



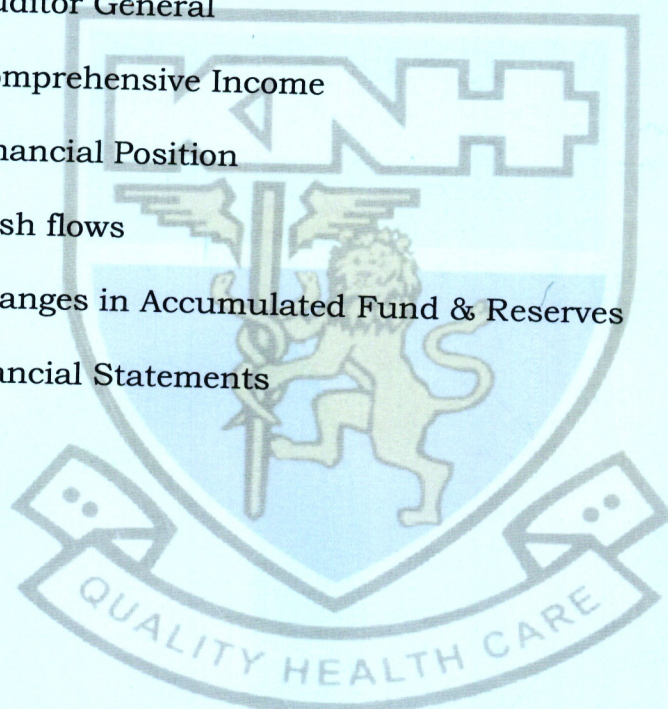
# Kenyatta National Hospital



## ANNUAL REPORT AND FINANCIAL STATEMENTS 2011/2012

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## **ESTABLISHMENT**

The Hospital is established in Kenya under the State Corporations Act as per Legal Notice Legal Notice No.109 of 6<sup>th</sup> April, 1987.

## **VISION**

A world class patient centered specialized-care hospital.

## **MISSION**

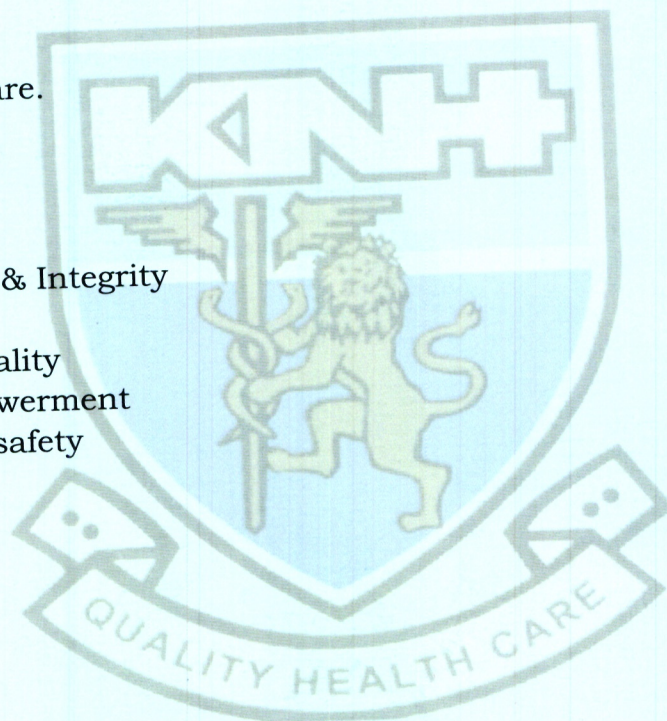
To optimize patient experience through innovative healthcare; facilitate training and research; and participate in national health policy.

## **MOTTO**

We Listen, We Care.

## **CORE VALUES**

- Customer focus
- Professionalism & Integrity
- Teamwork
- Equity and Equality
- Employee empowerment
- Environmental safety



## MEMBERS OF THE BOARD OF MANAGEMENT



**MR. JOSEPH KINYUA**  
PS, TREASURY



**MRS. MARGARET WANJOHI**  
CHAIRPERSON  
(Re-Appointed on 20/07/2010)



**MS. MARY NNGARI**  
PS, MINISTRY OF MEDICAL  
SERVICES



**MR. IBRAHIM M. ABDILE**  
MEMBER  
(Appointed on 26/01/2010)



**MR. RICHARD L. LESIYAMPE**  
CHIEF EXECUTIVE OFFICER  
(from 23/06/2011)



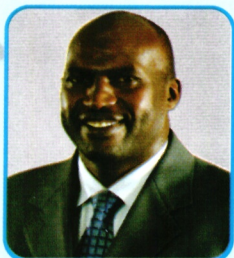
**MRS. MARY W. MUNGAI**  
MEMBER  
(Appointed on 20/07/2010)



**Dr. ACHOLA PALA**  
MEMBER  
(Appointed on 26/01/2010)



**DR. CHARLES OLANGO ONUDI**  
DIRECTOR, KENYA MEDICAL  
TRAINING COLLEGE



**MR. JACKSON K. MPARIO**  
MEMBER  
(Appointed 26/01/2010)



**PROF. ISAAC KIBWAGE**  
PRINCIPAL, COLLEGE OF HEALTH  
SCIENCES UON



**MR. LAWRENCE O. OMIRE**  
MEMBER  
(Appointed 26/01/2010)

## MEMBERS OF THE SENIOR MANAGEMENT



**DR. SIMEON MONDA**  
DEPUTY DIRECTOR (C/S)



**MR. RICHARD L. LESIYAMPE**  
CHIEF EXECUTIVE OFFICER



**MRS. LUDMILA SHITAKHA**  
Ag. DEPUTY DIRECTOR (A/S)



**DR. ELIZABETH ODERA**  
S.A.D DIAGNOSTIC SERVICES  
& HEALTH INFORMATION



**MRS. PHILOMENA MAINA**  
DEPUTY DIRECTOR (N/S)



**DR. BERNARD GITHAE**  
S.A.D SURGICAL SERVICES



**MRS. DINAH KIRWA**  
S.A.D HR & ADMINISTRATION



**MR. MICHAEL KIHUGA**  
S.A.D FINANCE & SUPPLY  
CHAIN MANAGEMENT



**ENG. C. KAARI MUTURA**  
S.A.D TECHNICAL SERVICES



**DR. THOMAS MUTIE**  
S.A.D MEDICAL SERVICES



**DR. HENRY KIOKO**  
S.A.D KPCC



**DR. GODFREY OMBUYA**  
S.A.D PHARMACEUTICAL &  
NUTRITIONAL SERVICES



**DR. HENDERSON IRIMU**  
S.A.D SPECIAL PROGRAMMES



**Mrs. WILKISTER MORARA**  
Ag. CORPORATION SECRETARY



**MR. SAMUEL N. WAINAINA**  
S.A.D CORPORATE SUPPORT  
SERVICES

## MEMBERS OF THE BOARD OF MANAGEMENT

Mrs. Margaret Wanjohi	-	Chairperson (Re-appointed on 20/7/2010)
Mr. Lawrence O. Omire	-	Member (Appointed on 26/1/2010)
Dr. Achola Pala	-	Member (Appointed on 26/1/2010)
Ms. Mary W. Mungai	-	Member (Appointed on 26/1/2010)
Mr. Ibrahim M. Abdille	-	Member (Appointed on 26/1/2010)
Mr. Jackson K. Mpario	-	Member (Appointed on 26/1/2010)
Mr. Joseph Kinyua	-	PS, Treasury
Mr. Michael M. Gatimu	-	Alternate to PS, Treasury
Ms. Mary Ngari	-	PS, Ministry of Medical Services
Mr. John Munywoki	-	Alternate to PS, Ministry of Medical Services
Prof. Isaac Kibwage	-	Principal, College of Health Sciences, UoN
Dr. Charles O. Onudi	-	Director, Kenya Medical Training College
Mr. Richard L. Lesiyampe	-	Chief Executive Officer (from 23/06/2011)

## SENIOR MANAGEMENT

Mr. Richard L. Lesiyampe	-	Chief Executive Officer
Dr. Simeon Monda	-	Deputy Director (Clinical Services)
Mrs. Ludmila I. Shitakha	-	Ag. Deputy Director (Administration Services)
Mrs. Philomena Maina	-	Deputy Director, Nursing Services
Mrs. Dinah Kirwa	-	Senior Assistant Director, Human Resource & Administration
Mr. Michael Kihuga	-	Senior Assistant Director, Finance & Supply Chain Management
Mr. Samuel N. Wainaina	-	Senior Assistant Director, Corporate Support Services
Dr. Henry Kioko	-	Senior Assistant Director, KPCC
Eng. C. Kaaria Mutura	-	Senior Assistant Director, Technical Services
Dr. Elizabeth Odera	-	Senior Assistant Director, Diagnostic Services & Health Information
Dr. Thomas Mutie	-	Senior Assistant Director, Medical Services
Dr. Bernard Githae	-	Senior Assistant Director, Surgical Services
Dr. Godffrey Ombuya	-	Senior Assistant Director, Pharmaceutical & Nutritional Services
Dr. Henderson Irimu	-	Senior Assistant Director, Special Programmes
Mrs. Wilkister Morara	-	Ag. Corporation Secretary

