the circumstances, Management was in breach of the law.</p>	<ul style="list-style-type: none"> ○ The Management concurs with the findings of the auditor on the representation of 44% of the total staff population being from one (1) ethnic group. ○ The Kenya Population and Housing Census Report of 2019 outlines population of each ethnic group in Kenya where the above ethnic group with a majority staff population representation was reported to be at 17.13% 	<ul style="list-style-type: none"> ○ As of December 2022, KUTRRH had advertised, recruited, selected, and appointed a total of 1,535 (One Thousand Five Hundred and Thirty-Five) employees out of which 1,404 (One thousand four hundred and four) employees are still in active employment. ○ Out of the forty-five (45) ethnic groups in Kenya, the Hospital had managed to recruit from twenty-seven (27) ethnic groups in an effort to have a Kenyan representation of the Hospital. ○ The Hospital has analyzed the data of representation and has plans to progressively achieve
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				<p>compliance in the areas of under representation without compromising on merit requirements.</p> <ul style="list-style-type: none"> o To encourage more applicants from various communities to apply, and in order to avoid skewed representation, the Hospital's job adverts are placed in 'my Gov' pull out in daily newspapers with a wide circulation. Encouragement for candidates from diverse backgrounds to apply is deliberately included in the job adverts to encourage diversity in the applications.
<p>3 Staff Employed Beyond the</p>	<p>Examination of records on personnel emoluments indicated that Kshs.20,840,928 related to</p>	<ul style="list-style-type: none"> o The employees herein mentioned by the auditor are over six (60) years old and are employed on 	<p>As of 31st December 2022, the Hospital had remained with only</p>	

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<p>Mandatory Retirement Age</p>	<p>payments to officers employed after attainment of the mandatory retirement age of sixty (60) years and others who had already attained the mandatory retirement age but were still in service. This was contrary to Section 14.3.2 (a) of the Kenyatta University Teaching, Referral and Research Hospital Human Resource Policy and Procedures Manual of October, 2019 which provides that the mandatory retirement age shall be sixty (60) years.</p> <p>In the circumstances, Management was in breach of the Hospital's Human Resource Policy.</p>	<p>contract and none of them has their performance impaired by age.</p> <ul style="list-style-type: none"> ○ Some of the employees were already working at Kenyatta University and supporting the operationalization of the Hospital. ○ The employees herein have demonstrated immense experience and expertise in their areas of engagement, which has been beneficial in setting up and creating the right systems in the Hospital. ○ They have been retained for institutional memory and transfer of skills. ○ The Hospital has instituted a succession management process. 	<p>eleven (11) employees that are over sixty (60) years.</p> <p>The remaining eleven (11) Employees who are over sixty (60) years old years are on contract basis and being managed for exit at the expiry of their employment contract.</p> <p>Management has instituted succession planning process to ensure the transition into retirement of the employees herein mentioned is smooth with minimal to no interruption to the Hospital operations.</p>
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<p>4 Officers in Acting Capacity Beyond Stipulated Period.</p>	<p>Review of Human Resource records revealed that three (3) officers were appointed in acting capacity for more than six (6) months. Review of personnel records revealed that the officers earned acting allowance amounting to Kshs. 456,790 for the period beyond the stipulated time of the acting appointment. This was contrary to Section C.14 of the Public Service Commission Human Resource Policy and Procedures Manual for the Public Service of May,2016.</p> <p>In the circumstances, Management was in breach of the regulations.</p>	<ul style="list-style-type: none"> ○ Management concurs with the auditors finding on working in an acting capacity for a period beyond the prescribed period in law for the officers herein mentioned. ○ The recruitment and substantive filling of the three (3) positions took longer than it was planned hence the extended acting period. ○ The officer's acting capacity extension was approved by the Board to avoid interruptions in service delivery even as the recruitment was ongoing. 	<ul style="list-style-type: none"> ○ The recruitment of a CEO has since been finalized and the role substantively filled w.e.f. 01st Jul 2022 ○ The recruitment of the Deputy Director Nursing Services has been finalized and the role substantively filled w.e.f. 16th Feb 2023 ○ The officer acting in the role of Deputy Director Hospitality and Space Management has since left the employment of the Hospital w.e.f. 01st Mar 2022. ○ The Board finalized the recruitment of the role and appointed the selected candidate to substantively fill the position. ○ However, the appointed candidate declined the offer taking the process back to recruitment stage.
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<p>5 Irregular Issuance of Imprests</p>	<p>Review of records on local travel and accommodation and seminars and conferences revealed that the Hospital incurred expenditures of Kshs. 3,587,317 and Kshs.4,420,126 respectively on the two expenditure components. However, the amounts were paid directly to individuals, through per diems, without issuance of imprest warrants. This was contrary to Regulation 93 (2) of the Public Finance management (National Government) Regulations,2015 which states that an imprest shall be issued for a specific purpose, and any payments made from it, shall be only for the purpose specified in the imprest warrant.</p>	<p>The Management has put in place measures to comply with this requirement by introducing Imprest Warrants and Imprest Surrender Form on 24th May 2022 to be processed as accountability for all imprests. It should also be noted that this did not involve any loss of funds.</p>	<p>o Management is currently in the process of recruitment to substantively fill the role by 31st Dec 2023. From 24th May 2022, no staff imprest has been issued without imprest warrants. Staff are then required to account for the imprest through the imprest surrender form.</p>
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	In then circumstances, management was in breach of the Regulations.		
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	<p>Lack of an Updated Assets Register</p> <p>The statement of financial position indicates that the Hospital owned property, plant and equipment with a net book value of Kshs.8,489,271,968 (2019/2020 Kshs. 7,372,035,036) as at 30 June 2021, as indicated under Note 23 to the financial statements .However, Management did not maintain an updated asset register with details such as cost of assets, depreciation rates, location, for parcels of land and each building: -the terms on</p>	<p>The Management is developing the Assets and Liabilities Registers as per the Guidelines on Assets and Liabilities issued by The National Treasury. The registers, which are in the final stages of development include;</p> <ul style="list-style-type: none"> • Motor Vehicle register • Buildings Register • ICT Computers Register • Furniture & Fittings • Plant & Machinery • Other Infrastructure Register 	<p>Management is developing the Assets Registers in line with template from the National Treasury and KUTTRH Finance Policy and Procedure Manual. The registers will be complete by 31st March 2023 for submission to the National Treasury in line with regulations</p>

