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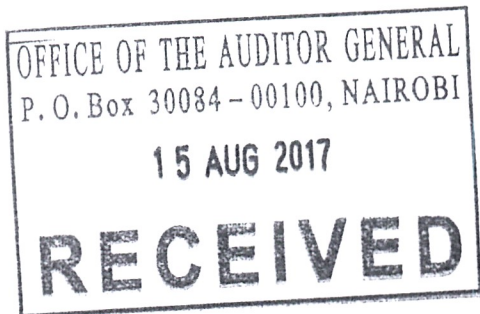
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
MOI TEACHING AND REFERRAL
HOSPITAL

FOR THE YEAR
ENDED 30 JUNE 2016





MOI TEACHING AND REFERRAL HOSPITAL
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30TH 2016

Prepared in accordance with the accrual basis of accounting method under the International Public Sector Accounting Standards (IPSAS)

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I. INSTITUTIONAL DETAILS

(a) INCORPORATION/ESTABLISHMENT

Moi Teaching and Referral Hospital (MTRH) is a body Corporate established under the provisions of the State Corporations Act (Cap 446) of the laws of Kenya under the Ministry of Health.

(b) CORE MANDATE

The functions of the Hospital as enumerated in the Legal Notice No. 78 of 12th June, 1998 of the State Corporations Act (Cap 446) are:-

- To receive patients on referral from other Hospitals or institutions within or outside Kenya for specialized health care
- To provide facilities for medical education for Moi University and for Research either directly or through other co-operating health institutions
- To provide facilities for education and training in nursing and other health and allied professions
- To participate as a national referral hospital in national health planning

VISION STATEMENT

‘A world class referral and teaching Hospital’

MISSION STATEMENT

‘To provide specialized quality health care services, teaching, research, training, and participate in national health planning’

ORGANIZATIONAL VALUES


- To advance and protect the public image of the Hospital at all times.
- To be sensitive, discerning and attentive in serving our clients.
- To observe and maintain high standards at all times
- To uphold teamwork at all times.
- To respect and uphold the rights and dignity of our clients.
- To uphold integrity, accountability and transparency in our dealings.
- To adhere and respect the Constitution of Kenya 2010 in the provision of specialized health services

PROFESSIONAL VALUES

- We exercise our professions to the best of our knowledge and ability for the safety and welfare of all persons entrusted to our care.
- We shall not knowingly or intentionally do anything or administer anything to the persons under our care to hurt or prejudice.
- We shall maintain confidentiality of information that we have learnt in our professional capacities.
- We shall not employ any secret method of treatment or keep secret any method, which may be beneficial to patients.
- The Hospital shall not be advertised for undue commercial gains.
- We shall conduct ourselves honourably.

(c) Board Members

1. Mr. Adan Abdirhaman Hassan - Chairman
2. Prof. Nelly Yatich - Member
3. Ms. Eunice W. Wambugu - Member
4. Mr. Katwa Kigen - Member
5. Dr. Janet Muriuki - Member
6. Dr. Simon Kibias - Alternate; PS Ministry of Health
7. Ms Anne Mworio - Alternate; PS, Ministry of Higher Education
8. Dr. Izaq Odongo - Alternate; Director of Medical Services
9. Prof. Jenesio I. Kinyamario - Chairperson, Moi University Council
10. Prof. Richard K. Mibey - Vice Chancellor, Moi University
11. Mr. Martin Gumo - Alternate; PS, the National Treasury
12. Dr. Wilson Aruasa - C.E.O /Secretary

	<p>BSc. Range Management, Utah State University-USA; Diploma in Agriculture and Several Management Courses, University of Nairobi; District Livestock Management Officer, Livestock Manager, Kenya Meat Commission. Director, Kenyatta International Conference Centre; Board Chair, MTRH.</p>
<p>Mr Adan Abdirhaman Hassan</p>	
	<p>PhD in Public Health, University of Alabama at Birmingham; MPH, University of Alabama at Birmingham; BSc, Moi University. Clinical Assistant Professor, Global Health Division, University of Washington; Director of the University of Washington Treatment, Research and Expert Education Program, Nairobi; Writing research articles for publication in peer-reviewed journals, generating M&E reports for sponsors, donors and grant-funders.</p>
<p>Prof. Nelly Yatich</p>	
	<p>Msc. in AgriBusiness, Cornell University, USA; Bsc. in Agriculture, the University of Nairobi; Certified export coach by the CBI of the Netherlands; Corporate Governance Course, Mwongozo Training, Diploma in Theology, Several Leadership and Management Courses. Worked with the Kenya Agricultural Research Institute, Kenya Bureau of Standards and Kenya Nut Company Ltd. Agricultural Consultant in market access and value addition. Board member of Wahundura Boys High School and Moi Teaching and Referral Hospital and Chair of Finance and Strategy Committee and Member of Standards, Quality Assurance and Research Committee.</p>
<p>Ms. Eunice Wangari Wambugu</p>	

MOI TEACHING AND REFERRAL HOSPITAL



Mr. Katwa Kigen

PhD, Mt. Kenya University-ongoing; JSD, Washington University-ongoing; LLM, UoN; C.P.S(K); Kenya Certificate in Computer Science, Egerton University; Diploma in Law, Kenya School of Law; LLB, UoN. Advocate, Katwa & Kemboy Advocates; Member of LSK, Legislation and Law Reform Committee, Practiced at ICC (The Hague Netherlands); East Africa Court of Justice, Arusha-Republic of Tanzania; and all levels of Kenyan Courts and Tribunals since 1996. Chairman, Unclaimed Financial Assets Authority (U.F.A.A), Governor, Wareng Secondary School; Co-editor Reformed Church of East Africa News letter; National Executive Committee Member, Department of Education, Reformed Church of East Africa; Board Member, MTRH.



Dr. Simon Kibias

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 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 marking. 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.



Mrs. Anne Mworira

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).

 <p>Dr. Izaq Odongo</p>	<p>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.</p> <p>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.</p> <p>Board member, MTRH.</p>
 <p>Prof. Jenesio Ikindu Kinyamario</p>	<p>PhD. Plant Ecology, University of Nairobi; M.Sc. Range Science, Texas A & M University; BSc. Biology, UoN. Thematic Head, Ecology and Environmental Sciences, School of Biological Sciences, UoN; Lecturer, Ecology and Environmental Science, UoN; Research and Training under the SIDA-Sarec BIOEARN (Biotechnology Research & Development in East Africa) Programme; Research and Training student at both Msc. and Ph.D. levels in biosafety; Research and Training under the DANIDA Biosafe Train (Capacity Building for Biosafety and Ecological Impact Assessment of Transgenic Plants in East Africa) Programme; Training Coordinator, Biosafe Train special courses, focusing on biosafety/ecology, biotechnology, practical aspects in the cultivation and handling of GM crops, risk assessment and evaluation, and on ethical, legal and societal aspects of GM Technology. Board Member MTRH</p>
 <p><u>Prof. Richard Mibey</u></p>	<p>PhD in Mycology, UoN; MSc. Biology, Appalachian State University; MSc. Plant Pathology, Oklahoma State University; BA. Biology, Warren Wilson College. D.Ed. Agricultural Education and Extension, Specialty in Plant Pathology, Oklahoma State University;</p> <p>Graduate Assistant, Department of Biology, Appalachian State University; Graduate Assistant, Department of Plant Pathology, Oklahoma State University; Research Assistant, U.S.D.A. Laboratory; Lecturer, Department of Botany, UoN; Senior Lecturer, Department of Botany UoN; Associate Professor of Botany (Mycology); Professor of Mycology, Department of Botany, UoN.</p> <p>Chairman, Department of Botany UoN; Dean, Faculty of Science, UoN; Principal, Chiromo Campus UoN; Deputy Vice Chancellor, Administration and Finance Maseno University; Vice Chancellor, Moi University.</p> <p>Board member, MTRH.</p>




<p>Dr. Janet Muriuki</p>	<p>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.</p> <p>Health service delivery and health systems expert; Manager and Quality Assurance (USAID); Technical Director and Deputy Chief of Party on the Human Resources for Health Capacity Bridge Project; Project's liaison person, MOH's NASCOP and former Division of Reproductive Health, KEMSA; Government relations, Health Policy Development & Formulation, Program Management & Analysis, Financial Planning & Management, Strategic Planning & Organizational Strategy.</p> <p>Awarded gold medal for Best Student Accounting Methodology, Kianda School & Best Science and Art Student, Strathmore College.</p>
 <p>Dr. Wilson K. Aruasa</p>	<p>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.</p> <p>CEO, MTRH; Honorary lecturer, Moi University School of Medicine; Member AMPATH Executive Committee and AMPATH Board, and Council Member, Kenya Medical Association (KMA)</p>

(d) BOARD COMMITTEES

The Board has four principal committees which operate within defined terms of reference laid down by the board. The four committees are as follows:

- Standards, Quality Assurance and Research Committee
- Human Capital and Governance Committee
- Finance and Strategy Committee
- Audit and Risk Committee