## BOARD COMMITTEES

During the 106<sup>th</sup> Regular Board meeting held on 8<sup>th</sup> July 2010 in the Hospital Boardroom at 9:00am, the Board constituted the following Committees:

### 1. FINANCE COMMITTEE

Ms. Mary W. Mungai	-	Chairperson
Mr. Lawrence Omire	-	Member
Rep. Ministry of Finance	-	Member
Rep. Ministry of Medical Services	-	Member
Principal, CHS, UoN	-	Member
Chief Executive Officer, KNH	-	Member/Secretary
Finance Manager, KNH	-	Secretariat

### 2. RISK & AUDIT COMMITTEE

Mr. Ibrahim M. Abdille	-	Chairman
Mr. Jackson K. Mpario	-	Member
Rep. Ministry of Medical services	-	Member
Rep. Ministry of Finance	-	Member
Risk & Audit Manager, KNH	-	Secretariat

### 3. CLINICAL RESEARCH & ETHICS

Prof. Achola Pala	-	Chairman
Mr. Jackson K. Mpario	-	Member
Principal, CHS, UoN	-	Member
Director, KMTC	-	Member
Chief Executive Officer, KNH	-	Member/Secretary
Deputy Director, Clinical Services, KNH	-	Secretariat
Quality Assurance Manager, KNH	-	Secretariat

### 4. HUMAN RESOURCE COMMITTEE

Mr. Jackson Mpario	-	Chairman
Mr. Lawrence Omire	-	Member
Prof. Achola Pala	-	Member
Mr. Ibrahim Abdille	-	Member
Rep. Ministry of Medical Services	-	Member
Principal, CHS, UoN	-	Member

Director, KMTC	-	Member
Chief Executive Officer, KNH	-	Member/Secretary
Human Resource Manager, KNH	-	Secretariat

#### **5. STAFF PENSION SCHEME - BOARD OF TRUSTEES**

Mr. Lawrence Omire	-	Chairman
Rep. Ministry of Finance	-	Member
Mrs. Dinah Kirwa	-	Secretary
Mr. Simon J. Ndubai	-	Member
Dr. J. K. Mogire	-	Member
Mrs. Truphena Murila	-	Member

#### **6. CORPORATE STRATEGY & ENTERPRISE**

Ms. Mary Mungai	-	Chairperson
Mr. Jackson Mpario	-	Member
Rep. Ministry of Finance	-	Member
Rep. Ministry of Medical Services	-	Member
Rep. Inspector General - State Corporation	-	Member

#### **Registered Offices**

Kenyatta National Hospital  
Hospital Road, off Ngong Road

P. O. Box 20723 - 00202

NAIROBI

Tel: +254 20 2726300, +254 20 2726550

Fax: +254 20 2725272

Email address: [knhadmin@knh.or.ke](mailto:knhadmin@knh.or.ke)

Website [www.knh.or.ke](http://www.knh.or.ke)

#### **AUDITORS**

Auditor General

Kenya National Audit Office

P. O. Box 30084-00100

NAIROBI

[www.kenao.go.ke](http://www.kenao.go.ke)

**BANKERS**

National Bank of Kenya Limited

Hospital Branch

P. O. Box 30763 - 00100

NAIROBI

[www.nationalbank.co.ke](http://www.nationalbank.co.ke)

Kenya Commercial Bank Limited

Moi Avenue Branch

P. O. Box 30081 - 00100

NAIROBI

[www.kcbbankgroup.com](http://www.kcbbankgroup.com)



## REPORT OF THE BOARD OF MANAGEMENT

The Board of Management present their annual report together with the audited financial statements for the year ended 30<sup>th</sup> June 2012.

### PRINCIPAL ACTIVITIES

The principal activity of the Hospital is to offer specialized healthcare, provide facilities for medical education, training and research and participate as a national referral hospital in national health planning and policy.

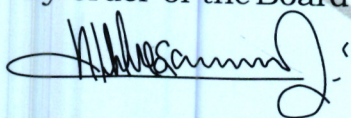
### RESULTS

The results for the year ended 30<sup>th</sup> June 2012 are set out on pages 26 to 36.

### BOARD OF MANAGEMENT

The members of the Board of Management who served up to 30<sup>th</sup> June 2012 are set out in page 3 to 5.

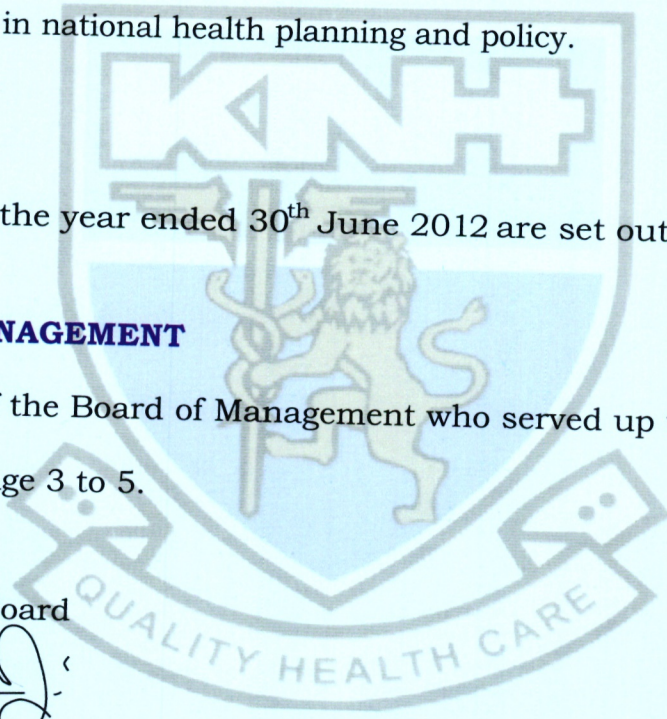
By order of the Board



Richard L. Lesiyampe

**CHIEF EXECUTIVE OFFICER**

DATE: 17/05/2013



## **CHAIRPERSON'S REPORT**



It is with great pleasure that I present the Hospital Annual Report and Financial Statements for the year ended 30th June 2012. While we appreciate our important role as the National Referral and Teaching Centre, our vision is to be a world class referral Hospital offering the best healthcare not only in the country and region but world-wide.

It has been my dream since I took up the Chairmanship of KNH's Board to see a vibrant and transformed institution providing world class healthcare services. The Board undertook a comprehensive recruitment process of a new Chief Executive officer which culminated in the appointment of a non medic C.E.O with extensive experience in running large and complex institutions the size of KNH.

The Board Members have been selfless, dedicated and committed to position KNH to where it is today. I am honoured to be working with a team of seasoned professionals, each leader in their own field, who have given their time, expertise and immense wisdom to guide KNH into a world class referral facility.

With the new governance structure, the implementation of the recently developed ICT Master Plan, the available technical expertise and focused transformation leadership, KNH is set to increase its presence and impact in the health sector in Kenya and beyond.

The Board of Management will strive to support management and staff to make KNH a place where patients will be received with care from compassionate health professionals in a warm, caring environment.

I greatly appreciate the dedicated care givers who have touched the lives of thousands, whether they faced an urgent need, a devastating disease or sought to improve their quality of life. KNH will stand to serve you and your loved ones to provide hope, healing and recovery.

### **Future outlook**

My Board will continue to ensure there is good corporate governance and improvement of the welfare of both patients and staff. In the next financial year, key attention will be focused on:

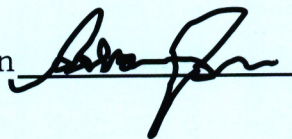
- Improving the quality of specialized healthcare to our clients.
- Strengthening financial and risk management.
- Improving information communication technology.
- Initiate projects through public private partnership in line with the requirements of PPDA and PPDR.
- Identify new revenue streams such as satellite clinics, investment portfolio.

On behalf of the Board of Management I wish to sincerely thank the hospital's employees, volunteers, and other stakeholders whose dedication and hard work resulted in the successful performance we enjoyed in 2011/2012. It is my trust and determination that we shall continue working hard to ensure that Kenyatta National Hospital remains the health provider of choice to our clients in the country and beyond.

In order to meet the challenges and the national development agenda, the hospital will enhance linkages and collaborations with the Government of Kenya, Semi-Autonomous Government Agencies, implementing and development partners.

MRS. MARGARET W. WANJOHI  
**CHAIRPERSON**

Sign



DATE 17/05/2013

## REPORT FROM THE CHIEF EXECUTIVE OFFICER

### Resilient people make for a resilient organization

We largely owe our resilience in 2011/2012 to our employees. It is they who made the difference. They have answered the call for additional flexibility in these tough times and succeeded in providing the best of healthcare leading to increased positive clinical outcome witnessed in the year. Throughout the year their sense of urgency, their relentless efforts to put a smile in the face for sick patients has continued to motivate and build ever closer customer relationships. The year under review will be remembered by the high number of disasters where the entire nation looked upon KNH to provide emergency services to the high numbers of victims. The success in caring for these numbers demonstrated the staff clear dedication to fast results oriented.

