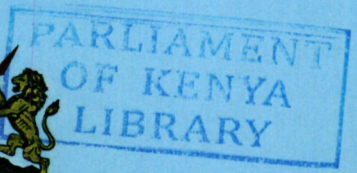


REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYATTA NATIONAL HOSPITAL

FOR THE YEAR ENDED

30 JUNE, 2020

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 30 MAR 2022

DAY:

Wed

TABLED
BY:

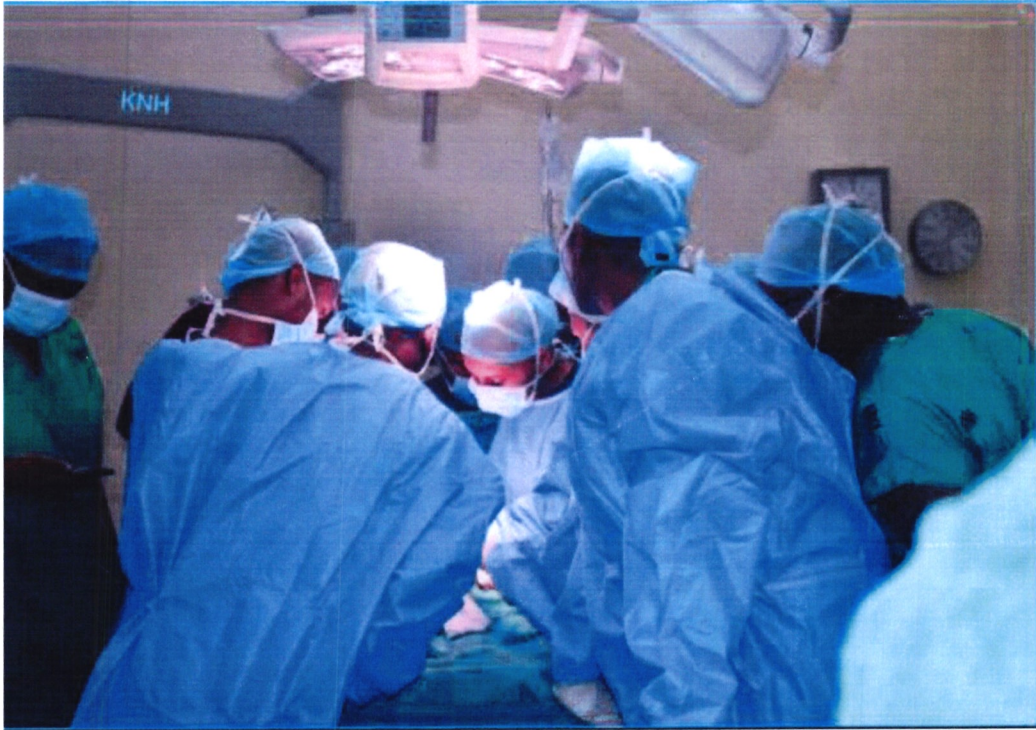
LOM

CLERK-AT
THE-TABLE:

P. Karani



Kenyatta National Hospital



**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020**

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

Annual Report and Financial Statements for the Year Ended June 30, 2020

TABLE OF CONTENTS

ABBREVIATIONS.....	III		
About KNH.....	1	Financial Statements	124
<i>Key Management.....</i>	<i>3</i>	<i>Report of the Board of Management.....</i>	<i>124</i>
<i>Fiduciary Management.....</i>	<i>5</i>	<i>Statement of Board’s Responsibilities</i>	<i>125</i>
<i>Fiduciary Oversight Arrangements.....</i>	<i>6</i>	<i>Report of the Auditor General on Kenyatta</i>	
<i>Other Hospital Information.....</i>	<i>7</i>	<i>National Hospital.....</i>	<i>126</i>
Board of Management.....	8	<i>Statement of Financial Performance</i>	<i>128</i>
Management Team	15	<i>Statement of Financial Position</i>	<i>129</i>
Chairman’s Statement.....	29	<i>AStatement of Changes in Net Assets (Restated)</i>	<i>130</i>
Chief Executive Officer’s Statement.....	32	<i>Statement of Cash Flow.....</i>	<i>131</i>
Statement of Performance Against Pre-		<i>Statement of Comparison of Budget and Actual Amounts</i>	
Determined Objectives.....	35	<i>.....</i>	<i>132</i>
Corporate Governance Statement.....	38	<i>Notes to the Financial Statements</i>	<i>135</i>
Management Discussions And Analysis	55	APPENDICES.....	178
<i>Clinical Services</i>	<i>55</i>	<i>Appendix i: Progress on Follow-up of Auditor</i>	
<i>Financial Highlights.....</i>	<i>63</i>	<i>Recommendations</i>	<i>178</i>
<i>Our Strategic Direction.....</i>	<i>65</i>	<i>Appendix ii: Projects Implemented by Kenyatta National</i>	
<i>Challenges facing the Hospital.....</i>	<i>83</i>	<i>Hospital.....</i>	<i>196</i>
<i>Key Hospital Projects.....</i>	<i>88</i>	<i>Appendix iii: Inter-Entity Transfers Confirmation.....</i>	<i>198</i>
<i>Risk Management Framework.....</i>	<i>97</i>		
<i>Sustainability Report.....</i>	<i>109</i>		
<i>Corporate Social Responsibility Report.....</i>	<i>116</i>		
<i>Material Arrears in Statutory and Other Financial</i>			
<i>Obligations.....</i>	<i>122</i>		

List of Figures

Figure 1: Distribution of health workers who have subscribed to KNH zoom platform61
 Figure 2: Performance Contract Composite Score Trends69
 Figure 3: Hospital Performance Trends70
 Figure 4: Trend in outpatient clinic attendance71
 Figure 5: Trend in admissions.....71
 Figure 6: Leading diagnosis among deceased72
 Figure 7: Mortality trend72
 Figure 8: Patients receiving radiotherapy.....73
 Figure 9: Outpatients seen at the cancer treatment centre73
 Figure 10: Number of minimally invasive surgeries.....73
 Figure 11: Average Length of Stay.....74
 Figure 12: Laboratory Office.....74
 Figure 13: Theatre Procedures75
 Figure 14: MOPC & POPC.....76
 Figure 15: Open Heart Surgery76
 Figure 16: Cancer Treatment Services.....77
 Figure 17: Public Donations.....92
 Figure 18: KNH Risk Framework97

List of Tables

Table 1: Key Management..... 5
 Table 2: Statement of Performance against pre-determined objectives35
 Table 3: Attendance at Board Meetings42
 Table 4: List of Board Committee Members46
 Table 5: Clinical Research and standards Committee meetings48
 Table 6: Human Capital Finance and Administration Committee Meetings.....49
 Table 7: Corporate Enterprise and Strategy Committee Meetings51
 Table 8: Audit Committee Meetings.....53
 Table 9: Radiology Services.....75
 Table 10: KNH Strategic capabilities for success.....81
 Table 11: Partner List95
 Table 12: Risks and Opportunities99
 Table 13: Covid Preparedness.....104
 Table 14: Covid 19 Pandemic impact analysis105
 Table 15: Business continuity management107
 Table 16: Sustainability Reporting.....109

Abbreviations

A&E	Accident & Emergency
AGYW	Adherence among Adolescent Girls and Young Women in Kenya
AIA	Appropriation in Aid
AID	Affiliation and Institutional Development
ALOS	Average Length of Stay
AMR	Colonization & Transmission Routes of Multi Drug Resistant Bacteria
AMREF	African Medical & Research Foundation
BADEA	Banque Arabe de Developpement Economique en Afrique
BoM	Board of Management
CAJ	Commission on Administrative Justice
CCU	Critical Care Unit
CEO	Chief Executive Officer
CIC	Corporative Insurance Company
COMESA	Common Market for Eastern & Southern Africa
CPA	Certified Public Accountant
CTC	Cancer Treatment Centre
DC	Defined Contribution
DMU	Debt Management Unit
EMC	Executive Management Committee
ENT	Ear, Nose and Throat
ERP	Enterprise Resource Planning
ETROT	Evaluation of TB Rule out Tests in people living with HIV Infection
FY	Financial Year
GoK	Government of Kenya
HACCAP	Hazard Analysis & Critical Control Point
HDU	High Dependency Unit
HMIS	Health Management Information System
IAD	Internal Audit Department
ICPAK	Institute of Public Accountants of Kenya
ICPS	Institute of Certified Public Secretaries
ICS	Institute of Company Secretaries
ICT	Information Communication Technology
ICU	Intensive Care Unit
IHRM	Institute of Human Resource

Annual Report and Financial Statements for the Year Ended June 30, 2020

IPPD	Integrated Payroll and Personnel Database
IPSAS	International Public Sector Accounting Standards
ISO	International Standards Organization
KCV HIV	Chronic Inflammation and Early Risk of Atherosclerosis among HIV infected Adults in Kenya
KEMRI	Kenya Medical Research Institute
KIM	Kenya Institute of Management
KMTC	Kenya Medical Training College
KNH	Kenyatta National Hospital
KPCC	KNH Prime Care Centre
KPI	Key Performance Indicators
KRA	Kenya Revenue Authority
KURA	Kenya Urban Roads Authority
MDR-TB	Multi Drug Resistant Tuberculosis
MITIPS	Mycobacterium Tuberculosis Infections in HIV
MoH	Ministry of Health
MOPC	Medical Out-patient Clinic
MOU	Memorandum of Understanding
Mpact	m Health Strategies for the Paediatric to Adult HIV Transition
MTRH	Moi Training & Referral Hospital
Mwach Neo	Mobile Wach Neo: Communication Empowering Mothers and Newborns
NACC	National AIDS Control Council
NBK	National Bank of Kenya
NBTS	National Blood Transfusion Services
NCD's	Non Communicable Diseases
NCQL	National Quality Control Laboratory
NHIF	National Hospital Insurance Fund
NLC	National Land Commission
NPEP	Non Invasive Pharmacokinetic Evaluation of PrEP Adherence among
NP HLS	National Public Health Laboratories Services
NSSF	National Social Security Fund
NT	National Treasury
OED	Operation Ear Drop
OPEC	Organization of Petroleum Exporting Countries
OPI	Operation Performance Index

Annual Report and Financial Statements for the Year Ended June 30, 2020

OPT Study	Optimizing repeat HIV testing during Pregnancy and Postpartum Study
OSHE	Occupational Safety & Health Act
PAS	Performance Appraisal System
PEU	Paediatric Emergency Unit
PFM	Public Finance Management
PIC	Public Investment Committee
PPP	Public Private Partnership
SCAC	State Corporations Advisory Committee
SEKU	South Eastern Kenya University
SOFP	Statement of Financial Performance
SPU	Sterile Preparation Unit
SRC	Salaries Regulation Commission
STI's	Sexually Transmitted Infections
UHC	Universal Health Care
UNITID	University of Nairobi Institute of Tropical & Infectious Diseases
UON	University of Nairobi
VAT	Value Added Tax
VCT	Voluntary Counseling & Testing
VVF	Vaginal-Vesical Fistula
WIBA	Work Injury Benefits Act

About KNH

Background Information

Kenyatta National Hospital in Nairobi is the oldest hospital in Kenya. KNH has commemorated its 33rd anniversary since listing as a State Corporation and turned 119 years since its founding. Established in 1901 with a bed capacity of 40, as the Native Civil hospital, it was renamed the King George VI in 1952. At that time the settler community was served by the nearby European Hospital (now Nairobi Hospital). It was renamed Kenyatta National Hospital — after Jomo Kenyatta, First President of the Republic Kenya — following independence from the British.

KNH was established as a State Corporation in 1987 through Legal Notice No. 109 of 6th April 1987 with the following mandate:

- a) To receive patients on referral from other hospitals or institutions within or outside Kenya for specialized health care;
- b) To provide facilities for medical education for the University of Nairobi and for research either directly or through other co-operating health institutions;
- c) To provide facilities for education and training in nursing and other health and allied institutions;
- d) To participate, as a national referred hospital, in national health planning.

It is currently the largest referral and teaching hospital in the country. It covers an area of 45.7 hectares within which it hosts partner institutions like: University of Nairobi (College of Health Sciences) and the Kenya Medical Training College (KMTC). The institution also works closely with the Kenya Medical Research Institute (KEMRI), Government Chemist, National Radiation Protection Board, National Public Health Laboratories Services (NPHLS), National AIDS and STIs Control Program (NASCOP), National AIDS Control Council (NACC), National Blood Transfusion Services (NBTS) and African Medical and Research Foundation (AMREF).