(e) PRINCIPAL OFFICERS

S/NO	NAME	DESIGNATION
1	 <p data-bbox="322 654 614 689">Dr. Wilson K. Aruasa</p>	<p data-bbox="721 183 1524 474">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.</p> <p data-bbox="721 481 1524 627">CEO, MTRH; Honorary lecturer, Moi University School of Medicine; Member AMPATH Executive Committee and AMPATH Board, and Council Member, Kenya Medical Association (KMA)</p>
2	 <p data-bbox="306 1160 614 1196">Mr. Agunda Ochanda</p>	<p data-bbox="721 734 1524 1034">MBA, University of Keele, England; CPS (K); Diploma in Health Care Management, Galilee College-Israel; LeHHo, Strathmore University and Several Leadership and Management seminars and conferences locally and internationally. Certified Director by Centre of Corporate Governance; Mentor and Coach in Leadership and Governance; Strategic Leadership, KSG and Secretary to Management Committee.</p> <p data-bbox="721 1041 1524 1108">Deputy Director, Administration and Finance and Acting Corporation Secretary, MTRH.</p>
3	 <p data-bbox="306 1532 662 1568">Dr. Francis Omari Ogaro</p>	<p data-bbox="721 1193 1524 1601">Fellowship (Subspecialty) in paediatrics chest, University of Cape Town - S.A; M.Med in Paediatrics, UoN; MB, ch.B. UoN; Strategic Leadership Development Programme, KSG; several leadership and diagnostic seminars, Honorary Lecturer, Department of Child Health and Paediatrics, Moi University; Member of Pan-African Thoracic Society, Kenya Association of Prevention and Treatment of Lungs Diseases (KAPTLD), Kenya Paediatrics Association; Ag. Deputy Director Clinical Services, MTRH.</p>

MOI TEACHING AND REFERRAL HOSPITAL

<p>5</p>	 <p>Mr. Mathews Birgen</p>	<p>MBA, Moi University; Diploma in Health Systems Management, Galilee College, Israel; Foundations in Economic Evaluation, Makerere University; CPA(K), B-Com, UoN and Strategic leadership Management, KSG. SAD (Finance), MTRH. Ag. ADDFA and Finance Manager at MTRH. With in-depth knowledge of Management Accounting, Financial Reporting, Budget and budgetary control, human resource, procurement and monitoring & evaluation. East, Central and Southern Africa Health Community consultant on costing of health services in Kenya. ICPAK Member, Board member Race Course secondary school, Internal Auditor for ISO 9001:2008.</p>
<p>6</p>	 <p>Mr. Titus Tarus</p>	<p>MScN, University of Witwatersrand, Johannesburg, South Africa; BScN and Cum-Laude, University of Eastern Africa, Baraton. Senior Assistant Director, Nursing Services, Nursing Manager Division of Paediatrics and child health including Neonatal Unit, Nursing Officer in charge of paediatric ward, MTRH. Member of the Kabarak University Teaching and Referral Hospital Task Force Committee, Member of IREC, Member in the Human Resource and Finance Standing Committee of the Nursing Council of Kenya</p>
<p>7</p>	 <p>Mr. Thomas Ngetich</p>	<p>MBA, Moi University; BA-Economics, University of Nairobi; CPA (K) and member of the Institute of Certified Public Accountants of Kenya. Strategic Leadership Development Programme, KSG; Senior Management Course, KSG; Corporate Governance Course, Centre for Corporate Governance and other several trainings, workshops and seminars. Ag. Finance Manager, MTRH, Deputy Finance, MTRH, Chief Accountant (MTRH), Projects Accountant RSPO MTRH/MU, Project Administrator, AMPATH. With in-depth knowledge of Financial Reporting, Management Accounting, Budgeting and Budgetary Control and Internal Controls.</p>

(f) REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Nandi Road,
P.O Box 3 -30100
Tel: 053-2033471/2/3/4
FAX 053-2061749w
ELDORET.
Email: director@mtrh.or.ke
Website: www.mtrh.or.ke

(g) BANKERS

Kenya Commercial Bank Ltd
Uganda Road Branch- Eldoret
P.O Box 5197 -30100
ELDORET.

(h) INDEPENDENT AUDITORS

The Auditor General
Anniversary Towers, University way
P.O Box 30084-001000
NAIROBI.

(i) PRINCIPAL LEGAL ADVISER

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

II. CHAIRMAN'S REPORT.

Introduction

It is with great pleasure that I present the Hospital's Annual Report and Financial Statements for the Year ended 30th June, 2016.

The Hospital's functions are stipulated in the Legal Notice No. 78 of 1998 under the State Corporations Act (Cap 446) and include provision of accessible specialized quality healthcare services, teaching facilities, research, training, capacity building, innovation and participation in National Health Planning.

Financial highlights

The Hospital realized an increase in income from Kshs 6.0 billion during the 2014/2015 Financial Year to Kshs 6.5 billion in the 2015/2016 Financial Year. The period saw an increase in income from cost sharing sources attributable to additional service points at Shoe4Africa Children Hospital, Cancer Centre and new Diagnostic Equipment in Laboratory and Radiology Departments. Cost Sharing Income increased from Kshs. 1.583 billion during the 2014/2015 financial year to Kshs. 1.9 billion in the year 2015/2016 Financial Year.

OPERATIONAL EFFICIENCY

Quality Management System

The Hospital for the last seven years has successfully sustained certification to ISO 9001:2008 Quality Management Standard since 27th March, 2009 under the scope of Healthcare Delivery, Training and Health Research. The last Surveillance Audit was done on 5th to 7th April 2016 and confirmed the maintenance and effectiveness of the implemented quality system.

Equally, Eighteen Internal Quality Audits have so far been conducted in the hospital to monitor and report on the continued effectiveness of the system and achievements so far registered.

With the revision of the Standard last year, the hospital has started the transition in earnest beginning with the Awareness Trainings for Top Management and Implementers and upgrading of 50 Internal Quality Auditors on 18th- 23rd July 2016. They are now in the forefront in aligning the few additional requirements to our system that will be Audited in October 2016 based on ISO 9001:2015. Depending on the outcome of this internal Audit and subsequent precertification Audit in December or January 2017, the Hospital is scheduled to be certified to the new Standard by June 2017.

Service Delivery

The quality of health care delivery is driven by the capacity to use the available resources to achieve the desired outcomes. The hospital has continued to make effort to improve service delivery by improving service relevance and acceptability through use and adherence to service charters by all service delivery points, conducting regular client's satisfaction surveys to continually ensure client's expectations are informing interventions and ensuring staff and patients safety is assured in the provision of services.

Alongside other interventions, the hospital endeavors to ensure a conducive environment for quick recovery to patients and hence reduce the hospital length of stay.

Performance Contracting

The Hospital has inculcated performance contracting in all its operations and cascaded the same to all members of staff. Attainment of negotiated targets has ensured improved service delivery to clients and consequently client satisfaction. The Board defended performance for the Financial Year 2015/2016 and signed the 14th cycle of performance contracting.

Collaborations

The Hospital continues to collaborate with various stakeholders to improve healthcare delivery.

- The Hospital's partnership with Moi University School of Medicine and Indiana University School of Medicine in the US saw the signing of the USAID/AMPATH-Plus Grant for 5 years with the Hospital being the Prime Recipient. This grant provides intervention programs in HIV prevention and care.
- The Hospital in Partnership with AAR Insurance established a Community Based Healthcare Plan on a Public-Private Partnership arrangement which is a medical insurance scheme tailored for a rural farming community that both promote economic prosperity while at the same time providing affordable insurance cover. This is a scheme worth replication by other service providers throughout the country.

Growth highlights

The Hospital programmes are anchored on the vision of attaining world class Hospital status. It's with this agenda that the management planned and executed the following projects this Financial Year.

1. Purchase of three vehicles (Two utility vehicles and an ambulance).
2. Renovation of the Medical Wards (Nyayo Wards).
3. Expansion of farewell home.
4. Structured Cabling and Networking of Shoe4Africa Building.
5. Procurement of 32 CT scan machine
6. Modernization of Hospital Equipment
7. Purchase of Power Generators

Strategy Highlights

The Hospital's Strategic plan for the period 2012 - 2017 is in its final year of implementation with most of the planned projects accomplished. Modernization of Hospital Equipment and Expansion of ICU are expected to be achieved within the current strategic plan period. Several other planned projects shall however be implemented in the next cycle for the period 2017-2022 due to budgetary constraints. Among the outstanding projects include;

1. Modernization of medical equipment
2. Construction of doctors plaza
3. Construction of reproductive health centre of excellence

4. Medical tourism flagship project
5. Digitization of medical records.
6. Equipping of the Children Hospital
7. Equipping of the Cancer Centre
8. Phase II Expansion of the Hospital (2000 Beds)

Appreciation

I wish to recognize the role of the Government of Kenya, Development Partners, my fellow Board members and Hospital Management for their contribution in making the year 2015/2016 a particularly successful year. I would also wish to recognize the immense contribution of the Hospital staff and would like to personally thank them for their efforts, which have contributed to achievement of set targets.



MR. ADAN ABDIRHAMAN HASSAN

CHAIRMAN

III. CHIEF EXECUTIVE OFFICERS' REPORT

INTRODUCTION

Moi Teaching & Referral Hospital remains dedicated to its mission of providing accessible, specialized, quality healthcare services and teaching facilities through Research, Training, Capacity building, Innovation and Participation in National Health Planning.

