

Scanned
25/3/22



Enhancing Accountability

PAPERS LAID	
DATE	23/8/20
TABLED BY	SML
COMMITTEE	
CLERK AT THE TABLE	A. Achira

REPORT

OF

THE AUDITOR-GENERAL

PARLIAMENT
OF KENYA
LIBRARY

ON

**KISII COUNTY TEACHING AND
REFERRAL HOSPITAL**

**FOR THE YEAR ENDED
30 JUNE, 2020**



1997

1998

1999



KISII COUNTY KISII TEACHING AND REFERRAL HOSPITAL

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020

TABLE OF CONTENTS

TABLE OF CONTENTS	i
2. KEY ENTITY INFORMATION AND MANAGEMENT	1
3. THE BOARD OF TRUSTEES	3
4. MANAGEMENT TEAM	6
6. REPORT OF THE CHIEF EXECUTIVE OFFICER	8
8. REPORT OF THE INDEPENDENT AUDITOR	10
9. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2020	11
10. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020	12
11. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020	14
12. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020	15
13. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2020	17
14. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	19
15. NOTES TO THE FINANCIAL STATEMENTS	33

Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020

2. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Kisii County Teaching and Referral Hospital (KTRH) derives its authority and accountability from the Kisii County Teaching and Referral Hospital Act, 2014 of 2nd May. KTRH is wholly owned by the County Government of Kisii and is domiciled in Kenya.

The entity's objective is to provide financial resources for medical supplies, equipping of the hospital and improving the quality of health care services.

b) Principal Activities

The principal mandate of the entity is to;

1. Provide financial resources for medical supplies, rehabilitation and medical equipment for health facilities in the hospital.
2. Support capacity building in the management of the hospital
3. Support capacity building in the management of the hospital
4. To give decision making autonomy to the hospital management committees, to plan and manage the resources within their control
5. To provide the quality of health care services in the hospital

c) Board of Trustees

No	Name	Position
1	Prof. Isaac Kibwage	Chairman
2	Amb. Japhet R Getugi	Chairman Finance Committee
3	Jamil Shamji	Chairman Audit, Risk And Compliance Committee
4	Ms. Everlyn Bosire	Chairman Standard Quality Assurance And Research Committee
5	Ms. Elsie Mogoi Mbera	Chairman Human Resource
5	Dr. Enock Ondari	Secretary Of The Board

d) Key Management

Dr. Enock Ondari	Chief Executive Officer
Mr. Osborne Mbego	Director Accounting
Mr. Alfayo Ogamba	Assistant Director- procurement

Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020

d) Registered Offices

P.O. Box 92-40200
Kisii –Hospital Road
Kisii, KENYA

e) KTRH Contacts

Telephone: (254) 734749322
E-mail: info@ktrh.go.ke
Website: www.ktrh.or.ke

f) KTRH Banker

Kenya Commercial Bank
P.O. Box 476-40200
Kisii, Kenya


g) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

h) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. THE BOARD OF TRUSTEES

Name	Details of qualifications and experience
<p>Prof. Isaac Kibwage</p> 	<p>Date of birth: August,1954</p> <p>Education 1969-72 Nduru secondary school (EACE) 1973-4 Kisii high school (EAACE) 1975-9 Bachelor of pharmacy, University of Nairobi 1982-5 Doctor of pharmaceutical sciences (pharmaceutical chemistry), Katholieke Universiteit Leuven, Belgium</p> <p>Work experience Principal, college of health sciences, UoN (May 2007 to date)</p> <p>Independent Chairman of the board</p>
<p>Amb. Japheth R. Getugi</p>	<p>Date of birth: 17th April,1952</p> <p>Education 1968-71 Cardinal Otunga High School O'level Kenya certificate of education (K.C.E) 1972-73 Cardinal Otunga High School "A" level Kenya certificate of advanced school certificate (K.A.C.E) 1980-83 University of Delhi India B.A(H) Political science degree 1985 Passed in one sitting the administrative officer's examination, directorate of personnel management (DPM) Nairobi 1995-97 M.A Degree in international studies, institute of diplomacy and international studies (IDIS) university of Nairobi</p> <p>Work experience 2009 – todate, director of finance & administration, Centre for Policy Analysis (CEPA) Nairobi</p> <p>Independent Chairman finance committee</p>
<p>Jamaludin Shamji</p>	<p>Education B.A (Honors) in business administration, Washington state university, U.S.A Courses leading to degree of M.B. A (Business), Drexel university U.S.A</p> <p>Work experience 1987- present, Director & shareholder, A, Jiwa Shamji Limited –Kisii</p> <p>Independent Chairman risk & audit committee</p>
<p>Ms. Elsie Mogoi Mbera</p>	<p>Date of birth: January, 1976</p> <p>Educational background Daystar university (2012-2014) MA (corporate communications) presently doing the thesis Alliance Francaise (2004-2006)</p>

Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020

		<p>French studies – Diplome D’etudesen Langue Francaise University of Nairobi (2001-2003) B.A. Sociology & communication – 2nd class honours upper division University of Nairobi (2000) Diploma in tourism – 1st class pass Dafina institute (1998) Diploma in public relations Strathmore college (1995-1997) Diploma in an executive secretarial course Work experience Continental reinsurance Plc Position: Group Communication Manager (2013 – to date)</p> <p>Independent Chairman human resource committee</p>	
Ms. Evelyn Bosire		<p>Educational background Poona university Bachelor of commerce Egerton university MBA (entrepreneurship) Jomo Kenyatta University of Agriculture & Technology PHD, (Entrepreneurship)</p> <p>Independent Chairman standard, quality assurance & research committee</p>	
Dr. Enock O. Ondari		<p>Educational background 2010 Master of medicine in Obstetrics & Gynaecology 2001 Nairobi university Bachelor’s degree in medicine and surgery 2003 secondary education Cardinal Otunga high school, Mosochi K.C.S.E. mean grade A- (Minus) 2007 primary education Orogare primary school K.C.P.E mean grade A(plain) - 575/700 marks</p> <p>Work experience October 2014 to date, Ministry of health, Kisii county Position: Chief Executive Officer, (CEO, Kisii Teaching & Referral Hospital) Reporting to: Chief Officer of Health, Kisii County July 2013 to September, 2014 Ministry of health, Kisii county</p>	

Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020

		<p>Position: Medical superintendent - Kisii level 5 hospital Reporting to: County Director of Health, Kisii County January,2013 to June,2013 Ministry of medical services (MOMS) Kisii county</p> <p>Position: Deputy District Medical Services Officer (DMSO) Reporting to: district medical services officer (DMSO) Executive director Chief executive officer KTRH The secretary of the board</p>	
--	--	--	--

Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020

4. MANAGEMENT TEAM

S/No.	Name	Details of qualifications & experience
1.	Dr. Enock O. Ondari	2010 Master of medicine in Obstetrics & gynaecology, Nairobi University 2001 Bachelor's degree in Medicine & Surgery, Nairobi University October 2014 to date; Ministry of health, Kisii county Position: Chief Executive Officer (CEO) Kisii Teaching & Referral Hospital Reporting to: Chief Officer of health, Kisii county
2.	Mr. Osborn Mbego	Master of Business Administration –Finance Member of Institute of Certified Accountants of Kenya (ICPAK) Bachelors of Commerce in Finance Has several years of working experience Director Accounting Services
3.	Mr. Alfayo Ogamba	2016 - Masters in procurement and logistics 2011 - Post graduate diploma in procurement 2010 - Bachelors of education (Arts) Works with Kisii County Government as Assistant Director-Supply Chain Management

5. BOARD CHAIRPERSON'S REPORT

It's my pleasure to present the hospitals 2019/2020 annual reports and financial statements. The Board of Management is proud of the achievements realized by the hospital in this period under review towards providing leading health Kenya services in the region that spans to counties in south Nyanza and western Kenya despite the COVID 19 pandemic that struck during the fourth quarter of the financial year under review.

KTRH provides quality specialized healthcare to patients in services that include orthopaedic surgery, plastic surgery, critical care services, new born services, renal and radiological services.