KNH offers quality specialized healthcare to patients from the Great Lakes Region, Southern and Central Africa. These services include open heart surgery, neurosurgery, orthopedics surgery, reconstructive surgery, burns management, critical care services, newborn services, ophthalmology (cornea transplant), liver resections, oncology, palliative care and renal services (including kidney transplantation), among others.

The Hospital has a bed capacity of 1,800 beds and attends on average 80,000 inpatients and 600,000 outpatients annually. With 50 wards, 26 operating theatres and 24 consultant clinics. KNH is the public Hospital of choice in Kenya and beyond.

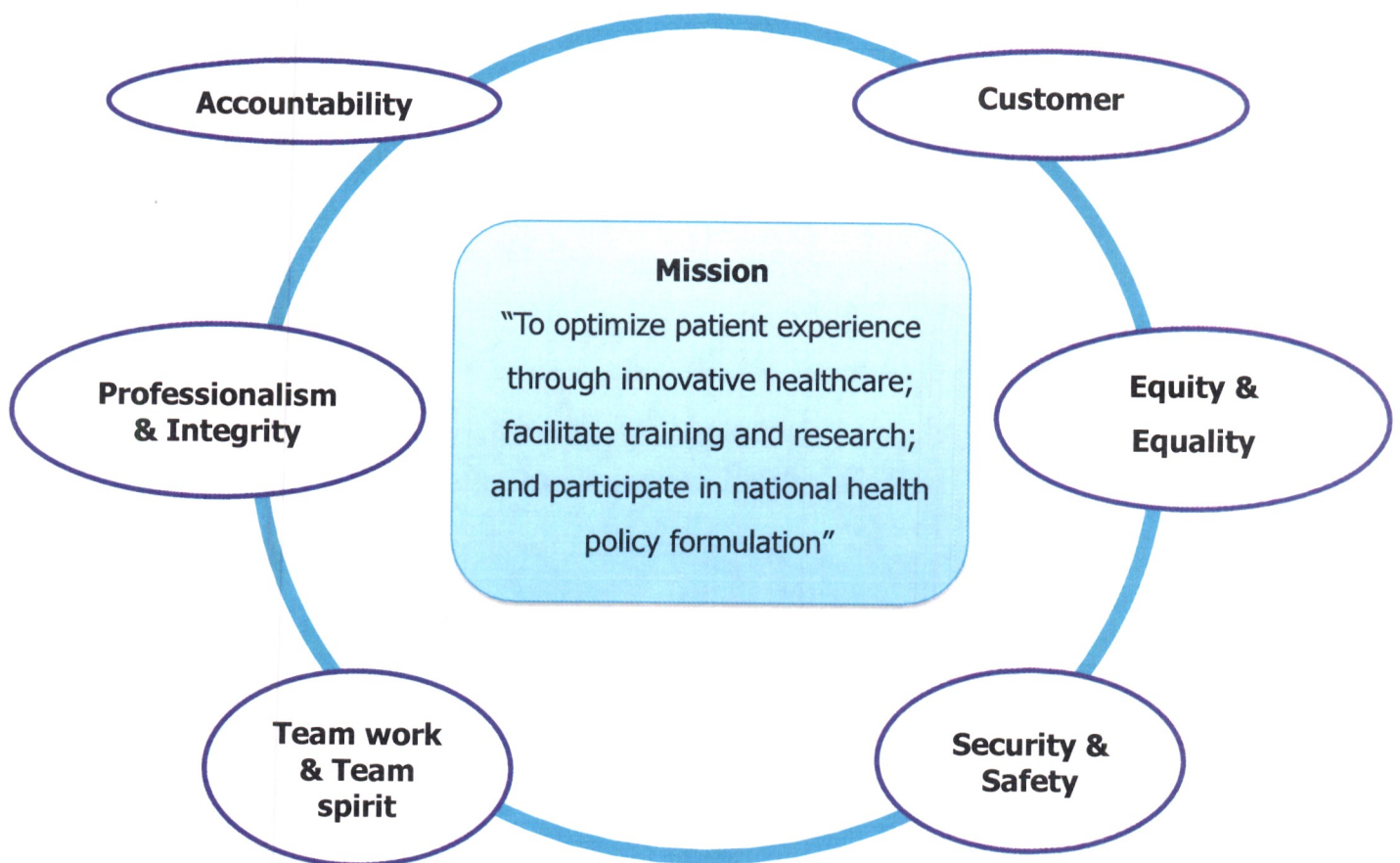
Our Vision

A world class patient-centred specialized care Hospital

Strategic Destination

A multi-specialty centre of excellence offering services that meet international certification standards.

Core Values



Key Management

KNH day to day management is under the following key organs:

i) Chief Executive Officer

The CEO takes overall responsibility in the day to day running of the Hospital on behalf of the Board of Management. The CEO is charged with the following key responsibilities;

- a) Ensure the hospital mandate and policies are implemented fully and effectively in line with the strategic plan;
- b) Formulate strategies, business plans, and leading teams for high performance and innovation;
- c) Ensure prudent management of resources for the achievement of the Hospital's mandate and strategic objectives;
- d) Overseeing and directing the development and implementation of the Hospital's strategic initiatives and capacity building in line with goals and aspirations of Kenya's Vision 2030 and the National Health Sector Strategic Plans and ensure they are implemented in a timely manner;
- e) Initiate, establish, strengthen and overseeing inter-institutional collaborations and strategic partnerships for the realization of the Hospital's mandate and strategic objectives;
- f) Ensure the Hospital's staff remain motivated to discharge their responsibilities effectively and efficiently, and in compliance with human resource management policies and practices;
- g) Establish and sustain effective relationships with the Board of Management, the Government, the parent ministry, and other stakeholders;
- h) Promote a culture of compliance with regulations, statutory requirements, good corporate governance principles and best practices in the Hospital.

ii) Executive Management Committee (EMC)

The team consists of the CEO, Directors and any other member as directed by the BoM or appointed by the CEO. EMC holds meetings on a weekly basis and is responsible for:

- a) Support to Board of Management for effective oversight;
- b) Evaluate the hospitals long term healthcare service effectiveness;
- c) Review and recommend appropriate actions for strategic operational plans and policies;
- d) Review performance improvement activities and patient's safety efforts;
- e) Identify, evaluate and implement the scope of service, practice and governance of the hospital;
- f) Prudent management of resources;

iii) Hospital Senior Management Committee

The committee is chaired by the Senior Director Clinical Services. Members of this committee include: Senior Directors, Directors, Heads of departments and Heads of units and any other member as directed by the Committee. The committee responsibilities include;

- a) To spearhead, provide leadership and guidance in service provision affecting health care delivery.

- b) To implement issues arising from Executive management committee and provide feedback.
- c) Receive and act upon weekend coverage reports, OPI, ISO and departmental performance for efficient service delivery.
- d) Initiate surveys and research to enhance and ascertain gaps in service delivery and take appropriate action.
- e) To receive reports on implementation of the Hospital Budget and procurement plans (Quarterly).
- f) To discuss Human Resource staff welfare issues.
- g) To discuss hospital strategic issues and progress of implementation of Board Performance.
- h) To receive and discuss hospital briefs on hospital upcoming activities from marketing & communications department.

iv) Budget Implementation Committee

The team is chaired by the Senior Director Corporate Services and consists of Senior Directors, Directors and HoDs. The committee meets monthly and has specific terms of reference which include to:

- a) Review and consider cash flow plans for the Hospital and ensure that approval of any changes to the initial cash flow plan is communicated to the Ministry of Health.
- b) Review the utilization of cash limits and consider any changes as may be required.
- c) Review the utilization of Donor funds allocated to KNH and recommend corrective action.
- d) Advise the Chief Executive officer on any challenges related to the Budget implementation with recommendation on ways of mitigating the challenges.
- e) Review and recommend reallocation of expenditures.
- f) Review and approve submission of expenditure returns, IPPD, pending bills and A-I-A returns for KNH and recommend action to be taken.
- g) Facilitate participation of KNH in the Health Sector Working Group.
- h) Oversee preparation of the Hospital Budget and ensure timely submission to The National Treasury.
- i) Review periodic circulars from the Government in relation to the Budget and ensure Hospital Compliance.

v) Performance Steering and Coordination Committee

The team is chaired by the Senior Director Corporate Services and consists of Senior Directors, Directors and HoDs. The Committee meets on quarterly basis and has specific terms of reference which include:

- a) Coordinate the development of annual Board Performance Contract;
- b) Coordinate the cascading of performance targets to divisional, departmental and individual staff levels;
- c) Prepare evidence in support of the annual board performance contract for evaluation;

- d) Facilitate and coordinate the mid-year and end-year staff appraisal exercise;
- e) Identify staff performance gaps within the Hospital and come up with mitigating measures and recommendations;
- f) Recommend staff for Rewards or Sanctions or other intervention to the Chief Executive Office.

Fiduciary Management

The key management personnel who held office during the period ended June 30, 2020 and had direct fiduciary responsibility were:

Table 1: Key Management

No.	Name	Position Held
1.	Dr. Evanson N. Kamuri	Chief Executive Officer
2.	Dr. Irene Inwani	Senior Director, Clinical Services
3.	CPA Carylus Odiango	Senior Director, Corporate Services
4.	CS Calvin Mogute Nyachoti	Corporation Secretary & Director for Legal Services
5.	Dr. John Ngugi	Ag. Director, KNH Prime Care Centre
6.	Mrs. Judith Mugambi	Director, Nursing Services
7.	Dr. Kennedy Ondede	Director, Surgical Services
8.	Dr. Rose Nyabanda	Director, Diagnostics Services & Health Information
9.	Dr. Alfred Birichi	Director, Pharmaceutical Services
10	Dr. Tom Menge	Director, Affiliations and Institutional Development
11	Dr. William Kiprono Sigilai	Director, Medical Services
12	Eng. Richard Binga	Director, Facilities and Services
13	CHRP Winnie Mwangi	Director Human Resource
14	Mr. Job Makanga	Director, Planning and Strategy
15	Mrs. Rose Njoroge	Director, Supply Chain Management
16	CPA Michael Kihuga	Director, Finance

No.	Name	Position Held
17	Dr. Peter Muiruri	Ag. Director, KNH Othaya
18	Dr. Lydia Okutoyi	Director, Health Care Quality
19	Mr. Dave Opiyo	Chief Manager, Marketing and Communication
20	CPA Erick Otieno Omondi	Director, Risk & Audit

Fiduciary Oversight Arrangements

The overall oversight responsibility of the Hospital rests with the Board of Management which has four standing committees as below:

- a) Clinical Research and Standards Committee
- b) Human Capital, Finance and Administration Committee
- c) Corporate Strategy and Enterprise committee
- d) Risk and Audit Committee

Other Hospital Information

a) KNH Address

Kenyatta National Hospital

P. O. Box 20723 – 00202,
Hospital Road, off Ngong Road,
Nairobi, Kenya.

b) KNH Contacts

Tel: +254 20 2726300,
+254 20 2726550,
+2540730643000, +2540709854000,
Fax: +254 20 2725272,
Email: knhadmin@knh.or.ke,
Website: www.knh.or.ke

c) Independent Auditors

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

d) Principal Legal Adviser

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

e) KNH Bankers

National Bank of Kenya Limited
Hospital Branch,
P. O. Box 30763 – 00100,
Nairobi, Kenya.

Kenya Commercial Bank Limited,
Moi Avenue Branch,
P. O. Box 30081 - 00100,
Nairobi, Kenya.

Equity Bank Limited,
Equity Centre Branch,
P.O. Box 75104–00200,
Nairobi, Kenya

Board of Management



Mr. George O. Ooko, Chairman of the Board

Mr. George Ooko (57 years) was appointed Chairman of the KNH Board of Management on 21st April 2020. He holds a Master in Business Administration and Bachelor of Commerce from the University of Nairobi, and Management courses from the Harvard Business School.

Mr. Ooko has over 20 years' experience in strategic leadership having led teams through change, dynamic industry challenges and embracing excellence in modern standards of operations. He is the immediate former Commission Secretary & CEO of the Commission on Revenue Allocation, a position he held from 2011 to February 2020.

Mr. Ooko has served in various senior positions including Chief Executive Officer & Managing Trustee of the Coffee Development Fund; Project Manager & Consultant for Silverpool Ltd; Head of Personal Banking at NIC Bank Limited; Regional Retail Director for Absa Bank

Kenya Plc, formerly Barclays Bank Kenya Limited; Regional Marketing Services Manager for Coca-Cola Africa Limited and Product Manager for Gillette Interproducts (K) Limited.