### Transformation Process

The year 2011/2012 is of immense significance for us as we seek to transform KNH from a good hospital to a great hospital. It is during this period that Hospital initiated a deliberate transformational process that brought in devolved administrative structure leading to effective communication, efficiency, accountability and enhanced sharing of scarce resources. In the new structure the Patient Affairs department was created to concentrate and focus on patient issues in relation to their medical care. We also reviewed our services and carried out resources audit and re-organization of services leading to opening of Corporate Outpatients Centre. The Centre provides services at slightly higher but subsidized fee than the general Outpatients services.

The on-going process has equally helped us to decongest the Accident and Emergency (A&E) by separating walking and referral patients as well as expansion of satellite Critical care services. The transformation process is necessitated by the increasing demands for specialized healthcare services and KNH pursuit of opportunities that to deliver the desired high standard of healthcare.

The process has not only enhanced patients' satisfaction but has also contributed to increased staff morale and motivation. It is in the light of this that redecoration of clinics, Doctors Plaza, A&E department, and the KNH flats were done.



## **Resource mobilization**

KNH initiated a campaign to reach out to individuals and partners to support KNH transformation process. The Hospital held an inaugural corporate dinner for individuals and corporate partners who pledged and have continued to support various projects. The impact of the dinner is witnessed by the newly renovated two emergency wards and the ongoing refurbishment of the walking outpatient facility.

In addition, the financial pledges made to the tune of over Khs. 150 million, set plans for procurement of MRI machine, slice cardiac scanner, ICU beds, linear accelerator and construction and equipping of the Day Care Centre. The Hospital will continue to engage partners and stakeholders to seek for their support and enhance awareness on the KNH strategic role in the health sector.

Furthermore, the Kenyatta Prime Care Centre officially received registration as business enterprise of KNH. Refurbishment was initiated and will cost around Kshs.162 million to give the centre a facelift as one of the KNH Vision 2030 flagship projects. The project will not only provide competitive services with other private hospitals but will also position KNH to attract medical tourists. The bridge on the old Mbagathi Road linking the KNH estate to the working areas was reconstructed.

## **Research and Innovation**

The development of new medical treatments and cures would not happen without health research and the active role of research team. KNH has strengthened research for healthcare by providing budget allocation for research and established a research department to coordinate all research activities in the hospital. We have also established linkages with local and intentional partners with a view to support research activities and enhance sharing of information. These initiatives have earned KNH prominence following remarkable research outcome by our researchers who have featured in various international forum and journals. The results of the Pre-Exposure Prophylaxis research as a method of lowering the transmission of HIV & AIDS where our doctors participated remain an icon for KNH.

### **Corporate Image**

The exemplary performance in patients care especially during disasters and incidences in the year 2011/2012 highly left positive memories among Kenyan because of the meticulous caring and urgency the staff of KNH managed the casualties

It will remain in record that this period KNH received the highest number (i.e. 14) of disasters each affecting more than 50 patients. The staff were steadfast responding to each of the disasters with renewed energies.

It was also during this period that the Hospital hit the media headlines for nursing a pre-term baby born weighing 400g and discharged weighing 2.6kg. This was very encouraging considering that Baby Hope is the second low weight baby to be born in Africa. Whilst the Hospital recorded positive clinical outcome in the specialized clinics, renal services recorded sixty nine kidney transplants within the period.

Similarly, the Hospital commissioned four new lift out of the seven lift earmarked for replacement. The ultramodern lifts gives assurance to the public, patients and staff that the management is committed to ease their movement to and from the Wards.

The results of the long journey towards ISO certification was realised during the period leading to the Award of ISO 9001:2008 Quality Management System Certificate. The certification equally raised the Hospital banner by setting an international benchmark as a centre of excellence. The Hospital will continue to augment various quality health models in order to offer the highest standards of healthcare to patients.

### **Corporate Social Responsibilities and Clinical projects.**

In an effort to promote the public awareness on KNH services and reach out to the disadvantaged members of the community, the hospital conducted twenty five (25) outreach and medical camps. CSR were also extended through mentorships projects to Nyeri, Coast General, Kisii and Narok provincial hospitals aimed for transfer of medical skills. Other partnership CSR projects include the over twenty (20) projects conducted at the Hospital in collaborations with local and international partners. The project include, Operation Ear Drop, Orthopaedic Surgery,

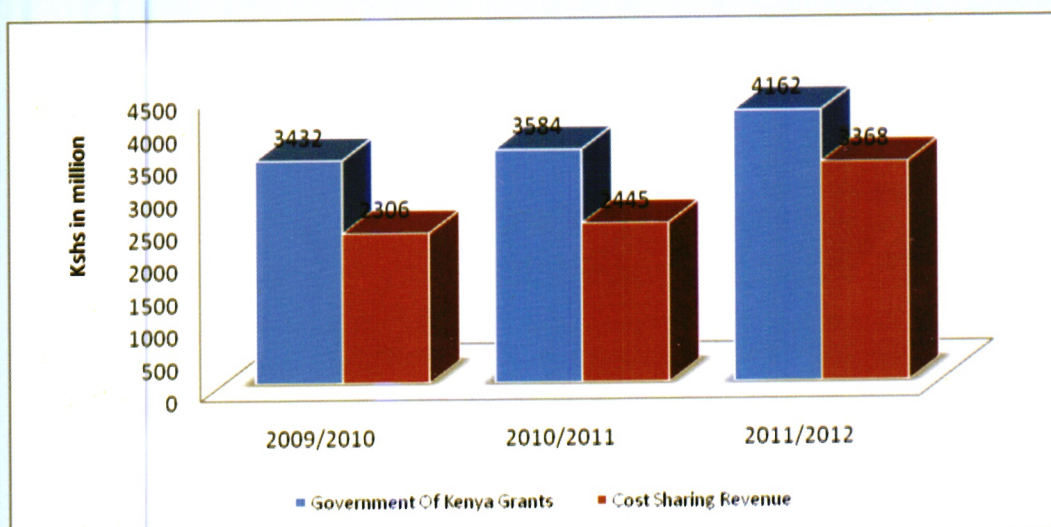
Plastic Surgery Vitreo-Retinal Eye, Vesico Vaginah Fistula (VVF)/ Recto Vaginal Fistula, Open Heart Surgery, Neurosurgical Outreach, Meak and PACT COE (involves the management of patients, rehabilitation of the CC Laboratory and continuing of care of patients) just to mention but a few.

### Financial Performance

Despite the harsh global and national economic challenges, KNH managed to raise substantial funding in the year 2011/2012. This was indeed a reversal of the previous year's negative trend. The financial performance improved by 169% as compared to the previous year. The overall surplus of kshs201 million was an improvement from the previous year's deficit of Kshs.291million. This was due to the higher increase of revenue generated by 25% and a relatively lower increase in expenditure by 16% as shown below;

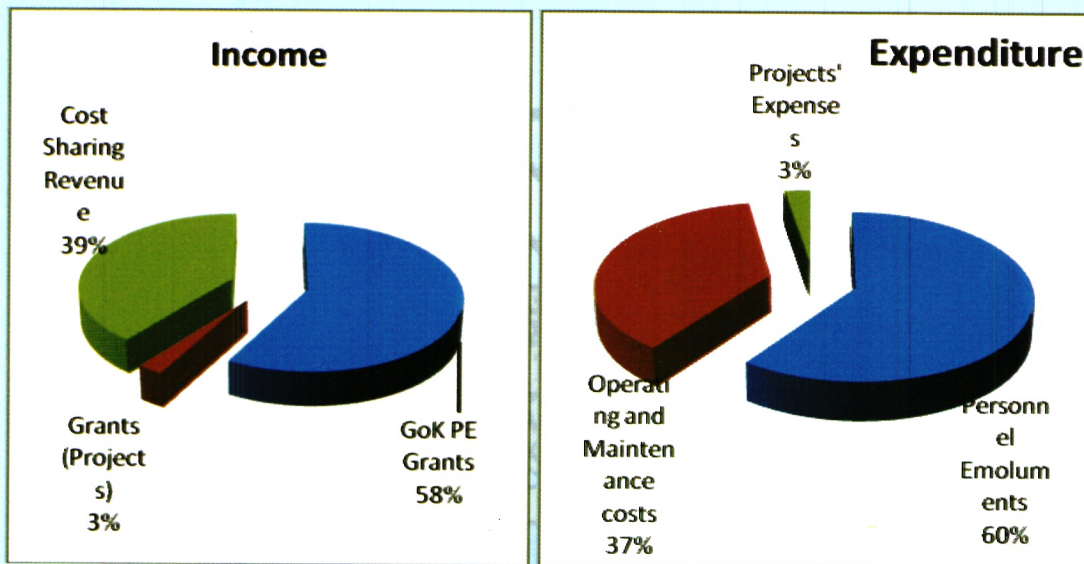
Detail	Actual 2011/2012 (Kshs)	Actual 2010/2011 (Kshs)	Change (Kshs)	Percentage %
Revenue	7,181,540,610	5,749,765,347	1,431,775,263	25%
Expenditure	6,980,241,578	6,040,892,258	939,349,320	16%
Surplus (deficit)	201,299,032	(291,126,910)	492,425,943	169%