Management and operations of the hospital is guided by existing legal, policy and institutional frameworks that govern health sector to ensure efficient and effective delivery of services in the hospital.

There has been no change in the Board of Management in the year under review. The hospital's board consists of the right balance of skills, experience and backgrounds to support and challenge the management team,

On behalf of the Board, I would like to thank all our stakeholders and development partners for the support they continue to accord the hospital without which our achievements would not have been realized. I would like to express my gratitude to the KTRH management and staff for their continued hard work and dedication to exemplify our hospitals mission and values each day.

Finally, it's through our relentless focus on meeting our customers' needs which will help us to achieve our goals for the long term success of the hospital and the benefit of all our stakeholders.

Signed: _____

Prof. Isaac Kibwage

6. REPORT OF THE CHIEF EXECUTIVE OFFICER

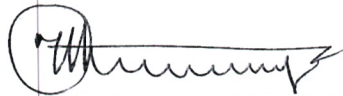
The Kisii Teaching & Referral Hospital manages its operations based on existing government financial management rules and regulations, including but not limited to the following:

- Purchase of pharmaceutical and non-pharmaceutical items
- Maintenance of proper sanitation
- Equipping of various departments
- Running of community outreach programs as well as free medical camps

In order for the hospital to be able to sustain its operations, generate cash flow and improve its profitability it has put in place prudent financial management policies which ensure efficient utilization of the available resources.

We appreciate the support of the County Government of Kisii, the Hospital Board members, hospital management, staff management, staff members and all our partners for their support in making the financial year a successful one.

Signed: _____



Dr. Enock Ondari

7. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

KTRH seeks to impact people’s lives through the Corporate Social Responsibility (CRS) initiatives. The initiatives are aimed at improving lives and enhance engagements with the public. Central to this is commitment to improve the quality of life of people from marginalized and vulnerable communities, by empowering them and creating awareness on diseases and available interventions. To that end, the hospital was involved in the following activities:

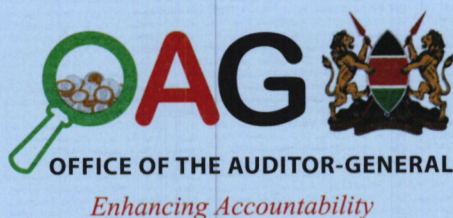
- 1) Waiver of hospital charges for indigents
- 2) Subsidizing of hospital charges for indigents
- 3) Outreach programs
- 4) Free medical camps

Through the above mentioned KTRH has achieved the following results in FY/2019/2020

Month	outreach
November 2019	During world diabetics day 500 people underwent free diabetics screening and awareness held at Gusii stadium in collaboration with other stakeholders.
August 2019	Cervical cancer screening held at KTRH aimed at creating awareness and detecting the disease at an early stage
April 2019	KTRH in collaboration with Kenyatta National Hospital conducted a one week subsidized ear surgical exercise 20 patients benefited and assorted ENT drugs were donated. During the same month KTRH also conducted a free testing and screening exercises for diseases that trigger stroke

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KISII COUNTY TEACHING AND REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kisii County Teaching and Referral Hospital set out on pages 11 to 41, which comprise of the statement of financial position as at 30 June, 2020, 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 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Kisii County Teaching and Referral Hospital as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and the Kisii County Teaching and Referral Hospital Act, 2014.

Basis for Adverse Opinion

1. Presentation of the Financial Statements

The financial statements for the year ended 30 June, 2020 presented for audit did not include the action taken by the Management on the prior year audit issues under progress on follow up of auditor's recommendations section of the financial statements as required by the reporting template. Further, ICPAK membership number of the Fund's finance officer has not been indicated in the financial statements.

Consequently, the financial statements do not conform to the reporting requirements prescribed by the Public Sector Accounting Standards Board.

2. Failure to Submit Financial Statements

As previously reported, Kisii County Teaching and Referral Hospital Fund was established in 2015/2016 financial year after the enactment of the enabling legislation in April, 2014. However, the Management of the Fund did not prepare and submit for audit

the financial statements for three years ended 30 June, 2016 to 30 June, 2018. This is contrary to the requirements of Section 19(1) and (2) of Kisii Teaching and Referral Hospital Act, 2014 and Section 116(7) of Public Finance Management Act, 2012 which provides that the Fund shall be audited annually by the Auditor-General.