Dr. Evanson N. Kamuri, Chief Executive Officer

Dr. Evanson Kamuri (49 years), is the Chief Executive Officer of Kenyatta National Hospital. He has served in Hospital for over 20 years having joined in 1998 as a Medical Officer rising through the ranks. Dr. Kamuri was appointed Chief Executive Officer on 15th October 2019. Prior to his appointment, he was the Director in charge of the KNH Prime Care Centre. He also has served as the Director in charge of Affiliation and Institutional Development.

Professionally, Dr. Kamuri is a Chief Medical Specialist in the field of Dermatology. He is also the President, African Society of Dermatology and Venereology and the Chairman of the Kenya Association of Dermatologists. He holds a Master of Science in Clinical Dermatology, Masters in Business Administration (Strategic Management), and Bachelor of Medicine and Surgery.

Dr. Kamuri has been instrumental in steering the country through the Covid-19 pandemic and is a member of the National Emergency Taskforce. On 1st June 2020, Dr. Kamuri was honored by H.E. the President of the Republic of Kenya with the Presidential Order of Service Award, Uzalendo Award, for his contribution in efforts to contain the spread of coronavirus in the country.





Amb. Ukur Y. Kanacho E.G.H
Cabinet Secretary, The National Treasury

Amb. Ukur Kanacho (53 years) is the Cabinet Secretary for the National Treasury a position he has held since July 2019. He has over 27 years' experience in public administration, politics, diplomacy and governance in public sector. He holds a Master in Public Administration and public Policy; and Bachelor of Arts degree in Economics and Sociology.

He previously served as the Cabinet Secretary for Labour and Social Protection, having been appointed in January 2018. Between the years 2006 and 2007 while Member of Parliament for North Horr constituency, he served as an Assistant Minister for Science and Technology. Between March 2013 and August 2017, he served as a pioneer Governor of Marsabit County.

Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna.

Between 1992 and 2015, he served in different positions in Kenya's Public Administration including a District Commissioner, where he sharpened his management and administrative skills.

Susan Mochache, CBS,
Principal Secretary, Ministry of Health

Ms. Susan Mochache is the Principal Secretary, Ministry of Health (MoH) since March 2019. Prior to joining MoH, Ms. Mochache served as the Principal Secretary, Ministry of Social Services & East Africa Affairs, a position she held since December 2011.

She holds a Master of Science degree in Communication Management; Bachelor of Science in International Business and Industrial Technology; and Certificate in Program Negotiations.



She previously worked at the Communication Authority of Kenya as a Director Universal Service Obligation and Funding. She also has worked with Safaricom as a Dealer Management Administrator. Other organizations include Brutal Limited where she served as a Distributor Manager, Lonrho Motors East Africa where she served as a Sales Administrator.



**Dr. (h.c.) Nelson C. Kuria, OGW, MBS,
FmloIndependent Non-Executive Member**

Dr. Nelson Kuria (66 years), has over 36 years' experience in the financial services sector, notably in development finance and insurance. He retired as Group MD/CEO of CIC insurance Group in February 2015. He holds a Master of Art degree in Leadership Studies; Bachelor of Arts (Economics); Doctoral Honoris Causa in Leadership; and Certificate in Corporate Governance and has extensive training in Strategic Management.

In the past, he has served as Chairman of the Association of Kenya Insurance, Deputy Chairman of Federation of Kenya Employers, Co-operative University and board member of many organizations both locally and internationally, notably; Kenya Reinsurance Corporation, Takaful Insurance of Africa, College of Insurance and the International Co-operative & Mutual Insurance Federation. He has also served as a member of a number of United Nations Expert Group meetings on co-operatives. In 2013, he served as a member of the Presidential Task Force on Parastatal Reforms.

Currently, Dr. Kuria is the Chairman of SMEP Microfinance Bank, Enwealth Financial Services, and Governing Council of Africa International University (AIU). He is a regular speaker/trainer in both local and international conferences and seminars in insurance, co-operatives, leadership, governance and retirement planning. He joined the Board on 30th August 2018.

**Margaret C. Koech,
Independent Non-Executive Member**

Ms. Margaret Koech (51 years) is the Managing Director of Eliora Energy Limited a position she's held since 2014. She holds a Master of Science in International Hotel Management and a Bachelor of Education (Home Economics).

Previously she worked at Multimedia University College as Head of Administration and Conference Services; the Kenya College of Communication Technology as Senior Catering and Housekeeping Officer and later as Marketing Officer, Conferencing and Customer Care.



Ms. Koech has undergone professional training in various areas which include among others Management and Corporate Governance. She is a member of the Women on Board Network.

She joined the Board on 30th August 2018.



**Dr. Stanley K. Maina, HSC,
Independent Non-Executive Member**

Dr. Stanley Maina (51 years), is the Founder & Executive Director, Ahadi Kenya Trust, 2007, an organization dedicated to the eradication of jiggers in Kenya and beyond.

He holds a Bachelor of Commerce (Accounts and Auditing) and Doctor of Philosophy. He has undergone professional training in various areas which include among others Management and Corporate Governance.

He is the Managing Director for Agra Enterprises a property and real estate company since 1996. He also services as Chairman of Riders Auction Group since 2000 and is an Advisor for Beyond Zero, and initiative by H.E. the First Lady of Republic of Kenya in the promotion of healthy lives and well-being of women, children and adolescents.

He is a recipient of various awards including the Marketing Society Warrior award 2011; International African Achievers Award 2011; Ambassador for Peace Award 2011; Humanitarian of the Year Award 2009; and Global Leadership and Management Award 2009.

He is the author of the book 'A Jiggered Mind'. He joined the Board on 30th August 2018.

**Mrs. Peris B. Onsarigo,
Independent Non-Executive Member**

Mrs. Peris Onsarigo (52 years) holds a Master of Science in Organizational Development and a Bachelor of Arts (Sociology and History).

She is the immediate former member of the County Executive Committee, Kisii County, in charge of Administration, Corporate Services and Stakeholder Management.

She has extensive experience in public sector administration having served in the Ministry of Immigration and Registration of Persons for a period of 20 years, having rose through the ranks to the position of Chief Registration Officer. She also worked with the Teachers Service Commission between 1991 and 1992.

Mrs. Onsarigo has undergone professional training in various areas which include among others Strategic Leadership, Senior Management and Corporate Governance. She is a member of the Women on Board Network. She joined the Board on 3rd May 2019.





**Dr. Richard T. Kamau, HSC,
Independent Non-Executive Member**

Dr. Richard Kamau (62 years) holds a Master's degree in Public Health (MPH), a Bachelors degree in Pharmacy (BPharm) and a Diploma in Business Management. As an established healthcare entrepreneur, he is a trained and experienced corporate governance practitioner, (Commonwealth Association of Corporate Governance, (CACG, 2004) and Centre for Corporate Governance (CCG, 2015). He is a trained and certified pension scheme trustee (College of Insurance of Kenya and Humbur University of Canada).

Over the years, he has consulted in various committees on reforms in the pharmaceutical sector in Kenya and has served as Lead Consultant in World Bank Funded Projects and played a key consultancy role in the introduction of ARVs (2004) in the public and mission hospitals in Kenya.

In the past, he has served as a Board Director of Kenya Medical Supplies Agency (KEMSA) and as Board Chairman of Ruiru and Juja Water and Sewerage Company (RUJWASCO). He is a member of the KNH Board of Trustees DC Scheme.

Dr. Kamau is a member of the Pharmaceutical Society of Kenya (PSK), Institute of Directors (IOD) of Kenya, and Society for Quality Healthcare of Kenya (SQHK. He is a recipient of a presidential Head of State Commendation (HSC) award (2013). He serving is second term on the Board having been appointed on 3rd May 2019.

**Prof. James M. M'imunya Principal, College of Health Sciences,
University of Nairobi**

Prof. Machoki M'imunya (61 years) is the Principal for the College of Health Science, University of Nairobi since 2018. He is also an Associate Professor in the Department of Obstetrics & Gynecology, University of Nairobi and Honorary Consultant Obstetrician and Gynecologist, Kenyatta National Hospital; and the Principal Coordinator, Centre for Research, Innovation and Grants Advancement (CERIGA).

Prior to his appointment, he served as the Deputy Director, University of Nairobi Institute of Tropical and Infectious Diseases (UNITID) in-charge of Research, Training and Community Service Programmes.

Prof. M'imunya holds a Ph.D. in Medicine and Surgery; Master of Medicine (Obstetrics & Gynaecology); Fellow in Medical Anthropology; Bachelor of Medicine & Bachelor of Surgery; Certificate in Advanced Research Methodology; Certificate in Reproductive Endocrinology/IVF-ET and Andrology; and Master Trainer in Curriculum Development and Review. He has 17 publications in the field of medicine and carried out over 23 researches. He has a wide experience in training and teaching skills;



including curriculum development and review; programs evaluation; and training materials development. He was instrumental in the development of Guidelines for HIV Counselling and Testing in Clinical Settings. The guidelines were adopted and launched by the Ministry of Health and are being used nationally and internationally. He joined the Board on 2nd June 2018.



**Prof. Michael K. Kiptoo Chief Executive Officer,
Kenya Medical Training College**

Prof. Michael Kiptoo (49 years), is the Chief Executive Officer, of the Kenya Medical Training College since March 2018.

Prior to his appointment, Prof. Kiptoo was an Associate Professor at the South Eastern Kenya University (SEKU) School of Health Sciences in Kitui County. He possesses a wealth of knowledge in health, gained in more than 17 years having served in various capacities at the Kenya Medical Research Institute (KEMRI) and the South Eastern University.

He holds a Doctorate in Immunology; Master of Science (MSc) in Immunology; Bachelor of Science; and is a member of the Kenya Society of Immunology.

Prof. Kiptoo has over 35 publications in laboratory medicine and made contribution to the book 'Recent Transitional Research in HIV/AIDS' – Chapter 3: The Changing Trends of HIV subtypes and its implication on Mother-Child Transmission.

He joined the Board on 1st March 2018.

**Mr. Alfred M. Kagika, EBS,
Alternate to Cabinet Secretary The National Treasury**

Mr. Alfred Kagika (51 years), is the Pensions Secretary & Director of Pension at The National Treasury. He has over twenty-eight (28) years of service in the Public Sector having previously served as CEO/Secretary of the Power of Mercy Advisory Committee, Social Administrator at both State House and the Cabinet Office.

Other positions held include District Commissioner, Provincial Administration & Internal Security; Assistant Secretary, State House; Assistant Secretary, Ministry of Roads & Public Works; and Chief Executive Officer of the Rent Tribunal .

He holds both a Masters and Bachelor degree in Public Health Administration. He joined the Board on 30th September 2019.





**Dr. Julius Ogato;
Alternate to Principal Secretary, Ministry of Health**

Dr. Julius Ogato (53 years) is the Senior Deputy Director of Medical Services at the Ministry of Health since November 2017. He is also the Head of National Health Systems Strengthening in the Country and a member of the National Multi Agency Command Centre for Covid-19.

Prior to his appointment, he served as the Medical Superintendent at Mathari National Teaching & Referral Hospital and Mama Lucy Kibaki Hospital.

He holds a Master of Medicine in Diagnostics Radiology; Bachelor of Medicine & Bachelor of Surgery degree; and Certificate in Radiology (Ultrasound) from Tel Aviv University. He joined the Board on 13th August 2019.

**CS Calvin Mogute Nyachoti
Corporation Secretary & Director for Legal Services**

CS Calvin Nyachoti (38 years) is the Corporation Secretary and Director for Legal Services. He has over 10 years' experience as an Advocate of the High Court, a certified Corporate Secretary and practicing Arbitrator/Mediator and Trainer.

He is the immediate former Chairman of the Chartered Institute of Arbitration (Kenya Branch), a Council Member of Institute of Certified Secretaries, and Managing Partner of Nyachoti & Partners Advocates. He is also the Founder Member of the Women on Boards Network.

CS Nyachoti holds a Master in Business Administration (Strategic Management), Masters degree in Law (International Environmental Law), Bachelor of Laws, and Post-graduate Diploma in Law.

Mr. Nyachoti belongs to various Professional Membership and Certification among them: Chartered Institute of Arbitrators (CI Arb.); Institute of Certified Public Secretaries of Kenya (ICPSK); Law Society of Kenya (LSK); East Africa Law Society (EALS); International Law Association (ILA); UK Institute of Management of Information Systems (IMIS) and is a registered Environmental Impact Assessment/Audit Expert.



Management Team

Dr. Evanson N. Kamuri

Chief Executive Officer



Dr. Evanson Kamuri is the Chief Executive Officer of Kenyatta National Hospital. He has served in Hospital for more than 20 years having joined in 1998 as a Medical Officer. Dr. Kamuri was appointed Chief Executive Officer on October 15, 2019. Before his appointment, he was the Deputy Director in charge of the KNH Prime Care Centre. He also has served as the Deputy Director in charge of Affiliation and Institutional Development.