Overview of the Kenyan Health Sector

Kenyan health sector is governed by policies outlined in the Kenya Vision 2030 and the Kenya Health Policy Framework, 2012-2030. These policies are translated into 5-year medium-term strategic objectives, outlined in the Second Medium Term Plan for the overall government and the Kenya National Health Sector Strategic Plan (NHSSP) III, 2012-2017 for the health sector. The NHSSP II, 2005-2010, and NHSSP III, 2012-2017, promotes a Sector Wide Approach to health care, including partnership among public and private entities, including the Government of Kenya, international donors, non-profits organizations, non-governmental organizations, civil society organizations and faith-based organizations. To guide the implementation of strategic objectives, the sector Wide approach identifies priority investments to achieve the overall medium-term objectives, which are outlined in a Joint Program of Work and Funding to guide and prioritize health interventions.

Health is one of the components of delivering the Vision's Social Pillar given the key role it plays in maintaining a healthy workforce necessary to drive the economy. To realize this ambitious goal, the health sector defined priority reforms as well as flagship projects and programs including restructuring of the sector's leadership and governance mechanisms; improving procurement and availability of essential medicines and medical supplies; modernizing health information systems; accelerating health facility infrastructure development to improve access; human resource for health development and developing equitable financing mechanisms as well as establishment of social health insurance.

In Kenya health services are provided by four main sectors: public, private, faith-based and non-governmental organizations. The private and faith-based institutions are a mix of profit and not-for-profit agencies. The public sector operates the largest share of healthcare facilities in the country, and is the major health service provider in the rural areas. As such, access to health services by the majority of Kenyans is largely influenced by the functionality of the public health sector.

The Operating Environment

Healthcare is financed from various sectors these include government, external donors, the private sector and out of pocket payments. It is estimated that most of the OOP were to private healthcare providers. The burden of healthcare costs in Kenya has devastating consequences for poor households, and this is also linked to the issue of access. Although services may be provided at no cost in government facilities, geographical constraints for those in rural areas means that health facilities may be hard to reach and they would incur travel costs seeking healthcare. This means that underserved rural populations need to weigh the cost of receiving healthcare against the cost of transport, and the time and expense spent away from their livelihoods.

Because the health system does not have the capacity to provide care to all Kenyan citizens most people use private healthcare providers to purchase medicines. Kenya's ongoing health insurance scheme is the National Health Insurance Fund (NHIF), which was initially designed to serve employees in government and in the private sector earning salaries has been improved to accommodate people from the informal sectors and services diversified. NHIF now has a comprehensive package compared to previous years.

The government has continued to finance health care in Kenya depending in the category of the facility .hospitals are categorized as national hospitals, county hospitals level 4-6 hospitals ,provisional hospitals, district hospitals and sub district hospitals, health centers and dispensaries.

The current government has tried to enhance health care by increase its support and funding. Among the projects that have been financed by the government include increasing ICU beds in various hospitals, increasing HDU beds in various hospitals, supply of digital medical equipments including MRI machines, funding free maternity programmes and implementation of health insurance and subsidy programme

FINANCIAL MANAGEMENT

The Hospital continues to implement Sound financial management through efficient and effective utilization of funds, which ultimately enables an accomplishment of set goals. The Hospital budgetary committee provides technical assistance to all divisional heads and enhances the capacity of non financial managers and other facility staff members involved in financial management process in the entire institution to ensure prioritization of expenditure, efficient utilization of funds and safeguarding of the hospital assets.

The institutions financial management system is based on the existing government financial management rules and regulations, including the PFM Act 2012. It also takes into consideration other financial guidelines as International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS).

HUMAN RESOURCES

The Hospital has endeavored to attract and retain highly skilled staffs that play a critical role in offering the highest, accessible quality services and effective quality improvement. The institution has developed strategies of hiring qualified staff that are treated as good partners in the hospital operations and are given opportunities for advancement. All employees are required to perform and are monitored through a performance evaluation and appraisal system.

During the period under review, the Hospital's staff establishment stood at a total of three thousand, seven hundred and five (3,705) being six hundred and twenty six (626) on Contract Terms and three thousand, and seventy nine (3079) on Permanent and Pensionable Terms.

COMMUNITY OUTREACHES PROGRAMMES/ MEDICAL CAMPS

The Hospital undertook community outreaches through the relevant departments. This kind of health promotions are aimed at creating awareness in different health issues which are paramount to improving healthcare delivery.

Besides routine patient care and management, the Hospital successfully conducted medical camps in the following areas in order to utilize highly skilled expertise from visiting doctors from collaborating institutions;

- Medical camp at Turkana County.
- Medical camp at Kimngoror health centre.
- Medical Camp in Kapkoi.
- Medical camp at Ngeria Prison.
- Medical Camp at Catholic University.

RESEARCH AND DEVELOPMENT

As a strategy towards attaining its Mission, MTRH in partnership with other stakeholders is dedicated to pursue research which mainly focuses on health care management, service delivery, cost and quality with the aim of furthering the advancement of science and setting a competitive edge in healthcare management. It is expected that the outcome of the various funded research will result into better management of patients.

During the period under review, the Hospital allocated Kshs 10 Million towards Health Research, Development & Innovation.

FUTURE OUTLOOK

The Hospital's operations and growth are guided by the Strategic Plan 2012-2017 that is now in its final term. It is expected that more Centers of Excellence shall be developed to improve service delivery in addition to bringing the Hospital closer to offering Health Tourism.

Besides the strategic plan, the Hospital has a comprehensive restructuring plan of its facilities driven by demand for efficient and reliable healthcare services from its corporate partners. To improve and enhance these facilities the hospital has put in place the following strategies;

- Review its physical plan for the next 15 years
- Mobilize resource to strengthen infrastructure development
- Modernize and expand hospitals facilities
- Support the development of infrastructure initiatives.

APPRECIATION

I take this opportunity to thank the Government of Kenya, Hospital Board, Management, Staff, Development partners, Moi University College of Health Sciences and other stakeholders for the success of 2015/2016 financial year.


Dr. Wilson K. Aruasa
CHIEF EXECUTIVE OFFICER

IV. CORPORATE GOVERNANCE

The responsibility for good corporate governance of the Hospital is vested on the Board. The Board consists of thirteen members, six of whom are Independent Members and seven are representatives of Ministry of Health, Ministry of Education, Science & Technology, the National Treasury, Moi University and CEO of the Hospital. Twelve are non executive (including the board chairman) and one is executive (the chief executive officer). The board members have a wealth of experiences and competencies appropriate for efficient execution of the institution's undertakings.

The Board ensures that the Hospital complies with the Law and the highest standards of corporate governance principles and work ethics. The Board has been at the forefront in ensuring that the Hospital is run in a professional manner through proper management structures and continues to inculcate governance principles in the management of Hospital operations.

The board members are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues

FUNCTIONS AND RESPONSIBILITIES OF THE BOARD

The primary responsibilities of the Board include the following:

- Establish long-term goals of the Hospital and ensure that the Strategic objectives and plans are established to achieve those goals.
- Ensure that the Management structures are in place to achieve those objectives.
- Guide the implementation of strategic decisions and actions as appropriate.
- Review, adopt and monitor the implementation of the Hospital's annual budgets.
- Ensure preparation of annual financial statements, communication and disclosures of to stakeholders.
- Establish policies for Risk Management and implementation of sound internal controls and compliance as set out in accounting and auditing standards.
- Ensure that the Hospital remains viable, sustainable and competitive while maintaining and increasing Hospital's net worth.

V. BOARD COMMITTEES

1. Finance and Strategy Committee

This committee is responsible for establishment and review of policies regarding financial management function of the hospital. It also reviews Strategic Plans, Financial Statements, Budgets, Finance Policies, Capital Investments and development projects.

Membership

I.	Ms. Eunice Wambugu	-	Chairperson
II.	Mr. Katwa Kigen	-	Member
III.	Mr. Martin Gumo	-	Member
IV.	Prof. Richard Mibey	-	Member
V.	Dr. Simon Kibias	-	Member
VI.	DR. Izaq Odongo	-	Member
VII.	Dr. Wilson Aruasa	-	Secretary

2. Human Capital and Governance Committee

This committee is responsible for development of human resource policies, staff welfare, recruitment and staff development and training. It also oversees activities of the staff pension scheme and Governance issues.

Membership

I.	Mr. Katwa Kigen	-	Chairperson
II.	Dr. Janet Muriuki	-	Member
III.	Prof. Nelly Yatich	-	Member
IV.	Mr. Martin Gumo	-	Member
V.	Dr. Simon Kibias	-	Member
VI.	Dr. Izaq Odongo	-	Member
VII.	Dr. Wilson Aruasa	-	Secretary

3. Standards ,Quality Assurance and Research Committee

This committee is responsible for establishment and review of clinical policies and protocols, research ethics and policies and quality standards.

Membership

I.	Dr. Janet Muriuki	-	Chairperson
II.	Ms. Eunice Wambugu	-	Member
III.	Mrs. Ann Mworio	-	Member
IV.	Dr. Izaq Odongo	-	Member
V.	Prof. Richard Mibey	-	Member
VI.	Dr. Wilson Aruasa	-	Secretary

4. Audit and Risk Committee

This committee is responsible for establishment and review of efficient internal controls, effective risk management framework, external auditor's queries and concerns and Public Investments Committees' recommendation. It is through this committee that the board is able to discharge its supervisory and oversight responsibility.

