

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
MOI TEACHING AND REFERRAL
HOSPITAL

FOR THE YEAR
ENDED 30 JUNE 2018



PARLIAMENT
OF KENYA
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THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 30 JUL 2019	TUESDAY
TABLED BY: MAJORITY LEADER	
CLERK-AT-THE-TABLE:	



An ISO 9001:2015 Certified Hospital

MOI TEACHING AND REFERRAL HOSPITAL

OFFICE OF THE AUDITOR GENERAL
ELDOR ET HUB
16 APR 2019
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P.O. Box 2774-30100, ELDOR ET

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30TH JUNE 2018

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

Table of Contents

Page

I. KEY INFORMATION AND MANAGEMENT	iii
II. BOARD OF DIRECTORS	v
III. MANAGEMENT TEAM	ix
IV. CHAIRMAN'S STATEMENT	xv
V. REPORT OF THE CHIEF EXECUTIVE OFFICER	xvii
VI. CORPORATE GOVERNANCE	xix
VII. MANAGEMENT DISCUSSIONS AND ANALYSIS	xxi
VIII. FINANCIAL PERFORMANCE	xxvi
IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	xxvii
X. REPORT OF THE DIRECTORS	xxix
XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxx
XII. REPORT OF THE AUDITOR-GENERAL	xxxii
I. STATEMENT OF FINANCIAL PERFORMANCE	1
II. STATEMENT OF FINANCIAL POSITION	2
III. STATEMENT OF CHANGES IN NET ASSETS	3
IV. STATEMENT OF CASH FLOWS	4
V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
VI. NOTES TO THE FINANCIAL STATEMENTS	9
VII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	35

I. KEY INFORMATION AND MANAGEMENT

a) Background information

Moi Teaching and Referral Hospital was established under Legal Notice No.78 of 12th June 1998 of the State Corporations Act (Cap 446). At cabinet level, MTRH reports to the Cabinet Secretary for Health who is responsible for the general policy and strategic direction for healthcare in Kenya.

The Hospital was established in 1916 as a cottage hospital to cater for the Africans health care needs. It has grown tremendously to a fully-fledged Multi-Specialty referral facility with several inpatient and outpatient health care services. It also incorporates the Academic Model Providing Access to Healthcare (AMPATH), Centre for Assault Recovery-Eldoret (CAR-E), Moi University (College of Health Sciences) and Partners with Regional Blood Transfusion Centre (RBTC).

b) Principal activities

The Hospital's mandate is to:

- i) Receive patients on Referral from other Hospitals or Institutions within or outside Kenya for specialized health care;
- ii) Provide facilities for Medical education for the Moi University, and for research either directly or through other co-operating health institutions;
- iii) Provide facilities for education and training in Nursing and other health and allied professions;
- iv) Participate as a National Referral Hospital in National Health Planning.

c) Key Management

Moi Teaching and Referral Hospital is managed under the following key organs:

1. Board of Directors
2. Chief Executive Officer (Accounting Officer)
3. Senior Management/Heads of Directorate

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

Designation	Name	Professional Membership Number	Certification Body
1. Chief Executive Officer	Dr. Wilson K. Aruasa, <i>MBS</i>	A4530	KMPDB
2. Senior Director -Clinical Services	Dr. Francis Ogaro	A2443	KMPDB
3. Senior Director – Administration & Finance	Dr. Benjamin Tarus (PhD)	2471	ICPSK
4. Director Finance	Mr. Matthews Birgen	3915	ICPAK
5. Finance Manager	Mr. Thomas Ngetich	7617	ICPAK
6. Head of Supply Chain Management	Mr. Bill Saina	62672	KISM

e) **Fiduciary Oversight Arrangements**

To achieve corporate governance, MTRH has the following key fiduciary oversight arrangements to check and guide Senior Management in executing its roles.

1. Audit and Risk Committee of the Board

- The Hospital's operations are subjected to oversight by the Board Audit and Risk Committee, which meets quarterly to review the organizations risk preparedness, compliance to approved policies and business continuity plans.

2. Parliamentary Committee on Health

- The Hospital is subject to oversight from Parliamentary Committee on Health, on matters defined in the Hospital's Core mandate.

3. Parliamentary Committee on Public Investment

- The Hospital is subject to Parliamentary Committee on Public Investment

f) **Principal Place of Business**

Moi Teaching & Referral Hospital
Nandi Road
P. O. Box 3- 30100,
ELDORET, KENYA

g) **Contacts**

Tel: +254 722-201277, +254 722 209795
053-2033471/2/3/4
Fax: 053-2061749
Email address: ceo@mtrh.go.ke
Web site: www.mtrh.go.ke

h) **Bankers**

Kenya Commercial Bank Limited
Uganda Road Branch-Eldoret
P. O. Box 5197 - 30100,
ELDORET, KENYA.

i) **Independent Auditors**

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

j) **Principal Legal Adviser**

The Attorney General
State law office
Harambee Avenue
P.O. Box 40112 - 00200
NAIROBI, KENYA

II. BOARD OF DIRECTORS



Hon. Godana Doyo
CHAIRMAN

Ongoing- PhD – University of Western Australia
Masters of Laws (LLM), by Research Murdoch University, Australia.
Bachelor of Laws (LLB), University of Nairobi,
Postgraduate Diploma in Law- Kenya School of law.
Certificate in Government & Human Rights Systems-
University of Glasgow, Scotland
Governor- Isiolo County Government- March 2013-
August 2017
Innovation Fund Coordinator (ASeeTTS, Perth WA)-
February 2010- July 2012
Commissioner KNCHR- July 2003-July 2007
Executive Director- Northern Legal Resources Centre-
September 1999 - June 2003
National Chairman – Pastoralist & Hunter-Gatherers
Minority Network , Legal Officer-Kenya Pastoral Forum.
Chairman of the Board, MTRH.



Ms. Florence Lisa Chelimo
Non-Executive Director

Undertaking PhD in Food, Nutrition & Dietetics, Kenyatta
University; Master's in Business Administration,
Strategic Management, Moi University; Masters in Food,
Nutrition & Dietetics; Bachelor of Education, Moi
University. Audit Committee training, and Strategic
Leadership and Change management training.
Trained in Corporate Governance, CCG.
Assistant Deputy Director- TSC. Council Member of
Garissa University College, Director of Postal Corporation
of Kenya Board.
Board member, MTRH.



Dr. Dorah Malla
Non-Executive Director

Bachelor of Medicine and Bachelor of Surgery, University
of Nairobi; Leadership Development Program,
International Corporate Governance, Corporate
Secretaries International Association; Effective Director,
Strathmore University; Procurement Strategies and
Policies- Crown Agents UK.
Senior Medical Officer- KNH; Intern- Armed Forces
Memorial Hospital; Director, KPLC. Member Chairperson,
Staff and Remuneration Committee. Member of
Procurement Oversight Committee and ICT & Audit
Committee of the Board. Member of Kenya Medical
Association.
Board member, MTRH.



Dr. Janet Muriuki
Non-Executive Director

Msc in Public Health, Jomo Kenyatta University of Agriculture and Technology; Bachelor of Medicine and Surgery, University of Nairobi; Certificate in State Corporation Governance; Certificate in Leadership, Leadership Development Program, IntraHealth International, Chapel Hill; Diploma in Leadership and Management, Management Sciences for Health, Cambridge, Massachusetts, USA; Certificate in Monitoring and Evaluation of Population, University of Addis Ababa, Ethiopia; Diploma from Institute for the Management of Information Systems (IMIS), Strathmore College, Nairobi. Health service delivery and health systems expert; Board member, MTRH.



Constantine Kandie
Non-Executive Director

A seasoned Management Consultant, with over 15 years' experience in Governance, Strategic Management, and Leadership of diverse professionals and staff teams. CEO of The Leadership and Governance Advisory (LGA) Group. Technical Advisor, State Department for Trade. Director, CEO and Secretary to diverse boards for the following institutions; The Management University of Africa, KENYA Federation for Alternative Trade (KEFAT) and Kenya Institute of Management (KIM), The Eastern Africa Grain Council, Enterprise Mobilization and Investments, APSEA, The World Fair Trade Organization, Professional Women Empowered (ILO). Director at Kenya Revenue Authority for two terms and Chair of the KRA Board of Trustees. Board Member and Treasurer, Practical Action UK, Board Member, MTRH.



Dr. Simon Kibias
Alt. Principal Secretary,
Ministry of Health

Master of Public Health, Vrije University, Netherlands; Diploma in TB Control, Japan; MBCHB, School of Medicine, University of Nairobi and several Certificates in Public Health Practice, Stop TB Strategy, TB Control, HIV Control, Disaster Management, Strategic Leadership and Development and Human Resource Development and Order of Grand Warrior (OGW). Board member of Moi Teaching and Referral Hospital and committee member committee on the establishment of a 2,000 bed Hospital; Member of Kenya Dentists and Poison Board; Council member of Public Health Society of Kenya (PHSK) and Founder; Technical advisor to the Botswana TB program, being part of TB program in attaining WHO targets, disaster docket at MOH and policy making. Worked as District Medical Officer; Provincial TB coordinator; Provincial Director of Public Health and Sanitation, Deputy Head, Primary Health Department and Head of Disaster Risk Management at Ministry of Health. Board member, MTRH.



Mrs. Anne Mworia
Alt. PS, Ministry of Higher Education.

Bachelor of Arts Hons, University of Nairobi; East Africa Advanced Certificate of Education, Highland School; East Africa Certificate of Education, Equator High School and several courses in Governance and Management from various training institutions.

Deputy Secretary, Ministry of Lands & Housing; Coordination of Administrative Service in various Departments in the Ministry; Ag. Scheme Manager, Civil Servants Housing Scheme; Under Secretary, Ministry of Lands and Housing; Assisted in Coordination of Budgetary and Financial matters, Monitoring of Recurrent and Development Expenditures; handling Reference Sheet, Audit Queries and Public Accounts matters in the Ministry of Agriculture and Livestock Development.

Board member MTRH.



Dr. Izaq Odongo
Alt. Director of Medical Services

Master of Medicine-Internal Medicine, University of Nairobi; Bachelor of Medicine and Bachelor of Surgery; Strategic Leadership Development Programme, KSG; Integrated Management of Adult Illness, Uganda; Project Management Course, KSG.

Medical Officer Intern, Coast General Hospital; Medical Officer 1, Taveta District Hospital; Registrar Department of Medicine, UoN; Registrar, Aga-Khan Hospital; Physician, Mbagathi District Hospital; Physician, Machakos Level 5 Hospital; Head of Division of Internal Medicine and Head of Department of Curative and Rehabilitation, Ministry of Health. Member Kenya Association of Physicians and Kenya Medical Association. Board member, MTRH.



Dr. Jeremiah Ntaloi Ole Koshal
Chairman, Moi University Council.

PhD in Organizational Leadership; MBA in Management of Non-Profit Organizations; Bachelor of Commerce in Business Administration.

Chair, Moi University Council, Executive Director, Africa Center for Entrepreneurship and Leadership (ACEL) Nairobi January 2013-August 2016, Senior Lecturer, School of Management and Commerce, Strathmore University Nairobi January 2010-December 2012, currently a Resource Person & Evaluator of Leadership and Management Curricula, Kenya Commission for University Education (CUE), Adjunct Instructor with Development Associates International, Colorado Springs, USA.

Board Member MTRH.



Prof. Isaac Kosgey
Vice Chancellor Moi
University




Vice-Chancellor Moi University.
Professor of Animal Sciences (Animal Breeding and Genetics).
Doctor of Philosophy degree in Animal Sciences.
Master of Science degree in Animal Sciences with Distinction from Wageningen University (Wageningen, the Netherlands).
Bachelor of Science degree in Animal Production, First Class Honours, Egerton University.
Diploma in Animal Husbandry with Distinction, Egerton University (Njoro, Kenya)
Diploma in Law with Distinction from Mt. Kenya University (Thika, Kenya).
Master of Business Administration degree from Kenyatta University (Nairobi, Kenya).
Currently pursuing a Bachelor of Laws degree (LLB) at The Open University of Tanzania (Dar es Salaam, Tanzania).
Board member, MTRH.