Professionally, Dr. Kamuri is a Chief Medical Specialist in the field of Dermatology and Venerology. He is also the President, African Society of Dermatology and Venereology, and the Chairman of the Kenya Association of Dermatologists.

He holds a Master of Science degree in Clinical Dermatology, Masters in Business Administration (Strategic Management), and Bachelor of Medicine and Surgery.

On June 1, 2020, Dr. Kamuri was honored by H.E. the President of the Republic of Kenya with the Presidential Order of Service Award, Uzalendo Award, for his contribution in efforts to contain the spread of coronavirus in the country.

Responsibilities:

Providing strategic leadership; drawing and execution of plans for implementation of the Hospital's mandate and overall implementation of the Board's decisions.

Dr. Irene Inwani

Senior Director, Clinical Services



Dr. Irene Inwani is a Chief Medical Specialist with more than 24 years of experience in the areas of Paediatrics; Child Health; Research Regulation; Program Implementation; Coordination, Monitoring, and Evaluation.

She contributes to capacity building in the form of structured training and mentorship in paediatric care for in-service and pre-service health care workers, as well as conducting research and research bioethics.

She has an honorary faculty from the University of Nairobi, Global Health Equity Scholars (GHES), and Fogarty Global Health training program. She is trained in the area of paediatric and maternal health, HIV/AIDS care, and public health.

She is a researcher with a methodological focus on epidemiology, international health, and implementation science and health research. She is also a long-serving member of the KNH/UON Ethics and Research committee.

Responsibilities

Her major responsibilities include overseeing the effective implementation of clinical services, facilitate training and research in the Hospital, coordinating and overseeing the provision of surgical, medical, diagnostic, health information, nursing, rehabilitative, and pharmaceutical services in the Hospital.

CPA Carylus Odiango

Senior Director, Corporate Services



CPA Odiango has more than 30 years of working experience in financial management, audit, consultancy and general management attained after working in audit, consultancy, and commercial, not for profit and state corporation sectors.

He holds an Executive master's in Business Administration (Leadership and International Business Development) from Inoorero University in Collaboration with Copenhagen Business School (CBS/SIMI), Masters in Business Administration (Strategic Management) from Kenyatta University, and a Bachelor of Commerce (Accounting) from the University of Nairobi.

CPA. Odiango is a Member of the Institute of Certified Secretaries of Kenya, Institute of Directors of Kenya, and the Institute of Certified Public Accountants.

Responsibilities

Providing administrative support, ensure effective execution of Hospital mandate, ensure optimal utilization of resources and provide overall leadership to Finance, Facilities & Services, Planning & Strategy, Human Resource, Administration, Marketing & Communication and Security & Safety functions in the Hospital

CS Calvin Mogute Nyachoti

Corporation Secretary & Director for Legal Services

CS Calvin Nyachoti is the Corporation Secretary and Director for Legal Services. He has more than 10 years' experience as an Advocate of the High Court, a certified Corporate Secretary and practicing Arbitrator/Mediator and Trainer.

He is the former Chairman of the Chartered Institute of Arbitration (Kenya Branch), a Council Member of Institute of Certified Secretaries, and Managing Partner of Nyachoti & Partners Advocates. He is also the Founder Member of the Women on Boards Network.

CS Nyachoti holds a Master in Business Administration (Strategic Management), Master's degree in Law (International Environmental Law), Bachelor of Laws, and a Post-Graduate Diploma in Law.

Mr. Nyachoti is a member of various Professional bodies among them: Chartered Institute of Arbitrators (CI Arb.); Institute of Certified Public Secretaries of Kenya (ICPSK); Law Society of Kenya (LSK); East Africa Law Society (EALS); International Law Association (ILA); UK Institute of Management of Information Systems (IMIS) and is a registered Environmental Impact Assessment/Audit Expert.

Responsibilities:

Providing secretarial services to the Board of Management; providing in-house legal advisory services; handling corporate governance arrangements; provision of dispute resolution services; participating in formulation and review of legal policies and procedures.



Dr. John Ngigi; Ag. Director, KNH Prime Care Centre



Dr. Ngigi is a medical practitioner with 24 years' experience and is a senior medical specialist in Nephrology. He is also the Head of Renal department at Kenyatta National Hospital.

He is a holder of MBChB and Masters of Medicine in Internal Medicine from the University of Nairobi. He is a Fellow of the International Society of Nephrology (ISN) from the University of Stellenbosch and Tygerberg Academic Hospital (Cape Town) and is a pioneer student in MBA (Healthcare Management) at Strathmore Business School.

He serves on various boards of companies and societies and is a member of the ASN and the ISN fellowship committee.

Responsibilities:

Providing strategic leadership at the KPCC in a direction aligned to the Hospital vision; setting up of prudent clinical governance; leading a well-sourced out team to ensure good performance management.

Mrs. Judith Mugambi; Director, Nursing Services

Mrs. Mugambi has more than 27 years' experience in the nursing profession, having served in different capacities in nursing management. She holds a Master's degree in Critical Care Nursing from UON, postgraduate diploma in Project Management, Healthcare Management, and Strategic Leadership Development Program (SLDP).

She is currently pursuing a Ph.D. course in Healthcare Management at Strathmore University.

Responsibilities:

Formulation, review, and interpretation of KNH health care policies relating to nursing services; ensuring compliance to Nursing Statutory and regulatory requirements; facilitating development and review of training programs for nurses in the Hospital.





Dr. Kennedy Ondede; Director, Surgical Services

Dr. Ondede has more than 18 years' experience as a Medical Specialist. He is a Consultant General Surgeon and has been the head of theatres for three years before his appointment Deputy Director, Surgical Services.

He is a holder of MBChB, MMED Surgery (UON), Dip Laparoscopy (DELHI), Cert. Endoscopy (CAIRO CTC), Cert. Liver Transplant (DELHI). He is also a member of the International Hepatobiliopancreatic Association, Europe; Africa Hepatobiliopancreatic Association; Surgical Society of Kenya; Gastro Society of Kenya and World Association for Laparoscopic Surgeons.

Responsibilities:

His major responsibilities include management of surgery services, overseeing planning, scheduling, coordination of surgical care, promote research, innovation and technology transfer in provision of surgical services in the hospital.

Dr. Rose Nyabanda; Director, Diagnostic Services & Health Information

Dr. Nyabanda is a Chief Medical specialist in Radiology. She is a holder of MBChB (UoN), Mmed Rad (UoN), and Fellowship CT/MRI (Massachusetts General Hospital, Harvard Medical School) USA.

Certificate in Chest Radiology and Chest Interventional Radiology at The University of Manchester (UK). She spearheaded the AFROSAFE campaign in Africa on radiation protection and safe use of ionizing radiation in medicine.

She is a member of the Kenya Society of Radiology (KAR), Africa Society of Radiology (ASR), and Kenya Medical Women Association (KMWA).



Responsibilities:

Develop, implement and review policies, procedures, and strategies in Diagnostics Services, promote research, innovation, and technology transfer in the provision of Diagnostics Services, establish strategic partnerships, and collaboration with stakeholders in support of the development of Diagnostics services as well as formulating professional standards and ethics governing medical practice.



Dr. Alfred Birichi, Director, Pharmaceutical Services

Dr. Birichi joined KNH in May 2005 and was appointed Deputy Director, Pharmaceutical Services in 2019. He holds a B. Pharm, M. Pharm (Clinical Pharmacy), and a Post Graduate Diploma in Marketing Management.

He is the Management Representative (MR) and Lead Auditor in Quality Management Systems (QMS). He is a former board member at the Pharmacy and Poison Board and a member of the Pharmaceutical Society of Kenya.

Responsibilities:

Coordinating pharmaceutical services; providing leadership and professional guidance on pharmaceutical policies, laws, regulations, standards, and guidelines; monitoring and evaluation of pharmaceutical research, projects, programs, and ensuring quality management systems are established and maintained.

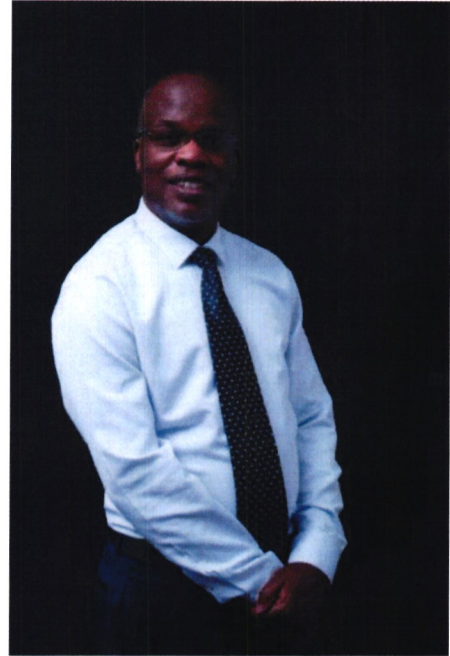
Dr. Tom Menge, Director, Affiliations and Institutional Development

Dr. Menge joined Kenyatta National Hospital in August 1995 and was appointed Director, Affiliation, and Institutional Development in 2020. He holds a B. Pharm and MSc (Pharmacology and Toxicology) from the University of Nairobi.

He is the former Chair of the Hospital Pharmacists Association of Kenya (HOPAK) and is a member of the Governing Council of the Pharmaceutical Society of Kenya.

Responsibilities

His main responsibilities include coordinating partnerships and resource mobilization for the Hospital in its endeavor to be self-sustainable. He is also charged with coordinating, planning, and implementing infrastructure development for the Hospital Projects.



Dr. William Kiprono Sigilai; Director, Medical Services



Dr. Sigilai is a Senior Medical Specialist with 22 years' experience in Diabetes and Endocrinology. He is a holder of MBChB, MMed (Internal Medicine) from the UON; Chairman of the KNH Medicines and Therapeutics Committee, Kenya Association of Physicians, and Kenya Diabetes Study Group.

He has dedicated a lot of his time to providing care to diabetes patients over the years.

Responsibilities:

His main responsibilities include formulating, implementing and reviewing health policies, regulations, standards, guidelines, and protocols, providing clinical care, general/community diagnosis and treatment as well as rehabilitation of patients. He is also charged with undertaking medical examinations, conduct disease prevention, surveillance, and control and provide emergency response and clinical care services during disasters.

Eng. Richard Binga; Director, Facilities, and Services

Eng. Binga holds a Bachelor of Science Mechanical Engineering and Postgraduate Diploma in Project Planning and Management from the University of Nairobi.

He wears many hats. This includes a registered member of the Engineering Board of Kenya, a corporate member of the Institution of Engineers of Kenya (IEK). He is also a Certified Measurement and Verifications Professional (CMVP), a member of the Association of Energy Engineers (AEE, USA); and a Class 'A' Licensed Energy Auditor by Energy and Petroleum Regulatory Authority (EPRA).

Responsibilities:

His main responsibilities include reviewing and implementing maintenance & replacement policies for infrastructure, plant and equipment ensuring safe and efficient operation and execution of infrastructure development projects.



CHRP Winnie Mwangi; Director, Human Resource



Mrs Winnie Mwangi has more than sixteen (16) years' experience in Human Resource Management. She holds an MBA in Human Resource Management (University of Nairobi); Post Graduate Diploma in Human Resource Management (Kenya Institute of Management [KIM]); and Bachelor of Education Science (Egerton University).

She is a member of the Institute of Human Resource Management and a Certified Human Resource Practitioner (CHRP).

Responsibilities:

Her main responsibilities include formulating, implementing and evaluating human resource management policies, strategies, guidelines, and procedures, providing guidance and support in all matters relating to human resource, managing human capital, handle staff welfare, employee and industrial relation matters, establish performance as well as develop and ensure implementation of remuneration compensation policies and strategies to attract, motivate and retain employees.

Mr. Job Makanga, Director, Planning, and Strategy

Mr. Makanga has more than 17 years' work experience gained across organizations in the private and public sectors. He is a dynamic and highly motivated leader with elaborate experience and sound knowledge as well as understanding of: Strategy creation, execution, monitoring and evaluation; Policy formulation, analysis and evaluation; Business and Project planning; performance management and quality improvement; business information technology and service delivery systems; and Organizational culture change management.

He holds an MBA (Strategic Management) and a Bachelor of Science (Hospitality and Institutional Management). He is also a Certified Balance Score Card Master Professional (University of Washington, USA), Certified monitoring and evaluation professional (Kenya Institute of Management), Trainer of Trainers in Change Management (Africa Institute of Management) as well as Certified policy analyst (Strathmore University).