Consequently, the accuracy, completeness, and validity of the opening balances could not be ascertained.

3. Property, Plant and Equipment

The statement of financial position reflects a Nil balance in respect of plant, property and equipment as at 30 June, 2020. However, the hospital has land, buildings, plant, equipment, motor vehicles, furniture, fittings, computers and work in progress of undetermined values used by the Fund for Hospital operations during the year under review. Further, as previously reported, fixed assets register was not maintained and valuation of the assets had not been carried out and disclosed in records.

In the circumstances, the property, plant, and equipment balance as at 30 June, 2020 is not fairly disclosed or stated in the financial statements.

4. Inventories

The statement of financial position reflects a Nil balance in respect of inventories as at 30 June, 2020. However, Board of Survey certificates and stock count sheets and other records supporting the balance were not provided for audit review.

In the absence of supporting documents, the accuracy, validity and completeness of the inventory nil balance as at 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.360,751,700 and Kshs.357,275,609 respectively resulting to an overall under-expenditure of Kshs.3,476,091 or 1% of the budget. However, the Hospital incurred over-expenditure of Kshs.21,417,634 on three items as follows:

Expenses	Budgeted Amount Kshs.	Actual Amount Kshs.	Over Expenditure Kshs.	Actual to Budget % Variance
Utilities Supplies and Services	43,643,000	47,053,107	3,410,107	108
Other Operating Expenses	58,226,450	69,408,900	11,182,450	119
Purchase of Specialized Material and Supplies	136,550,000	143,375,077	6,825,077	105
Total	238,419,450	259,837,084	21,417,634	109

The over-expenditure was not approved contrary to Regulation 43(2) of Public Finance Management (County Governments) Regulations, 2015 which provides that County Government entities shall execute their approved budgets based on the annual appropriation legislation and the approved annual cash flow plan with the exception of unforeseen and avoidable spending dealt with through the Contingencies Fund of supplementary estimates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether 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 ability of the Hospital to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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


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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 February, 2022

Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020

9. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2020

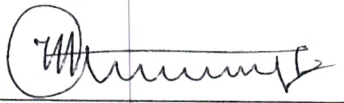
Revenue from non-exchange transactions	1		
Public contributions and donations-User Fee	2	181,664,826	180,896,893
Transfers from the County Government	3	-	-
Fines, penalties and other levies		-	-
Total		181,664,826	180,896,893
Revenue from exchange transactions			
Interest income	4	-	-
Other income	5	197,517,705	102,035,200
Total revenue		379,182,531	282,932,093
Expenses			
Fund administration expenses	6	-	-
Staff costs	7		
General expenses	8	357,275,609	340,463,503
Finance costs	9	-	-
Total expenses		357,275,609	340,463,503
Other gains/losses			
Gain/loss on disposal of assets	10		
Surplus/(deficit)for the period		21,906,922	57,531,410

The notes set out on pages 33 to 41 form an integral part of these Financial Statements

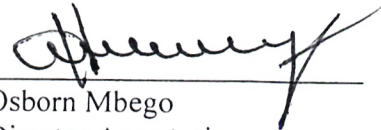
**Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020**

Net assets		36,802,816	64,308,908
Revolving Fund		72,427,304	-
Reserves		-	-
Accumulated surplus		(35,624,488)	-
Total net assets and liabilities		36,802,816	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2020 and signed by:



Dr. Enock Ondari
Chief Executive Officer



Osborn Mbego
Director Accounting
ICPAK Member Number:

Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020

11. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

Balance as at 1 July 2018	0	0	-	-	
Surplus/(deficit) for the period	0	0		-	
Funds received during the year	0	0	-	-	
Revaluation gain	0	0	-	-	
Balance as at 30 June 2019	0	0	-	-	
Balance as at 1 July 2019	72,427,304	0	(57,531,410)	14,895,894	
Surplus/(deficit) for the period	0	0	21,906,922	21,906,922	
Funds received during the year	0	0	-	-	
Revaluation gain	0	0	0	0	
Balance as at 30 June 2020	72,427,304	0	(35,624,488)	36,802,816	

Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020

12. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

Cash flows from operating activities			
Receipts			
Public contributions and donations-User Fee		181,664,826	180,896,893
NHIF Inpatient Claims		91,353,418	61,887,750
NHIF Civil Servant Capitation		-	1,325,000
NHIF Out Patient (OPD)		19,561,680	21,982,950
Britam Insurance		657,145	789,500
Free Maternity/Linda Mama		38,342,230	16,050,000
Total Receipts		331,579,299	282,932,093
Payments			
Utilities supplies and services		43,053,107	36,196,708
Fuel oil and Lubricants		11,067,725	10,327,260
Domestic travel and other subsistence, and other transport costs		7,159,500	9,363,905
Printing, Advertising and information supplies and services		2,200,590	4,287,612
Hospitality Supplies and Services		17,727,395	7,224,908
Office and General supplies and services		17,176,049	18,709,084
Communication, supplies and services		1,603,109	2,906,685
Training and Capacity Building		8,983,550	8,907,800
Routine Maintenance -Vehicle and Other Transport Equipment		2,452,251	691,300
Routine Maintenance - Other Assets		29,068,356	28,695,305
Purchase of Specialized Plant, Equipment and Machinery		-	-
Other Operating expenses		66,882,900	72,992,100
Purchase of Specialized Material and Supplies		134,875,077	138,570,626
Total Payments		342,249,609	338,873,293
Net cash flows from operating activities		(10,670,310)	55,941,200

Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020

Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		0	-
Proceeds from loan principal repayments		0	-
Loan disbursements paid out		-	-
Net cash flows used in investing activities		-	1,590,210
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(10,670,310)	57,531,410
Cash and cash equivalents at 1 JULY 2019	11	14,895,894	74,427,304
Cash and cash equivalents at 30 JUNE 2020	11	4,225,584	14,895,894

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

13. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2020

	Budget		Actual		Variance	
	2020	2020	2020	2020	2020	
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations-User Fee	188,675,700	200,000	188,875,700	181,664,796	7,210,904	96%
NHIF Inpatient Claims	62,086,510	42,925,000	105,012,510	109,307,427	(4,294,917)	104%
NHIF Civil Servant Capitation	3,205,000	-	3,205,000	-	3,205,000	0%
NHIF Out Patient (OPD)	22,658,000	-	22,658,000	19,561,680	3,096,320	86%
Britam Insurance	1,000,000	-	1,000,000	657,145	342,855	66%
Free Maternity/Linda Mama	40,000,000	-	40,000,000	67,991,453	(27,991,453)	170%
Total income	317,625,210	43,126,000	360,751,700	379,182,531	(18,430,831)	105%
Expenses						
Utilities supplies and services	32,443,000	11,200,000	43,643,000	47,053,107	(3,410,107)	108%
Fuel oil and Lubricants	9,625,000	1,800,000	11,425,000	11,067,725	357,275	97%
Domestic travel and other subsistence, and other transport costs	7,290,000	26,000	7,264,000	7,159,500	104,500	99%
Printing, Advertising and information supplies and services	2,360,000	305,000	2,665,000	2,200,590	464,410	83%
Hospitality Supplies and Services	20,975,000	2,000,000	18,975,000	17,727,395	1,247,605	93%
Office and General supplies and services	16,000,000	1,750,000	17,750,000	17,176,049	573,951	97%

Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020

Communication, supplies and services	2,682,250	739,000	1,943,250	1,603,109	340,141	82%
Training and Capacity Building	9,000,000	2,445,000	11,445,000	8,983,550	2,461,450	78%
Routine Maintenance -Vehicle and Other Transport Equipment	1,200,000	1,265,000	2,465,000	2,452,251	12,749	99%
Routine Maintenance - Other Assets	36,600,000	5,400,000	31,200,000	29,068,356	2,131,644	93%
Other Operating expenses	46,099,450	12,127,000	58,226,450	69,408,900	(11,182,450)	119%
Purchase of Specialized Material and Supplies	113,850,000	22,700,000	136,550,000	143,375,077	(6,825,077)	105%
Purchase of Motor Vehicle and other Transport Equipment	5,000,000	-	5,000,000	-	5,000,000	0%
Other payments	14,500,000	(2,300,000)	12,200,000	-	12,200,000	0%
Total expenditure	317,624,700	59,457,000	360,751,700	357,275,609	3,476,091	
Surplus for the period	510	(16,331,000)	-	21,906,922	(21,906,922)	

14. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

The entity's 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. The accounting policies have been consistently applied to all the years presented.