Dr. Wilson K. Aruasa, MBS
Chief Executive Officer/
Secretary to the Board

M.Med in Obs-Gynae, UoN; MBChB, Moi University;
Global Executive Masters of Business Administration, USIU; Strategic Leadership Development Programme, KSG; Certificate in Monitoring and Evaluation, KIM; LeHHo, Strathmore University; Health Information Management, Regenstrief Institute Indiana University and several professional workshops, Training and Seminars.
Honorary Lecturer, Moi University School of Medicine; Member AMPATH Executive Committee and AMPATH Board, and Council Member, Kenya Medical Association (KMA)
Chief Executive Officer and Secretary to the Board, MTRH

III. MANAGEMENT TEAM

NAME	AREA OF RESPONSIBILITY
 <p>Dr. Wilson K. Aruasa, MBS M.Med in Obs-Gynae, (UoN) MBChB,(Moi University), MBA-Health Leadership and Management (USIU)</p>	<p>Chief Executive Officer</p>
 <p>Dr. Francis Omari Ogaro M.Med in Peadiatrics, (UoN); MBchB. (UoN)</p>	<p>Senior Director-Clinical Services</p>
 <p>Dr. Tarus B. Kipchumba (PhD) PhD in Strategic Mgt (MU), MSc. HRD (MU), MBA (JKUAT), BBM Accounting (MU), CPS(K).</p>	<p>Senior Director – Administration & Finance</p>



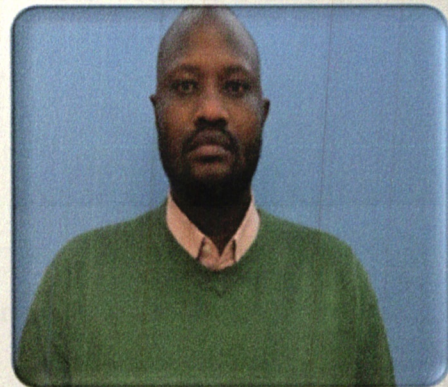
Director, Finance

Mr. Mathews Birgen
MBA Finance (MU), BCOM (UON), CPA(K)



Director, Nursing Services.

Mr. Titus Tarus
MScN, BScN



**Director, Pharmacy &
Nutrition**

Dr. Victor Maina
MBA, Moi University, B. Pharm (UON),



Ms. Anne Chemworsio

**Director, Human Resource
Management &
Development**



Ms. Christine Chuani
**MBA Strategic Management (MU), BSC. Public
Health (MU)**

Director, Administration



Dr. Stephen Ondigo
M.MED, MBChB.

Director, Private wings



Dr. John Chumba
MBChB, M.MED.

**Director, Child Health &
Paediatrics**



Dr. Saratiel Nyabera
MBChB, M.MED.

Director, Surgery



Dr. Ezekiel Kimutai
MBChB, M.MED.

**Director, Diagnostic
Services**



Director, Reproductive Health

Dr. Philip Kirwa
MChB, M.MED.



Manager, Finance

Mr. Thomas Ngetich
MBA-Health Leadership and Management (USIU)
MBA Finance (MU), BA-Econ (UON), CPA(K)



Head of Supply Chain Management

Mr. Bill Saina
MBA, B. COM



Ms. Sylvia Nyariki
LLB

Head of Legal services

IV. CHAIRMAN'S STATEMENT

It gives me great pleasure to present to you the Annual Report and Financial Statements of Moi Teaching and Referral Hospital for the year ended 30th June 2018. This report marks the first Annual Report prepared within the implementation of **MTRH 2017-2022 Strategy**. The Financial Year 2017/18 has been successful despite political and macroeconomic challenges during the year. The Hospital remained resilient and delivered on its core mandate.

In line with the Kenya Health Policy 2014-2030, the **Big-4 Agenda** and Kenya's commitment to provision of **Universal Healthcare** to its citizens, MTRH will remain one of the country's strategic delivery units for the realization of Universal Health Coverage (UHC). MTRH has continued to support the government in the realization of UHC through addressing the three (3) key issues of UHC; Population Coverage, Access to Quality Healthcare Services and Cost/Financial Protection strategies.

During the financial year ending 30th June 2018, the Hospital attended to **332,810** outpatient clients compared to **283,678** in the year ending 30th June 2017, representing a **17%** increase. It also attended to **43,144** inpatients clients in the year under review compared to **38,917** in the period ending 30th June 2017, registering a **10%** growth on admissions, during the twelve months. The number of maternal deliveries for the period stood at **12,976**.

The Hospital has also done strategic infrastructure upgrades, renovations, and purchase of Modern Medical equipment including New Modern Kitchen and Laundry, The Micro-Wave incinerator and equipping of 20 Beds Intensive Care Unit and Neurological-Unit, all these being important steps in re-positioning MTRH as a Multi-Specialty Hospital. With the implementation of the MTRH 2017-2022 strategy and the planned realization of the new 4,000-bed Multi-Speciality Hospital in line with the Kenya Vision 2030 Flagships, the transformation agenda is on course.

In terms of corporate governance, the Hospital Board of Management consists of the right balance of skills, experience and backgrounds to support and challenge the management team. The recent appointment of Mrs. Constantine Kandie as an independent Non-Executive Director has further strengthened the Board. Between them, they bring a wealth of experience and we look forward to working with them to take MTRH forward.

On behalf of the Board of management, I wish to extend my appreciation to the Hospital Management and Staff for their commitment and dedication that ensured high quality service delivery and improved performance this financial year. I also wish to thank our strategic partners including County Governments, Moi University, AMPATH and our Suppliers who have partnered with us to enable the Hospital achieve this impressive performance.

In my capacity as Chairman of the Board, I wish to take this opportunity, on behalf of my fellow Board members, to thank H.E The President, the National Government at large, our parent Ministry of Health and The National Assembly for the support in providing guidance and leadership as we continue to discharge our core mandate.

Finally, I would like to express my sincere gratitude to my fellow Board Members, for their dedication and hard work during the year. I am confident that as a team, our commitment and dedication will make MTRH the leading Multi-Speciality Hospital for Healthcare, Training and Research in Africa.

for 
Hon. Godana Doyo
CHAIRMAN

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The financial year 2017/18 has been a significant one for the Hospital with unprecedented changes as a foundation for our transformational agenda. The Hospital has taken decisive, immediate actions on the challenges faced and made deliberate changes to re-energise its operations. We have concentrated our efforts on the under-listed priority areas in the year under review:

1. Upgrade of Hospital infrastructures and renovations
2. Modernization of Medical equipment.
3. Restructure of Human Resources and Capacity Development
4. Prudent Financial Management and Resource Mobilization
5. Community outreach programmes and medical camps

In recognition that availability of functional infrastructure is critical in the provision of quality health care services, the Hospital has continued to invest in improving infrastructure and modernization of equipment. Given that, most of the Medical Equipment used in the Hospital are old and of obsolete technology, it is important that funds are continuously provided for replacement of the equipment and improvement of infrastructure in order to achieve our strategic objectives. To mitigate against obsolete technology, obsolescence and to cope with rising complexity of Health care, the Hospital invested Kshs.142 Million in the year under review towards purchase of new medical equipment. The long-term solution of the aging infrastructure lies with construction and equipping of the 4,000-bed Multi-Speciality Hospital that is on course.

The Hospital has continued to attract and retain highly skilled staffs that play a critical role in offering the highest accessible quality healthcare services and effective quality improvement. During the year, we competitively recruited and filled various positions at both Management level and the technical cadres. Employment of specialised medical practitioners strengthened our human resources capacity. We have continuously invested in staff capacity development through trainings and mentorship programmes, including their welfare by replacing the staff in-house medical scheme with a comprehensive Medical Scheme by NHIF at a cost of Ksh.184 Million. In addition, significant support from the Government of Kenya to meet Health worker's demands including new allowances for Doctors, Clinicians, Nurses and Paramedics was received. During the period under review, the Hospital's staff establishment stood at three thousand, six hundred and ninety-seven staff (3,697) all on Permanent and Pensionable Terms.

The long term sustainability of our operations will be determined by our continued ability to improve profitability and generate cashflow, and I am pleased to report that the Hospital continues to implement sound financial management policies and efficient utilization of funds, which ultimately enables an accomplishment of this objective.

With an approved budget of Ksh. 8.2 Billion For FY 2017/18, Ksh.5.8 Billion was spent on Personnel Emoluments, Ksh.483 Million on Drugs, Kshs. 252 Million on Capital Projects and Ksh. 1.8 Billion on Operations, Maintenance and Administrative costs. We have also taken some important decisions on

procurement of goods and services that whilst difficult, have enabled us to move more quickly towards protecting and strengthening our balance sheet. These include negotiating with our suppliers, engaging Doctor`s on Locum, transitioning from inhouse medical scheme to a comprehensive medical scheme.

The institution has a robust financial management system that is based on the existing government financial management rules and regulations, Public Finance Management (PFM) Act 2012, International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRS).

The Hospital undertook community outreaches and health promotions aimed at creating awareness in different health issues, which are paramount to improving healthcare delivery. Our partnership with the neighbouring counties and work with the communities continues to position MTRH as Multi-Speciality Hospital of its kind. Besides routine patient care and management, the Hospital successfully conducted medical camps in the region in order to utilize highly skilled expertise from visiting doctors from collaborating institutions.

I wish to appreciate the support of the Government of Kenya, Development Partners and Board of Management for their enormous contribution in making the financial year a successful one.

Finally, we are extremely grateful and thankful to our Hospital Management and Staff members, our esteemed clients and stakeholders for their support throughout the year.

Wilson K. Aruasa
Dr. Wilson K. Aruasa, MBS
CHIEF EXECUTIVE OFFICER

MOI TEACHING AND REFERRAL HOSPITAL
CEO
APPROVED
12 APR 2018
SIGN.....
P. O. Box 3 - 30100, ELDORET

VI. CORPORATE GOVERNANCE

MTRH Board Charter

The MTRH Board of Management has a Board Charter that describes Board Members' responsibilities, the Board's functions & structures and ethical conduct. In addition to this, the Mwongozo Code of Governance for State Corporations governs Board operations.

1. Appointment and Induction of new Board Members

Appointment of Board members is as prescribed under the State Corporations Act CAP 446 vide Legal Notice No 78 of 1998 and 56 of 2002. The President appoints the Board Chair and the CEO. The Cabinet Secretary for Health appoints Four (4) Independent Board Members while six (6) Board Members are appointed in representative capacity for the Principal Secretary Ministry of Health, Principal Secretary Ministry of Higher Education Science and Technology, Principal Secretary the National Treasury, Director of Medical Services, Chair Moi University Council, and Vice Chancellor Moi University. The appointing authorities take into considerations skills mix in selection of Board Members to ensure persons with key specializations such as Finance, Legal, Health, etc are included in the Board.

Through Gazette Notice No 5579 of 5th June 2018 H.E The President appointed a new Chairperson and The Cabinet Secretary for Health appointed a new Board Member on a three-year term with effect from 1st July 2018.

- (i) **Hon. Godana Doyo - Non-Executive Chairperson**
(ii) **Mrs. Constantine Kandie - Non-Executive Member**

2) Training of Board Members

Members of the Board attended the following trainings during the year.

Committee	Training	Date	Attendance	Venue
Audit Committee workshop	Audit-Emerging Trends for Audit committee in a new era of governance.	20-22 nd June 2018	1.Dr. Simon Kibias 2.Florence Chelimo 3.Ann Mworia 4.Martin Gumo	KCA University

3) Board Performance Evaluation:

The Hospital Board evaluation is conducted on annual basis by the Inspectorate of State Corporations (SCAC). The Board conducted the negotiation and signing of the Board performance with the Cabinet Secretary for Health.

4) Conflict of Interest:

Declaration of Conflict of Interest is a standing agenda in all meetings of the Board and its Committees. A register maintained by the Institution to record all declarations made by board members.

5) Board Remuneration:

Remuneration of Board Members is as prescribed by the State Corporations Advisory Committee. Additionally, Medical and Accident Insurance Cover is provided to Independent Board Members only. Benefits and allowances payable to Members of the Board are as outlined below.

Type of payment	Chairman	Member
Honoraria (per month)	Ksh. 80,000	-
Sitting allowance	Ksh. 20,000 (Gross)	Ksh. 20,000 (Gross)
Telephone allowance	Ksh. 7,000	-
Transport allowance/ mileage	AA rates	AA rates
Taxi Allowance (as necessary, per meeting)	Ksh. 4,000	Ksh. 4,000
Lunch allowance (in lieu)	Ksh. 2,000	Ksh. 2,000
Accommodation (as necessary, per meeting)	Ksh. 18,200	Ksh. 18,200

6) Board Meetings Attendance.

In the FY 2017/18, meetings were held as follows; (Full Board)

Regular Full Board Meetings	Special Full Board Meetings	Board Retreat
11/08/2017	Nil	19 th – 21 st April 2018
16/11/2017		
16/02/2018		
29/06/2018		

Board Committees;

1. Finance and Strategy Committee
Three regular meetings were held in the FY 17/18 on the following dates; 29/9/2017, 26/1/2018, 08/6/2018.
2. Audit, Risk and Compliance Committee
Four regular meetings were held in the FY 17/18 on the following dates; 20/07/2017, 12/10/2017, 19/1/2018, 17/05/2018.
3. Hospital Operations and Standards Committee.
Three regular meetings were held in the FY 17/18 on the following dates; 20/07/2017, 13/10/2017, 02/02/2018.
4. People Management Committee
Three regular meetings were held in the FY 17/18 on the following dates; 14/07/2017, 26/10/2017, 01/02/2018.