He is a member of the Kenya Institute Planners, Kenya Institute of Management, and the Association for Strategic Planning (Global).

Responsibilities:

Provide technical guidance on the formulation and implementation of strategies & policies. This involves the provision of high-quality expert advice to enable strategic thinking and optimize the strategic planning processes for the hospital, direct the alignment of corporate reporting systems, identification of key performance indicators and high-level targets, communication, and promotional strategies and processes for review and evaluation, to facilitate identification of variations from plan and necessary remedial actions.





Mrs. Rose Njoroge, Director, Supply Chain Management

Mrs. Njoroge has more than 15 years of result-oriented experience in Strategic Supply Chain Management gained across organizations in the Private Sector and Non-Governmental Organizations.

She holds an MBA (Strategic Management); Bachelor of Science; Graduate Diploma in Purchasing and Supplies (CIPS – UK) foundation stage; Certificate in Corporate Governance; Certificate in Strategic Leadership Development Program (SLDP) and Performance Measure Process (PuMPR) Certification.

Responsibilities:

Her main responsibilities facilitating the procurement of goods, works and services, inventory management, and disposal per the Public Procurement Asset Disposal Act (PPADA), 2015.

CPA Michael Kihuga, Director, Finance

Mr. Kihuga has more than 20 years' experience in Finance. He worked in Oserian Development Company as Management Accountant and in Moi Teaching and Referral Hospital as a Chief Accountant.

He holds an MBA (Finance), Bachelor of Education Economics, and Mathematics. He is a Certified Public Accountant and a Certified Public Secretary.

Responsibilities:

Organize and coordinate financial management functions; Ensure optimal utilization of financial resources, Ensure compliance with statutory requirements; Financial reporting to management and regulatory bodies.





Dr. Peter Muiruri, AG Director – KNH Othaya

Dr. Muiruri has more than 20 years' experience and is a Senior Medical Specialist in managing HIV/AIDS, Tuberculosis & Infectious diseases. He is the former Head of Comprehensive Care Centre at Kenyatta National Hospital and Project Director of the KNH-CDC supported University of Nairobi Centre of Excellence in HIV Medicine (COEHM) Program.

He is a holder of MBChB and Masters of Tropical Health from the University of Queensland (Australia). He is also a Fellow of HIV Disease Research at Harvard University and pioneer scholar of advanced training in HIV Management and Treatment at New York University (NYU). He is the member of the National ART Technical Working Group, HIV Drug Resistance, and Mentorship TWG, and KNH-UoN Ethics Review Committee

Responsibilities.

He oversees the implementation of the strategy and operational decisions of the directorate and is responsible for ensuring the hospital meets its statutory obligations.

Dr. Lydia Okutoyi; Director, Health Care Quality

Dr. Lydia Okutoyi is a senior medical Specialist with 17 years' experience in Obstetrics and Gynecology. She is a holder of MBChB, Masters in Obstetrics and Gynecology (MMed) from the university of Nairobi, Masters in Public health (MPH) from the university of Roehampton UK, Training in Safety, Quality, Informatics and Leadership (SQIL) from the Harvards Medical School, Postgraduate Diploma in Hospital Management at Strathmore University and a fellow with the International Society of Health Care (FISQua).

Lydia is a Yellow belt in Lean Six Sigma, and working on the green belt status for this year.

Responsibilities

She provides an oversight role on the quality of care that patients receive at Kenyatta National Hospital. Her other roles include enhancing clinical governance, facilitate patient engagement in planning, implementation and continuity of care, participate in the hospital and national health care quality and safety policy and strategic planning.





CPA Erick Omondi Otieno; Director, Internal Audit

Work Experience

CPA Omondi brings to the table more than 15 years' experience in auditing, He previously worked with AMACO as Head of Internal Audit.

CPA Omondi holds an MBA (Corporate Management) and B.com (Accounting option). He is a Member of the Institute Certified Public Accountants of Kenya (K) , Member of the Institute of Internal Auditors, Kenya, Member of the Information Systems Audit and Control Association (ISACA) and Member of the Institute of Certified Secretary of Kenya (ICS).

Responsibilities

Key responsibilities include; strategy development and planning of the department, implementation of departmental and hospital policies, review and approve risk matrix and how they are being managed, ensure proper communication, and promote team spirit in the department.

Dave Opiyo; Chief Manager, Marketing and Communication

Mr Opiyo has more than 15 years in Communication and Journalism. He holds a Master of Arts degree in Digital Journalism from Graduate School of Media and Communications – Aga Khan University and a Bachelor of Arts degree in Communication and Media Technology from Maseno University. He previously worked at Nation Media Group's Daily Nation Newspaper where he was assigned various roles. They include Assistant News Editor and Assignments Editor. He was also the Regional Editor (Bureau Chief) for the company's Kisii, Kisumu, and Eldoret's regional offices.



He is a former fellow with the United Nations Framework Convention on Climate Change media group. In November 2016, Mr. Opiyo was part of a team of journalists, who scooped

at the inaugural Kenya Open Data Awards, that recognized people and institutions who have made an impact using open data, which is information that the government has made freely available to the public.

Responsibilities

His main responsibilities include developing, reviewing, and implementing communications strategies to support the Hospital's objectives, develop and implement corporate communications plans to enhance the visibility of the Hospital, manage the hospital's corporate image, coordinate branding activities, media management as well as coordinating the marketing of Hospital services.

Chairman's Statement



I am glad to present the Hospital's annual report and financial statements for the year ended June 30, 2020. The report highlights the hospital's operational and financial performance as well as our strategic direction. During the year, the Board of management was re-constituted. Five new independent members joined alongside myself, which strengthened the Board's corporate governance capacity. Since the appointment, the Board members have made a tremendous contribution towards policy formulation and strategic guidance in the Hospital.

Strategic focus

The healthcare environment is dynamic with a myriad of inexorable changes. These changes include: technological; consumer behavior; complexity in the regulatory environment; demographics; and increasing cost of care. It is against this backdrop that KNH is positioning itself to allow for agility for change and sustained growth in the shifting context. In a bid for the hospital to create sustainable competitive advantage whilst ensuring seamless service delivery, KNH has identified capabilities such as business process agility, strategic intent, technological advancements, human resources, operations and management capabilities geared towards positioning the hospital to attain its vision.

Further, and in pursuit of excellence in clinical outcomes, the hospital embraced ambidextrous resource allocation aligned to prioritized projects, programs, and activities whose realization will make KNH a multi-specialty center of excellence offering services that meet international certification standards. Moreover, the hospital, taking cognizance of the critical role culture change plays in overall performance towards realization of her vision, has initiated various culture change programs aimed at inculcating a culture of performance while creating a sense of urgency. Consequently, in so doing, the hospital has attained great milestones towards enhancing customer satisfaction in delivery of services. However, the full achievement of the desired results above was hampered by the COVID-19 pandemic that affected performance especially during the third and fourth quarter.

Kenyatta National Hospital was directed by His Excellency the President to takeover the management and operationalization of Othaya Level Four Hospital in the month of November, 2019. The KNH management

took up the challenge and developed an operationalization roadmap. Today, the facility is known as KNH-Othaya which serves patients from Nyeri, Embu, Nyandarua, Laikipia, Tharaka Nithi, Meru, Isiolo, Samburu, Kirinyaga, Muranga and Marsabit counties.

Response to COVID-19 pandemic

In response to COVID-19 pandemic, the hospital redirected its resources towards both infrastructural and policy adjustments as an intervention to the effects of this pandemic. KNH become the focal point for testing, isolation and treatment of the COVID-19 cases. KNH management and staff dug into their previous experience in management of infectious diseases and adequately prepared for any eventuality. To this end, KNH is proud to have received the 1st COVID-19 cases and successfully managed them to full recovery.

Board Performance

During the year under review, the hospital developed Board Performance Contract (PC) 2019/2020 in line with the 16th Cycle Guidelines. The PC initiatives were drawn from the KNH strategic Plan IV (KNHSPIV - 2018/2023) year two (2) activities that were further cascaded down to respective functional areas for ease of implementation, monitoring, tracking and reporting. Today, I am happy to report that the overall hospital performance has been improving over the years. In the year 2019/20, the Hospital achieved a composite score of 2.9983 which is in the category of "Very Good" according to the PC scoring criteria. This, however could not be realized without the efforts put by the Board through development of various strategies and operational interventions aimed at improvement in service delivery.

Sustainability

In the year, the Board of Management approved HR instruments comprising of HR policy and manual; career guidelines, organization and grading structure. In addition, the hospital has continued to provide insurance and medical cover for all staff. The staff who have retired have also been considered for the medical cover in recognition of their long service to the hospital.

On environmental conservation, the hospital through the Occupational Health and Safety Committee has put measures in place to ensure a safe and clean work environment.

Community engagement

Non-Communicable Diseases (NCDS) has become a major challenge to livelihoods of most Kenyans. In response to this, the hospital organized various outreach activities aimed at sensitization, training,

capacity building for Health Care Workers, screening and treatment at no cost. During the year, the hospital carried forty-three (43) multidisciplinary specialized medical and surgical camps targeting twenty-seven (27) counties.

Future outlook

KNH is fully committed to providing quality healthcare to all Kenyans and supports the fundamental principles of Universal Health Coverage that aims at enhancing accessibility and affordability of healthcare by all Kenyans. In the coming year, the Hospital is poised to facilitate the uptake of UHC through the provision of highly specialized healthcare services on referral; training on specialized healthcare; implementation of the referral strategy, and technical capacity building for lower-level hospitals.

In a bid to meet the rising demand for specialized healthcare services, the hospital has prioritized expansion of existing services and introduction of centres of excellence including endocrinology, gastroenterology, Cancer Treatment Centre and nephrology.

Appreciation

On behalf of the Board of Management, my appreciation and acknowledgment goes to; former Board Chair Eng. Nicholas Gumbo for steering the hospital in the right direction, former and current Board members for their dedication, KNH staff for the good work, and all our stakeholders.

It is through your commitment and tireless effort that we have achieved seamless delivery of specialized healthcare services. As the Board of Management, we have put in place measures to ensure the availability of resources, infrastructure, and expertise with a deliberate effort to enhance capacity in the Hospital.

As ever, we would like to thank the CEO and the entire management team for their dedication to service during the year. We look forward to another prosperous year together.

Thank you and God bless you all.


Mr. George Ooko:

Chairman, Board of Management

Chief Executive Officer's Statement



I am pleased to present the highlights of the hospital annual report and financial statements for the year 2019/20. This report outlines operational and financial performance of the hospital in line with its strategic priorities.

Operational Excellence

The Hospital has realized many gains in pursuit of operational excellence in service delivery. To achieve this, KNH has invested in continuous process improvement, maintenance of quality standards, and system availability. During the 17th Internal Quality Audit, the hospital significantly reduced the number of non-conformities, an indication of adherence to the set standards. Further, ICT system availability and network uptime from 88% to 91.2%. Similarly, the hospital increased its internet bandwidth from 100mbps to 200mpbs to facilitate high levels of connectivity and communication.

Upgrading and expansion of services

KNH has maintained its status as a hospital brand of choice and continues to receive patients seeking specialized medical care from Kenya and across borders. The increase in demand for specialized healthcare services in the region has prompted KNH to develop mechanisms to manage the surging numbers. The hospital has put in place strategies aimed at expanding its services such as Reproductive Health, Renal, Cancer Treatment Centre, Critical Care Units as well as construction of the Paediatric and Burns Emergency centre.

We have also increased the number of Critical Care beds from 65 to 79, which is expected to improve the quality of clinical outcomes.

Excellence in Clinical Outcomes

We have continued to be the leading hospital in provision of specialized healthcare services. In the year, the hospital carried out 15 major liver resections, being the first public health institution in East and Central Africa to perform the procedure. In addition, the centres of excellence in nephrology, gastroenterology and endocrinology were fully operationalized. Similarly, the introduction of new

specialized services in cornea, liver and bone marrow transplantation has commenced, with respective specialized teams already established.

During the year, We recorded an increase in the number of radiological procedures, laboratory investigations, and specialized surgeries which have been discussed in detail in this report.

We also take pride in the clinical milestones achieved during the year. Our team of specialized surgeons and other clinical specialists successfully reattached the hand of a 6-year-old boy that had been completely amputated at the wrist by a chaff cutter. Additionally, the team successfully nurtured the second baby born prematurely weighing 400g to full birth weight.