The improved performance is attributed to the growth in the cost sharing revenue occasioned by revised user fee charges, improved billing of services and general cost cutting measures through prudent procurement. The revenue generation over the past three years has shown a gradual growth as illustrated below:-



## Income

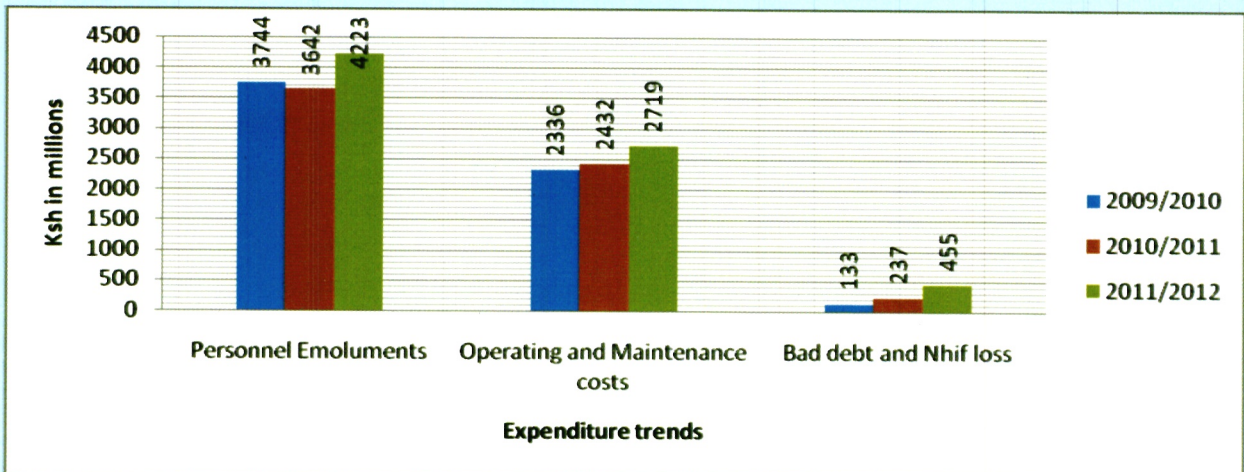
During the year the GOK grant for recurrent expenditure (mainly for personnel emoluments & settling of pension deficit) constituted 58% of total revenue whereas personnel costs consumed 60% of the total expenses. Contribution from cost sharing revenue and grants from projects was 39% and 3% respectively whereas operation and maintenance costs consumed 37%; projects costs was 3% of the total expenses. The pie chart below shows the proportion for both incomes and expenses for the year.



## Expenditures

The overall expenditure for the twelve (12) months period was kshs.6,978million against the budget kshs.6,909 million resulting in unfavorable variance of kshs.69 million. The following bar chart shows the trend for various expenditure incurred for the last three years.

### Expenditure trend



**Personnel emolument-** The actual expenditure incurred was Kshs.4,180million against the budget Kshs.4,310 million leading to favorable variance of Kshs.130 million due to non replacement staff lost through natural attrition which will be carried out in the 1<sup>st</sup> QRT of the current financial year 2012/13.

**Staff Medical Costs:-** the staff medical cost for the period was Kshs.173 million against a budget of Kshs.74million for the whole year, made up of Kshs.116 million spent on inpatient bills and Kshs.56million on outpatient services.

**Operation and maintenance:-** The total expenses incurred was Kshs. 2,614 million against a budget Kshs.2,414 million. An increase of Kshs.400 million over similar period in the previous financial year mainly due to Increase in Provision for bad & doubtful debt as a result of credit facilities extended to indigent Kenyans Kshs.170 million and loss due to patients absconding from the wards Kshs.117 million, loss of Kshs.163 million due to the existing NHIF compressive contract between the hospital and the fund provider (NHIF) for rebates at a fixed amount Further, escalating prices in cost of utilities (boiler fuel, electricity expenses, water and conservancy)

**Capital expenses:-** The actual expenditure incurred was kshs173 million against the budget kshs380 million being 46% compliance level.

#### Capital budget compliance

Description	Actual 2011/2012 Kshs 'M'	Budget 2011/12 Kshs 'M'	Compliance Percent
Cost Sharing Funds	202	269	75%
GoK Grant	100	100	100%
Development Partners	Nil	15	-
Total- Funds available	302	384	79%
Capital Expenditure	173	380	46%

The above savings has been budgeted for in the current financial year 2012/2013 towards acquisition of diagnostic equipments e.g. cathlab and refurbishment of Private wing which are in advance stages.

### **Cost cutting measures**

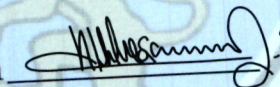
A number of cost cutting measures have been put in place that include in-house manufacturing of paints and detergents for use in the hospital, implementation of condensate recovery system, campaigns for economical usage of utilities such as water and electricity by turning and switching off running taps and lights respectively during the day. Credit policy was developed and implemented to fast track the already discharged patients who have difficulties in settling their bills.

### **Appreciation**

I would like to thank the Board of Management for the productive and initiative partnership we have with them and for their guidance and support. On behalf our management team and all our staff, we look forward to serving Kenyans and our patients in years ahead.

Richard L. Lesiyampe  
**CHIEF EXECUTIVE OFFICER**

Sign



DATE 17/05/2013



QUALITY HEALTH CARE



*Board of Management.*

## **STATEMENT OF CORPORATE GOVERNANCE**

Kenyatta National Hospital governance is a culture built on principles of integrity, accountability and transparency. The Hospital is managed under the direction of the Board of Directors whose responsibility is to maximize long term economic value for all stakeholders. The Board and its Committees oversee the corporate governance, advises management in developing financial plans, corporate strategy, goals and objectives as well as evaluating management's performance in pursuing and achieving those goals.

### **Board of Management**

Kenyatta National Hospital has adopted high standards and applies strict rules of conduct, based on best practices. As part of this commitment the Board has adhered to the Guidelines on Corporate Governance. The Board consists of eleven members, including a non-executive Chairman/person and the Chief Executive Officer. The full and special Board of Management held 5 and 4 meetings respectively while Board Committees held 36 meetings during the financial year ended 30<sup>th</sup> June, 2012. The Board committees set up are five whose members are stated in pages 4 and 5. The committees reinforce the Board's independence and legitimacy in areas where there is potential for conflict of interest.

## STATEMENT OF THE BOARD OF MANAGEMENT RESPONSIBILITIES

The State Corporations Act requires the Board of Management to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Hospital. It also requires the Board to ensure that the Hospital keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Hospital.

The Board of Management accept responsibility for the annual financial statements for the year ended 30<sup>th</sup> June 2012 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in the manner required by State Corporations Act. The Board of Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Hospital and of its operating result. The of Board of

Management further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements as well as adequate systems of internal financial control.

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

Approved by the board of Management on 27<sup>th</sup> September, 2012 and signed on its behalf by:

MRS. MARGARET W. WANJOHI  
**CHAIRPERSON**

Sign.......... Date.17/05/2013.

Mr. RICHARD L. LESIYAMPE  
**CHIEF EXECUTIVE OFFICER**

Sign.......... Date.17/05/2013.

**REPUBLIC OF KENYA**

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Website: [www.kenao.go.ke](http://www.kenao.go.ke)



P.O. Box 30084-00100  
NAIROBI

**KENYA NATIONAL AUDIT OFFICE**  
**REPORT OF THE AUDITOR-GENERAL ON KENYATTA NATIONAL HOSPITAL**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**REPORT ON THE FINANCIAL STATEMENTS**

I have audited the accompanying financial statements of Kenyatta National Hospital set out on pages 27 to 39, which comprise the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 14 of the Public Audit Act, 2003. 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 Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The management is also responsible for the submission of the financial Statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

**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 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya.

The audit was conducted in accordance with international Standard on Auditing. 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 amount and disclosures in the financial statement. The procedures selected depend on the auditor's judgment including the assessment at the risks of material misstatement of the financial statement, whether due to fraud or error, in making those risk assessments, the auditor considers internal control relevant to the entity's and fair presentation of the financial statement 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 Hospital's internal control. An audit also includes evaluating appropriateness of accounting policies use and the the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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. Inventories**

As similarly reported in 2010/11, the inventory balance Kshs.207,739,186 as at 30<sup>th</sup> June 2012 includes deficits and surpluses amounting to Kshs.10,642,883 and Kshs.8,563,501 respectively. Although a Board of Equity to investigate the cause of this deficit, surpluses and obsolescence had been established, the results of investigation have not been made available for audit review and the adjustments had not been effected in the inventory balance of Kshs.207,739,186 as at June 2012.

Consequently and as in the previous year, the validity and accuracy of the inventories balance Kshs.207, 739,186 as at 30<sup>th</sup> June 2012 could not be ascertained.