7) Governance Audit:

The Hospital scheduled and conducted legal/ governance audit in the FY 2017/18 by an independent legal firm and its recommendations are being implemented.

VII. MANAGEMENT DISCUSSIONS AND ANALYSIS

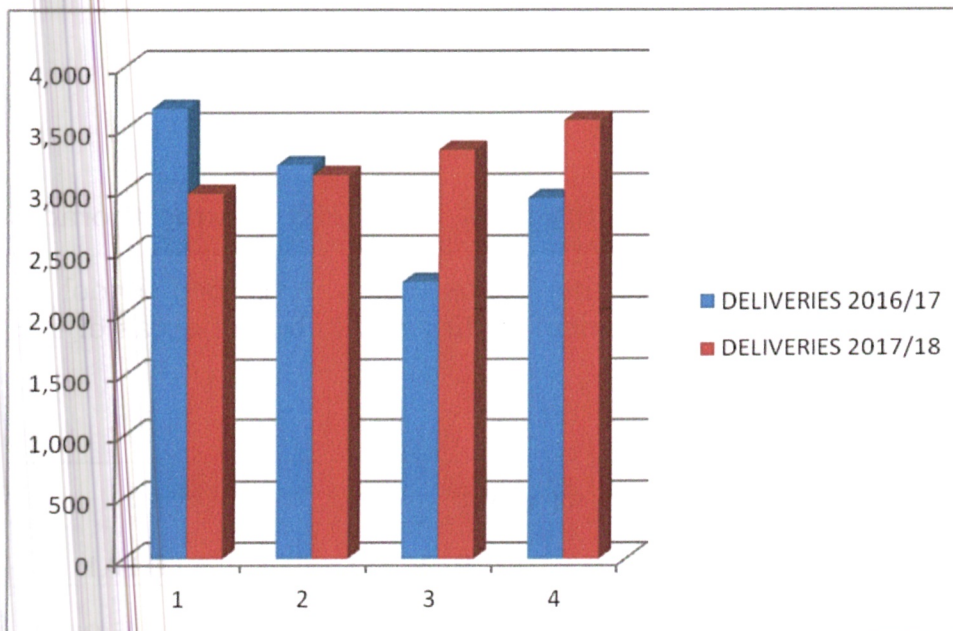
A) CLINICAL PERFORMANCE

The Hospital attended to **332,810** outpatients during the FY 2017/18 compared **283,678** last FY 2016/17, representing a **17%** increase, and **43,144** inpatients in the year under review compared with **38,917** in the last FY 2016/17 registering a **10%** growth in admissions, during the twelve months' period ending 30th June 2018. The number of maternal deliveries for the period stood at **12,976**

1. Reproductive Health

During the Financial year FY 2017/2018, the department conducted 12,976 deliveries compared to FY2016/17 where 12,048 deliveries were done, translating to 6% growth; this was mainly attributed to increased referrals from counties, in need of specialized maternity services

PERIOD	DELIVERIES 2016/17	DELIVERIES 2017/18
1ST QRT	3,663	2,971
2ND QRT	3,199	3,119
3RD QRT	2,252	3,322
4TH QRT	2,934	3,564
	12,048	12,976



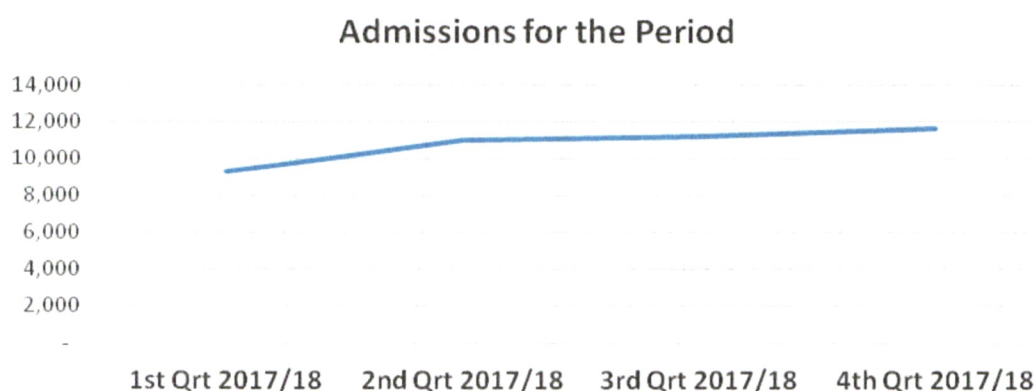
1. In-Patient Services

Bed occupancy stood at 105% on average during the year under review, compared with 118% during the FY 2016/17. This is attributed to efficiencies in service delivery, especially the Theatres, and consistent Supplies. However, the average length of stay went up by 0.75% to 8 days, compared with 7.25 days in the FY 2016/17 due to increased trauma cases, therefore pushing up the Average Length of Stay (ALOS).

Average Length of stay and Bed occupancy

Period	Admissions	ALOS	Average occupancy	%Bed occupancy
1st Qrt 2017/18	9,284	7	739	90%
2nd Qrt 2017/18	11,035	8	1,030	116%
3rd Qrt 2017/18	11,192	8	1,000	108%
4th Qrt 2017/18	11,633	8	1,013	106%
Total	43,144	8	945	105%

Patient Admission Trends



Specialized Services

The Hospital carried out 1,063 neurosurgeries and 216 Cardio-thoracic surgeries.

In seeking to improve the quality of care, the Hospital has developed a tool to document medical errors and conducted clinical audits in all clinical areas of the Hospital.

3. Out Patient Department

PERIOD	STATUS		TOTAL
	NEW	REVISIT	
1st Qrt 2017/18	24,026	45,309	69,335
2nd Qrt 2017/18	28,315	51,082	79,397
3rd Qrt 2017/18	31,758	59,091	90,849
4th Qrt 2017/18	24,901	68,328	93,229
GRAND TOTALS	109,000	223,810	332,810

4. THEATRE DEPARTMENT

Month	1st QRT	2nd QRT	3rd QRT	4th QRT	Total
CARDIO	32	72	55	57	216
ENT	89	142	200	192	623
G/S	358	362	323	312	1,355
NEURO	217	218	296	332	1,063
OBS	572	752	775	666	2,765
GYN	96	77	110	80	363
ORTHO	394	711	671	521	2,297
PLASTIC	41	34	45	62	182
UROLOGY	86	121	106	94	407
PAEDS	117	179	204	172	672
OPHA	110	162	317	220	809
MAXILLO	15	28	37	33	113
Total	2,127	2,858	3,139	2,741	10,865

Neuro Surgery Camp at MTRH

A multidisciplinary team of both visiting and local medical specialists including Neurosurgeons, Orthopaedic surgeons, Anesthetists and Nursing teams performed specialised Neurosurgery operations at MTRH in June 2018 in which 50 patients were operated.

B) CURRENT TRENDS IN THE HEALTH SECTOR

(i) UNIVERSAL HEALTH CARE

Universal Healthcare (UHC) means that **all people** and communities can use the promotive, preventive, curative, rehabilitative and palliative health **services** they need, of sufficient **quality** to be effective, while also ensuring that the use of these services does not expose the User to **financial hardship**. UHC remains one of the key global health community commitments whose goal is to ensure all people obtain health services they need without suffering financial hardship when paying for them.

The Constitution of Kenya (COK, 2010) through the Bill of Rights recognizes health as a primary right and tasks the health sector with the responsibility to realize this right. The right to health is also captured in other policy documents such as Vision 2030 and the Kenya Health Policy 2015 – 2030, which aim to provide equitable and affordable health care of the highest standards to Kenyans. These legal and policy documents, among others, signal the government's commitment to ensure that Kenyans have access to quality, affordable health care.

In order to realize this Government Commitment, Moi Teaching and Referral Hospital (MTRH) has mainstreamed its operations through the New MTRH 2017 – 2022 Strategy. The Hospital has been walking this journey towards attainment of Universal Health Coverage (UHC) through addressing the three (3) key issues of UHC; Population Coverage, Access to Quality Healthcare Services and Cost (Financial) Protection.

Among the roles the Hospital has played in achievement of UHC include;

1. Pillar One: Population Coverage

- a) Medical Camps and Community Outreaches
- b) Partnerships and Collaborations with counties and other stakeholders
- c) Development & Implementation of Referral Strategy
- d) Infrastructure Development through Modernization of Medical Equipment and the planned Construction and equipping of the 4,000-Bed Multi-Specialty Moi Teaching and Referral Hospital.

2. Pillar Two: Access to Quality Healthcare Services

- a) Healthcare Service Provision through specialized healthcare services.
- b) Centre for Assault Recovery Eldoret (CAR-E) - Care and Treatment to Victims of Sexual and Gender Based Violence.
- c) Rafiki Centre for Excellence in Adolescent Health (RAC-E).
- d) Human Resource for Health - optimum availability of specialized healthcare personnel in all disciplines and provision of training for healthcare personnel for basic and post-basic courses.
- e) Performance Management, Standards and Quality Assurance.

3. Pillar Three: Cost of Healthcare

- a)** User Fees on a cost-reimbursement (cost-sharing) basis which ensure affordability of services to the citizens.
- b)** Enrolment to NHIF – The Hospital partners with NHIF in promoting uptake of healthcare insurance.

(ii) FOCUS ON NON-COMMUNICABLE DISEASES

With the increase in lifestyle diseases including obesity, high blood pressure, diabetes, renal disease, cancer and other cardiovascular related diseases, the country has made a paradigm shift to focus on non-communicable diseases. To address these new challenges, the Hospital through the Academic Model Providing Access to Healthcare has established Primary Healthcare services in which community outreaches is conducted throughout the Hospital's catchment area for early diagnosis and treatment of non-communicable diseases. The Hospital is also in the process of acquiring Radiation Therapy equipment for Cancer cases as well as setting up a 4000-bed Multi-Speciality Hospital.

(iii) ROLE OF ICT IN HEALTH CARE

The use of ICT in Health care is becoming more robust in Kenya. MTRH has adopted use of Telemedicine not only to support service provision within the Hospital, but also to establish linkages and collaboration with advanced international Hospitals abroad. MTRH has also embraced use of Integrated Health Management Information System (I-HMIS), use of Mobile money (M-PESA) and Agency Banking as a mode of settlement and keeping track of client's deposits. Mobile money has not only enhanced security and efficiency of money transfer but is also improved Revenue collection.

(iv) DEVOLUTION OF HEALTHCARE

Under the Constitution of Kenya 2010, Primary health care is a devolved service to the counties. MTRH has developed a referral strategy that ensures an effective referral system to improve Service Providers' capacity to offer services and appropriately refer at each level of the healthcare system. Referrals are made to access to high-level Emergency Services. The policy document is disseminated during Outreaches in order to streamline upward and downward referrals which will contribute towards decongestion of the Hospital. MTRH has also collaborated with many counties within the North Rift and signed MOUs with Uasin Gishu, Elgeyo Marakwet and Nandi counties for capacity building and for both upward and downward referrals. The Hospital however continues to receive more patients, some of whom could have been attended at the county hospitals.

(v) CHALLENGES AND OPPORTUNITIES

Physical infrastructure and Equipment

Most of the equipment used in the Hospital are old and of obsolete technology. The current level of obsolescence of equipment and machinery is at 45% (overdue equipment compared to available equipment). The physical infrastructure is old and dilapidated and cannot cope with the rising demand of quality healthcare in the Hospital. The availability and functionality of medical equipment and infrastructure is critical in treatment. It is therefore imminent that funds be allocated to replace the equipment and improve the infrastructure to avoid disruptions in service delivery and improve health outcomes.

National Hospital Insurance Fund Cover

MTRH has continued to provide specialized health care services to inpatients that are contributors and their dependents with NHIF cover. Patients with NHIF cover enjoy comprehensive cover for maternity, medical services and surgery. A significant number of patients seeking medical services in MTRH have not enrolled with NHIF and therefore expected to pay medical bills. Most of them are unable to pay hence released on unsecured credit. There is need to scale up awareness to increase the uptake of NHIF cover among Kenyans.

Free Maternity Programme

The Government implemented Free Maternity programme with effect from May 2013 for which the Ministry of Health was to reimburse MTRH Ksh. 17,500 per maternal delivery. However, the cost of offering maternity services at MTRH is beyond the reimbursable amount because MTRH being a Referral Hospital receives maternity related complications that require specialized treatment including Intensive Care Unit (ICU) services to Maternal and Neonatal complications.