Investments in technology

The use of ICT is a priority for KNH as reflected in Kenya's ICT Master Plan and need to automate systems to enhance quality in service delivery. KNH has embarked on a journey of improving her ICT technologies to respond to the current market demands. Towards this, the hospital is implementing an Enterprise resource planning (ERP) system aimed at process and system integration. This comprises of financial, supply chain, human resource, patient registration and billing modules. Full implementation of the modules is expected to generate high level efficiencies and controls.

On the patient care front, We have established a Diagnostic and Reporting Centre which incorporates a medical teleconferencing facility and artificial intelligence teleradiology center which enables relay of radiological images from referring hospitals. In turn, the images are read, interpreted and reported back timely for clinical decision making.

Stakeholder engagement

The patient and patient relatives our primary stakeholders in service delivery. To address the patient care issues, We are implementing a customer feedback management system, which aids in resolution of customer complaints.

Employee engagement

Our Hospital employees are the most valuable assets in the chain of service delivery. These staff touch the hearts of patients and relatives leaving an indelible mark of hope and a future. To this end, the Hospital Board and Management has provided an enabling environment and commensurate remuneration that

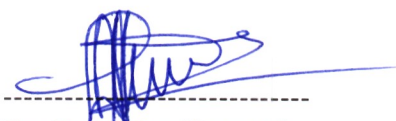
motivates and inspires the team. In pursuit of excellence and in order to ensure that all staff perform their duties effectively and efficient to the satisfaction stakeholders, we have maintained a performance management system. Over the years, staff performance levels have been on an upward trend as reported from the financial year 2015/16 to 2018/19. During the year, 97.01% (n=4,310) of the staff who met the set criteria were appraised with an average score of 82.5%.

Our future

KNH is committed to the implementation of the planned projects, programs and activities in line with the 4th Strategic Plan 2018-2023. Top on the agenda is the completion of the Cancer Treatment Centre, Burns and Paediatric Emergency Centre as well as operationalization of the Day-Care Centre. We will also commission the Enterprise Resource Planning (ERP) system and commence the implementation of the Healthcare Management Information System (HMIS) with its attendant plug-ins of Laboratory Information Management System (LIMS) and Picture Archiving and Communication System (PACS). The full automation will set apart KNH from other healthcare providers and provide a platform for an integrated Healthcare Information Communication System.

Gratitude

I wish to sincerely thank the KNH Board of Management and KNH staff for their dedication and enthusiasm to drive the Hospital's agenda. I am also delighted to note that a number of KNH staff were conferred honors by the Head of State for their contribution towards fighting the Covid-19 pandemic. Kudos to those who conferred with the inaugural 'Presidential Order of Service - Uzalendo Award'. We are proud of your achievements. To KNH family, we are grateful for your commitment and let us redouble our efforts towards attainment of our mandate.



Dr. Evanson Kamuri

Chief Executive Officer

Statement of Performance Against Pre-Determined Objectives

Status of strategy implementation

Kenyatta national Hospital has 3 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

Pillar 1: Operational excellence

Pillar 2: Excellence in clinical outcomes

Pillar 3: Business growth

The strategic pillars were broken down into thirteen (13) strategic objectives which are linked to activities, results and/or outcomes. The objectives focus on improvements necessary for the Hospital to create and deliver value to her customers and stakeholders. They are action oriented and give an outline of what the Hospital will be doing to attain competitive advantage and succeed in discharging her mandate. Key Performance Indicators (KPI's) were identified for each of the objectives to enable the Hospital monitor the implementation of this Plan.

The hospital achieved its performance targets set for the FY 2019/2020 period for its strategic pillars, as indicated in the diagram below:

Table 2: Statement of Performance against pre-determined objectives

Strategic Pillar	Objective	Key Performance Indicators 2019-2020	Activities 2019-2020	Achievements 2019-2020
Operational Excellence	Optimize customer experience	Customer Satisfaction Index	<ul style="list-style-type: none"> Conduct customer Satisfaction survey and implement recommendations Implement Customer feedback mechanism 	<ul style="list-style-type: none"> Customer satisfaction index at 75.1%. Implementation of customer feedback mechanism ongoing
	Enhance Service Delivery	<ul style="list-style-type: none"> Time for reporting & dispatch of diagnostic services (Hrs) Theatre Utilization 	<ul style="list-style-type: none"> Develop a framework for monitoring and evaluating Service Level Agreements and contracts for supply of consumables and maintenance 	<ul style="list-style-type: none"> Theatre utilization at 94.3% M&E frameworks for surgical services developed
	Promote and Expand Services	<ul style="list-style-type: none"> No. of new specialized services No. of expanded services 	<ul style="list-style-type: none"> Create functional specialized teams Upgrading existing services 	<ul style="list-style-type: none"> Liver transplant service was introduced Cornea transplant protocols developed Renal Unit expanded

Strategic Pillar	Objective	Key Performance Indicators 2019-2020	Activities 2019-2020	Achievements 2019-2020
	Research and innovation	<ul style="list-style-type: none"> • % research completed and disseminated as per plan • No. of policy briefs 	<ul style="list-style-type: none"> • Framework to support proposal writing, dissemination and implementation • Knowledge management and Innovation policy 	<ul style="list-style-type: none"> • Twenty researches conducted and disseminated • Framework for proposal writing, dissemination and implementation developed.
	Enhance Risk management	<ul style="list-style-type: none"> • % of high risks mitigated 	<ul style="list-style-type: none"> • Develop and implement a risk management framework • Develop and implement Business Continuity Plan 	<ul style="list-style-type: none"> • Enterprise Risk Management Policy has developed. • Business continuity plan has been developed.
	Improve performance culture	<ul style="list-style-type: none"> • Staff performance index 	<ul style="list-style-type: none"> • Identify and implement culture change programs • Implement rewards and sanctions policy • Hold monthly thematic work days • Develop and implement a framework for interactive communication 	<ul style="list-style-type: none"> • Mid and End year staff appraisal conducted • Rewards and sanctions policy reviewed • Culture change framework developed
	Improve automation	<ul style="list-style-type: none"> • No. of new automated processes 	<ul style="list-style-type: none"> • Undertake Business Process Re-engineering • Implement the ICT strategy 	<ul style="list-style-type: none"> • Business Process Reengineering done • Blue prints for six ERP modules done • ICT strategy implementation at 67.8%
	Enhance human resource capacity	<ul style="list-style-type: none"> • Replacement cycle time in months • % of staff trained as per approved trainings 	<ul style="list-style-type: none"> • Develop and implement Succession Plan • Develop and implement a talent management policy • Implement training needs assessment report 	<ul style="list-style-type: none"> • Succession Plan, talent management policy and Training needs assessment developed
	Improve infrastructure and equipment	<ul style="list-style-type: none"> • % equipment availability • Work environment index • % implementation of equipment replacement plan 	<ul style="list-style-type: none"> • Implement the equipment investment and replacement plan • Implement renovation plan 	<ul style="list-style-type: none"> • Equipment availability at 88.9% • Renovation plan and equipment investment & replacement plan implementation on-going.

Annual Report and Financial Statements for the Year Ended June 30, 2020

Strategic Pillar	Objective	Key Performance Indicators 2019-2020	Activities 2019-2020	Achievements 2019-2020
	Improve Partnering	<ul style="list-style-type: none"> No. of new MoU'S signed No. of new partners 	<ul style="list-style-type: none"> Develop partnership proposals Develop and implement a framework for project planning and implementation 	<ul style="list-style-type: none"> Framework for project planning and management developed. 27 MoUs signed
Business Growth	Improve Financial Performance	<ul style="list-style-type: none"> % Increase of revenue generated % Reduction in wastage 	<ul style="list-style-type: none"> Negotiate with NHIF for enhanced medical packages Annual review of user fee 	<ul style="list-style-type: none"> Negotiated with NHIF for enhanced medical packages. User fees reviewed annually.
	Improve resource Mobilization	<ul style="list-style-type: none"> No. of project proposals funded % of mobilized resources against target 	<ul style="list-style-type: none"> Develop and implement a framework for fundraising and resource mobilization 	<ul style="list-style-type: none"> Sixteen (16) project proposals funded Resources mobilized at 1.6 B
Excellence in Clinical Outcomes	Enhance Clinical governance	<ul style="list-style-type: none"> % reduction in ALOS % reduction in mortality rates 	<ul style="list-style-type: none"> Conduct clinical audits and implement recommendations. Conduct annual surveillance for HAIs 	<ul style="list-style-type: none"> Average length of stay reduced from 9.5 to 9.4 days Mortality rate at from 9.7 to 9.2%



Dr. Evanson Kamuri
Chief Executive Officer

Corporate Governance Statement



Overview

The Board of Kenyatta National Hospital understands that Corporate Governance is critical for the achievement of the Hospital's mission and vision. The Board recognizes that it has overall responsibility for the governance of the Hospital and is committed to providing strategic direction, oversight, the necessary support and advice to management. The Board is committed to high standards of Corporate Governance and ethical behaviour characterized by effective and responsible leadership, accountability, fairness, probity and integrity, transparency, efficiency and effectiveness.



Statement of Compliance

The Hospital conducts its business affairs in full compliance with all applicable laws, rules and regulations. The Board ensures that: -

- (a) the Hospital complies with the spirit and the letter of the Constitution and that the policies, institutional frameworks and administrative procedures of the Hospital effectively support implementation of the Constitution;
- (b) laws, rules, regulations, codes and standards applicable to the Hospital are identified, documented and observed. These include Mwongozo, the Code of Governance for State Corporations; the Health Act 2017; Leadership and Integrity Act 2012; Public Officers Ethics Act 2003; Public Finance Management Act 2012; Public Procurement & Asset Disposal Act 2015; Occupational Safety & Health Act 2007; Employment Act 2007; Fair & Administration Action Act 2015; State Corporation Act Cap. 446; and Quality Management Systems (ISO 9001-2015) among other;
- (c) internal procedures and monitoring systems are established to promote compliance with applicable laws, regulations and standards; and

- (d) legal compliance audit is carried out at least annually with the objective of establishing the level of adherence to applicable laws, rules, regulations and standards.



The Board takes its responsibilities seriously and clearly understands its role, powers, duties and functions. In the performance of its role, the Board is guided by a Board Manual which contains a Board Charter, and a number of policies.

The responsibilities of the Board include: -

- i) acting as a focal point for and custodian of corporate governance;
- ii) identifying key performance and risk areas;
- iii) ensuring the Hospital's strategy will result in sustainable outcomes;
- iv) considering sustainability as a business opportunity that guides strategy formulation;
- v) approving the Hospital's strategy and annual business plans;
- vi) ensuring that the Hospital's ethics are effectively managed;
- vii) the governance of risk;
- viii) overseeing IT governance and cybersecurity;
- ix) assessing the impact of the Hospital's business operations on the environment; and
- x) approving and adopting Hospital policies, programmes and procedures in relation to health, safety, economic, social and environmental impacts, and remuneration and benefits.

Board Governance Framework

Board Charter

The board charter regulates the parameters within which the Board operates and ensures the application of the principles of good corporate governance in all its dealings. Furthermore, the board charter sets out the roles and responsibilities of the Board and individual directors, including the composition and relevant procedures of the Board. The board charter is aligned with the provisions of all relevant statutory and regulatory requirements, including, among others, the *Mwongozo: The Code of Governance for State Corporations* and King IV Code of Corporate Governance.

Board Work Plan

The Board develops and annually approves its Work Plan, which enables it to have a balanced view of the business and to be sufficiently forward looking, with approximately 60% of its time being spent on matters that help it shape the future. The Work Plan also enables the Board to plan its activities to advance and to ensure that its Board meetings are planned and executed in an effective manner. Besides Board and Committee meetings, the Work Plan sets out other Board activities including Board Evaluation, Board retreats and training.

The Board's Work Plan is approved before the commencement of the financial year to which it relates. The agenda for Board meetings is derived from the Board Work plan. The full Board plans quarterly meetings in order to conduct its affairs. However, when need arises, the Board also holds special meetings to fulfill its mandate and to guide the management as appropriate.

The Directors receive all relevant information for the discharge of their obligations in an accurate, timely and clear form so that they can guide and maintain full and effective control over strategic, financial, operational and compliance issues.

Code of Conduct and Ethics

The Hospital is committed to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders. A formal Code of Conduct and Ethics has been approved by the Board and is fully implemented to guide the Board, management, employees and stakeholders on acceptable behaviour in conducting business.

All Board members and employees of the Hospital are expected to avoid activities and financial interests that could undermine their responsibilities to the Hospital. The Board has approved a Conflict of Interest and Gifts Policy. Directors are required to declare any conflict of interests upon appointment. In addition, a Director with an actual or potential conflict of interest in relation to a matter before the Board is required to disclose such interest and to recuse himself or herself from the discussions relating to the matter in question. In this regard, declaration of conflict of interest is a standing agenda item during Board and Committee meetings.