## 2. Trade and Other Receivables

- I The trade and other receivables balance of Kshs.895,763,772 as at 30<sup>th</sup> June 2012 includes receivables from Institutional debtors, Individual debtors, Ministry of Medical Services and temporary imprest amounting to Kshs.52,457,943, Kshs.451,670,169, Kshs.147,035,265 and Kshs. 2,144,106 respectively which have been outstanding for a considerably long period of time. Similarly, the balance of Kshs.895,763,755 includes Kshs 3,016,110 Kshs 409,800, Kshs 132,234 and Kshs 12,617,795 all totaling Kshs 16,221,029 for RD cheques, boarding fees, Rojeans Café and unsettled losses respectively which have been outstanding for more than one year. Although a provision for a bad and doubtful debts. of Kshs. 2,329,638,690 has been made for individual debtors (main hospital) and Kshs. 144,568,000 for grants receivables from the Ministry of Medical Services, the recovery in full of these debts is doubtful.
- II Further the balance of Kshs. 895,763,772 also includes amounts of Kshs 331,532,268 due from National Hospital Insurance Fund (NHIF) as at 30<sup>th</sup> June 2012 showed that an amount of Kshs 19,188,420 was owing to the Hospital. The resultant difference of Kshs. 312,343,848 in the financial statements had not been reconciled or explained as at 30<sup>th</sup> June 2012.
- III In addition, the balance of Kshs.895,763,772 also includes prepayments totaling Kshs 31,733,575 relating to supply contracts for three firms in the amounts of Kshs15,792,611, Kshs 2,213,309 and Kshs 13,727,655. As similarly observed in the previous year, the first prepayment is in dispute while the second one is under investigation. The third Pre-payment relates to micro filming project at the hospital which had not been completed as at 30<sup>th</sup> June 2012.
- IV Also the balance of Kshs 895,763,772 similarly includes an amount of Kshs. 96,361,632 in respect of letters of credit issued by the Hospital to foreign based firms for supply of various goods and services. As in the previous year, the goods and services have not been recognized and accounted for in these financial statements.
- In the circumstances, and in the absence of any other information to the contrary, it has not been possible to confirm the validity and accuracy of the trade and other receivables balance of Kshs. 895,763,772 as at 30<sup>th</sup> June 2012.

### **3. Property, Plant and Equipment**

The property, plant and equipment balance of Kshs. 11,720,065,688 as at 30<sup>th</sup> June 2012 includes 4 parcels of land with total hectares of 0.685 located at upperhill rd valued Kshs 50,600,000 which have been excised and allocated to other Parties. Further, the property, plant and equipment balance of Kshs. 11,720,065,688 also includes 3 parcels of land with total hectares of 4.471 valued at Kshs.329,000,000 whose ownership is contested between Kenyatta National Hospital, Kenya Medical Training College and National Quality Control Laboratory.

In the circumstances, it has not been possible to ascertain the ownership status of the parcels of land in dispute and that the balance of Kshs. 11,720,065,688 as at 30<sup>th</sup> June 2012 is fairly stated.

### **4. Work-In-Progress**

The work-in-progress balance of Kshs. 141,491,819 as at 30 June 2012 includes work-in progress balances of Kshs 2,34,968, Kshs. 36,684,381, Kshs 2,057,000 and Kshs 35,000,000 totalling Kshs 76,116,349 for replacement of power meter, purchase of PABX, upgrading of firefighting equipment and development and rehabilitation of isolation wards respectively and which have not been completed for more than two years. The management has explained that the firefighting equipment will be capitalized once the issues of price charges per unit are resolved while the isolation ward will be completed when funds are received from parent Ministry. However, no evidence has been availed for audit review on the continued delay or when funds will be received from parent Ministry.

In the circumstances, it has not been possible to confirm the validity of the work-in-progress balance of Kshs.141,491,819 as at 30<sup>th</sup> June 2012.

### **5. Long Term Liability**

The long term liability balance of Kshs. 1,199,862,823 relates to a loan received in 2007/2008 from the Kingdom of Spain, in form of medical equipment. According to information available, the loan was payable by the Hospital at an interest rate of 3% per annum on a reducing balance.

for the first six (6) years and thereafter, the interest plus principal for the next nine (9) years with effect from from 1<sup>st</sup> July 2008. However and according to records seen, no interest has been paid or accrued in the four financial years 2008/2009, 2009/2010, 2010/2011 and 2011/2012. Although indications are that the Management has sought assistance from the Ministry of Medical services towards settlement of the loan, response from the Ministry had not been availed for audit review. As a result, it has not been possible to confirm the accuracy of the loan and that the long term liability balance of Kshs 1,199,862,823 as at 30<sup>th</sup> June 2012 is fairly stated.

### **Qualified Opinion**

In my opinion, except of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Hospital as at 30<sup>th</sup> June 2012, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenyatta National Hospital Board Order 1987.



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

**Nairobi**

**03 June 2013**

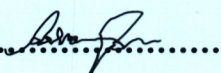
**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDING 30TH JUNE 2012**

		2011/2012	2010/2011
	Note	Kshs.	RESTATED Kshs.
<b>Income</b>			
Government Of Kenya Grants	<b>2A</b>	4,162,359,318	3,583,808,818
Grants (Projects)	<b>2B</b>	184,693,682	199,174,772
Cost Sharing Revenue	<b>3A</b>	2,241,616,438	1,522,257,368
Other income	<b>3B</b>	526,880,374	481,531,735
Private Wing Surplus /(Deficit)	<b>4</b>	<u>65,990,798</u>	<u>(37,007,347)</u>
<b>Total income</b>		<u>7,181,540,610</u>	<u>5,749,765,347</u>
<b>Expenditure</b>			
Personnel Emoluments	<b>5</b>	4,179,797,925	3,647,359,133
Operating and Maintenance costs	<b>6</b>	1,710,441,708	1,475,279,131
Projects' Expenses	<b>7</b>	184,693,682	199,174,772
Board expenses	<b>8</b>	15,336,932	18,936,587
Provision for bad & doubtful debt	<b>9A</b>	286,999,311	237,381,602
NHIF Loss	<b>9B</b>	162,897,940	-
Depreciation		440,074,081	462,761,033
<b>Total expenditure</b>		<u>6,980,241,578</u>	<u>6,040,892,258</u>
<b>Surplus/(Deficit)</b>		<u>201,299,032</u>	<u>(291,126,910)</u>


**STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE 2012**

		2011/2012 Kshs.	2010/2011 Kshs.
	<b>Note</b>		
<b>Non-Current Assets</b>			
Property, Plant & -Equipment	<b>10</b>	11,720,065,688	12,030,200,331
Work-In-Progress	<b>11</b>	141,491,819	139,015,793
		<u><b>11,861,557,507</b></u>	<u><b>12,169,216,124</b></u>
<b>Current Assets</b>			
Inventories	<b>12</b>	207,739,186	188,614,497
Trade & other receivables	<b>13</b>	895,763,772	770,222,874
Cash & cash Equivalents	<b>14</b>	1,042,282,251	437,312,964
		<u><b>2,145,785,209</b></u>	<u><b>1,396,150,335</b></u>
<b>Total Assets</b>		<u><b>14,007,342,716</b></u>	<u><b>13,565,366,459</b></u>
<b>Accumulated Funds &amp; Liabilities</b>			
Capital Reserves		3,257,945,581	3,252,149,993
Accumulated Fund		(546,924,404)	(748,223,436)
Revaluation Reserve		9,199,351,259	9,199,351,259
<b>Total Funds</b>		<u><b>11,910,372,436</b></u>	<u><b>11,703,277,816</b></u>
<b>Non-current liabilities</b>			
Deffered income	<b>15A</b>	139,338,077	48,989,795
Spanish loan	<b>15B</b>	1,199,862,823	1,199,862,823
		<u><b>1,339,200,900</b></u>	<u><b>1,248,852,618</b></u>
<b>Current Liabilities</b>			
Payables and Accruals	<b>16</b>	716,012,058	577,348,929
General & Patients Deposits	<b>17</b>	41,757,322	35,887,096
<b>Total Current Liabilities</b>		<u><b>757,769,380</b></u>	<u><b>613,236,025</b></u>
<b>Total Fund &amp; Liabilities</b>		<u><b>14,007,342,716</b></u>	<u><b>13,565,366,459</b></u>

**MRS. MARGARET W. WANJOHI  
CHAIRPERSON**

Sign.......... Date....17/05/2013....

**MR. RICHARD L. LESIYAMPE  
CHIEF EXECUTIVE OFFICER**

Sign.......... Date....17/05/2013....