VIII. FINANCIAL PERFORMANCE

During the Financial year 2017/2018, the Hospital had an approved Budget of Kshs. 8,212,747,493 being Kshs. 5,701,350,405 Recurrent Grant, Kshs. 170,000,000 Capital Development Grant and Kshs. 2,341,397,088 Cost Sharing funds. The Hospital allocated Kshs. 120,000,000 of its cost sharing income to capital development expenditure. The Hospital achieved Kshs.2,464,470,716 from cost sharing sources representing a 5% growth against target. The disbursement of Government grants was however underachieved with pending disbursement of Kshs. 93 million of recurrent grants and 85 million of development grants.

The Hospital realized a surplus of Kshs. 33,338,481 in the financial year.

IX.

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING**

Clinical Outreaches

The Hospital conducts clinical outreaches in the community within its catchment area as a way of creating awareness on health seeking behavior and encourage early diagnosis and treatment. It offers screening and free medical services during this outreaches. It is also an opportunity to provide mentorship to partnering county health facilities. The Hospital conducted fifteen outreaches, screened and offered medical services to over 6,000 members of public during the period under review as tabulated below

Clinical Outreaches

Month	Outreach/Activity	Location
August 2017	<ul style="list-style-type: none"> The Hospital marked the World Breastfeeding Week. Medical camp at Chebusie 	-Uasin Gishu County -Elgeyo Marakwet County
September 2017	<ul style="list-style-type: none"> The Word Physiotherapy Day: Theme, Exercise equals Life International Housekeeping Week: Theme, Celebrating the kings and queens of clean The Hospital sponsored the Eldoret Golf Tournament The Hospital celebrated the World Contraception Day. Participated in Word Heart Day Dental Outreach in Munya-Eldoret 	Uasin Gishu County
October 2017	<ul style="list-style-type: none"> Customer Service Week-Huduma Centre Eldoret Conducted Eye Medical Camp Marked The World Mental Health day under the Theme: Mental Health at Work Place World Sight Day with the Theme: Make Vision Count Participated in 24th Medical Laboratory Scientific and Exhibition Conference World Palliative and Hospice day The Hospital Supported Kipchoge Keino Cross Country. Marked The World Breast Cancer Day at Moi University 	Uasin Gishu County
November 2017	<ul style="list-style-type: none"> The Hospital Participated in the Stanchart Marathon 	Nairobi County
December 2017	<ul style="list-style-type: none"> Marked the World AIDS Day and Unveiling of MTRH AIDS Control Unit 	Uasin Gishu County

*Moi Teaching and Referral Hospital, Annual Report and
Financial Statements for the year ended 30th June 2018*

	<ul style="list-style-type: none"> • Medical Camp in Tiaty Sub-County 	Baringo County
January 2018	<ul style="list-style-type: none"> • Principal Secretary- Ministry of Health toured the Hospital. • Handing over of the renovated pediatric dialysis unit. 	MTRH
February 2018	<ul style="list-style-type: none"> • Urology Camp with Indiana University School of Medicine • World Cancer Day-Celebrated MTRH, Ampath and Uasin Gishu County Government • Participated in International Exhibition on the sidelines of the EAC Heads of state Summit in Kampala Uganda • Conducted school/ Community Health Programme at Bomet County 	MTRH Kampala- Uganda
March 2018	<ul style="list-style-type: none"> • Health Exhibition during the Kenya Health Forum 2018 - Laico Regency Nairobi 	Bomet County Nairobi
June 2018	<ul style="list-style-type: none"> • Celebrated World Clubfoot Day • Marked World Alcohol and Drug Abuse Day. 	Uasin-Gishu County

X. REPORT OF THE DIRECTORS

The Directors submit this report together with the financial statements for the year ended 30th June 2018, which show the state of the Hospital's affairs.

Principal activities

The principal activities of the Hospital include;

- i) Receive patients on Referral from other Hospitals or Institutions within or outside Kenya for specialized health care;
- ii) Provide facilities for Medical education for the Moi University, and for research either directly or through other co-operating health institutions;
- iii) Provide facilities for education and training in Nursing and other health and allied professions;
- iv) Participate as a National Referral Hospital in National Health Planning.

Results

The results of the Hospital for the year ended 30th June 2018 are set out on page 1 to page 8.

Directors

The members of the Board of Directors who served during the year are shown on page (v) to page (viii) of this report. During the year, one (1) director retired and 2 were appointed.

Auditors

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

By Order of the Board

Wilson K. Aruasa 12/04/2019
Dr. Wilson K. Aruasa, MBS
Chief Executive Officer/Secretary to the Board

P.O. Box 3

Eldoret

Date:.....



XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of Moi Teaching and Referral Hospital ('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 (period) ended on 30th June 2018. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Hospital;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the Hospital;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

The 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 State Corporations Act. The Directors are of the opinion that the Hospital's financial statements give a true and fair view of the state of Hospital's transactions during the financial year ended 30th June 2018, and of the Hospital's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Hospital, which have been relied upon in the preparation of the Hospital's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the 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 21st September 2018 and signed on its behalf by:

.....
[Signature]

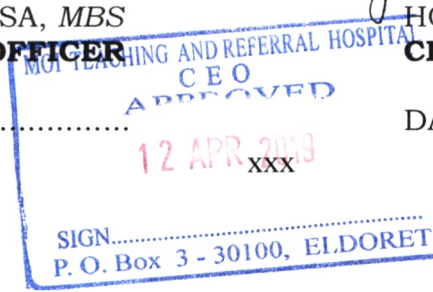
DR. WILSON K. ARUASA, MBS
CHIEF EXECUTIVE OFFICER

DATE 12/04/2019

.....
[Signature]

HON. GODANA DOYO
CHAIRMAN

DATE



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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MOI TEACHING AND REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Moi Teaching and Referral Hospital set out on pages 1 to 36, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Moi Teaching and Referral Hospital as at 30 June 2018, 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 Moi Teaching and Referral Hospital Board Order, 1998.

Basis for Qualified Opinion

1.0 Property, Plant and Equipment

1.1 Land

As reported previously, included in the property, plant and equipment balance of Kshs.2,112,833,999 as at 30 June 2018 is Uasin Gishu Memorial Hospital land valued at Kshs.71,037,687. However, the ownership of Uasin Gishu Memorial Hospital land is subject to a court case between the hospital and the former directors of the hospital. Although the hospital management has explained that the Constitutional Court to which the case was referred ruled in favour of Moi Teaching and Referral Hospital on 10 March 2010, the former directors appealed against the judgement and the Court of Appeal issued judgement in favour of Uasin Gishu Memorial Hospital Ltd on 6 October 2017. The State Law Office was subsequently served with a demand letter from Uasin Gishu Memorial Hospital Ltd claiming a compensation of Kshs.1,738,630,267. The Hospital Board management approved filing of an appeal at the Supreme Court. The Hospital and the Attorney General have since filed the appeal and application of extension of time to appeal. Under the circumstances, until the appeal is heard and determined, the ownership status of the land valued at Kshs.71,037,687 included in the property, plant and equipment balance of Kshs.2,112,833,999 as at 30 June 2018 could not be confirmed.

Report of the Auditor-General on Moi Teaching and Referral Hospital Financial Statements for the year ended 30 June 2018

1.2. Encroachment of Land

Also as reported in the previous year, available records indicate that the original plan for the hospital land referenced as F/R No.176/12 was revised in 2004. The revised plan of 2004 was referenced as F/R No.430/188 and indicated that the approximate area of the hospital land was 29.67 hectares. The revision of the original plan culminated in the production of the Partial Development Plan (PDP) of reference number, ELD 17/2001/3A. However, scrutiny of the two plans of hospital land indicates that, the original boundaries changed course and excluded sections of F/R No.315/128(532 and 533), F/R No.316/129 (534 and 535), F/R No.166/149 (180 and 192) and of F/R No.166/62 in the revised plan for 2004.

Further, an inspection of the land revealed that, there are permanent structures built on the encroached land indicated above. In addition, management did not avail documentary evidence indicating efforts made to reclaim the encroached land.

In consequence, it was not possible to confirm the accuracy and completeness of the size and valuation for land included in the financial statements as at 30 June 2018.

2.0 Trade and Other Receivables

2.1 Corporate Clients Debtors

As previously reported, included in trade and other receivables balance of Kshs.1,239,842,450 as at 30 June 2018 is corporate client debtors of Kshs.459,549,918 as disclosed in Note 7.2 to the financial statements out of which Kshs.184,252,397 relates to 2016/2017 and prior years. Although management had demonstrated some efforts made at debt recovery, not much had been achieved.

Consequently, the validity and recoverability of corporate debts balance of Kshs.459,549,918 as at 30 June 2018 could not be confirmed.

2.2 AMPATH Debtors

Included in trade and other receivables balance of Kshs.1,239,842,450 is an amount of Kshs.63,646,365 in respect of AMPATH debtors. Available information revealed that this is a figure brought forward over years. However, audited AMPATH financial statements were not provided for audit verification.

In the circumstances, the accuracy, validity and completeness of the AMPATH debtors balance of Kshs.63,646,365 as at 30 June 2018 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Moi Teaching and Referral Hospital (MTRH) in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Property, Plant and Equipment - Construction of Multi-Specialty Hospital

The Hospital is in the process of constructing a multi-specialty 2000 bed Moi Teaching and Referral Hospital in Kiplombe area within Eldoret municipality. The land measuring 80.94 hectares for the project was acquired from the Ministry of Interior under prisons department. As at the time of audit, the management had a certificate of lease with title number Eldoret municipality block 10/2035 size 80.94 hectares with the lessor being Government of Kenya and lessee the Cabinet Secretary Treasury. In the year 2017/2018 the Hospital management spent an amount of Kshs.10,845,965 on due diligence trip to China as part of procurement process for the project and total of Kshs.1,226,760 being costs for acquisition of certificate of lease for the land . However, available information revealed that signing of commercial contract and negotiation with the proposed financier for the project are yet to be done.

My opinion is not however, qualified in respect of this matter.

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. Except for the matter(s) described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

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 matter(s) described in the Basis for [Conclusion on Lawfulness and Effectiveness in Use of Public Resources/ Qualified Opinion] 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. Unremitted Salary Obligation

The statement of financial position as at 30 June 2018 reflect a salary obligations figure of Kshs.532,028,387 as disclosed under note 9.4 to the financial statements. Which include an amount of Kshs.99,443,982 deducted from the payroll for the month of May 2018 and prior months that had not been remitted to the respectful entities. The management is in breach of the law and failure to remit the deductions may attract penalties and interest charges.

2. Personal Emoluments - Staff Composition

A review of the staff establishment at the Moi Teaching and Referral Hospital (MTRH) revealed that out of the total staff composition of 3749 during the financial year 2017/2018,

Report of the Auditor-General on Moi Teaching and Referral Hospital Financial Statements for the year ended 30 June 2018

69.8% is occupied by the dominant ethnic community and 30.20% by the rest. This is contrary to Section 7(1) and (2) of the national cohesion and integration Act, 2008 which requires that all public establishments shall seek to represent the diversity of the people of Kenya in employment of staff and no public establishment shall have more than one third (1/3) of its establishment from the same ethnic community. This also contravenes Cap 232 (h) of the Constitution of Kenya on the principles and values of National Cohesion. The management is therefore 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.

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter(s) described in the Basis for Qualified Opinion section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Moi Teaching and Referral Hospital ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the National Government either intends to liquidate the Moi Teaching and Referral Hospital or to cease operations, or have no realistic alternative but to do so.