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

	<p>the asset is held;</p> <ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows.

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2019/2020 was approved by the KTRH Board revisions and additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

6. 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.

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

- The debtors or an entity 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)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

9. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity 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.

Contingent liabilities

The Entity 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

10. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Changes in accounting policies and estimates

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

11. Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

12. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. Borrowing costs

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

14. Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

15. Cash and cash equivalents

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

16. Comparative figures

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

17. Events after the reporting period

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

18. Ultimate and Holding Entity

The entity is a County Public facility established by County Government of Kisii.

19. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20. Significant judgments and sources of estimation uncertainty

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

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

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 Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Financial risk management

The entity’s activities expose it to a variety of financial risks including credit and liquidity and effects of changes in foreign currency. The entity’s overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. It does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The financial risk management objectives and policies are detailed below:

a) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity’s management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity’s maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

2020				
At 30 June 2020				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2020				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of trustees sets the entity’s credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Chief Executive Officer, who has built an appropriate liquidity risk management framework for the management of the entity’s short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

At 30 June 2020				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2020				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

At 30 June 2020			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Foreign currency sensitivity analysis

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

2020				
Euro		-	-	-
USD		-	-	-
2020				
Euro		-	-	-
USD		-	-	-

i. Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the facility to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the deposits.

Management of interest rate risk

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

Sensitivity analysis

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

10. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

The objective of the entity's capital risk management is to safeguard the facilities ability to continue as a going concern. The entity capital structure comprises of the following:

Revaluation reserve	-	-
Revolving finances	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	%	%

15. NOTES TO THE FINANCIAL STATEMENTS

1. 1. Public contributions and donations

Description		
Donation from development partners-user Fee	181,664,826	180,986,893
Contributions from the public	-	-
Total	181,664,826	180,986,893

This relates to funds received in exchange for service rendered

2. Transfers from County Government

Description		
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity	-	-
Total	-	-

3. Fines, penalties and other levies

Description		
Late payment penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description		
Interest income from Mortgage loans	-	-
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	-	-
Total interest income	-	-

5 Other income

Description		
NHIF Inpatient Claims	102,381,145	61,887,750
NHIF Civil Servant Capitation	0	1,325,000
NHIF Out Patient (OPD)	19,561,680	21,982,950
Britam Insurance	657,145	789,500
Linda Mama	67,991,453	16,050,000

Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020

Surgical claims	6,110,670	
MRI SCAN	815,612	
Total other income	197,517,705	102,035,200

6. Fund administration expenses

Description		
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	-	-
Total	-	-
7. Staff costs		
Description		
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

8. General expenses

Description		
Utilities supplies and services	47,053,107	36,196,708
Fuel oil and Lubricants	11,067,725	10,327,260
Domestic travel and other subsistence, and other transport costs	7,159,500	9,363,905
Printing, Advertising and information supplies and services	2,200,590	4,287,612
Hospitality Supplies and Services	17,727,395	7,224,908
Office and General supplies and services	17,176,049	18,709,084
Communication, supplies and services	1,603,109	2,906,685
Training and Capacity Building	8,983,550	8,907,800
Routine Maintenance - Vehicle and Other Transport Equipment	2,452,251	691,300
Routine Maintenance - Other Assets	29,068,356	28,695,305
Other Operating expenses	69,408,900	72,992,100

Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020

Purchase of Specialized Plant, Equipment and Machinery	0	1,590,210
Purchase of Specialized Material and Supplies	143,375,077	138,570,626
Total	357,275,609	340,463,503