Membership

a)	Prof. Nelly Yatich	-	Chairperson
b)	Prof. Richard Mibey	-	Member
c)	Mrs. Ann Mworio	-	Member
d)	Dr. Simon Kibias	-	Member
e)	Mr. Eliud Cheres	-	Chief Internal Auditor/ Secretary

OTHER GOVERNANCE COMMITTEES

MANAGEMENT COMMITTEE

This is an executive committee, Chaired by the Chief Executive Officer comprising of Senior Managers which provide leadership by guiding and directing the activities of the Hospital, ensuring effective management, monitoring the activities of the organization to ensure they are in line with the Hospital vision and mission. The Committee meets on a regular basis to review performance, map out on-going operational strategies, and optimize co-ordination of the entire hospital processes.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Hospital Board is cognizant of the importance of giving back to the community and it is for this reason that regular engagement with the local community is encouraged. During the period under review, the Hospital participated in the following activities among many others:

- | | | |
|------------------------------------|---|---------------|
| 1. Beyond zero campaign | - | February 2016 |
| 2. Medical Camp Nandi County | - | march 2016 |
| 3. Medical Camp house of Grace | - | April 2016 |
| 4. Head and Neck Camp | - | April 2016 |
| 5. Operation Ear Drop | - | April 2016 |
| 6. Medical Camp Deliverance church | - | June 2016 |
| 7. ASK Show medical camp | - | March 2016 |
| 8. Kipchoge Rio Trials | - | June 2016 |
| 9. Neuro surgery Camp | - | July 2015 |
| 10. Opening of Eat and Run kitchen | - | July 2015 |
| 11. Health blos screening | - | August 2015 |
| 12. Moiben Medical Camp | - | October 2015 |

VI. REPORT OF THE HOSPITAL BOARD

The Board of Directors submits this report together with the financial statements for the year ended June 30th, 2016 which show the state of the affairs of the Hospital.

Board of Directors

The members of the Board of Directors who served during the year are shown on page 2. They discharge their duties in accordance with Legal Notice Number 78 of 1998.

Board Members serve three-year term with a possibility of renewal as stipulated by the Legal Notice. Continuity is in-built by the manner in which appointments are made, especially that of the Chair whose appointment does not coincide with those of other members.

Auditors

The Auditor General is responsible for the statutory audit of MTRH in accordance with the Section 14, 15, 16, & 17 of the State Corporations Act

The Auditor General carries out the audit of the Hospital's Annual Report and Financial Statements.

By Order of the Board


DR. WILSON ARUASA
CHIEF EXECUTIVE OFFICER/ SECRETARY TO THE BOARD

Date: 30/09/2016

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14, 15, 16&17 of the State Corporations Act, require the Accounting officer to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Board is also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Board is also responsible for safeguarding the assets of the entity.

The Board is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2016. 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 entity; (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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board accepts responsibility for the entity'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 Public Finance Management Act and the State Corporations Act. The Board is of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2016, and of the entity's financial position as at that date. The Board further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

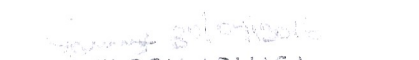
Nothing has come to the attention of the Board to indicate that the entity will not remain a going concern for at least the next twelve months from the date of this statement.

Approved on the 30th September 2016

The entity's financial statements were approved by the Board on 30th September 2016 and signed on its behalf by:



MR. ADAN ABDIRHAMAN HASSAN
BOARD CHAIRMAN



DR. WILSON ARUASA
CHIEF EXECUTIVE OFFICER

REPUBLIC OF KENYA

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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 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Moi Teaching and Referral Hospital set out on pages 19 to 45, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual performance 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.

Management's Responsibility for the Financial Statements

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 such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Auditing Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1.0 Property, Plant and Equipment

1.1 Land ✓

As reported in the previous year, included in the Property, Plant and Equipment balance of Kshs.1,843,754,507 as at 30 June 2016 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 to ruled in favour of Moi Teaching and Referral Hospital on 10 March 2010, the former directors appealed against the judgement and the matter has since been pending in the High court for the last six years. Consequently, 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 figure of Kshs.1,843,754,507 as at 30 June 2016 could not be confirmed. Further, it has not been possible to confirm the extent of impairment of the value on the property, if any, due to the dispute. Consequently, the accuracy and completeness of the property, plant and equipment balance of Kshs.1,843,754,507 as at 30 June 2016 could not be confirmed.

1.2 Irregular Procurement of Eight (8) Patient Monitors ✓

Property, Plant and Equipment balance of Kshs.1,843,754,507 as at 30 June 2016 includes an amount of Kshs.17,600,000 in respect of acquisition of eight (8) patient monitors. An order of eight (8) patient monitors was issued on 23 July 2015 through L.P.O No.09854. The monitors were delivered and installed on 31 October 2015 and full payment done on 2 June 2016 vide cheque No.029511 and 029153. However, information available indicate that the monitors were not procured through open tender and no valid contract signed between the hospital and the supplier was availed for audit verification. Although management has explained that the patient monitors were procured under a framework contract with the supplier, a review of the contract signed on 20 June 2014 indicates that the contract was for supply of two (2) patient monitors and the duration of the contract was two (2) weeks. It is therefore evident that the procurement of the eight (8) patient monitors was not covered under the contract. Under the circumstances, the procurement of the eight (8) monitors was irregular and therefore the propriety of the expenditure totalling Kshs.17,600,000 could not be confirmed for the year ended 30 June 2016.

1.3 Irregular Procurement of Sixteen (16) Slice CT Scan ✓

The hospital tender committee sitting on 5 June 2015 awarded a tender for the supply, delivery, installation and commissioning of sixteen (16) slice CT scan to a medical equipment supplier at a sum of Kshs.52,890,000. However, citing lack of funds, the

management on 12 October 2015 rescinded the decision by the tender committee and resorted to a hire purchase arrangement with the supplier at a cost of Kshs.64,742,649. Available information indicate that although the contract for the supply of the equipment was signed on 25 June 2015, Treasury approval for use of hire purchase method was requested on 7 September 2015 and granted on 30 September 2015 meaning that the request for approval to use hire purchase method was sought and granted long after the contract was signed. Further, the hospital management did not avail for audit review a certificate of installation and commissioning of the CT scan equipment. No explanations have been provided for these anomalies.

1.4 Irregular Procurement of Computers and Computer Accessories ✓

During the year under review, the hospital procured computers and computer accessories totalling Kshs.12,863,358 from a supplier. The advertisement for the supplies indicated that the procurement was under two year framework contracting arrangement from 1 July 2014 to 30 June 2016. However, a review of the procurement records indicate that the tender document did not specify the period of the contract and the total minimum and maximum quantity as required by Public Procurement and Oversight Authority circular No.6/2010 of 18 June 2010. Further, no reason was provided for using framework contract in procurement of computers and computer accessories whose quantity is definite. In addition, the contract agreement signed between the hospital and the supplier was not availed for audit review.

Consequently, the propriety of the expenditure totalling Kshs.12,863,358 incurred on purchase of computers and computer accessories could not be confirmed for the year ended 30 June 2016.

2.0 Project Cost

2.1 Integrated Hospital Management Information System ✓

Project cost balance of Kshs.30,712,238 as at 30 June 2017 as disclosed at note 3 to the financial statements includes a balance of Kshs.15,902,531 being payments made to a supplier in respect of procurement of Integrated Hospital Management Information System (HMIS) software. A review of documents relating to the procurement revealed that although the supplier was paid a total of Kshs.15,902,631 equivalent to 80% of the total contract sum, management did not avail certificates of work done and commissioning and handing over report of the system in support of the payments.

Consequently, the propriety of the project costs totalling Kshs.15,902,531 as 30 June 2016 could not be confirmed.

3.0 Trade and Other Receivables

3.1 Corporate Clients Debtors

As previously reported, included in the trade and other receivables balance of Kshs.1,141,420,922 as at 30 June 2016 is corporate client debtors of Kshs.496,181,806 as disclosed in Note 7.2 to the financial statement out of which Kshs.184,252,397 relates to 2014/2015 and prior years. Although the management has demonstrated some efforts made at debt recovery, however not much has been achieved. Consequently, the recoverability of corporate debts could not be confirmed.

3.2 Individual Client Debtors

The Trade and Other Receivables balance of Kshs.1,141,420,922 also includes individual client debtors' balance of Kshs.494,355,041. As previously reported, the debts were secured with ID cards, commitment letters and title deeds and out of which an amount of Kshs.424,274,901 related to the years 2002 to 2010. Since these debts were secured with very weak collateral, the possibility of their collectability appears remote. Delay in collection of these debts may affect the cash flow position and adversely affects the operations of the hospital. In the circumstances, recoverability of these long outstanding debts is doubtful and as a result it has not been possible to ascertain if the trade and other receivable balance of Kshs.1,141,420,922 is fairly stated.

3.3 Medical Service Providers Debtors

As reported in the previous year, the debtors balance of Kshs.1,141,420,922 include amounts owed by two medical service providers amounting to Kshs.20,138,821 and Kshs.68,778,269 respectively in respect of the contractual arrangements entered into with the hospital to provide medical care to employees of the Hospital. The claims have been outstanding long after contracts with the two firms were terminated. From the correspondences with the service providers availed for audit review, it was evident that the amounts owed were contested by the firms and therefore the recoverability of the balance of trade and other receivables of Kshs.88,917,090 could not be confirmed.