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

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

Those charged with governance are responsible for overseeing the Moi Teaching and Referral Hospital financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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

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

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

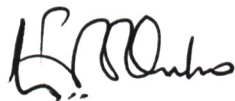
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern 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 Moi Teaching and Referral Hospital ability to continue as a going concern or 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 Moi Teaching and Referral Hospital to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Moi Teaching and Referral Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

21 May 2019

Appendix

MOI TEACHING AND REFERRAL HOSPITAL UNREMITTED SALARIES OBLIGATIONS

AS AT 30TH JUNE 2018		June 2018 Deduction Sampled from Payroll Summary Kshs	May and Prior Months Kshs
	Kshs	Kshs	Kshs
PAYE	96,721,402	99,632,379.00	(2,910,977.29)
NSSF	1,452,600	746,000.00	706,600.20
NHIF	5,518,600	5,721,400.00	(202,800.00)
SACCOs	20,024,210	8,588,339.00	11,435,870.79
Nancy Kaari Samuel	3,500	3,500.00	-
Hospital-Wide Benevolent Fund	1,896,329	746,400.00	1,149,929.00
MTRH Pension Scheme	123,934,949	13,332,718.84	110,602,230.03
Flomena J. Choge	23,248	11,624.00	11,624.00
Moi University School Fees/pension	100,000	375,000.00	(275,000.00)
Union Dues	880,861	1,436,716.20	(555,855.30)
MADES Welfare	1,112,447	1,112,446.85	-
Laboratory Staff S.H. Group	357,506	357,506.00	-
Sub Staff Welfare	323,735	323,735.00	-
Health Records Information System Welfare	59,228	59,228.16	-
Security Self Help Group	150,354	150,354.00	-
Nutrition Welfare	169,566	169,566.00	-
Supplies Welfare	324,202	324,202.00	-
Radiology Welfare	41,130	41,130.00	-
Nurses Welfare	716,224	716,224.00	-
Occupational Therapy Welfare	116,826	116,826.00	-
Medical Social Work Welfare	202,360	202,360.00	-
ELD. Clinical Officers Welfare	321,208	321,208.00	-
Central Services Welfare	47,300	47,300.00	-
Catering Welfare	266,759	266,758.75	-
Secretaries Welfare	36,300	36,300.00	-
Transport Welfare	116,910	116,910.00	-

Report of the Auditor-General on Moi Teaching and Referral Hospital Financial Statements for the year ended 30 June 2018

	Kshs	June 2018 Deduction Sampled from Payroll Summary Kshs	May and Prior Months Kshs
Pharmacy Welfare	328,594	328,594.00	-
Dental Welfare	133,812	133,812.00	-
Physiotherapy Welfare	115,800	115,800.00	-
SANPRE Welfare	170,583	170,583.00	-
ICT Welfare	272,989	272,988.69	-
MTRH Administrators Welfare	51,000	51,000.00	-
MTRH Benevolent Fund	335,560	335,560.00	-
HELB Loan	453,871	445,557.00	8,313.86
Save as You Earn	9,501	9,500.60	-
Senior Principle Magistrate Kabarnet	3,000	3,000.00	-
Barclay Bank Loan	4,289,238	4,302,582.00	(13,343.70)
Rose Keino	32,982	32,982.00	-
KCB Loan	83,621,244	83,256,212.00	365,032.05
CFC Bank Loan	91,094	45,574.00	45,519.52
Platinum Credit Loan	420,889	1,658,184.00	(1,237,294.97)
Family Finance Loan	895,553	649,711.00	245,842.00
NBK Loan	1,191,515	574,016.00	617,499.40
Equity Bank Loan	432,322	193,751.00	238,571.00
Standard Bank Loan	11,737,558	11,737,527.00	31.29
Insurance	4,060,864	6,473,661.00	(2,412,796.88)
Hire Purchase	2,595,699	2,645,994.00	(50,294.70)
NACOA	15,000	12,500.00	2,500.00
Equatorial Bank Loan	190,706	-	190,706.00
Faulu Bank Loan	3,924,406	3,924,406.00	-
Bank of Africa Loan	1,139,210	569,605.00	569,605.36
Cooperative Bank Loan	27,825,960	28,050,490.00	(224,530.48)
Old Mutual	380,000	47,500.00	332,500.00
MTRH Self Help Group	18,000	10,500.00	7,500.00
Net Pay	132,373,684	151,576,682.17	(19,202,998.60)
TOTAL	532,028,387	432,584,404.26	99,443,982.58

**I. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30TH JUNE 2018**


	Notes	2017/2018	2016/2017
Revenue from Non-Exchange Transactions			
Government grant	4.1	5,701,350,405	5,250,689,538
		5,701,350,405	5,250,689,538
Revenue from Exchange Transactions			
Cost Sharing	4.2	1,809,177,096	1,286,934,064
Income Generating Unit	4.3	632,574,416	732,914,838
Other Income	4.4	22,719,205	29,987,933
		2,464,470,716	2,049,836,834
Total Revenue		8,165,821,121	7,300,526,372
Direct costs			
Opening inventories	7.3	208,343,783	177,009,062
Add: Direct costs	5.1	984,654,087	751,712,488
Closing inventories	7.3	(270,710,294)	(208,343,783)
Net direct costs		922,287,576	720,377,767
Gross revenue		7,243,533,545	6,580,148,605
EXPENDITURE			
Personal Emoluments	6.1	5,895,004,840	5,124,804,916
Depreciation	6.2	133,367,795	112,034,685
Administrative cost	6.3	407,238,875	363,434,487
Operational cost	6.4	482,400,775	426,388,435
Board Expenses	6.5	8,840,187	12,417,517
Finance Cost	6.6	147,412	746,956
Provision for doubtful debts	6.7	72,810,379	208,970,466
Waivers and Exemptions	6.8	208,876,801	146,629,213
Provision for Audit fee	6.9	1,508,000	464,000
Total Costs		7,210,195,064	6,395,890,676
Net Surplus/ (Loss)		33,338,481	184,257,929
Revenue reserves B/F		(200,335,568)	(384,593,497)
Revenue reserves C/F		(166,997,087)	(200,335,568)


The notes set out on pages 9 to 34 form an integral part of the Financial Statements

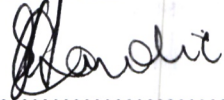
**II. STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018**

	Notes	2017/2018 KSHS.	2016/2017 KSHS.
CURRENT ASSETS			
Cash and Cash Equivalents	7.1	172,818,649	25,850,577
Debtors	7.2	1,239,842,450	1,203,587,207
Inventories	7.3	270,710,294	208,343,783
		1,683,371,393	1,437,781,566
Non-Current Assets			
Property, Plant and Equipment	8.1	2,112,833,999	1,944,023,040
Project cost	8.2	34,258,705	80,469,212
		2,147,092,703	2,024,492,252
TOTAL ASSETS		3,830,464,096	3,462,273,818
CURRENT LIABILITIES			
Trade and other Payables	9.1	545,532,944	293,830,236
Long Term Loan	9.2	-	15,377,226
Prepaid fees	9.3	4,604,159	825,646
Unremitted Salary Obligations	9.4	532,028,387	520,168,585
Finance Lease	9.5	11,304,956	13,416,956
TOTAL		1,093,470,446	843,618,649
NET ASSETS		2,736,993,649	2,618,655,169
FINANCED BY			
CAPITAL RESERVES	10.1	2,903,990,737	2,818,990,737
REVENUE RESERVES	10.2	(166,997,087)	(200,335,568)
TOTAL		2,736,993,650	2,618,655,169

The notes set out on pages 9 to 34 form an integral part of the Financial Statements


DR. WILSON K. ARUASA, MBS
CHIEF EXECUTIVE OFFICER


THOMAS NGETICH
ICPAK NO. 7617
MANAGER, FINANCE


HON. GODANA DOYO
CHAIRMAN

DATE 12/04/2019

DATE 12/04/2019

DATE.....



**III. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2018**

	CAPITAL RESERVES	REVENUE RESERVES	TOTAL
Balance as at 30th June 2016	2,725,725,398	(384,593,500)	2,341,131,898
Capital grants for the period	90,000,000	-	90,000,000
Donations	3,265,339	-	3,265,339
Surplus (Deficit) for the Period		184,257,929	184,257,929
	-	-	-
Balance As At 30th June 2017	2,818,990,737	(200,335,571)	2,618,655,166
Balance as at 1st July 2017	2,818,990,737	(200,335,571)	2,618,655,166
Capital grants for the period	85,000,000	-	85,000,000
Donations	-	-	-
Surplus (Deficit) for the Period		33,338,481	33,338,481
Balance As At 30th June 2018	2,903,990,737	(166,997,087)	2,736,993,650
Balance As At 30th June 2017	2,818,990,737	(200,335,571)	2,618,655,166

The notes set out on pages 9 to 34 form an integral part of the Financial Statements

**IV. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2018**

	NOTE	2018	2017
1. Cash Flow from Operating Activities.		KSHS.	KSHS.
Surplus/Deficit	I S	33,338,481	184,257,929
Add:			
Gain on Disposal	4.4	-	(682,390)
Depreciation of Assets	6.2	133,367,795	112,034,685
		133,367,795	111,352,295
Operating Profit Before Working Capital Changes		166,706,276	295,610,224
Working capital changes:			
Change in Trade and other Receivables	7.2	(36,255,243)	(62,166,285)
Change in Stock	7.3	(62,366,511)	(31,334,720)
Change in Trade and other Payables	9.1	251,702,708	(79,367,754)
Long Term Loan	9.2	(15,377,226)	(16,460,216)
Prepaid Fees	9.3	3,778,513	13,000
Unremitted Salary Obligations	9.4	11,859,802	57,220,660
KCB Finance Lease	9.5	(2,112,000)	13,416,956
		151,230,042	(118,678,359)
Net Cash In/Outflow from Operating Activities.		317,936,317	176,931,865
2. CASH FLOW FROM INVESTING ACTIVITIES.			
Purchase of Fixed Assets	8.1	(255,968,246)	(220,985,212)
Project Cost		-	(49,756,975)
Proceed from Asset Disposed	8.1	-	12,629,725
Net Cash used in investing activities		(255,968,246)	(258,112,462)
3.CASH FLOW FROM FINANCING ACTIVITIES			
Government Grants- Capital	10.1	85,000,000	90,000,000
		85,000,000	90,000,000
Change in Cash and Cash Equivalents in the year.		146,968,073	8,819,403
Cash and Cash Equivalent at the beginning of the year	7.1	25,850,576	17,031,173
Cash and Cash Equivalent at end of the year	7.1	172,818,649	25,850,576

The notes set out on pages 9 to 34 form an integral part of the Financial Statements

**V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30TH JUNE 2018**

Expenditure Item	Original Budget 2017/18	Budget Adjustment/ Reallocation	Final Budget	Actual Vote Book Expenses	Performance Difference	%
REVENUE						
GOK Grants						
Recurrent	5,353,337,074	348,013,331	5,701,350,405	5,701,350,405	0	100%
Capital	170,000,000	-	170,000,000	85,000,000	-85,000,000	50%
Sub-Total	5,523,337,074	348,013,331	5,871,350,405	5,786,350,405	-85,000,000	99%
APPROPRIATIONS IN AID (A.I.A)						
Cost Sharing	2,320,351,127	-	2,320,351,127	2,441,751,511	121,400,384	105%
Other Income	21,045,961	-	21,045,961	22,719,205	1,673,244	108%
Sub-Total	2,341,397,088	-	2,341,397,088	2,464,470,716	123,073,628	105%
GRAND TOTAL	7,864,734,162	348,013,331	8,212,747,493	8,250,821,121	-38,073,628	100%
EXPENDITURE	Original Budget 2017/18	Budget Adjustment/ Reallocation	Final Budget	Actual Vote Book Exp	Performance Difference	%
Personnel Emoluments	5,311,337,074	348,013,331	5,659,350,405	5,809,966,542	-150,616,137	103%
Purchase of Drugs	503,001,537	21,819,143	524,820,680	535,034,732	-10,214,052	102%
Creditors/ Pending bills	114,667,684	-	114,667,684	103,518,834	11,148,850	90%
Disaster/ Emergency Response	30,000,000	-	30,000,000	24,358,589	5,641,411	81%
Dressings/theatre supplies	208,076,472	-	208,076,472	185,357,561	22,718,911	89%
Dental Supplies	9,660,000	-	9,660,000	6,816,431	2,843,569	71%
Food & Ration	122,384,542	-	122,384,542	116,756,729	5,627,813	95%
Doctors' Fees	179,827,576	-53,719,240	126,108,336	128,623,075	-2,514,739	98%
Lab reagents/chemicals	74,485,095	26,468,300	100,953,395	111,803,696	-10,850,301	111%
Cleansing materials	46,074,119	-	46,074,119	44,473,584	1,600,535	97%
Admission Packs	9,008,433	-	9,008,433	8,058,000	950,433	89%
Hospital Linen	9,073,770	586,980	9,660,750	9,660,750	-	100%
X-ray/ Radiology supplies	37,412,968	5,000,000	42,412,968	43,224,380	-811,412	102%

*Moi Teaching and Referral Hospital, Annual Report and
Financial Statements for the year ended 30th June 2018*