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2012**

	2011/2012	2010/2011
	Kshs.	Kshs.
Net Surplus/(Deficit) For The Year	<b>201,299,032</b>	<b>(291,126,910)</b>
<b>Adjusted For: -</b>		
Depreciation	440,074,081	462,761,033
Investment Income	(9,340,852)	(8,888,855)
Provision for bad & doubtful debt	286,999,311	338,768,894
Grant Projects	(184,693,682)	(199,174,772)
Prior period adjustments	-	(88,695,784)
Adjustment for pension withdrawal/ transfers	-	(27,540,895)
NHIF surplus	-	55,810,705
<b>Operating Deficit Before Working Capital Changes</b>	<b>734,337,890</b>	<b>241,913,416</b>
(Increase) / Decrease In Stock	(19,124,689)	16,689,154
(Increase) / Decrease In Prepayment	19,274,555	214,339,667
(Increase) / Decrease In Debtors	(431,814,765)	(188,933,413)
Increase / (Decrease) In Differed income	90,348,282	(1,010,205)
Increase / (Decrease) In Creditors	138,663,130	(141,783,672)
Increase / (Decrease) In General Deposits	5,870,226	3,052,788
<b>Net Cash Outflow From Operating Activities</b>	<b><u>537,554,629</u></b>	<b><u>144,267,734</u></b>
<b>Cash Flows From Investing Activities</b>		
Purchase Of Fixed Assets	(134,304,471)	(473,547,288)
(Increase) / Decrease In Work In Progress	(2,476,027)	(42,543,884)
Investments Income	8,919,686	6,973,529
Investments withdrawals/Receipts	4,786,200	33,523,695
Increasing in Capital reserves	5,795,588	70,004,572
<b>Net Cash Outflows From Investing Activities</b>	<b><u>(117,279,024)</u></b>	<b><u>(405,589,376)</u></b>
<b>Cash Flows From Financing Activities</b>		
Projects Grants	184,693,682	199,174,772
<b>Net Cash Inflows From Financing Activities</b>	<b><u>184,693,682</u></b>	<b><u>199,174,772</u></b>
<b>(Decrease)/Increase In Cash and Cash Equivalentents</b>	<b>604,969,287</b>	<b>(62,146,870)</b>
<b>Cash and Cash Equivalentents at the beginning</b>	<b>437,312,964</b>	<b>499,459,834</b>
<b>Cash and Cash Equivalentents at the end</b>	<b>1,042,282,251</b>	<b>437,312,964</b>

**STATEMENT OF CHANGES IN ACCUMULATED FUND & RESERVES  
FOR THE YEAR ENDED 30TH JUNE 2012**

	<b>CAPITAL RESERVES KSHS</b>	<b>ACCUMULATED FUND KSHS</b>	<b>REVALUATION RESERVE KSHS</b>	<b>KSHS TOTALS</b>
At 1st July 2010	3,182,145,421	(512,907,228)	9,199,351,259	11,868,589,452
Capital adjustment(Grant-development)	70,004,572			70,004,572
Surplus/(Deficit) for the year		(282,239,772)		(282,239,772)
NHIF surplus		55,810,705		55,810,705
<b>As previously reported</b>	<b>3,252,149,993</b>	<b>(739,336,295)</b>	<b>9,199,351,259</b>	<b>11,712,164,957</b>
<b>Restatement *</b>		<b>(8,887,141)</b>		<b>(8,887,141)</b>
<b>At 30th June 2011(As restated)</b>	<b>3,252,149,993</b>	<b>(748,223,436)</b>	<b>9,199,351,259</b>	<b>11,703,277,816</b>
At 1st July 2011	3,252,149,993	(748,223,436)	9,199,351,259	11,703,277,816
Surplus/(Deficit) for the year		201,299,032		201,299,032
Capital adjustment(Grant-development)	5,795,588			5,795,588
<b>At 30th June 2012</b>	<b>3,257,945,581</b>	<b>(546,924,405)</b>	<b>9,199,351,259</b>	<b>11,910,372,436</b>

NOTE:

\*The accumulated fund has been restated in line with IFRS no.8

## NOTES TO THE FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

#### A. Basis of Preparation and form of presentation

The financial Statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial Statements are presented in Kenya Shillings (Kshs.) and are prepared under historical cost convention and accrual system of accounting.

#### B. Depreciation

Items of property, plant and equipment are stated at cost less accumulate depreciation. Depreciation is charged on a reducing balance basis over the useful lives of the assets. The annual rates generally used are:

Buildings	2.5%
Plant & Machinery	12.5%
Furniture and Fittings	12.5%
Motor Vehicles	25.0%
Tractors	37.5%
Computers and Duplicating Machines	30.0%
Medical Equipment	12.5%

Medical equipments that are digital/computerized in nature are depreciated at 30%. Free hold land is not depreciated as it is deemed to have an indefinite life

#### C. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefit will accrue to the Hospital and can be reliably measured.

#### D. Grants

Government of Kenya Grants are recognized where there is reasonable assurance that the grant will be received.

#### E. Cash and Cash Equivalents

For purposes of cash flow statement, cash and cash equivalents comprise cash in hand hand, bank balances and short-term deposits held with banks and financial institutions.

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **F. Inventories**

Inventories comprise of drugs, laboratory materials, stationery, electrical and mechanical spares, fuel gas and lubricants. Inventories have been valued at the lower of cost and net realizable value. Obsolete Inventories have been excluded from the Inventories figure.

### **G. Trade and Other Debtors**

Trade and other debtors are stated at their cost. Provision has been made for bad and doubtful debts.

### **H. Trade and Other Creditors**

Trade and other creditors are stated at their cost.

### **I. Patients Deposits**

The Hospital receives deposits from patients as advance for services to be rendered. This represents a liability to the Hospital clients for deposits received have been included in the balance sheet.

### **J. Provision for Loss on Short Term Investments**

Specific provision is made against short-term investments considered doubtful of realization. The amount of provision is the difference between the carrying amount and the recoverable amount. Where short-term investments are deemed irrecoverable, it is written off against the related provision for impairment. Subsequently recoveries of amounts previously written off are credited to income statement in the year of recovery.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2011/ 2012	2010/2011
	Kshs.	Kshs.
<b>2A GOK-GRANT</b>	<b>4,162,359,318</b>	<b>3,583,808,818</b>
This relates to Government of Kenya grants received for Recurrent expenditure for personnel emoluments.		
<b>2B GRANTS (PROJECTS)</b>		
Partners in Advanced Care & Treatment -Centre Of Excellence(PACT-COE)	67,989,347	-
Voluntary Counselling and Testing (VCT)	18,049,667	27,522,386
Partners in Prevention Study	61,297,164	88,054,487
Aids Care Treatment Services (ACTS)	2,255,711	43,919,585
Couples Against Transmission (CAT) Study	4,206,044	5,206,187
Preps Income	30,895,749	2,664,658
Prevention of Mother to Child Transmission (PMCT)	-	31,805,719
Asthma Study	-	1,750
<b>TOTALS</b>	<b><u>184,693,682</u></b>	<b><u>199,174,772</u></b>
<b>3A COSTS SHARING REVENUE</b>		
In-patient Fees	611,944,662	394,547,390
Out-patient Fees	42,304,884	26,650,559
Laboratory Fee	147,140,688	79,322,246
Physiotherapy Fee	30,974,530	13,728,790
Occupational Therapy Fees	10,187,221	4,956,666
Workmens Compensation	218,017	212,080
Renal Unit Fee	49,591,979	33,678,423
Mausoleum Charges	42,461,110	31,934,394
Pharmacy Fee	246,284,658	257,941,615
Heart Unit Fee	21,547,296	21,558,105
Medical Records	35,777,489	29,908,912
ENT	17,109,948	13,132,390
Ophthalmology Fee	8,772,770	6,782,822
Medicine	10,951,246	16,461,395
Obs & Gynaecology	88,036,986	77,503,924
SOPC	6,844,750	7,976,503
Theatres	149,479,348	82,147,714
Radiotherapy Fee	32,165,460	19,835,158
Radiology Fee	147,258,034	134,155,438
Dental Charges	14,898,406	13,415,165
Nursing Fee	271,131,686	165,922,767
Casualty/Orthopaedic Fee	13,189,320	10,197,930
Family Planning Clinic	3,234,130	2,196,600
ICU Fees	600,952	504,600
Income from medical gases	2,563,285	-
Ward consultancy	79,851,740	-
Orthopaedic Income	14,719,597	9,834,920
Orthopaedic technology Income	1,208,865	-
Paediatrics Income	20,208,723	18,435,707
Theatre Consumables	1,079,346	-
Anaesthesia	10,161,900	-
Consultancy Fees	21,306,526.85	4,839,705.00
Advanced Dosimetry tech Project	1,073,712	-
Income from Manufacturing unit	236,880	-
Donations	35,614,232	14,170,599
VCT - Training Income	526,500	555,000
Income Palliative care	84,681	-
TSSD/TSSU	9,869,518	-
Sale of Artificial Limbs	66,790	10,000