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	<p>which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, lease hold terms and maintenance contracts.</p> <p>In the circumstances, the Hospital Management may not be able to track the value, location and status of every fixed asset. Therefore, the Hospital's assets are at risk of misuse and loss.</p>	<ul style="list-style-type: none"> • Office Equipment Register 	
<p>2 Irregularities of Human Resource Management</p>	<p>Review of sampled personal files revealed lack of clear recruitment specifications and uncompetitive filling of some positions. Further, some positions filled were not in the staff establishment and the incremental amount of some employees' basic salaries was not supported by any criterion.</p>	<ul style="list-style-type: none"> ○ On handover of HR Instruments from the appointed consultant, the Board realized the Human Resource instruments did not cater to the teaching, research, and innovation mandates of the Hospital in Legal Order No. 4 of 2019. ○ The review of the instruments, therefore, commenced with SCAC's consent in an effort to 	<ul style="list-style-type: none"> ○ Management has commenced and progressed the review of the HR Instruments to reflect the full mandate of the Hospital. ○ The finalization on the HR Instruments and approval by SCAC and PSC is planned to be completed by 31st December 2023

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	<p>In the circumstances, the Hospital's human resources instruments and practices are not aligned to the Public Service Commission Human Resource Policy and Procedures Manual for the Public Service of May, 2016 thus posing a risk to the operations of the Hospital.</p>	<p>harmonize them with other Level-6 Hospitals.</p> <ul style="list-style-type: none"> ○ Some of the positions which were critical for the operationalization of the Hospital in line with the SCAC's consent were created and competitively filled. ○ The HR instruments provide for officers to be granted incremental credits for previous relevant experience. The criterion employed was based on post-qualification experience, relevant experience, and previous earnings. ○ Attached is an extract of the KUTRRH HR Policy and Procedure Manual, section. 3.6 which provides for incremental credits within the criterion defined above. 	<ul style="list-style-type: none"> ○ Management has since ensured that all hires undergo the prescribed recruitment and selection process as detailed out the Human Resource Policy and Procedures Manual
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KUTRRH C.E.O