EXPENDITURE	Original Budget 2017/18	Budget Adjustment/ Reallocation	Final Budget	Actual Vote Book Exp	Performance Difference	%
Oxygen	72,000,000	-17,000,000	55,000,000	48,049,139	6,950,861	87%
Supplies for Production	9,281,774	-	9,281,774	7,585,442	1,696,332	82%
Fuel & Gas	14,308,224	-4,000,000	10,308,224	7,948,339	2,359,885	77%
Uniforms for patients	7,425,461	-	7,425,461	6,426,260	999,201	87%
Materials for Specialized units	12,156,885	-	12,156,885	13,502,990	-1,346,105	111%
Mortuary supplies	2,301,176	-	2,301,176	1,320,496	980,680	57%
Course Administration and subscription fees	9,234,964	1,000,000	10,234,964	9,840,927	394,037	96%
Cafeteria supplies	12,301,546	934,235	13,235,781	13,220,185	15,596	100%
Library services	4,677,802	-	4,677,802	4,390,382	287,420	94%
Maintenance of building & station	35,573,345	3,771,911	39,345,256	35,518,856	3,826,400	90%
Maintenance plant & equipment	30,108,948	-5,000,000	25,108,948	20,873,814	4,235,134	83%
Electricity Expenses	58,430,734	-	58,430,734	57,700,467	730,267	99%
Stationery	13,806,950	-	13,806,950	13,590,803	216,147	98%
Water & Conservancy	34,206,114	-	34,206,114	36,787,461	-2,581,347	108%
Transport Operating Expenses	10,223,058	-2,000,000	8,223,058	7,409,492	813,566	90%
Printing of Accountable documents, Medical Records and HRIS and stationery	20,723,953	-	20,723,953	12,124,210	8,599,743	59%
Telephone expenses	11,062,049	-	11,062,049	8,111,574	2,950,475	73%
Plant and Equipment Insurance policy	6,000,000	-	6,000,000	-	6,000,000	0%
Rents & Rates	1,989,897	-	1,989,897	1,795,909	193,988	90%
Bank charges	2,554,963	4,845,471	7,400,434	7,709,966	-309,532	104%
Postal Charges	1,024,933	-	1,024,933	715,708	309,225	70%
Motor Vehicle Insurance	2,865,000	-	2,865,000	2,139,465	725,535	75%
Patient Travelling Expenses	110,000	-	110,000	34,055	75,945	31%
Issue Based Committees	1,500,000	-	1,500,000	1,794,738	-294,738	120%

*Moi Teaching and Referral Hospital, Annual Report and
Financial Statements for the year ended 30th June 2018*

EXPENDITURE	Original Budget 2017/18	Budget Adjustment/ Reallocation	Final Budget	Actual Vote Book Exp	Performance Difference	%
Staff uniforms & protective gear	6,245,800	-	6,245,800	5,033,137	1,212,663	81%
Occupational Health & Safety	5,296,896	-	5,296,896	6,328,307	-1,031,411	119%
Travelling and Accommodation	46,606,905	-	46,606,905	47,124,531	-517,626	101%
Board Expenses	19,008,195	-	19,008,195	8,774,991	10,233,204	46%
Computerization	95,586,695	-	95,586,695	34,376,376	61,210,319	36%
Comprehensive Group Personal accident cover	7,280,000	10,070,736	17,350,736	17,350,736	-	100%
Staff development & training	42,796,306	-	42,796,306	45,897,569	-3,101,263	107%
Medical Officers Post-Graduate Training	12,000,000	8,733,606	20,733,606	21,234,567	-500,961	102%
Health Research, Development & Innovation	10,000,000	-	10,000,000	3,768,764	6,231,236	38%
Advertising & Publicity	9,732,397	3,102,482	12,834,879	13,526,466	-691,587	105%
Hospital Security services	14,416,410	-	14,416,410	3,558,230	10,858,180	25%
Contracted Professional Services	27,893,456	-	27,893,456	30,684,830	-2,791,374	90%
ISO	8,832,159	-	8,832,159	8,666,092	166,067	102%
Office Equipment	8,237,624	-	8,237,624	7,955,377	282,247	97%
External Travelling & Allowance	14,741,142	1,386,376	16,127,518	18,424,445	-2,296,927	114%
Internet Expenses	5,612,333	-	5,612,333	5,045,900	566,433	90%
Staff Medical Scheme	180,000,000	-	180,000,000	91,338,468	88,661,532	51%
Corporate Social Responsibility	2,200,000	-	2,200,000	1,764,350	435,650	80%
IREC	1,000,000	-	1,000,000	1,000,000	-	100%
Cash in transit insurance	675,089	-	675,089	50,267	624,822	7%
Continuous Professional Development	600,320	-	600,320	-	600,320	0%

*Moi Teaching and Referral Hospital, Annual Report and
Financial Statements for the year ended 30th June 2018*

EXPENDITURE	Original Budget 2017/18	Budget Adjustment/ Reallocation	Final Budget	Actual Vote Book Exp	Performance Difference	%
Capital Expenditure AIA Contribution	126,000,000	-6,000,000	120,000,000	105,408,887	14,591,113	88%
Purchase of Medical Appliances	20,000,000	-	20,000,000	19,464,328	535,672	97%
C. A.R.E.	1,095,391	-	1,095,391	324,780	770,611	30%
Capital Expenditure	170,000,000	-	170,000,000	165,094,046	4,905,954	97%
TOTALS	7,864,734,164	348,013,331	8,212,747,495	8,108,439,022	104,308,473	101%

EXPLANATION ON MATERIAL VARIANCES

Compliance to overall approved budget was at 99% with all except five (5) vote lines being within the approved budget. The vote line with variances was as explained below;

No.	Description	Approved Budget	Actual Expenditure	Variance	% Variance	Explanation
70	Lab Reagents and Chemicals	100,953,395	111,803,696	(10,850,301)	111%	Increase in renal consumables for the new dialysis machines. This is reflected in increased laboratory income.
160	Materials for Specialized units	12,156,885	13,502,990	(1,346,105)	111%	To support requirements of the new optical shop.
345	Issue Based Committees	1,500,000	1,794,738	(294,738)	120%	Training of new members of the Disability Mainstreaming Committee
355	Occupational Health & Safety	5,296,896	6,328,307	(1,031,411)	119%	Increased consumption of sanitizers in service delivery units for infection prevention.
460	External Travelling & Allowance	16,127,518	18,424,445	(2,296,927)	114%	To facilitate inspection of Autoclave Machine in Britain in June 2018.

The notes set out on pages 9 to 34 form an integral part of the Financial Statements

VI. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Moi Teaching and Referral Hospital was established under Legal Notice No.78 of 12th June 1998 of the State Corporations Act (Cap 446). MTRH is wholly owned by the Government of Kenya and is domiciled in Kenya.

Principal activities

The Hospital mandate is to:

- Receive patients on Referral from other Hospitals or Institutions within or outside Kenya for specialized health care;
- Provide facilities for Medical education for the Moi University, and for research either directly or through other co-operating health institutions;
- Provide facilities for education and training in Nursing and other health and allied professions;
- Participate as a National Referral Hospital in National Health Planning.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Moi Teaching and Referral Hospital financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of Moi Teaching and Referral Hospital. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared based on historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

A. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop

*Moi Teaching and Referral Hospital, Annual Report and
Financial Statements for the year ended 30th June 2018*

Standard	Impact
	<p>reliable models for recognizing and measuring assets and liabilities during the transition period.</p> <p><i>Moi Teaching and Referral Hospital adopted IPSAS in the year ended 30th June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the Moi Teaching and Referral Hospital.</i></p>
<p>IPSAS 34: Separate Financial Statements</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when Moi Teaching and Referral Hospital prepares separate financial statements.</p> <p><i>Moi Teaching and Referral Hospital does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i></p>
<p>IPSAS 35: Consolidated Financial Statements</p>	<p>Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements.</p> <p><i>The Moi Teaching and Referral Hospital does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i></p>
<p>IPSAS 36: Investments in Associates and Joint Ventures</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p><i>Moi Teaching and Referral Hospital does not have investments in associates or joint ventures.</i></p>

Standard	Impact
IPSAS 37: Joint Arrangements	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.</p> <p><i>Moi Teaching and Referral Hospital does not have an interest in a joint arrangement and therefore the standard does not apply.</i></p>
IPSAS 38: Disclosure of Interests in Other Entities	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires Moi Teaching and Referral Hospital to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.</p> <p><i>Moi Teaching and Referral Hospital does not have an interests in other entities and therefore the standard does not apply</i></p>

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

Moi Teaching and Referral Hospital recognizes revenue from rendering of services by reference to the stage of service provision when the outcome of the transaction can be estimated reliably. The stage of provision of service is measured by cost of supplies incurred to date as a percentage of total estimated costs incurred.

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

Sale of goods

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

b) Budget information

The original budget for FY 2017-2018 was approved by the Board of Management in June 2017. 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 Moi Teaching and Referral Hospital upon receiving the respective approvals in order to conclude the final budget. Accordingly, Moi Teaching and Referral Hospital recorded additional appropriations of Kshs.348Million on the 2017-2018 budget following the governing body's approval.

Moi Teaching and Referral 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 actual as per the statement of financial performance has been presented on page 5 of these financial statements.

c) Property, plant and equipment

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

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

d) 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.

e) Research and development costs

Moi Teaching and Referral Hospital expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when Moi Teaching and Referral Hospital can demonstrate:

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

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

f) Financial instruments

Impairment of financial assets

Moi Teaching and Referral Hospital assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that 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 Moi Teaching and Referral Hospital of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Moi Teaching and Referral Hospital of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

g) Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor 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 Moi Teaching and Referral Hospital.

h) Provisions for Expenditure

Provisions are recognized when the Moi Teaching and Referral 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 Moi Teaching and Referral 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.

i) Provision For Bad Debts

Bad debts include trade and other receivables value the organisation is not certain that the debt holder will meet its obligations when it falls due. From past experience, the Hospital has realised that the debts secured by National Identification Cards and Commitment Letters are not paid by the debtors. The Hospital has therefore made provisions for this category of debts at 100% of the outstanding amounts (Kshs 407 Million). The Hospital has also realized debt secured by Titles Deeds and Motor Vehicle Log Books are not recoverable by 50% of all current debts and 100% on debt over six years (6). The Hospital has made a provision of Kshs. 71 million for this category of debtors. The Hospital has also made a provision for bad debts for corporate clients based on the assessment of going concern of the client companies and recoverability of the debt and has therefore made a provision of Kshs. 191 million.

j) Proposed for Write-offs of Bad Debts

Bad Debt Write-offs is debt the organisation has realized the debtor will not be able to pay in future for various reasons. The Hospital has analysed this category and will submit a proposal to the Cabinet Secretary of the National Treasury and Planning for write-off of bad debtors totalling to Kshs.522,041,162 accumulated since the inception of the Hospital as follows;

- 100% write off of debts secured with Identity Cards – Kshs. 280,386,289
- 100% Write-off of debts secured with commitment letters – Kshs. 126,270,093

- Write-off of debts secured with Title Deeds that is older than 6 years – Kshs.33,529,535
- Write-off of debts secured with Logbooks that is older than 6 years – Kshs.4,692,834
- Write-off of Corporate Debts aged over six (6) years amounting to Kshs. 59,410,944
- Proposed for Write-offs of bad debts in the financial year 2008/2009 of Kshs 17,756,243.

k) Contingent liabilities

Moi Teaching and Referral 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.

l) Contingent assets

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

m) Nature and purpose of reserves

Moi Teaching and Referral Hospital creates and maintains reserves in terms of specific requirements.

n) Changes in accounting policies and estimates

Moi Teaching and Referral 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.

o) Employee benefits

Retirement benefit plans

Moi Teaching and Referral Hospital provides retirement benefits for its employees and directors. Defined contribution plans are postemployment benefit plans under which Moi Teaching and Referral Hospital pays fixed contributions into a separate Moi Teaching and Referral Hospital (a fund), and

will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

p) 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.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Kenya Commercial 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.

r) Accounting for leases IPSAS 13

IPSAS 13 prescribes the policies and procedures on accounting for leases. Accounting for leases is based on lease agreement whereby the lessor and the lessee, in return for a payment or series of payments give the right to use an asset for an agreed period of time. Assets held for leases are presented in the statement of financial position according to the nature of the asset.

s) Accounting for Donated Assets IPSAS 23

PSAS 23 prescribes the policies and procedures on accounting for donations, in which asset received from donors recognized at its fair market value, which can be determined through an appraisal, the market rate on similar assets, or the net present value of the expected future cash flows generated by the asset.

t) Comparative figures

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

3. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Periods State all judgements, estimates and assumptions made: e.g

I. 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 Moi Teaching and Referral 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 Moi Teaching and Referral Hospital. Such changes are reflected in the assumptions when they occur. (IPSAS 1.140)

II. Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal. The condition of the asset based on the assessment of experts employed by

Moi Teaching and Referral Hospital, Annual Report and Financial Statements for the year ended 30th June 2018

the Moi Teaching and Referral Hospital, The nature of the asset, its susceptibility and adaptability to changes in technology and processes, The nature of the processes in which the asset is deployed, Availability of funding to replace the asset and Changes in the market in relation to the asset

III. Provision

Provisions were raised and management determined an estimate based on the information available.