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2011/ 2012 Kshs.	2010/2011 Kshs.
Miscellaneous income-Sale IV fluids	771,183	776,362
Seminars and Training	14,574,392	5,655,144
Senior Staff Canteen	16,701,329	6,874,528
Skin Laser Treatment	521,970	820,000
Neurophy Unit	44,610	153,977
CME	126,920	-
Ethics & Reserch Fees	1,374,300	1,057,400
Respiratory Infectious Diseases	802,895	986,838
Practicam Charges	1,730,700	1,310,750
Couple Counselling Centre	2,602,200	11,141,252
Patient Support Centre	815,300	963,600
Income from pharmacy and Nutrition Enterprise	485,930	-
Income from Temporary disability	386,845	-
<b>TOTALS</b>	<b><u>2,241,616,438</u></b>	<b><u>1,522,257,368</u></b>
<b>3B OTHER INCOME</b>		
Rental income	145,843,890	123,732,880
PRIVate Wing Income	344,095,960	319,204,079
Investement income	9,340,852	8,888,855
Security	268,990	-
Mausoleum Car Hire	75,450	65,550
Hall Rent/ Product	896,280	-
Pigs Will	360,000	360,000
Sale of Stores	208,781	344,679
Fax and Telex	238,280	628,133
Miscellaneous Income	6,771,207	6,500,139
Service charge from remittances	2,418,810	2,115,506
Directorate of industrial training	793,800	4,433,625
Sale of Tender	8,459,900	3,168,900
Admin Charges (Projects)	2,703,954	10,501,756
Security income	4,400	-
Waste Incineration Charges	11,200	7,000
Sale of Souveniers	-	61,439
Hire of Motor Vehicles	22,954	1,406,194
GPA Hospital earning	307,522	-
Insurance claim	2,778,594	-
Sale of Fixed Asssets	309,750	-
Scientific Conference Donations	643,300	-
Advertising fee	326,500	113,000
<b>TOTALS</b>	<b><u>526,880,374</u></b>	<b><u>481,531,735</u></b>
<b>4 KNH PRIME CARE CENTRE INCOME &amp; EXPENDITURE STATEMENT</b>		
	2011/2012	2010/2011
<b>INCOME</b>		
In-Patient Fee	175,181,546	133,232,098
Out-Patient Drugs	16,239,574	4,449,424
Laboratory Fees	34,925,662	14,457,429
Pharmacy	134,293,692	123,595,441
Obs & Gynae	2,415,760	3,181,620
Theatre Fee	21,300,550	23,055,412
Nutrition Fee	8,339,741	5,523,938
Nursing Procedures	140,488,294	93,106,343
Consultation	4,409,237	-
Other revenue	63,148,409	23,184,441
<b>Total Revenue</b>	<b><u>600,742,464</u></b>	<b><u>423,786,146</u></b>
<b>EXPENDITURE</b>		
Personnel Emoluments	321,629,642	285,004,070
Operations & Maintenance	206,988,102	169,235,409
Administrative Expenses	1,768,889	2,291,988
Depreciation	4,365,033	4,262,025
<b>Total Expenses</b>	<b><u>534,751,666</u></b>	<b><u>460,793,493</u></b>
<b>Surplus/(deficit)</b>	<b><u>65,990,798</u></b>	<b><u>(37,007,347)</u></b>

Surplus/(deficit)

\*Revenue and expenses for both Main & Private wing have been restated in line with IFRS no. 8

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2011/ 2012	2010/2011
	Kshs.	Kshs.
<b>5 Personnel Emoluments</b>		
<b>5A Personnel Emoluments</b>		
House Allowance	1,789,247,722	1,799,509,876
Medical Allowance	879,864,063	903,038,557
Passage & Leave Allowance	71,377,571	72,291,966
Risk Allowance	26,195,850	27,381,654
Medical & Dentists Practitioners Allowance	141,800,357	144,143,342
Transport Allowance	110,479,216	115,392,994
Uniform Allowance	321,548,985	109,429,185
Emergency call Allowance	16,865,000	17,153,240
Extraneous Allowance	45,166,083	-
Special Deployment Allowance	149,240,805	415,699
Other Staff Costs	21,116,831	21,365,312
	<u>434,374,070</u>	<u>322,799,972</u>
<b>5B Staff medical expenses</b>	<b>4,007,276,552</b>	<b>3,532,921,797</b>
Inpatient	116,122,122	71,907,846
Out patient	<u>56,399,251</u>	<u>42,529,489</u>
	<b>172,521,373</b>	<b>114,437,336</b>
<b>TOTAL</b>	<b>4,179,797,925</b>	<b>3,647,359,133</b>
<b>6 OPERATION AND MAINTENANCE COSTS</b>		
Financing Costs	4,036,182	2,410,697
Administrative Costs	116,419,680	97,291,490
Transport, Utilities, & Maintenance	609,946,162	544,758,533
Medical Costs	958,393,941	761,646,747
Research Costs	48,913,648	39,918,297
Stock change	<u>(27,267,906)</u>	<u>29,253,368</u>
<b>TOTAL O&amp;M</b>	<b>1,710,441,708</b>	<b>1,475,279,131</b>
<b>7 PROJECTS COSTS</b>		
Voluntary Counselling and Testing (VCT)	10,891,465	20,990,044
Prevention of Mother to Child Transmission (PMCT)	1,416,873	45,606,104
Partners in Prevention Study	84,974,764	85,687,372
Aids Care Treatment Services (ACTS)	2,697,718	35,197,212
Highly Acting Anti-Retroviral Therapy (HAART)	-	297,300
Couples Against Transmission (CAT) Study	1,941,468	1,369,315
Gender Based Violence Recovery Centre (GBVRC)	1,942,902	6,193,384
HADAP	21,010,123	1,663,096
Partners in Advanced Care & Treatment - Centre Of Excellence (PACT-COE)	<u>59,818,369</u>	<u>2,170,945</u>
<b>TOTAL</b>	<b>184,693,682</b>	<b>199,174,772</b>
<b>8 Board expenses</b>		
Sitting allowance	8,820,000	9,100,000
<b>Travelling &amp; Accommodation:-</b>		
Milleage	3,372,932	4,964,320
Honoraria	960,000	910,968
Accommodation	1,688,000	2,820,000
Lunch allowance	412,000	750,000
Others	<u>84,000</u>	<u>391,299</u>
<b>TOTAL</b>	<b>15,336,932</b>	<b>18,936,587</b>
<b>9A PROVISION FOR BAD &amp; DOUBTFULL DEBT</b>	<b>286,999,311.00</b>	<b>237,381,602.00</b>
This relates to credit facilities extended to poor kenyan's for Kshs.170,236,730 and Hospital's lost revenue due to abscondment by patients from wards without clearing their bills of Kshs.116,762,581.		
<b>9B NHIF Loss</b>		
Total invoiced amount	620,375,187	-
NHIF Rebate	<u>457,477,247</u>	-
Variance	<b>(162,897,940)</b>	-

Loss/variance of kshs.162,897,940 million was due to existing NHIF comprehensive contract between the Hospital and the fund that provides to pay the Hospital fixed amount of rebate.