4.0 Trade Payables

4.1 Long Outstanding Payables

Included in the Trade and Other Payables balance of Kshs.373,197,990 as at 30 June 2016 is payables amounting to Kshs.41,725,941 which have been outstanding for over one year. Although the management has explained that lack of proper documentation from the firms has contributed to delay in settling the claims no evidence has been provided to show measures being taken to resolve this issue. As a result the validity, accuracy and completeness of the figure for trade and other payables of Kshs.373,197,990 as at 30 June 2016 could not be confirmed.

4.2 Unremitted Payroll Deductions

Note 8.5 to the financial statements reflect Kshs.462,947,925 in respect of payroll deductions which include an amount of Kshs.112,102,532 deducted from payroll between May and prior months that had not been remitted to the respective entities. No explanation was provided for non-remittance of these deductions as required by section 19(4) of Employment Act 2007. The hospital management is therefore in breach of the law and the failure to remit these deductions may attract penalties.

5.0 Operational Costs

Included in the Operational Costs of Kshs.492,631,031 as at 30 June 2016 as disclosed in note 6.3 to the financial statements is an amount of Kshs.29,582,330 paid out in form of imprests to staff for the purpose of procurement of goods for maintenance of buildings, plant and computerization expenses. However, no approved work plans were provided for audit review to confirm the nature of the works that were undertaken and their cost estimates. Further the tender committee approvals,

quotations and evaluation minutes were also not provided for audit review. In addition, there was no evidence provided to confirm that the goods and services paid for were received as no inspection and acceptance reports were availed for audit verification. Consequently, the propriety of the expenditure of Kshs.29, 582,330 as at 30 June 2016 could not be confirmed.

6.0 Irregular Payment of Allowances

Included in personal emoluments figure of Kshs.4,387,265,162 for the year ended 30 June 2016 as disclosed in note 6.1 to the financial statements is allowances of Kshs.65,443,838 paid to officers of the hospital as summarized below.

	Type of Allowance	Amount (Kshs)
1	Private Wing Executive Allowance	9,264,928
2	Private Wing Administrative Committee	1,261,955
3	Training Centre Allowance	8,066,713
4	Mortuary Allowance	19,671,290
5	Amenity Allowance	9,288,237
6	Memorial Allowance	17,890,715
	Total	65,443,838

However, these allowances were not included in the approved list of Salaries and Remuneration Commission (SRC). Although the management has explained that the payment of these allowances was approved by the board in 2002, it has not indicated action taken to have the same regularised by the Salaries and Remuneration Commission (SRC). The expenditure of Kshs.65,443,838 is therefore irregular

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Moi Teaching and Referral Hospital as at 30 June 2016, 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.

Other Matters

1.0 Personnel Matters

1.1 Officers Earning Less Than a Third Basic Pay

During the year ended 30 June 2016, four hundred and fourteen (414) officers of the hospital earned net salaries of less than a third of their respective basic salaries for between six and twelve months contrary to Section 19(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding any written law, the total amount of all deductions which under the provisions of Section (1), may be made by an employer from the wages of his employee at any time shall not exceed two thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee of class of employers or employees or any trade or industry. The hospital management is therefore in breach of employment Act, 2007.

1.2 Ethnic Composition of Staff

A review of personnel records availed for audit revealed that as at 30 June 2016 the hospital had a 12 members of board of management, 6 senior management staff and 3,104 other permanent and pensionable staff as detailed below:

		No	Dominant Ethnic Group	% of Dominant Ethnic Group	Other Ethnicities	% of Other Ethnicities
1	Board of management	12	5	42	7	58
2	Senior Management	6	4	67	2	33
3	Other permanent and pensionable staff	3,104	2,150	69	954	31
	Total	3,122	2,159	69	963	31

It is apparent from the above analysis that one dominant community comprised 69 % of the total workforce of other permanent and pensionable staff contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act 2008 which requires that all public establishment shall seek to represent the diversity of the people of Kenya in employment of staff. Further, no public establishment shall have more than one third (1/3) of its staff establishment from the same ethnic community.

The management of the hospital is therefore in breach of the law.

2.0 Budget Performance

During the year under review, the hospital had an approved revised expenditure budget of Kshs.6,526,596,813 against actual expenditure of Kshs.6,415,904,669 (98%), resulting in under expenditure of Kshs.110,692,144 or 2%. However, expenditure in some votes exceeded their approved allocation of Kshs.341,777,683 by Kshs.65,396,936 or 19 % as shown below;

	Code	Expenditure Item	Approved Budget 2014/15	Approved Revised Budget 2014/15	Actual Expenditure 2015/16	Over Expenditure	% Over expenditure
1	310	Bank charges	2,043,970	1,417,396	2,285,674	868,278	61
2	170	Mortuary supplies	1,835,068	1,835,068	2,485,559	650,491	35
3	560	Capital Expenditure	166,250,000	166,250,000	211,139,198	44,889,198	27
4	270	Printing of Accountable documents, Medical Records and HRIS and stationery	15,789,678	12,789,678	14,926,311	2,136,633	17
5	430	ISO	5,018,272	5,018,272	5,653,574	635,302	13
6	480	Staff Medical Scheme	147,978,520	147,978,520	163,558,319	15,579,799	11
7	440	Office Equipment	6,488,749	6,488,749	7,125,984	637,235	10
		Total	345,404,257	341,777,683	407,174,619	65,396,936	19

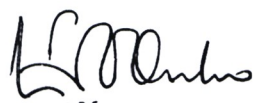
No evidence was provided to confirm whether there was authority for the over expenditure as required by section 12 of the State Corporations Act.

Further, there was underutilization of approved expenditure of Kshs.405,966,258 against actual expenditure of Kshs.280,454,149 by Kshs.125,512,109 as shown below;

	Code	Expenditure Item	Approved Budget 2014/15	Approved Revised Budget 2014/15	Actual Expenditure 2015/16	Under Expenditure	% Under Expenditure
1	140	Fuel & Gas	9,936,266	9,936,266	8,971,960	964,306	(10)
2	260	Transport Operating Expenses	10,266,990	9,266,990	8,302,147	964,843	(10)
3	120	Oxygen	70,000,000	60,000,000	52,921,781	7,078,219	(12)
4	280	Telephone expenses	5,102,735	5,102,735	4,444,263	658,472	(13)
5	355	Occupational Health Safety	5,296,896	3,296,896	2,836,772	460,124	(14)
6	45	Dental Supplies	7,000,000	7,000,000	5,978,201	1,021,799	(15)
7	340	Patient Traveling Expenses	110,000	110,000	92,950	17,050	(16)
8	410	Advertising & Publicity	14,632,443	12,632,443	10,582,150	2,050,293	(16)
9	220	Maintenance plant & equipment	48,608,948	42,608,948	35,638,317	6,970,631	(16)
10	180	Course Administration and subscription fees	8,505,090	6,505,090	5,418,001	1,087,089	(17)
11	160	Materials for Specialized units	3,284,604	4,284,604	3,533,724	750,880	(18)
12	380	Computerization	58,234,678	50,234,678	40,421,866	9,812,812	(20)
13	550	C. A.R.E.	6,095,391	1,095,391	872,250	223,141	(20)
14	395	Group Life Insurance Cover	16,500,000	15,772,356	11,764,467	4,007,889	(25)
15	350	Staff uniforms & protective gear	5,678,000	5,678,000	4,185,489	1,492,511	(26)
16	525	Children's Hospital	30,000,000	30,000,000	22,022,649	7,977,351	(27)
17	370	Board of Management Expenses	15,428,730	15,428,730	11,164,235	4,264,495	(28)
18	200	Library services	3,763,316	1,763,316	1,271,726	491,590	(28)
19	150	Uniforms for patients	8,940,369	1,940,369	1,347,552	592,817	(31)
20	290	Plant and Equipment Insurance policy	6,000,000	3,000,000	2,041,515	958,485	(32)

21	415	Hospital Security services	4,195,776	4,195,776	2,373,511	1,822,265	(43)
22	35	Disaster/ Emergency Response	30,000,000	30,000,000	16,136,718	13,863,282	(46)
23	320	Postal Charges	1,024,933	1,024,933	507,577	517,356	(50)
24	345	Disability Mainstreaming	998,520	998,520	435,500	563,020	(56)
25	490	Corporate Social Responsibility	2,000,000	1,000,000	352,180	647,820	(65)
26	405	Health Research, Development & Innovation	5,000,000	5,000,000	1,693,365	3,306,635	(66)
27	545	Purchase of Medical Appliances	25,000,000	75,000,000	24,250,009	50,749,991	(68)
28	300	Rents & Rates	2,989,897	2,989,897	893,274	2,096,623	(70)
29	520	Continuous Professional Development	100,320	100,320	0	100,320	(100)
Total			404,693,902	405,966,258	280,454,149	125,512,109	(31)

Consequently, funds not utilized is an indication of approved programs not implemented, which implies that the intended objective of improving delivery of service to the clients was not fully achieved.