In addition, Board members are required on an annual basis to make a declaration of any conflict of interest. It is also expected that all Directors will exercise independent judgment and shall act in the best interest of the Hospital. Further, during the annual Board Evaluation, the Board assesses the independence of the individual Directors using a tool approved by the Board.

Governance Audit

In compliance with Mwongozo: The Code of Governance for State Corporations, the Board in consultation with the State Corporations Advisory Committee (SCAC) should ensure it subjects the organization to an annual governance audit by a member regulated by the Institute of Certified Public Secretaries of Kenya (ICS) and accredited for that purpose. The SCAC is required to issue guidelines for governance audit for State Corporations.

During the reported period, the Hospital was exempted from the annual governance audit since SACAC had not issued the guidelines for governance audit.

Legal Compliance Audit

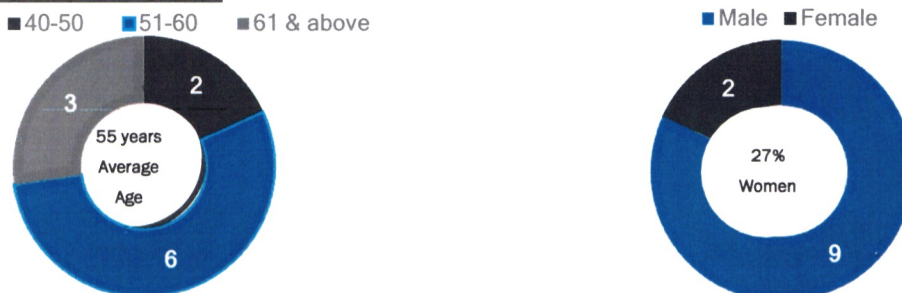
In compliance with Mwongozo: The Code of Governance for State Corporations, the Board is required to ensure a comprehensive and independent legal compliance audit is carried out at least every two years, with the objective of establishing the level of adherence to applicable laws, rules, regulations and standards.

The Hospital did not carry out an independent legal compliance audit during the reporting period.

Whistle Blowing and Anti-Corruption Policies

The Board has in place a Whistle Blowing Policy and Anti-Corruption Policy which are aimed at protecting whistle blowers who act in good faith to disclose or report any acts of malpractice, alleged dishonesty, corruption, illegality, wrong-doing or omissions by employees. The policies are binding to both the Directors and employees. Reported incidents are independently assessed, and where relevant, independently investigated.

BOARD EFFECTIVENESS



Composition of the Board

The State Corporations Act, Cap.446 of the Laws of Kenya vests the governance of the Hospital in the Board of Management. The Board is composed of eleven Directors; an independent and non-executive Chairman, one executive CEO, the Cabinet Secretary-The National Treasury, Principal Secretary-Ministry of Health, the Principal-University of Nairobi College of Health Sciences, the CEO-Kenya Medical Training College, plus five (5) independent non-executive Directors.

The Chairman of the Board is appointed by H.E. the President and the five (5) independent non-executive Directors are appointment by the Cabinet Secretary, Ministry of Health. They each serve for a maximum of two terms of three (3) years. Names of all members and changes thereto are published in the Kenya Gazette.

Each Director has a detailed letter of appointment setting out the terms and conditions of service including their fiduciary duties. The Chairman has a specific letter of appointment as Chairman of the Board. Each Director has accepted their appointment in writing. The Board considers that collectively, the Directors have the range of skills, knowledge and experience necessary to direct the Hospital.

Attendance at Board Meetings

Board members commit to regularly attend and to be effectively participating in Board meetings through robust debate. This is made possible by early planning. Board attendance for the period under review is as set out below: -

Table 3: Attendance at Board Meetings

Name of Director	Board Position	Date of Appointment	Attendance 3 scheduled meetings 15 special meetings 2 meetings with CS--MoH 1 PPP Conference 1 Board Evaluation
Mr. George O. Ooko	Chairman	21/4/2020	19/24
Eng. Nicholas O. Gumbo ¹		3/5/2019	4/24
Mr. Henry K. Rotich, EGH	CS, The National Treasury		-
Ms. Susan Mochache, CBS	PS, Ministry of Health	1/3/2019	2/24
Dr. Nelson C. Kuria	Non-Executive Member	30/8/2018	21/24
Mrs. Margaret C. Koech	Non-Executive Member	30/8/2018	21/24
Dr. Stanley K. Maina, HSC	Non-Executive Member	30/8/2018	19/24
Mrs. Peris B. Onsarigo	Non-Executive Member	3/5/2019	22/24
Dr. Richard T. Kamau	Non-Executive Member	3/5/2019	22/24
Mr. Alfred M. Kagika, EBS	Alt. to CS,	30/9/2019	8/24
Mr. Martin S.O. Gumo²	National Treasury	14/10/2015	9/24

¹ Term revoked on² Mr. Gumo replaced by Mr. Kagika on 30/9/2019

Annual Report and Financial Statements for the Year Ended June 30, 2020

Name of Director	Board Position	Date of Appointment	Attendance 3 scheduled meetings 15 special meetings 2 meetings with CS--MoH 1 PPP Conference 1 Board Evaluation
Dr. Julius Ogato	Alt. to PS, Ministry of Health	13/6/2019	15/24
Prof. James M. M'Imunya	Principal, UoN-CHS	1/6/2018	6/24
Prof. Michael K. Kiptoo	CEO, KMTC	1/3/2018	5/24
Dr. Lucy Waweru	Alternate to CEO, KMTC	7/3/201	12/24
Dr. Evanson N. Kamuri	Ag. CEO, KNH	15/10/2019	24/24

Strategic Board Activities in FY 2019-2020

In the reporting financial period, the Board made the following key decisions -

- i) Approved the FY2019/2020 annual budget and procurement plans for the Hospital and its satellites;
- ii) Negotiated with Cabinet Secretary for Health the Board Performance Contract 2019/2020 and approved for implementation in the Hospital;
- iii) Established and operationalized a 350-bed satellite hospital serving the central region- KNH Othaya;
- iv) Established and operationalized the KNH Mbagathi Infectious Disease Unit;
- v) Recruited a substantive Chief Executive Officer, Director Human Resource, and Head of Communication & Marketing, among other senior management positions;
- vi) Approved the Workplace Alcohol, Drug and Substance Abuse Policy; and the Infection Prevention and Control Policy;
- vii) Revised and approved salaries scales for permanent and pensionable employees as well as contract employees;
- viii) Undertook a qualification audit for all staff;

- ix) Discussed the key risks facing the Hospital and considered the potential impact on the business of specific risk factors in consultation with the Board Audit Committee;
- x) Endorsing the direction and activities proposed by Management to achieve the strategy and ensuring that Management was on track to deliver the Company's strategy; and
- xi) Monitored the status of the Hospital's litigation proceedings.

Board Induction and Continuous Skills Development

Upon appointment, Directors undergo a detailed, rigorous and formal induction programme in line with the Board Charter. The aim of the induction programme is to enable new Directors to become effective in their new role as quickly as possible. The Directors are provided with pertinent information to help them understand the Hospital and their role. The Directors are also required to experience firsthand the key operations of the Hospital and a detailed walk about programme is prepared for this purpose. New Directors also meet senior management, the Corporation Secretary and the Chairman of the Board before their first Board meeting.

During the reporting year, two newly appointed Directors, Mr. Alfred M. Kagika and Dr. Julius Ogato as well as the Chairman, Mr. George O. Ooko were inducted into their role.

Board Evaluation

The Board conducts a critical self-evaluation of its effectiveness as a whole, the Chairman, individual members and the Chief Executive Officer. The information is thereafter collated by the State Corporations Advisory Committee (SCAC) and presented to the full Board. Opportunities for improvement identified are discussed for implementation. Further, the Chairman discusses one on one the outcome of the individual members' evaluation.

The evaluation for FY2019-2020 was conducted by the Board on 6th August 2020. Whilst the Board and each of its Committees were considered to be effective, opportunities for improvement were identified and recommendations and fresh action points were identified for implementation. All Board members were considered to have performed well and each was considered to be making an effective contribution to the Board.

Time Commitment

It is expected that in order to discharge their responsibilities effectively all Directors allocate sufficient time to their roles on the Board. Directors are expected to attend, and to be well prepared for, all Board and Board Committee meetings, as well as making time to understand the operations of the Hospital. The Chairman and other Non-Executive Directors endeavor to ensure that they have adequate time to discharge their responsibilities to the Board effectively.

Relationship between the Board and Management

There is a clear separation of roles between the Board and management, and this separation has been clearly stipulated in the Board Charter. The role of the Chairman of the Board is separate from that of the Chief Executive Officer, and in line with good governance practice, the Board has delegated authority for the conduct of day-to-day business to the Chief Executive Officer. The Board nonetheless remains accountable for the overall management and long-term success of the Hospital.

Financial and Business Reporting

The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Hospital's position through the Annual Report. It is appropriate to treat this business as a going concern as there is sufficient existing financing available to meet expected requirements in the foreseeable future.

Risk Management and Internal Control

The Board is responsible for determining the nature and extent of the significant risks that the Hospital is willing to take to achieve its strategic objectives and for maintaining sound risk management and internal control systems. With the support of the Audit Committee, the Board carries out a review of the effectiveness of its risk management and internal control systems covering all material controls including financial, operational and compliance controls and risk management systems. There is a clearly defined organizational structure within which individual responsibilities are identified in relation to internal controls. The structure is complemented by defined procedures, financial controls and information system controls.

The internal audit department performs various activities in the evaluation of the risk management, control and governance process. Significant business risks and weaknesses in the systems of operating and financial controls are highlighted and brought to the attention of the Audit Committee, senior management and external auditors. Areas accorded high-risk profiles are given urgent attention by management. At every Board meeting the status of mitigations against identified business risks is reviewed to ensure timely implementation of corrective actions.

The Board, with advice from its Audit Committee, completed its annual review of the effectiveness of the system of risk management and internal control for the period under review. No significant failings or weaknesses were identified and the Board is satisfied that, where specific areas for improvement have been identified, processes are in place to ensure that the necessary remedial action is taken and that progress is monitored.

Remuneration

During every Board meeting, present Directors are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement (where applicable) within government set limits for state corporations as outlined in Government circular OP/CAB.9/21/2A/41/43 of 23/11/2004.

The Chairman receives a monthly honorarium. Directors' fees are not payable. During the year, there were no Directors' loans. Details of Directors remuneration during the year are shown in note 14 to the financial statements.

External Consultants

When required, the Board seeks external advice or assistance on issues over which there is concern, if it is considered necessary. During the reported period, the Board engaged external consultants in the recruitment of senior management positions.

Procurement

The objective of the procurement policy is to deliver the best possible value for money and spend optimization for the Hospital's procurement requirements through the use of professional procurement

practices aligned with the Hospital's corporate objectives. The procurement policy is set out to provide uniformity, inclusivity, fairness, professionalism, honesty and transparency in the management of procurement activities within the context of Corporate Policies, with the key aim of obtaining value for money. The Policy aims at optimizing supply chain efficiency, effectiveness and enhanced supplier relationships by designing supply frameworks, rationalizing the supplier base, and developing long term strategic partnerships with competent, like minded suppliers. Integrity remains the gate to conducting business with Kenyatta National Hospital.

Information technology (IT)

The Hospital's information technology (IT) systems are covered under an IT Policy. The policy aims to protect the institution's investment in information technology infrastructure, IT equipment and mobile facilities, data/telecommunications networks and software, maintain the highest standards of cyber security, while protecting the Hospital's confidential and sensitive information.

Communication Policy

Effective communication with stakeholders is fundamental in maintaining KNH's corporate reputation as a trusted and respected provider of healthcare services and positioning itself as a world class patient centered healthcare service provider. The Hospital has in place a Communication and Marketing Policy. Further, a wide variety of communication vehicles are used to engage with stakeholders, which serve as an impact assessment to assess stakeholders' needs and to effectively respond thereto. Stakeholders' legitimate expectations have been taken into account in setting the Hospital's key sustainability priorities, as reported on throughout this report. The Hospital continually looks for ways to improve its use of online channels to communicate with its stakeholders through the corporate website.

Stakeholder Management

The reputation of the Hospital is a key focus for the Board. The Communications and Marketing department plays a key role in how the public (stakeholders, customers, suppliers, and the general public), as well as staff, perceive the Hospital. The department manages the organization's reputation and ensures that the demands of the ever-changing business and regulatory environments are taken into consideration in decision-making.