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

IV. Cash and cash equivalents

Detailed analysis of the cash and cash equivalents

		2017/2018	2016/2017
Financial institution	Account number	Kshs	Kshs
Current account			
Kenya Commercial bank	1103464329	150,813,277	16,416,774
Kenya Commercial bank	1103464396	14,118,591	4,123,477
Kenya Commercial bank	1171307322	1,016,828	1,020,154
Kenya Commercial bank	1103031457	3,300,663	1,527,279
Kenya Commercial bank	1151682268	3,568,275	2,038,521
Petty Cash		1,015	300,000
Totals		172,818,649	25,426,205

V. Receivables from exchange transactions

Description	2017/2018	2016/2017
	Kshs	Kshs
Current receivables		
Trade Debtors	1,239,612,425	1,203,587,207
Total current receivables	1,239,612,425	1,203,587,207

VI. Receivables from non-exchange contracts

Description	2017/2018	2016/2017
	Kshs	Kshs
Current receivables		
MOH Grant	444,500,002	516,680,442
Total current receivables	444,500,002	516,680,442

Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year	2016/2017
			Kshs	Kshs	Kshs
Ministry of Health	5,701,240,405	-	85,000,000	5,781,240,405	5,340,689,538
Total	5,701,240,405	-	85,000,000	5,781,240,405	5,340,689,538

VII. Inventories

Inventories	2017/18	2016/17
Drugs	141,042,115	92,860,152
Dressings and Theatre Supplies	75,492,914	77,654,183
Lab Reagents and X-Ray Supplies	23,021,355	15,562,725
Food and Ration	3,366,126	1,323,316
Cleansing Materials	3,470,829	1,123,897
Hospital Linen	15,223,045	13,889,768
Maintenance Materials	4,503,352	2,276,025
O & M Stores	2,109,700	1,835,600
Stationery	2,480,858	1,818,116
Total	270,710,294	208,343,783

VIII. Trade and other payables from exchange transactions

	2017/18	2016/17
Trade Creditors	589,294,388	292,206,236
Office of the Auditor General	2,784,000	1,624,000
Total	592,078,388	293,830,236

IX. LONG TERM LOAN

	2017/2018	2016/2017
Opening Balance	15,377,226	31,837,442
Payments	(15,377,226)	(16,460,216)
Closing Balance	-	15,377,226

X. PROJECT IMPLEMENTATION REPORT

No.	Project	Total project cost (Kshs.)	Progress	Completion %	Budget Commitment	Partner
1.	Fun soft	15,902,631	ERP	95%	Yes	-
2.	Asset tagging, E-notice board and queue	14,809,605	ERP	50%	Yes	-

XI. Related Party Balances

a. Nature of related party relationships

Entities and other parties related to Moi Teaching and Referral Hospital include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates.

Moi Teaching and Referral Hospital is related to

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

b. Related party transactions

Transfers from related parties'	2017/2018	2016/2017
Government grant	5,786,350,405	5,340,689,538

a. Due from related parties

	2017/18	2016/17
MOH Grant	444,500,002	516,680,442

XII. Events after the reporting period

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

XIII. Ultimate and Holding Moi Teaching and Referral Hospital

Moi Teaching and Referral Hospital is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Health. Its ultimate parent is the Government of Kenya.

XIV. Currency

The financial statements presented in Kenya Shillings (Kshs)

XV. Major Risks Facing the Hospital

The Board is ultimately accountable for the MTRH risk management process and system of internal control. The Board mandated Audit, Risk and Compliance Committee of the Board to monitor the risk management process and systems of internal control of MTRH. The Board oversees the activities of the Audit, Risk and compliance Committee, the MTRH internal and external auditors

The objective of risk management in MTRH is to establish an integrated and effective risk management framework where important risks are identified, quantified and managed. The MTRH priority risk items, together with key measures taken to mitigate these risks, are listed in the below.

I. Confidentiality Risks.

Un-authorized access and sharing of confidential Hospital information.

Mitigation of Risk

Policies and procedures are in place

II. Compliance risks

Failure to comply with laws and regulations may result in fines, prosecution or damage to reputation.

Mitigation of Risk

Hospital legal department in different operating platforms support operational management and monitor regulatory developments and where necessary, obtain legal expert advice for the effective implementation of compliance initiatives. Compliance risks are identified and assessed as part of departmental risk registers.

III. Credit Risks

Availability and cost of capital and financing and liquidity risk

Mitigation of Risk

Long-term planning of capital requirements and cash flow forecasting. Monitoring of cash-generating capacity within the Hospital, proactive and long-term agreements with Ministry of Health and Treasury and other funders on funding facilities.

Monitoring of compliance with the requirements of debt covenants.

IV. Economic and Business Environment Risk

The downturn in the general economic and business environment, including all those factors that affect Hospital's operations, customers, competitors, stakeholders, suppliers and industry trends.

Mitigation of Risk

MTRH has implemented systems to monitor developments in the economic and business environment of trends and early warning indicators.

V. Human resources risks

Availability, recruitment and retention of skilled human resources. There is shortage of skilled labour particularly a shortage of qualified and experience doctors and nursing staff.

Mitigation of Risk

The employment, recruitment and retention strategies are in place, extensive training and skills development programme.

VI. Regulatory risk

The risk of a change in laws and regulations applicable to the Hospital.

Mitigation of Risk

MTRH has implemented proactive engagement strategies with stakeholders.

VII. Market risk

Competition risk relating to the uncertainty created by the existence of competitors or the emergence of new competitors with their own strategies. The risk relating to the impact on tariffs and fees Resulting from the shift of the relative negotiating power towards funders away from service providers in the healthcare industries.

Mitigation of Risk

Proactive monitoring of new market entrance.

NOTES TO THE ACCOUNTS

	2017/2018	2016/2017
4.0 INCOME		
4.1 Grants		
Recurrent Grants	5,701,350,405	5,250,689,538
Total	5,701,350,405	5,250,689,538
4.2 Cost Sharing		
Out Patient Department	123,898,414	79,312,838
Surgical Wards	408,436,800	410,478,461
Medical Wards	402,080,649	328,691,811
Laboratory Services	141,461,039	-
Pharmacy Department	574,016,911	405,216,377
Radiology and Imaging Department	126,942,385	47,653,209
Dental Department	13,178,197	3,850,489
Cafeteria Department	19,162,700	11,730,878
Total	1,809,177,096	1,286,934,064
4.3 Income Generating Unit		
Mortuary Services	65,996,190	63,535,560
Amenity Wing	167,070,524	167,479,589
Memorial Wing	327,620,904	431,063,206
MTRH Training Centre	71,886,797	70,836,483
Total	632,574,416	732,914,838
4.4 Other Income		
Training Levy	920,514	150,867
Vaccine Recovery	-	100,920
Surcharge	586,089	342,186
Gain on Operating Lease Agreement	-	8,804,478
Small Business Unit	1,205,457	846,745
Rental Income	9,055,970	11,157,480
Attachment Fees	-	2,391,718
Transport Services	114,450	266,680
Salary Recovery	5,729,851	816,795
Administrative fees	4,407,013	4,172,535

*Moi Teaching and Referral Hospital, Annual Report and
Financial Statements for the year ended 30th June 2018*

Tender Fees	419,761	69,000
Library Service	100	-
Medical report	-	48,000
Service Bond	280,000	138,140
Gain on Disposal	-	682,390
Total	22,719,205	29,987,934
5.0 Purchases		
5.1 Direct costs		
Drugs	483,014,900	370,384,548
Food and Ration	93,538,644	76,042,563
Fuel and Gas	4,564,438	6,205,340
Lab Reagents	98,551,544	78,353,112
Dressings and Theatre Supplies	179,726,472	108,880,713
Materials for Specialised Units	13,290,420	4,224,258
Mortuary Supplies	2,282,864	1,474,993
Cafeteria Supplies	12,672,058	10,704,315
Dental Supplies	6,171,608	4,852,520
Supplies for Production	5,249,503	6,587,026
Radiology and Imaging/X-Ray Supplies	37,691,099	25,002,639
Oxygen	39,223,470	52,200,461
Admission Packs	8,677,068	6,800,000
Total	984,654,087	751,712,487
6.0 Expenditure		
6.1 Personnel Emoluments		
Basic Pay	2,312,098,755	2,208,562,344
House Allowance	666,342,044	657,963,967
Call Allowance	149,494,534	70,830,000
Risk Allowance	146,459,074	112,954,120
Private Wing Executive Committee	10,249,856	9,842,771
Private Wing Administrative Committee	1,021,108	1,311,812
Training Centre Allowance	10,668,569	10,513,045
RCO Call Allowance	18,135,001	1,450,000
Health Workers Service Allowance	294,241,916	12,628,200

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Financial Statements for the year ended 30th June 2018*

Non Practice Allowance	90,436,464	82,673,401
Extraneous Allowance	833,058,933	826,518,997
Mortuary Allowance	30,469,013	27,289,427
Locum Allowance	73,500,972	63,171,607
Uniform Allowance	18,400,000	8,890,000
Taskforce Allowance	2,728,533	799,143
Responsibility Allowance	3,145,862	7,181,420
Interview Allowances	-	1,944,328
Entertainment Allowance	3,257,800	2,812,137
Acting Allowance	2,394,972	2,018,307
Telephone Allowance	226,567	250,600
Special Duty Allowance	20,819,997	13,206,562
Medical Board Allowance	343,781	96,486
Remunerative Allowance	720,000	720,000
Security Allowance	55,692	46,740
IREC Allowance	395,555	18,600
Commuter Allowance	268,067,398	265,967,722
Amenity Allowance	13,950,885	13,923,274
Memorial Allowance	38,027,582	31,933,642
Salary Arrears	139,199,169	135,518,153
Nursing Service Allowances	207,910,333	48,295,800
Annual Leave Allowance	191,448,374	186,848,518
NSSF company	8,800,957	8,778,950
Pension Company	337,513,585	304,538,346
Gratuity	1,421,561	5,306,496
Total	5,895,004,840	5,124,804,916
6.2 Depreciation	133,367,795	112,034,685
6.3 Administrative Costs		
Transport Operating Expenses	10,772,988	6,148,642
Patient Travelling Expenses	32,405	229,000
Advertising and Publicity	8,720,716	5,645,133
Staff Development	57,757,518	36,320,978
Continuous Professional Development	-	88,000
Travelling and Accommodation	49,240,996	46,360,299

Moi Teaching and Referral Hospital, Annual Report and Financial Statements for the year ended 30th June 2018

External Travelling	21,632,071	22,918,909
Centre for Assault Recovery of Eldoret	624,038	622,645
Corporate Social Responsibility	1,716,694	1,007,324
Group Personal Accident Cover	17,361,245	4,720,163
Comprehensive Group Life Insurance Cover	312,368	16,505,865
Cafeteria Meals	17,158,060	6,767,239
Comprehensive Staff Medical Scheme	184,304,103	184,477,507
ISO Secretariat	6,990,164	4,545,920
Issued Based Committees	1,969,154	711,008
Occupational Health and Safety	5,735,835	4,587,511
Disaster and Emergency Response	9,754,617	16,606,834
Medical Officers Post Graduate Training	13,155,903	5,171,510
Total	407,238,875	363,434,487

6.4 Operational Costs

Maintenance of Building & Stations	20,056,196	7,400,655
Cleansing Materials	35,917,801	45,949,645
Stationery	11,736,199	17,087,375
Telephone Expenses	8,569,745	5,476,544
Electricity	64,044,960	48,444,214
Medical Records and Accountable Documents	13,239,283	19,244,427
Water and Conservancy	36,793,219	37,212,230
Computerization	33,258,210	7,906,814
Internet Expenses	5,155,400	8,396,006
Postal and Telegram	288,773	682,764
Library Services	3,037,163	2,603,470
Doctors' Fees	159,977,731	146,209,168
Patient Refunds/ Deposit Refunds	11,263,174	11,726,624
Course Admin & Subscription Fee	7,291,763	15,316,883
Maintenance of Plant & Equipment	20,628,660	3,565,621
Rent and Rates	764,280	912,874
Staff Uniforms	5,111,137	6,861,073
Hospital Linen	15,968,012	15,145,961
Cash in Transit	50,267	628,333
Contracted Professional Services	14,616,187	10,801,816

*Moi Teaching and Referral Hospital, Annual Report and
Financial Statements for the year ended 30th June 2018*

Patients Uniforms	2,710,500	1,171,696
Hospital Security services	3,300	3,808,227
Health Research and Innovation	1,970,750	1,271,711
Institutional Research Expenses	1,000,000	1,000,000
Motor Vehicle Insurance Expenses	1,184,599	2,193,993
Bank Charges	7,763,466	5,370,311
Total	482,400,775	426,388,435
6.5 Board Expenses		
Board Sitting Allowances	8,840,187	11,547,517
Honoraria	-	800,000
Board Telephone Expenses	-	70,000
Total	8,840,187	12,417,517
6.6 Finance Cost		
Loan for Medical Gas Piping System	147,412	746,956
Total	147,412	746,956
6.7 Provision for Doubtful Debts		
Accumulated Provision B/F	595,881,500	386,911,034
Accumulated Provision C/F	668,691,879	595,881,500
Increase / Decrease in provision	72,810,379	208,970,466
6.8 Waivers and Exemptions		
Waivers	208,876,801	146,629,213
Total	208,876,801	146,629,213
6.9 Provision for Audit fees		
Under provision 2016/2017	348,000	-
Provision for the Year 2017/2018	1,160,000	464,000
Total	1,508,000	464,000