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

Nairobi

02 November 2017

VII. STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 TH JUNE 2016

		2015/2016	2014/2015
	Notes		
Revenue from Non-Exchange Transactions			
Government Grant	4.1	4,447,488,867	4,427,911,523
		4,447,488,867	4,427,911,523
Revenue from Exchange Transactions			
Cost Sharing	4.2	1,211,286,581	952,141,852
Income Generating Unit	4.3	636,284,935	588,586,982
Other Income	4.4	15,577,088	42,677,079
		1,863,148,604	1,583,405,913
Total Revenue		6,310,637,471	6,011,317,436
Direct Costs			
Opening Inventories	7.3	123,089,318	99,652,601
Add: Direct costs	5.1	786,365,171	627,095,823
Closing Inventories	7.3	(177,009,062)	(123,089,318)
Net direct Costs		732,445,427	603,659,106
Gross Revenue		5,578,192,044	5,407,658,330
EXPENDITURE			
Personal Emoluments	6.1	4,387,265,162	4,525,650,638
Depreciation	3.0	112,277,382	87,344,089
Administrative Cost	6.2	366,040,290	309,859,467
Operational Cost	6.3	492,631,031	459,140,872
Board Expenses	6.4	11,001,380	10,219,189
Finance Cost	6.5	1,116,432	6,100,604
Provision for Doubtful Debts	6.6	25,886,200	69,140,755
Waivers and Exemptions	6.7	125,041,693	88,263,088
Provision for Audit fee	6.8	1,160,000	1,160,000
Total Costs		5,522,419,570	5,556,878,699
Net Surplus/ (Loss)		55,772,474	(149,220,372)
Revenue reserves B/F		(440,365,974)	(291,145,602)
Revenue reserves C/F		(384,593,500)	(440,365,974)

MOI TEACHING AND REFERRAL HOSPITAL

IX. STATEMENT OF CHANGES IN NET ASSETS

	CAPITAL RESERVES	REVENUE RESERVES	TOTAL
Balance as at 30th June 2014	1,942,088,390	(291,145,602)	1,650,942,791
Capital grants for the period	80,000,000	-	80,000,000
Donations	-	-	-
Surplus (Deficit) for the Period	-	149,220,372)	(149,220,372)
Balance as at 30th June 2015	2,022,088,390	(440,365,974)	1,581,722,416
Balance as at 30th June 2015	2,022,088,390	(440,365,974)	1,581,722,416
Capital grants for the period	178,540,920	-	178,540,920
Donations	525,096,088	-	525,096,088
Surplus (Deficit) for the Period		55,772,474	55,772,474
BALANCE AS AT 30TH JUNE 2016	2,725,725,398	(384,593,500)	2,341,131,898
BALANCE AS AT 30TH JUNE 2015	2,022,088,390	(440,365,974)	1,581,722,416

The Hospital does not hold any share capital; all the assets are represented by the capital development grants from the Government of Kenya and Revenue reserve generated from its daily operation.

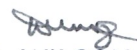
VIII. STATEMENT OF FINANCIAL POSITION

AS AT 30 TH JUNE 2016

	Notes	2015/2016 As at 30 June KSHS.	2014/2015 As at 30 June KSHS.
CURRENT ASSETS			
Cash and Cash Equivalents	7.1	17,031,173	9,633,249
Debtors	7.2	1,141,420,922	984,538,962
Inventories	7.3	177,009,062	123,089,318
		1,335,461,157	1,117,261,529
Non Current Assets			
Property, Plant and Equipment	3.0	1,843,754,507	1,253,353,648
Project cost	3.0	30,712,237	67,651,826
		1,874,466,744	1,321,005,474
TOTAL ASSETS		3,209,927,901	2,438,267,002
CURRENT LIABILITIES			
Bank Overdraft	8.1	-	15,731,326
Trade and other Payables	8.2	373,197,990	332,410,454
Long Term Loan	8.3	31,837,442	-
Prepaid Fees	8.4	812,646	812,646
Unpaid Deductions	8.5	462,947,925	507,590,159
TOTAL		868,796,004	856,544,585
NET ASSETS		2,341,131,898	1,581,722,416
FINANCED BY			
Capital Reserves		2,725,725,398	2,022,088,390
Revenue Reserves		(384,593,500)	(440,365,974)
TOTAL		2,341,131,898	1,581,722,416



MR. ADAN ABDIRHAMAN HASSAN
BOARD CHAIRMAN



DR. WILSON ARUASA
CHIEF EXECUTIVE OFFICER

MOI TEACHING AND REFERRAL HOSPITAL

XI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL PERFORMANCE

	INCOME	APPROVED BUDGET 2015/16	APPROVED REVISED BUDGET 2015/16	ACTUAL INCOME.	% COLLECTION
	Capital	221,250,000	271,250,000	178,540,920	66%
	Recurrent	4,447,476,867	4,447,476,867	4,447,488,867	100%
	Cost Sharing	1,807,370,686	1,807,869,946	1,863,148,604	103%
	TOTALS	6,476,097,553	6,526,596,813	6,489,178,391	99%
CODE	EXPENDITURE ITEM	APPROVED BUDGET 2015/16	APPROVED REVISED BUDGET 2015/16	ACTUAL EXP.	% UTILIZATION
010	Personnel Emoluments	4,400,476,867	4,400,476,867	4,381,141,921	100%
020	Purchase of Drugs	395,668,403	395,668,403	376,218,477	95%
030	Creditors/ Pending bills	81,737,971	93,757,963	93,757,963	100%
035	Disaster/ Emergency Response	30,000,000	30,000,000	16,136,718	54%
040	Dressings/theatre supplies	174,696,720	174,696,720	166,390,880	95%
045	Dental Supplies	7,000,000	7,000,000	5,978,201	85%
050	Food & Ration	96,794,821	104,794,821	99,622,668	95%
060	Doctors Fees	130,309,837	146,309,837	146,812,259	100%
070	Lab reagents/chemicals	66,383,024	66,383,024	68,983,369	104%
090	Cleansing materials	36,678,530	42,678,530	42,237,559	99%
095	Admission Packs	6,895,302	7,895,302	7,440,370	94%
100	Hospital Linen	29,262,305	11,262,305	10,620,194	94%
110	X-ray/ Radiology supplies	29,930,374	32,930,374	31,188,737	95%
120	Oxygen	70,000,000	60,000,000	52,921,781	88%
130	Supplies for Production	8,437,976	8,437,976	8,616,366	102%
140	Fuel & Gas	9,936,266	9,936,266	8,971,960	90%
150	Uniforms for patients	8,940,369	1,940,369	1,347,552	69%
160	Materials for Specialized units	3,284,604	4,284,604	3,533,724	82%
170	Mortuary supplies	1,835,068	1,835,068	2,485,559	135%
180	Course Administration and subscription fees	8,505,090	6,505,090	5,418,001	83%

X. STATEMENT OF CASH FLOWS

1. CASH FLOW FROM OPERATING ACTIVITIES.	NOTE	2016 KSHS.	2015 KSHS.
Surplus/Deficit	1 S	55,772,474	(149,220,372)
Add:			
Depreciation of Assets	3	112,277,382	87,344,089
		112,277,382	87,344,089
Operating Profit Before Working Capital Changes		168,049,856	(61,876,283)
Working capital changes:			
Change in Stock	7.3	(53,919,744)	(23,436,717)
Change in Trade and other Receivables	7.2	(156,881,963)	(11,522,606)
Change in Trade and other Payables	8.2	40,787,536	20,577,796
Unpaid Deduction	8.5	(44,642,234)	94,891,225
Training Centre Prepaid fees	8.4	-	(50,400)
Bank Overdraft	8.1	(15,731,326)	14,194,259
		(230,387,730)	94,653,557
Net Cash In/Outflow from Operating Activities.		(62,337,874)	32,777,274
2. CASH FLOW FROM INVESTING ACTIVITIES.			
Purchase of Fixed Assets	3	(140,642,565)	(111,476,150)
Net Cash used in investing activities		(140,642,565)	(111,476,150)
3. CASH FLOW FROM FINANCING ACTIVITIES			
Long Term Loan	8.3	31,837,442	-
Government Grants- Capital	9.1	178,540,920	80,000,000
		210,378,362	80,000,000
Change in Cash and Cash Equivalents.		7,397,928	1,301,124
Cash and Cash Equivalent at the beginning of the year (i)		9,633,246	8,332,122
Cash and Cash Equivalent (ii-i)	7.1	17,031,173	9,633,246

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430	ISO	5,018,272	5,018,272	5,653,574	113%
440	Office Equipment	6,488,749	6,488,749	7,125,984	110%
460	External Traveling & Allowance	19,139,137	22,139,137	21,774,713	98%
470	Internet Expenses	4,612,333	4,612,333	4,540,237	98%
480	Staff Medical Scheme	147,978,520	147,978,520	163,558,319	111%
490	Corporate Social Responsibility	2,000,000	1,000,000	352,180	35%
500	IREC	1,000,000	1,296,863	1,296,863	100%
510	Cash in transit insurance	575,089	904,800	828,500	92%
520	Continuous Professional Development	100,320	100,320	-	0%
525	Children's Hospital	30,000,000	30,000,000	22,022,649	73%
530	Purchase of Medical Equipment	-	-	-	0%
545	Purchase of Medical Appliances	25,000,000	75,000,000	24,250,009	32%
550	C. A.R.E.	6,095,391	1,095,391	872,250	80%
560	Capital Expenditure	166,250,000	166,250,000	211,139,198	127%
	TOTALS	6,476,596,813	6,526,596,813	6,415,904,667	102%

Explanation of Material Differences

- Personnel Related Costs – Some Doctors Fees were charged to the Personnel Emoluments Vote hence the overspent. The amount reconciles when the two votes are combined.
- Capital Expenditure - The underspent is related to unexecuted projects in which LPOs had been issued.
- Creditors/ Pending Bills – The amounts is a budget provision but the actual payments reflect in the Financial Statements in their respective expenditure lines e.g drugs, dressings etc.