## 10 PROPERTY, PLANT AND EQUIPMENT

MAIN HOSPITAL						
DESCRIPTION	LAND (KSH)	BUILDINGS (KSH)	PLANT, MACHINERY & MEDICAL EQUIPMENTS (KSH)	MOTOR VEHICLES (KSH)	FURNITURE, FITTINGS & OFFICE EQUIPMENT (KSH)	GRAND TOTAL (KSH)
Cost as at 1/07/2011	4,014,600,000	6,690,058,390	3,389,823,644	56,147,625	202,163,744	14,352,793,403
Additions	-	9,004,882	78,713,826	-	44,437,048	132,155,756
<b>TOTAL COST</b>	<b>4,014,600,000</b>	<b>6,699,063,272</b>	<b>3,468,537,470</b>	<b>56,147,625</b>	<b>246,600,792</b>	<b>14,484,949,160</b>
<b>DEPRECIATION</b>						
Depreciation B/F	-	770,370,597	1,444,237,073	38,990,701	98,828,877	2,352,427,249
Prior year adjustments	-	-	-	-	-	-
Depreciation for the year	-	148,217,317	261,242,530	4,312,953	26,301,281	440,074,081
<b>TOTAL DEPRECIATION</b>		<b>918,587,914</b>	<b>1,705,479,603</b>	<b>43,303,655</b>	<b>125,130,159</b>	<b>2,792,501,330</b>
Net Book Value 30/06/2012	4,014,600,000	5,780,475,358	1,763,057,867	12,843,970	121,470,634	11,692,447,829
<b>PRIVATE WING</b>						
Cost as at 1/07/2011	-	-	7,477,584	-	46,791,396	54,268,980
Additions	-	-	-	-	2,148,715	2,148,715
<b>TOTAL COST</b>			<b>7,477,584</b>		<b>48,940,111</b>	<b>56,417,695</b>
<b>DEPRECIATION</b>						
Depreciation B/F	-	-	1,920,068	-	22,514,735	24,434,803
Prior year adjustments	-	-	-	-	-	-
Depreciation for the year	-	-	694,690	-	3,670,344	4,365,033
<b>TOTAL DEPRECIATION</b>			<b>2,614,757</b>		<b>26,185,078</b>	<b>28,799,836</b>
Net Book Value 30/06/2012	-	-	4,862,827	-	22,755,033	27,617,859
<b>CONSOLIDATED NBV-30/6/12</b>	<b>4,014,600,000</b>	<b>5,780,475,358</b>	<b>1,767,920,694</b>	<b>12,843,970</b>	<b>144,225,666</b>	<b>11,720,065,688</b>
Cost as at 1/07/2010	4,014,600,000	6,675,936,845	2,947,376,505	52,453,625	192,605,360	13,882,972,335
Additions	-	14,121,545	442,447,139	3,694,000	9,558,384	469,821,068
<b>TOTAL COST</b>	<b>4,014,600,000</b>	<b>6,690,058,390</b>	<b>3,389,823,644</b>	<b>56,147,625</b>	<b>202,163,744</b>	<b>14,352,793,403</b>
<b>DEPRECIATION</b>						
Depreciation B/F	-	618,583,731	1,157,625,615	33,221,119	80,235,753	1,889,666,217
Prior year adjustments	-	-	-	-	-	-
Depreciation for the year	-	151,786,866	286,611,459	5,769,583	18,593,125	462,761,033
<b>TOTAL DEPRECIATION</b>		<b>770,370,597</b>	<b>1,444,237,073</b>	<b>38,990,701</b>	<b>98,828,877</b>	<b>2,352,427,249</b>
Net Book Value 30/06/2011	4,014,600,000	5,919,687,793	1,945,586,571	17,156,923	103,334,867	12,000,366,154
<b>PRIVATE WING</b>						
Cost as at 1/07/2010	-	-	4,234,000	-	46,308,760	50,542,760
Additions	-	-	3,243,584	-	482,636	3,726,220
<b>TOTAL COST</b>			<b>7,477,584</b>		<b>46,791,396</b>	<b>54,268,980</b>
<b>DEPRECIATION</b>						
Depreciation B/F	-	-	1,126,137	-	19,046,641	20,172,778
Depreciation for the year	-	-	793,931	-	3,468,094	4,262,025
<b>TOTAL DEPRECIATION</b>			<b>1,920,068</b>		<b>22,514,735</b>	<b>24,434,803</b>
Net Book Value 30/06/2011	-	-	5,557,516	-	24,276,661	29,834,177
<b>CONSOLIDATED NBV-30/6/11</b>	<b>4,014,600,000</b>	<b>5,919,687,793</b>	<b>1,951,144,087</b>	<b>17,156,923</b>	<b>127,611,527</b>	<b>12,030,200,331</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2011/2012 Kshs.	2010/2011 Kshs.
<b>11 WORK IN PROGRESS</b>		
Replacement of power metre	2,374,968	2,374,968
Equipment & Supplies Medical & Surgical	11,353,666	600,000
Purchase of PABX	36,684,381	36,684,381
Upgrading fire fighting equipment	2,057,000	2,057,000
Development of isolation ward MDRTB	35,000,000	35,000,000
Purchase of incinerator	-	16,758,048
Purchase of Lifts	53,643,968	45,541,395
Rehab of ward 42/43	377,836	
	<b><u>141,491,819</u></b>	<b><u>139,015,793</u></b>
<b>12 INVENTORIES</b>		
Main Hospital	178,127,639	150,859,733
Private Wing	29,611,547	37,754,764
	<b><u>207,739,186</u></b>	<b><u>188,614,497</u></b>
<b>13 TRADE &amp; OTHER RECEIVABLES</b>		
Debtors	3,097,207,253	2,665,392,487
Less: Provision	(2,329,638,690)	(2,042,639,377)
Grant receivable	144,568,000	144,568,000
Less: Provision	(144,568,000)	(144,568,000)
Prepayments	128,195,209	147,469,764
	<b><u>895,763,772</u></b>	<b><u>770,222,874</u></b>
<b>GRANT RECEIVABLE</b>		
This relate to Government of Kenya grant <b>Kshs.144,568,000</b> being the balance due after implementation of the CBA agreement in 2006/2007 financial year.		
	<b>2011/2012</b>	<b>2010/2011</b>
<b>14 CASH &amp; CASH EQUIVALENTS</b>		
<b>A) Short term deposits</b>		
National Bank of Kenya	647,027	6,411,481
Housing Finance Co. of Kenya	45,977,535	44,999,281
Euro Bank Ltd ( in liquidation)	429,660,514	429,660,514
Less: Provision for Euro Bank	(429,660,514)	(429,660,514)
	<b><u>46,624,562</u></b>	<b><u>51,410,762</u></b>
<b>B) Cash and Bank balances</b>		
Bank balances	993,472,057	385,163,420
Cash in hand	2,185,632	738,782
	<b><u>995,657,689</u></b>	<b><u>385,902,202</u></b>
<b>Total cash &amp; cash equivalents</b>	<b><u>1,042,282,251</u></b>	<b><u>437,312,964</u></b>
<b>15A DEFERRED INCOME</b>		
GOK-Development	124,199,840	29,995,428
Grants (Projects)	15,138,237	18,994,367
	<b><u>139,338,077</u></b>	<b><u>48,989,795</u></b>
<b>15B SPANISH LOAN</b>	<b><u>1,199,862,823</u></b>	<b><u>1,199,862,823</u></b>
This Government guaranteed loan received from the Kingdom of Spain in form of Medical Equipment of Ksh.1,199,862,823. The Hospital is to pay interest of 3% p.a on reducing balance for the first six (6)years,thereafter interest plus principal for the next nine(9) years with effect from 1st July 2008.		

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

<b>16 PAYABLES &amp; ACCRUALS</b>	<b>2011/ 2012 Kshs.</b>	<b>2010/2011 Kshs.</b>
Trade Creditors	530,220,602	420,663,354
Accrued Expenses - Trade Creditors	20,542,753	23,378,396
Unpaid Salaries	2,238,822	2,964,077
Payroll Remittances	3,672,624	10,905,143
Private Wing	<u>159,337,257</u>	<u>119,437,959</u>
	<b><u>716,012,058</u></b>	<b><u>577,348,929</u></b>
 <b>17 DEPOSIT</b>		
Main Hospital	18,831,199	11,182,233
Private Wing	<u>22,926,123</u>	<u>24,704,862</u>
	<b><u>41,757,322</u></b>	<b><u>35,887,096</u></b>

### **18 CONTINGENT LIABILITIES**

#### **OUTSTANDING NSSF ARREARS-KSHS. 311 MILLION**

This is amount owed to NSSF for the period from July 1991 to November 2009, the period in which the Minister of Labour and Manpower Development didn't grant exemption from making NSSF contributions as requested by the Hospital

### **19 EMPLOYEE BENEFITS**

#### **a) Retirement Benefits**

The hospital operates staff superannuation scheme for its employees. The scheme is members. The investment of the scheme's assets are managed by the Investment Manager( Pinebridge & Genesis Kenya Investments) on behalf of the trustees.

#### **b) Pension Scheme Deficit**

The actuarial deficit as at 1st July, 2010 amounted to Kshs. 2,950 million. The viable financing option based on actuarial advice is of monthly installments of Kshs. 56.5 million that will clear the deficit over a period of 6 years as from 30th June, 2012 resulting in an annual expenditure of Kshs. 678 million of which the Government has allocated Kshs. 100 million leaving Kshs. 578 million unfunded for the year.

#### **c) Other Employee Benefits**

The Hospital provides free medical treatment to staff and their dependants. Contracted staff are eligible to a gratuity based on employment terms.

### **20 Comparatives**

Where necessary comparative figures have been provided to indicate the position in the previous year.

**21** The Hospital received grant from Government of Kenya to cater for Personnel cost.

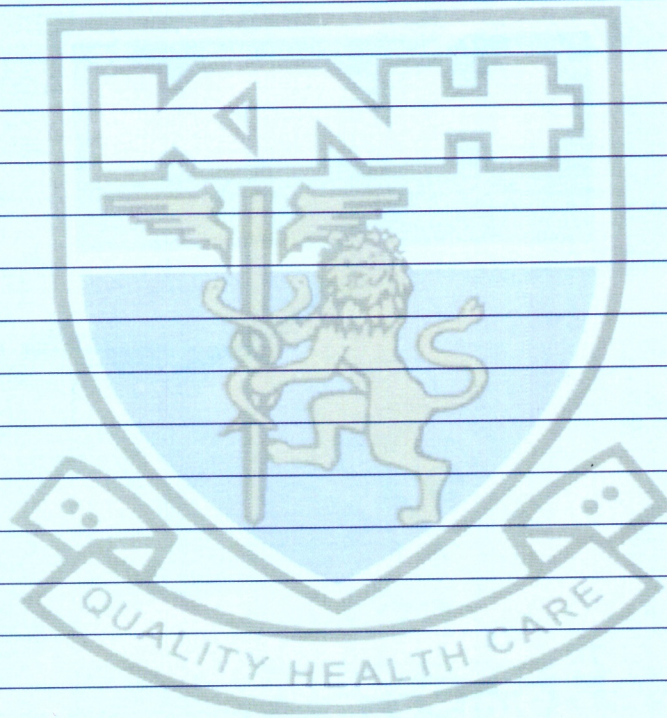
### **22 PROJECT GRANTS**

The Hospital received grants from Path Finder International to fund the VCT Study.

## NOTES



## NOTES



## NOTES







# Kenyatta National Hospital

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