Date

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Appendix II: Projects implemented by KUTRRH

Projects implemented by KUTRRH Funded by development partners and/ or the Government.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Procurement of Robotic stereotactic radiosurgery system (Cyberknife)	1081119600	GOK	1year	N/A	NO	YES
Expansion of Comprehensive Cancer Centre	1081120800	GOK	2year	N/A	NO	YES
Construction of a Second Tower Block - Gatundu Hospital	1081118300	GOK	2 years	N/A	NO	YES

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Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Procurement of Robotic stereotactic radiosurgery system (Cyberknife)	665,000,000	132,200,000	20%	665,000,000	132,200,000	GOK/A.I. A
2	Expansion of Comprehensive Cancer Centre	255,735,162	-	10%	255,735,162	-	GOK/A.I. A
3	Construction of a Second Tower Block - Gatundu Hospital	519,909,175	-	10%	519,909,175	-	GOK/A.I. A

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Appendix V- Inter-Entity Confirmation Letter



Kenya University Teaching, Referral and Research Hospital

P.O. Box 7476-00100

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

Confirmation of amounts received by KUTRRH as at 30th June 2022						
Amounts Disbursed by MOH (KShs) as at 30 th June 2022						
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter-Ministerial (C)	Amount Received by [beneficiary Entity] (KShs) as at 30th June 2021 (E)	Differences (KShs) (F)=(D-E)
FT2129508Q2L	22-Oct-21	-	10,000,000	-	Total (D)=(A+B+C) 10,000,000	10,000,000

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Confirmation of amounts received by KUTRRH as at 30th June 2022							
Amounts Disbursed by MOH (KShs) as at 30 th June 2022							
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)	Amount Received by [beneficiary Entity] (KShs) as at 30th June 2021 (E)	Differences (KShs) (F)=(D-E)
FT21305XPW87	1-Nov-21	498,170,178	-	-	498,170,178	498,170,178	
FT213157G3D3	11-Nov-21	125,000,000	-	-	125,000,000	125,000,000	
FT21342DT4JJ	8-Dec-21	166,056,726	-	-	166,056,726	166,056,726	
FT2134VY7QV	8-Dec-21	125,000,000	-	-	125,000,000	125,000,000	
FT21342080JS	8-Dec-21	166,056,727	-	-	166,056,727	166,056,727	
FT21363QWDW G	29-Dec-21	-	50,000,000	-	50,000,000	50,000,000	

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Confirmation of amounts received by KUTRRH as at 30th June 2022							
Amounts Disbursed by MOH (KShs) as at 30 th June 2022							
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)	Amount Received by [beneficiary Entity] (KShs) as at 30th June 2021 (E)	Differences (KShs) (F)=(D-E)
FT213637KXCR	29-Dec-21	-	175,000,000	-	175,000,000	175,000,000	-
FT220477HJS5	16-Feb-22	166,056,726	-	-	166,056,726	166,056,726	-
FT22047NF7NJ	16-Feb-22	166,056,726	-	-	166,056,726	166,056,726	-
FT22047HZQG5	16-Feb-22	125,000,000	-	-	125,000,000	125,000,000	-
FT22068LTV6P	9-Mar-22	166,056,726	-	-	166,056,726	166,056,726	-
FT220919YZ5V	1-Apr-22	166,056,725	-	-	166,056,725	166,056,725	-

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Confirmation of amounts received by KUTRRH as at 30th June 2022						
Amounts Disbursed by MOH (KShs) as at 30th June 2022						
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)	Amount Received by [beneficiary Entity] (KShs) as at 30th June 2021 (E)
						Differences (KShs) (F)=(D-E)
FT221121YCBR	22-Apr-22	-	175,000,000	-	175,000,000	175,000,000
FT22117CJGV0	27-Apr-22	-	50,000,000	-	50,000,000	50,000,000
FT22133QKDY1	13-May-22	125,000,000	-	-	125,000,000	125,000,000
FT2213339BCM	13-May-22	166,056,726	-	-	166,056,726	166,056,726
FT22161KGYXC	10-Jun-22	166,056,726	-	-	166,056,726	166,056,726
FT221728TL2	21-Jun-22	600,000,000	-	-	600,000,000	600,000,000