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190	Cafeteria supplies	10,676,852	17,676,852	18,233,727	103%
200	Library services	3,763,316	1,763,316	1,271,726	72%
210	Maintenance of building & station	45,573,345	48,573,345	50,527,211	104%
220	Maintenance plant & equipment	48,608,948	42,608,948	35,638,317	84%
230	Electricity Expenses	50,589,380	46,203,544	44,591,315	97%
240	Stationery	12,551,773	13,551,773	13,945,036	103%
250	Water & Conservancy	28,269,515	31,269,515	31,806,714	102%
260	Transport Operating Expenses	10,266,990	9,266,990	8,302,147	90%
270	Printing of Accountable documents, Medical Records and HRIS and stationery	15,789,678	12,789,678	14,926,311	117%
280	Telephone expenses	5,102,735	5,102,735	4,444,263	87%
290	Plant and Equipment Insurance policy	6,000,000	3,000,000	2,041,515	68%
300	Rents & Rates	2,989,897	2,989,897	893,274	30%
310	Bank charges	2,043,970	1,417,396	2,285,674	161%
320	Postal Charges	1,024,933	1,024,933	507,577	50%
330	Motor Vehicle Insurance	1,980,000	1,980,000	1,824,476	92%
340	Patient Traveling Expenses	110,000	110,000	92,950	85%
345	Issue Based Committees	998,520	998,520	435,500	44%
350	Staff uniforms & protective gear	5,678,000	5,678,000	4,185,489	74%
355	Occupational Health Safety	5,296,896	3,296,896	2,836,772	86%
360	Traveling and Accommodation	42,369,914	46,369,914	44,584,952	96%
370	Board Expenses	15,428,730	15,428,730	11,164,235	72%
380	Computerization	58,234,678	50,234,678	40,421,866	80%
390	Comprehensive Group Personal accident cover	7,000,000	8,093,488	8,093,488	100%
395	Group Life Insurance Cover	16,500,000	15,772,356	11,764,467	75%
400	Staff development & training	21,568,790	25,568,790	27,572,923	108%
401	Medical Officers Post-Graduate Training	12,000,000	12,000,000	12,112,916	101%
405	Health Research, Development & Innovation	5,000,000	5,000,000	1,693,365	34%
410	Advertising & Publicity	14,632,443	12,632,443	10,582,150	84%
415	Hospital Security services	4,195,776	4,195,776	2,373,511	57%
420	Contracted Professional Services	11,320,396	13,320,396	13,512,067	101%

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated on a reducing balance basis.

Investment properties are derecognized either when they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

d) Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Hospital recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The Hospital adopt reducing balance method of depreciation at the following rates: Land 0%, Buildings 2.5%, Plant and Equipments 12.5%, Motor Vehicles 25% and Computer, Telephone and TVs at 30% respectively.

e) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Hospital. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Hospital also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Hospital will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

f) 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 a finite period.

XII. NOTES TO THE FINANCIAL STATEMENTS

1.0 Statement of compliance and basis of preparation – IPSAS 1

The Hospital'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 of the Hospital. The accounting policies used are in reference to the standards that were published by the Public Sector Accounting Standard Board (PSASB) which took effect for the financial year ended 30th June 2014 and will be consistently applied to all the years.

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

2.0 Summary of significant accounting policies**a) Revenue recognition****i) Revenue from Non-Exchange Transactions****Transfers from the Government**

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

ii) Revenue from Exchange Transactions***Rendering of services***

The Hospital recognizes revenue from rendering of services by reference to service already offered and billed.

Sale of goods

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

Rental income

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

b) Budget information

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

c) Investment Property – IPSAS 16

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

service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Hospital expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

Contingent Liabilities

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

Contingent Assets

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

j) Nature and Purpose of Reserves

The Hospital creates and maintains reserves in terms of specific requirements.

k) Changes in Accounting Policies and Estimates

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

l) Employee Benefits

Retirement Benefit Plans

The Hospital provides retirement benefits for its employees on a Defined contribution plans in which the Hospital pays fixed contributions into the 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.

m) 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

g) Research and Development Costs

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

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- 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.

h) 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 condition is 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 Hospital.

i) Provisions

Provisions are recognized when the Hospital has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or

r) Significant judgments and sources of estimation uncertainty

The preparation of the Hospital 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.

- The Hospital has put in place a Credit Policy to guide in the management of debts.
- Cash and Cash Equivalents have been insured

s) Allowances for Bad Debts

Provisions were raised and management determined an estimate based on the information available. The management provided provision of 100% on individual debts over 5 years and 50% on individual debt less than 5 years; this is based on past experience on the collection of debts.

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.

t) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June, 2016.

u) Currency transactions

The Hospital transactions are Kenyan Shillings.

v) Financial instruments –

The Hospital classifies financial instruments, recognition and measurement as financial assets, loans and receivables, held-to-maturity investments or available-for-sale.

a) 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 and 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.

b) Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Hospital 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

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.

n) 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.

o) Related Parties

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

The National Government through the National Treasury and Ministry of Health are regarded as related parties in regard to grants, policy formulation and implementation. In the financial year 2015/2016, the National Government through the Ministry of Health granted the Hospital and amount of Kshs. 4,447,488,867.00 to meet recurrent expenses and Kshs. 178,540,920.00 to meet capital development costs. Other than unremitted grants of Kshs. 350,651,443 from the National Government for June 2016 staff personal emoluments (disclosed in Note 7.2 of the Annual Report and Financial Statements),

The Board of Management develops long term strategy for the Hospital and approves policies. In the financial year 2015/2016, the board expenses including sitting allowances of Kshs. 11,001,380.00 there was no other significant balances.

Hospital's Senior Management team who make daily operation guidelines, direction and leadership in the running of the Hospital operation, the personnel emolument earned by senior management team in the financial year 2015/2016 is Kshs. 50,974,460.00.

The Hospital has no financial dealings with Board Members and Members of Staff/Management.

p) 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 at the end of the financial year. The accounts are as follows and respective balance as per note 7.1.

Main A/C	1103464329
Private A/C	1103464396
Mortuary A/C	1103031457
Training Centre	1151682268
Commercial Pharmacy	1171307322

q) Comparative Figures

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

MOI TEACHING AND REFERRAL HOSPITAL

**3 PROPERTY PLANT & EQUIPMENT MOVEMENT SCHEDULE
FOR THE PERIOD ENDING 30TH JUNE 2016**

Assets	Land	Buildings	Plant, Equipment s, Furniture & Fittings	Computers, Telephones & TV's	Motor Vehicles	Project Cost	TOTAL
	0.00%	2.50%	12.50%	30.00%	25.00%	0.00%	
Cost/ Valuation	kshs	kshs	kshs	kshs	kshs	kshs	kshs
As at 1st July.2014	101,577,820	995,798,566	694,326,439	116,883,126	46,199,119	13,331,318	1,968,116,388
Additions:	-	-	43,779,015	13,376,627		54,320,508	111,476,150
Project Cost Capitalized	-	-			-		-
As at 30th June 2015	101,577,820	995,798,566	738,105,454	130,259,753	46,199,119	67,651,826	2,079,592,538
As at 1st July 2015	101,577,820	995,798,566	738,105,454	130,259,753	46,199,119	67,651,826	2,079,592,538
Additions:	-	-	80,700,145	26,644,567	18,488,246	14,809,607	140,642,565
Donations	-	525,096,088	-	-	-	-	525,096,088
Project Cost Capitalized	-	51,749,195	-	-	-	(51,749,195)	-
As at 30th June 2016	101,577,820	1,572,643,849	818,805,599	156,904,320	64,687,365	30,712,238	2,745,331,191
Depreciati on:							
As at 1st July 2014	-	209,143,962	353,589,790	77,742,676	30,766,547	-	671,242,975
Charge for the period	-	19,666,365	48,064,458	15,755,123	3,858,143	-	87,344,089
As at 30th June 2015	-	228,810,327	401,654,248	93,497,799	34,624,690	-	758,587,064
As at 1st July 2015	-	228,810,327	401,654,248	93,497,799	34,624,690	-	758,587,064
Charge for the period	-	33,595,838	52,143,919	19,021,956	7,515,669	-	112,277,382
As at 30th June 2016	-	262,406,165	453,798,167	112,519,755	42,140,359	-	870,864,446
NBV As at 30th June 2016	101,577,820	1,310,237,684	365,007,432	44,384,565	22,547,006	30,712,238	1,874,466,745
NBV As at 30th June 2015	101,577,820	766,988,239	336,451,206	36,761,954	11,574,429	67,651,826	1,321,005,474

The project cost is the capital projects that the Hospital stated to implement but not yet commission and handed over to the Hospital.

1. The amount of Kshs. 14 Million for Assets Tagging Register, E-Notice board and queue Management System and
2. Kshs and Kshs. 15 Million for Integrated Hospital Management Information System.

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.

b) Impairment of financial assets

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

- The debtors or a 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)

w) Financial liabilities

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

x) Provision for revenue loss

In the financial year 2014/2015 the Hospital realized through its internal control review process that some revenue reported in daily collection reports was under reported and instituted an audit. It was established that Kshs. 9,920,339.00 was lost due to alteration of collection in the Fun soft system by collusion of some members of staff. Legal action has been instituted against the officers.