9. Finance costs

Description		
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

10. Gain/(loss) on disposal of assets

Description		
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

11. Cash and cash equivalents

Description		
Car loan account	-	-
County mortgage account	-	-
Fixed deposits account	-	-
On – call deposits	-	-
Current account	4,225,584	14,895,894
Others	-	-
Total cash and	4,225,584	14,895,894

Detailed analysis of the cash and cash equivalents are as follows:

Description		
a) Fixed deposits account		
Kenya Commercial bank	-	
Equity Bank, etc	-	
Sub- total	-	
b) On - call deposits		
Kenya Commercial bank	-	

Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020

Equity Bank – etc		-	
Sub- total		-	
c) Current account			
Kenya Commercial bank	1101996315	4,225,584	14,895,894
Sub- total		4,225,584	14,895,894
d) Others(specify)			
Cash in transit		-	
Cash in hand		-	
Mpesa		-	
Sub- total		-	
Grand total		4,225,584	

12. Receivables from exchange transactions

Description		
Current Receivables		
Interest receivable	-	-
Current loan repayments due	-	-
Other exchange debtors- NHIF	47,603,232	49,413,014
Less: impairment allowance	-	-
Total Current receivables	47,603,232	49,413,014
Non-Current receivables		
Long term loan repayments due	-	-
Total Non- current receivables	-	-
Total receivables from exchange transactions	-	-

13. Prepayments

Description		
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	-	-
Total	-	-

14. Inventories

Description		
Consumable stores	-	-

Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020

Spare parts and meters	-	-
Catering	-	-
Debtors	-	-
Total inventories at the lower of cost and net realizable value		

15. Property, plant and equipment

Cost		
At 1 st July 2018	-	-
Additions	-	-
Disposals	-	-
Transfers/adjustments	-	-
At 30 th June 2019	-	-
At 1 st July 2019	-	-
Additions	-	-
Disposals	-	-
Transfer/adjustments	-	-
At 30 th June 2020	-	-
Depreciation and impairment		
At 1 st July 2018	-	-
Depreciation	-	-
Impairment	-	-
At 30 th June 2019	-	-
At 1 st July 2019	-	-
Depreciation	-	-
Disposals	-	-
Impairment	-	-
Transfer/adjustment	-	-
At 30 th June 2020	-	-
Net book values	-	-
At 30 th June 2019	-	-
At 30 th June 2020	-	-

16. Intangible assets-software

Description		
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-

Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020

At end of the year	-	-
NBV	-	-

17. Trade and other payables from exchange transactions

Description		
Trade payables	15,026,000	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	15,026,000	-

18. Provisions

Description		
Balance at the beginning of the year(1.07.2019)	-	-
Additional Provisions	-	-
Provision utilised	-	-
Change due to discount and time value for money	-	-
Transfers from non -current provisions	-	-
Balance at the end of the year (30.06.2020)	-	-

19. Borrowings

Description		
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestic borrowings during the period	-	-
Balance at end of the period	-	-

The table below shows the classification of borrowings into external and domestic

borrowings:

Description		
External Borrowings		
Dollar denominated loan from organization'	-	-
Sterling Pound denominated loan from organization'	-	-
Euro denominated loan from organization'	-	-
Domestic Borrowings	-	-
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

The table below shows the classification of borrowings long-term and current borrowings:

Description		
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
Total	-	-
).		

20. Employee benefit obligations

Description		
	KShs	KShs
Current benefit obligation	-	-
Non-current benefit obligation	-	-
Total employee benefits obligation	-	-

21. Cash generated from operations

Description		

**Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020**

Surplus/ (deficit) for the year before tax	xxx	xxx
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities		

22. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund 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 and close family members. The fund/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees

b) Related party transactions

Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

Due from parent Ministry	-	-

**Kisii Teaching & Referral Hospital
Reports and Financial Statements
For the year ended June 30, 2020**

Due from County Government	-	-
Total	-	-

e) Due to related parties

[REDACTED]		
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Total	-	-

23. Contingent assets and contingent liabilities

[REDACTED]		
Court case xxx against the Fund	-	-
Bank guarantees	-	-
Total	-	-

2. 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.

[REDACTED]			