Moi Teaching and Referral Hospital, Annual Report and Financial Statements for the year ended 30th June 2018

7.0 CURRENT ASSETS

7.1 Cash in Hand and Bank

Cash in Hand

Main account	-	12,840
Private wing Account	-	145,970
Petty cash	1,015	300,000
Total	1,015	458,810

Cash in Bank

Mortuary account	3,300,663	1,527,279
Private wing	14,118,591	4,123,477
Main account	150,813,277	16,416,774
Training Centre	3,568,275	2,038,521
Commercial Pharmacy	1,016,828	1,020,154
Total	172,817,634	25,126,205

Grand Total

172,818,649 **25,585,015**

7.2 Trade and Other Receivables

Institutions

NHIF	275,176,534	156,511,874
Corporate Clients	459,549,918	442,819,969
AMPATH	63,646,365	55,000,179
MOH Grant	444,610,002	516,680,442
Sub Totals	1,242,982,818	1,171,012,464

Individuals

Individual Clients	112,632,845	514,908,397
Student Fees (MTRH Training centre)	7,250,229	7,802,557
Staff Guarantors	1,945,020	2,016,516
Salary advance	2,247,951	3,189,525
Imprests	9,710,708	14,406,568
Cafeteria	14,035	9,915
Mortuary	667,042	415,142
Rent	7,469,829	6,383,467
Prepayments	1,567,689	61,567,689

*Moi Teaching and Referral Hospital, Annual Report and
Financial Statements for the year ended 30th June 2018*

Proposed for write off	522,046,162	17,756,467
Sub Total	665,551,511	628,456,243
Grand Total	1,908,534,329	1,799,468,707
Less; Accumulated provision	668,691,879	595,881,500
Net Debtors	1,239,842,450	1,203,587,207

7.3 Inventories

Drugs	141,042,115	92,860,152
Dressings and Theatre Supplies	75,492,914	77,654,183
Lab Reagents	7,235,371	15,562,725
X-Ray Supplies	15,785,984	-
Food and Ration	3,366,126	1,323,316
Cleansing Materials	3,470,829	1,123,897
Hospital Linen	15,223,045	13,889,768
Maintenance Materials	4,503,352	2,276,025
Operational and Maintenance Stores	2,109,700	1,835,600
Stationery	2,480,858	1,818,116
Total	270,710,294	208,343,783

*Moi Teaching and Referral Hospital, Annual Report and
Financial Statements for the year ended 30th June 2018*

8.1 PROPERTY PLANT & EQUIPMENT MOVEMENT SCHEDULE

FOR THE PERIOD ENDING 30th JUNE 2018

Assets	Land	Buildings	Plant, Equipment's, Furniture & Fittings	Computers, Telephones & TV's	Motor Vehicles	TOTAL
	0.00%	2.50%	12.50%	30.00%	25.00%	
Cost/Valuation	Kshs.	Kshs.	Kshs.	Kshs>	Kshs.	Kshs.
As at 1st July 2016	101,577,820	1,572,643,849	818,805,599	156,904,320	64,687,365	2,714,618,953
Additions:	-	117,401,794	82,890,444	12,367,735	8,325,240	220,985,213
Disposal			(24,031,350)		(5,916,315)	
Donations	-		3,265,339	-	-	3,265,339
Project Cost Capitalized	-			-	-	-
As at 30th June 2017	101,577,820	1,690,045,643	880,930,032	169,272,055	67,096,290	2,908,921,840
Additions:		82,253,984	142,804,919	11,422,489	15,940,386	255,968,246
Disposal						-
Donations						-
Project Cost Capitalized		9,585,588	40,171,387			-
As at 30th June 2018	101,577,820	1,781,885,216	1,063,906,338	180,694,544	83,036,676	3,164,890,086
Depreciation:						
As at 1st July 2016	-	262,406,165	453,798,167	112,519,755	42,140,359	870,864,446
Charge for the period	-	36,351,323	51,567,191	17,025,690	7,090,481	112,034,685
Disposal			(14,594,337)		(3,405,994)	
As at 30th June 2017	-	298,757,488	490,771,021	129,545,445	45,824,846	964,898,800
As at 1st July 2017	-	298,757,488	490,771,021	129,545,445	45,824,846	964,898,800
Charge for the period	-	37,078,193	71,641,915	15,344,730	9,302,958	133,367,795
Disposal						-
As at 30th June 2018	-	335,835,681	562,412,936	144,890,175	55,127,804	1,098,266,595
NBV As at 30th June 2018	101,577,820	1,446,049,535	501,493,402	35,804,369	27,908,873	2,112,833,999
NBV As at 30th June 2017	101,577,820	1,391,288,155	390,159,011	39,726,610	21,271,444	1,944,023,040

8.2 Project Cost	2017/2018	2016/2017
Funsoft HMIS	15,902,631	15,902,631
Asset Tagging, E-notice Boards	14,809,605	14,809,605
CT-San 64 Slice	-	20,018,976
CT-San 16 Slice	-	20,152,410
Laundry and Kitchen	-	9,585,588
Road to Microwave Plant	3,546,468	-
	34,258,705	80,469,212

Disclosures

- a) The Hospital Assets include banking hall building under operating lease with KCB. The cost of the building is Kshs. 26,413,433.73.
- b) The Hospital Land, includes;
 - i. Memorial Land which has unresolved court dispute with its former directors.
 - ii. Main Hospital Land, in which some encroachments have been made on its original boundaries, according to its 1928 plan. Management has written to National Land Commission on the two matters for their intervention.
- c) When the Hospital receives donations for which market value can be ascertained or income to be earned from the use of the assets is certain, the asset is included in the asset register with values of each asset indicated. Where the assets market value is not available in the market or revenue to be generated cannot be ascertained, the asset is recorded in the assets register without values. Management will therefore obtain the services of a Valuer to ascertain the true value of these donations. In the Financial Year 2017/18, the Hospital did not receive donations of any Assets.

9.0 CURRENT LIABILITIES

9.1 Trade and other payables

Trade Creditors	544,372,944	292,206,236
Office of the Auditor General	1,160,000	1,624,000
Total	545,532,944	293,830,236

9.2 Long Term Loan

NHIF Oxygen Piping Loan	-	15,377,226
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9.3 Training Centre Prepaid fees

	4,604,159	825,646
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9.4 Unremitted Salary Obligations

*Moi Teaching and Referral Hospital, Annual Report and
Financial Statements for the year ended 30th June 2018*

PAYE	96,721,402	100,917,740
NSSF	1,452,600	1,306,900
NHIF	5,518,600	4,990,250
SACCOs	20,024,210	15,032,126
Nancy Kaari Samuel	3,500	3,500
Hospital-Wide Benevolent Fund	1,896,329	3,341,242
MTRH Pension Scheme	123,934,949	94,269,817
Flomena J. Choge	23,248	11,624
Moi University School Fees/pension	100,000	-
Union Dues	880,861	964,384
MADES Welfare	1,112,447	660,301
Laboratory Staff S.H. Group	357,506	330,180
Sub Staff Welfare	323,735	106,850
Health Records Information System	59,228	861,365
Welfare	150,354	141,219
Security Self Help Group	169,566	112,567
Nutrition Welfare	324,202	295,750
Supplies Welfare	41,130	79,390
Radiology Welfare	716,224	611,700
Nurses Welfare	116,826	157,709
Occupational Therapy Welfare	202,360	182,080
Medical Social Work Welfare	321,208	187,300
ELD. Clinical Officers Welfare	47,300	75,400
Central Services Welfare	266,759	185,111
Catering Welfare	36,300	47,050
Secretaries Welfare	116,910	110,853
Transport Welfare	328,594	212,323
Pharmacy Welfare	133,812	112,210
Dental Welfare	115,800	25,500
Physiotherapy Welfare	170,583	90,639
SANPRE Welfare	272,989	221,858
ICT Welfare	51,000	-
Mrth Administrators Welfare	335,560	166,640
MTRH Benevolent Fund	453,871	405,643
HELB Loan	9,501	10,500
Save as You Earn	3,000	3,000
Senior Principle Magistrate Kabarnet		

Moi Teaching and Referral Hospital, Annual Report and
 Financial Statements for the year ended 30th June 2018

Barclay Bank Loan
 Rose Keino
 KCB Loan
 CFC Bank Loan
 Platinum Credit Loan
 Family Finance Loan
 NBK LOAN
 Equity Bank Loan
 Standard Bank Loan
 Insurance
 Hire Purchase
 NACOA
 Equatorial Bank Loan
 Faulu Bank Loan
 Bank of Africa Loan
 Cooperative Bank Loan
 Old Mutual
 MTRH Self Help Group
 Net Pay

4,289,238
 32,982
 83,621,244
 91,094
 420,889
 895,553
 1,191,515
 432,322
 11,737,558
 4,060,864
 2,595,699
 15,000
 190,706
 3,924,406
 1,139,210
 27,825,960
 380,000
 18,000
 132,373,684
532,028,387

4,095,852
 32,982
 54,672,853
 86,137
 1,198,830
 458,771
 599,012
 280,410
 8,652,424
 5,089,935
 1,907,477
 10,000
 53,843
 2,183,280
 653,005
 26,955,576
 47,500
 9,500
 186,950,479
520,168,585

9.5 Finance Lease

KCB Building

11,304,956

13,416,956

10.0 Reserves

10.1 Capital Reserves

Opening Balances

Capital Grants

Donations

Balance Carried Forward

2,818,990,737

85,000,000

2,903,990,737

2,725,725,398

90,000,000

3,265,339

2,818,990,737

10.2 Revenue Reserves

10.2 Revenue Reserves

Opening Balance

Surplus/ Deficit for the period

Balance Carried Forward

(200,335,571)

33,338,481

(166,997,090)

(384,593,500)

184,257,929

(200,335,571)

VII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Ref.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Land	MTRH is in active pursuit on this matter evidenced by litigation correspondences between Hospital lawyers have been availed to show that the Hospital is in active and constant pursuit of this matter to conclusion. The case is still pending in the court of appeal and the hearing took place in December 2016. This has also been forwarded to National Land Commission.(NLC)	Head of Legal Services	Not Resolved	MTRH filed an appeal at the Supreme Court of Kenya against the judgement of the Court of Appeal in Nairobi Civil Appeal No. 184 of 2012.
1.2	Encroachment of Land	The legal notice establishing the Hospital encompasses the Moi University School of Medicine and Kenya Medical Training College hence encroachment by government institution is legal. The Hospital have written to National Land Commission for the change of the road.	Head of Legal Services	Not Resolved	2018/2019 Financial Year.
1.3	Irregular procurement of a Sixty-four slice (64) CT scan	The sixty four slice CT Scan was procured at cost Kshs. 56,633,843.60 and all procurement procedures were complied with. The assets was	Supplies Manager	Commission in 2017/2018 and Operational	Resolved

Moi Teaching and Referral Hospital, Annual Report and Financial Statements for the year ended 30th June 2018

Ref.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	machine	capitalised in the Financial Year 2017/2018.			
1.4	Trade and Other Receivables	The Hospital has made provisions for bad debts for irrecoverable debts and in the processes for writing off from the financial report.	Finance Manager	Proposal for Write-off in the 2017/2018 Financial Statements	2018/19 Financial Year
1.5	Trade and other Payables	The Hospital current trade and other payables for old supplies now stand at Kshs. 14 Million	Finance Manager	Not Resolved	2017/2018 Financial year.
1.6	Unremitted Salary Obligation	The Hospital followed amount for the salaries June 2016 which was not remitted by The National Treasury and Planning and they have agreed to include in the supplementary budget.	Finance Manager	Not Resolved – Funds still pending despite follow-up	Financial year 2018/2019
1.7	Irregular payment of allowances	The Hospital Board approved the payment of allowances and has been tabled in State Corporation Advisory Committee.	Director Human Resource development Manager	Resolved	Financial Year 2017/2018
1.8	Waivers and Exemption	The Hospital has waivers and exemption policy in place.	Finance Manager	Resolved	

for Sign.....Date.....
 Sign: *Godana* 15/4/19
Hon. Godana Doyo
CHAIRMAN

Sign.....Date.....
 Sign: *Wilson* 12/04/2019
Dr. Wilson K. Aruasa, MBS
CHIEF EXECUTIVE OFFICER

MOI TEACHING AND REFERRAL HOSPITAL
 CEO
 APPROVED
 12 APR 2019
 SIGN.....
 P. O. Box 3 - 30100, ELDORET