MOI TEACHING AND REFERRAL HOSPITAL

AMPATH Salary Reimbursement	-	25,439,910
Salary Recovery	885,360	1,436,805
Pledges	154,300	71,500
Administrative fees	3,479,760	2,668,179
Tender Fees	386,200	69,000
Library Service	8	400
Medical report	33,500	69,050
Service Bond	144,227	140,000
Other Incomes	943,056	1,520,860
Total	15,577,088	42,677,076
5.0 Purchases		
5.1 Direct costs		
Drugs	368,109,240	274,608,235
Food and Ration	94,072,596	91,483,085
Fuel and Gas	8,419,836	7,823,742
Lab Reagents	43,054,943	42,519,655
Dressings	157,050,715	111,739,885
Materials for Specialized Units	1,018,867	1,778,087
Mortuary Supplies	3,254,889	665,687
Cafeteria Supplies	13,041,704	17,980,720
Dental Supplies	5,391,159	2,806,764
Supplies for Production	7,304,284	6,246,366
X-Ray Supplies	32,782,477	12,278,990
Oxygen	48,284,961	50,873,683
Admission Packs	4,579,500	6,290,935
Total	786,365,171	627,095,834

Notes to the accounts		
	2015/2016	2014/2015
4.0 INCOME		
4.1 Grants		
Recurrent Grants	4,447,488,867	4,427,911,523
Total	4,447,488,867	4,427,911,523
4.2 Cost Sharing		
Out Patient Department	92,737,607	93,738,333
Surgical Wards	474,965,793	422,021,892
Nyayo Wards	190,589,464	114,238,562
Pharmacy Department	403,036,076	287,465,523
X-Ray Department	25,849,800	16,728,839
Dental Department	4,798,526	4,148,542
Cafeteria Department	19,309,315	13,800,161
Total	1,211,286,581	952,141,852
4.3 Income Generating Unit		
Mortuary Services	49,562,672	39,218,900
Amenity Wing	191,093,871	142,149,621
Memorial Wing	346,461,141	356,829,703
MTRH Training Centre	49,167,250	50,388,757
Total	636,284,935	588,586,981
4.4 Other Income		
Training Levy/ Student Attachment Fees	1,141,905	3,844,421
Vaccine Recovery	163,215	241,157
Surcharge	698,380	514,866
Small Business Unit	165,000	-
Rental Income	5,700,260	5,906,520
Attachment Fees	1,199,207	-
Transport Services	482,710	754,410

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Memorial Allowance	17,890,715	22,070,547
Salary Arrears	21,474,735	535,972,698
Annual Leave Allowance	152,861,284	142,002,720
NSSF company	9,335,352	8,484,903
Pension Company	261,100,382	252,942,514
Gratuity	5,257,466	3,981,930
Total	<u>4,387,265,162</u>	<u>4,525,650,637</u>

6.2 Administrative Costs

Transport Operating Expenses	8,444,027	10,793,883
Patient Travelling Expenses	90,600	26,120
Advertising and Publicity	17,367,517	16,170,625
Staff Development	30,188,958	22,996,768
Continuous Professional Development	112,000	527,646
Travelling and Accommodation	58,759,261	42,589,025
External Travelling	16,488,694	14,300,900
Centre for Assault Recovery of Eldoret	922,201	316,900
Corporate Social Responsibility	822,985	923,260
Group Personal Accident Cover	3,101,308	6,580,095
Comprehensive Group Life Insurance Cover	16,977,754	13,869,854
Cafeteria Meals	11,330,518	8,014,176
Comprehensive Staff Medical Scheme	177,233,319	159,601,288
ISO	8,876,834	4,032,600
Fire and Special Peril Insurance	2,722,033	-
Gender Mainstreaming	438,541	461,793
Occupational Health and Safety	2,229,806	5,110,562
Disaster and Emergency Response	4,141,390	-

6.0 Expenditures**6.1 Personnel Emoluments**

Basic Pay	2,117,215,972	2,017,878,935
House Allowance	566,617,174	538,748,296
Call Allowance	54,183,000	53,174,000
Risk Allowance	91,109,072	91,519,367
Private Wing Executive Committee	9,264,928	10,062,064
Private Wing Administrative Committee	1,261,955	999,953
Training Centre Allowance	8,066,713	5,739,526
Emergency Triage	-	25,000
Non Practice Allowance	78,987,667	75,563,533
Extraneous Allowance	702,159,067	498,282,066
Mortuary Allowance	19,671,290	16,479,256
Locum Allowance	14,326,288	6,222,655
Uniform Allowance	8,920,000	8,980,000
Responsibility Allowance	7,469,540	1,319,700
Entertainment Allowance	775,100	188,400
Acting Allowance	3,255,079	3,397,088
Telephone Allowance	249,600	266,866
Special Duty Allowance	3,076,937	2,074,149
Medical Board Allowance	143,474	66,486
Remunerative Allowance	566,000	720,000
Security Allowance	28,836	28,836
IREC Allowance	1,464,338	111,000
Commuter Allowance	221,244,961	216,723,053
Amenity Allowance	9,288,237	11,625,097

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Patients Uniforms	302,500	111,544
Health Research and Innovation	830,779	2,393,505
Institutional Research Expenses	1,171,405	941,902
Plant and Equipment Insurance	-	652,073
Insurance Expenses	1,728,992	1,584,911
Bank Charges	2,567,358	-
Disaster and Emergency Response	-	1,837,825
Total	<u>492,631,031</u>	<u>459,140,872</u>
6.4 Board Expenses		
Board Sitting Allowances	9,957,380	9,175,189
Honoraria	960,000	960,000
Board Telephone Expenses	84,000	84,000
Total	<u>11,001,380</u>	<u>10,219,189</u>
6.5 Finance Cost		
Loan for Medical Gas Piping System	1,116,432	4,010,337
Bank Charges	-	2,090,267
Total	<u>1,116,432</u>	<u>6,100,604</u>
6.6 Provision for Doubtful Debts		
Accumulated Provision B/F	361,024,834	291,884,079
Accumulated Provision C/F	386,911,034	361,024,834
Increase / Decrease in provision	<u>25,886,200</u>	<u>69,140,755</u>
6.7 Waivers and Exemptions		
Waivers	125,041,693	88,263,088
Total	<u>125,041,693</u>	<u>88,263,088</u>
6.8 Provision for Audit fees	1,160,000	1,160,000

Supplies For production	-	8,136,833
Total	177,009,062	123,089,318
8.0 CURRENT LIABILITIES		
8.1 Bank Overdraft		
Main account	-	15,731,326
Total	-	15,731,326
8.2 Trade and other payables		
Current		
Trade Creditors	372,037,990	280,880,776
Office of the Auditor General (KENAO)	1,160,000	3,840,000
NHIF Loan	-	48,049,678
Total	373,197,990	332,770,454
8.3 Long Term		
NHIF Loan	31,837,442	-
Total	31,837,442	665,540,908
8.4 Training Centre Prepaid fees	812,646	812,646
8.5 Payroll By-Products		
PAYE	71,096,748	63,072,843
NSSF	1,484,650	1,482,300
NHIF	5,149,400	4,901,650
SACCOs	9,521,808	9,437,834
Nancy Kaari Samuel	3,500	3,500
Lomo R.K & Company	5,000	5,000
Josephine Wanza	10,000	10,000
Hospital-Wide Benevolent Fund	1,334,554	2,877,674
MTRH Pension Contribution	133,750,385	208,606,277

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9.0 Reserves

9.1 Capital Reserves

Opening Balances	2,022,088,390	1,942,088,390
Capital Grants	178,540,920	80,000,000
Donations	525,096,088	-
Balance Carried Forward	<u>2,725,725,398</u>	<u>2,022,088,390</u>

9.2 Revenue Reserves

Opening Balance	(440,365,974)	(291,145,602)
Surplus/ Deficit for the period	55,772,474	(149,220,372)
Balance Carried Forward	<u>(384,593,500)</u>	<u>(440,365,974)</u>

Save as You Earn	300	300
Senior Principle Magistrate Kabarnet	29,000	3,000
RHCOE		50,600
Basic Life Support	65,600	-
Barclay Bank Loan	5,241,265	4,561,815
Rose Keino	32,982	32,982
KCB Loan	37,308,024	27,413,998
Voluntary pay cut (10%)	(1)	33,999
CFC Bank Loan	363,934	641,432
Platinum Credit Loan	1,191,577	1,310,197
Family Finance Loan	902,146	1,011,713
NBK LOAN	1,119,926	1,502,718
Equity Bank Loan	540,357	512,993
Standard Bank Loan	12,103,489	12,897,659
Commercial Bank of Africa Loan	45,588	36,748
Insurance	5,883,081	5,857,810
Hire Purchase	1,144,785	301,037
NACOA	10,000	50,500
Equitorial Bank Loan	106,416	129,944
Faulu Bank Loan	5,075,209	5,392,386
Bank of Africa Loan	845,732	650,191
Cooperative Bank Loan	31,608,558	28,405,806
Old Mutual	190,000	95,000
MTRH Self Help Group	24,900	48,100
Net Pay	120,115,864	111,671,005
	<u>462,947,925</u>	<u>507,590,159</u>