The Board is responsible for guiding the strategic direction for communication strategies across the Hospital and the department is responsible for implementing these. An engagement strategy targeting key stakeholders including media and internal staff to improve the public's appreciation and to increase confidence in Kenyatta National Hospital has been developed. Underpinning this strategy is the building of internal capacity for content development, and alignment of existing digital communication solutions and processes, enabling greater control of the Hospital's reputation.

Board Committees

The Board has established four principal Board Committees with written terms of reference detailing their respective mandate. Each of the Committee is chaired by an independent non-executive Director. The number of members to the Committees is less than one third of the full Board to obviate the risk of Committee conducting its business within the framework of a full Board structure. The Board Chairman does not sit in Committees as a member or in attendance. The Committee members serve for a continuous period of one year, and thereafter are subject to rotation.

Following is the list of all Board Committee members.

Table 4: List of Board Committee Members

Clinical Research & Standards Committee	Human Capital Finance & Administration Committee	Corporate Strategy & Enterprise Committee	Audit Committee
Dr. Richard T. Kamau <i>(Chair)</i>	Dr. (h.c.) Nelson C. Kuria <i>(Chair)</i>	Mrs. Peris B. Onsarigo <i>(Chair)</i>	Dr. Stanley K. Maina <i>(Chair)</i>
Prof. James M. M'Imunya	Mrs. Peris B. Onsarigo	Dr. (h.c.) Nelson C. Kuria	Ms. Margaret C. Koech
Dr. Julius Ogato	Mr. Alfred M. Kagika	Ms. Margaret C. Koech	Mr. Alfred M. Kagika

Report from the Chairperson of the Clinical Research and Standards

Mandate

The Committee's mandate include:

- To ensure that the Hospital has policy guidelines, procedures and regulations governing standards, quality assurance and research activities in the Hospital;
- provide guidance on development, monitoring, evaluation and support to the Hospital on issues related to standard, quality assurance and research in the Hospital;
- review any changes on policy issues on standard, quality assurance and research in the Hospital; and
- review reports of the Medical Advisory Committee .



Dr. Richard Kamau
Chairperson

Membership

The Committee consist of upto four (4) members of the Board. *Permanent Invitees* include the Corporation Secretary; Senior Director (Clinical Services); Director (Nursing Services); Director (Quality Healthcare), Chairman of the KNH-UoN Ethics & Research Committee and Assistant Director, Research & Programs.

Attendance

The Committee held three (3) meetings which were attended as follows: -

Table 5: Clinical Research and standards Committee meetings

	Name	Attendance
1	Dr. Richard Kamau	3
2	Prof. James M'imunya	3
3	Dr. Julius Ogato	1
4	Dr. Evanson Kamuri	3
5	Dr. Nelson Kuria	2
6	Mr. Michael Kagika	2

Dr. Richard Kamau and Dr. James Ogato joined the Committee when it was reconstituted on 19th May 2020. Dr. Nelson Kuria and Mr. Michael Kagika ceased being members of the Committee from the same date.

Standing items of business considered by the Committee during FY 2019/2020

- Quarterly reports on clinical performance of the Hospital and its satellite facilities;
- Quarterly reports on implementation of the Board Performance Contract by various clinical departments;
- Quarterly reports of the activities of the KNH-UoN Ethics Research Committee;
- Quarterly reports on research and programs in the Hospital; and
- Quarterly reports on patient safety and quality clinical care standards, policies and procedures, and regulation and accreditation standards; and
- Review of clinical audits.

The Committee was satisfied that it had executed its duties during the reporting period in accordance with its terms of reference.

Report from the Chairperson of the Human Capital Finance and Administration Committee

Mandate

The Committee's mandate include:

- review of the annual budget and financial management reports; review the annual procurement plans;
- review of the organizational structure, core functions & optimum establishment, policies and procedures on staff recruitment and selection, staff training and development;
- remuneration structure for the staff;
- succession planning; and the performance; and
- reward system.



Dr. Nelson Kuria
Chairperson

Membership

The Committee consist of upto four (4) members of the Board. *Permanent Invitees* include the Corporation Secretary; Senior Director (Corporate Services); Director (Finance); Director (Supply Chain Management) and Director (Human Resource).

Attendance

The Committee held four (4) meetings which were attended as follows: -

Table 6: Human Capital Finance and Administration Committee Meetings

	Name	Attendance
1	Dr. Nelson Kuria	4
2	Mrs. Peris Onsarigo	4
3	Mr. Alfred Kagika	-
4	Dr. Evanson Kamuri	4
5	Dr. Julius Ogato	4

Mr. Alfred Kagika joined the Committee when it was reconstituted on 19th May 2020. Dr. Julius Ogato ceased being members of the Committee from the same date.

Standing items of business considered by the Committee during FY 2019/2020

- Approved budget FY2019/2020 for the Hospital and its satellite facilities;
- Revised budget FY2019/2020 for the Hospital and its satellite facilities;
- Quarterly reports on financial performance of the Hospital and its satellite facilities;
- Quarterly reports on implementation of the annual procurement plan;
- Quarterly reports on implementation human resource activities;
- Review of employees remuneration;
- Filling of vacancies of managerial positions;
- Review of staff disciplinary cases of appeal; and
- Review of policies touching on finance, administration, supply chain management and human resource.

The Committee was satisfied that it had executed its duties during the reporting period in accordance with its terms of reference.



Report from the Chairperson of the Corporate Enterprise and Strategy



Mrs. Peris Onsarigo
Chairperson

Mandate

The Committee's mandate include:

- review the Hospital's Strategy and investment policies and making appropriate recommendations to the Board on issues of strategy adjustment, review evaluate and approve investment projects and new ventures, including strategic partnerships within its delegated authority;
- approve resource mobilization activities;
- forge partnerships and linkages;
- and oversee the government performance contracting regime of the Hospital.

Membership

The Committee consist of upto four (4) members of the Board. *Permanent Invitees* include the Corporation Secretary; Senior Director (Corporate Services); Director (Affiliation & Institutional Development); and Director (Planning & Strategy).

Attendance

The Committee held three (3) meetings which were attended as follows: -

Table 7: Corporate Enterprise and Strategy Committee Meetings

	Name	Attendance
1	Mrs. Peris Onsarigo	3
2	Ms. Margaret Koech	3
3	Dr. Nelson Kuria	1
4	Dr. Evanson Kamuri	3
5	Dr. Richard Kamau	2

Dr. Nelson Kuria joined the Committee when it was reconstituted on 19th May 2020. Dr. Richard Kamau ceased being members of the Committee from the same date.

Standing items of business considered by the Committee during FY 2019/2020

- Progress on key capital projects and resource mobilization activities;
- Progress on implementation of the Enterprise Resource Management (ERP) system;
- Quarterly reports on implementation of the Board Performance Contract FY2019/2020;
- Quarterly reports on implementation of the Strategic Plan 2018-2023;
- Quarterly reports on implementation of the KPCC Strategic Plan 2017-2022;
- Quarterly reports on implementation of the Resource Mobilization Strategy 2016-2022;
- Quarterly reports on implementation of the ICT Strategy 2017-2022;and
- Quarterly reports on implementation of the Security & Safety Strategy 2017-2022.

The Committee was satisfied that it had executed its duties during the reporting period in accordance with its terms of reference.



Report from the Chairperson of the Audit Committee

Mandate

The Committee's mandate include:

- monitoring the integrity of the financial statements and any formal announcements relating to the Hospital's performance;
- considering any significant issues and judgements reflected in financial statements and performance reports;
- review the consistency of the accounting policies applied by the Hospital;
- review the effectiveness of the accounting, internal control and business risk systems of the Hospital and, when appropriate, makes recommendations to the Board on business risks, internal controls and compliance; and
- oversight over the work undertaken by the internal auditor and the external auditor (Auditor General).



Dr. Stanley Maina

Chairperson

Membership

Membership comprises of four (4) members of the Board two (2) of whom are independent non-executive Directors. The Chairman of the Committee is an independent, non-executive director and at least one member of the Committee has the relevant qualifications and expertise in audit, financial management and accounting and is a member of ICPAK. In line with existing regulations, except the member representing the National Treasury and Ministry of Health, members of the Audit Committee are not appointed member of the Human Capital Finance & Administration Committee and vice versa.

Attendance

The Committee held four (4) meetings which were attended as follows: -

Table 8: Audit Committee Meetings

	Name	Attendance
1	Dr. Stanley Maina	4
2	Ms. Margaret Koech	4
3	Mr. Alfred Kagika/Mr.	4
4	Prof. Michael Kiptoo/Dr. Lucy Waweru	4
5	Mr. Eric Omondi	4

Mr. Eric Omondi is the Director for Risk & Audit and Secretary to the Committee.

Standing items of business considered by the Committee during FY 2019/2020

- Progress on the 2019/2020 Internal Audit Plan;
- Periodic reports on process audits, the management responses and action plans being put in place to address any concerns raised;
- Updates on key risks facing the business and mitigating steps put in place with deep dives into specific risk topics;
- The external auditors' reports and interim management statements;
- The steps taken to validate the 'Going Concern' assessment at half year and year-end;
- Quarterly reports on internal controls and compliance;
- Quarterly reports on security risks, frauds and losses; and
- Updates on significant legal cases, safety, health & environment issues.

The Committee was satisfied that it had executed its duties during the reporting period in accordance with its terms of reference.

Sustainability

The Board confirms that the Hospital has adequate resources to continue in business for the foreseeable future. For this reason, it continues to adopt the going concern basis when preparing financial statements.

Other Disclosures

Material litigation

In the reporting period, the Hospital was not involved in any material litigation or arbitration proceedings, nor were the directors aware of any pending or threatened legal issues which may have a material impact on the Hospital's financial position.

Management Discussions And Analysis

Clinical Services

Obstetrics & Gynaecology

Maternal mortality remains unacceptably high in Kenya. Most of these deaths can, however, be prevented with specialized medical care. In this regard, the Hospital launched a unit to provide specialized critical care services to women during pregnancy and in the period after delivery. The five-

bed unit, which opened its doors in January 2020, is located in the maternity wing. Medics at the facility have already provided specialized care to at least 123 women as of June 30, 2020.



Nephrology and Organ Transplantation

An estimated 10,000 Kenyans develop chronic kidney disease annually. Most of these patients end up requiring dialysis or even transplant, especially for those with end-stage kidney failure. Unfortunately, only 10 percent of such patients have access to specialized health care, with a number of them preferring to travel to India to seek treatment. However, in response to this high disease burden, the hospital upgraded its renal unit, to enable Kenyans to access world-class treatment at affordable rates. The unit was equally upgraded to strengthen and expand the national capacity to perform kidney transplants and promote regional medical tourism.

Tissue Type Laboratory

In the FY 2019/20, the Hospital established the first tissue type laboratory in the country. Tissue typing is a procedure in which the tissues of a prospective donor and recipient are tested for compatibility before transplantation. At KNH, the laboratory will reduce the cost and time taken to conduct tissue compatibility studies required to prepare such patients for a kidney transplant.



Successful hand-replantation

KNH has qualified staff with skills to perform Replantation Surgery. The goal of Replantation surgery is to give the patient back as much use of the injured area as possible. This procedure is recommended if the replanted part is expected to function without pain.



A young boy who had successful replantation surgery after hand was cut off with a chaff cutter

Steps in surgery include removal of damaged tissue, rejoining bone ends with pins, wires, or plates and screws. Muscles, tendons, arteries, nerves, and veins are then repaired. Sometimes grafts or artificial spacers of bone, skin, tendons, and blood vessels may be needed.

Liver Transplantation and Hepatobiliary Resection

Kenya became the third country in Africa and the first in East and Central Africa to perform Liver Resection Surgery. The hospital procured an Ultrasonic Dissector to assist in conducting the liver resections. The machine's major function is to split the liver, assist surgeons to carve out cancerous sections, and avoid critical blood networks. In the year 2019/20, the hospital performed ten (10) liver resections.



Nuclear Medicine



The Cancer Treatment Centre at Kenyatta National Hospital is, currently, the only public facility in Kenya offering Radiotherapy and Nuclear Medicine.

Radiotherapy refers to the treatment of disease using X-rays or similar forms of radiation, while Nuclear Medicine deals with the use of radioactive substances in research, diagnosis, and treatment. The hospital has installed a state of the art Linear Accelerator Elekta

Machine, which has improved radiotherapy treatment by between 60 and 80 percent. Previously, the hospital used an old Cobalt machine.

Diagnostic and Reporting Centre

In 2019/20 KNH acquired Neusoft CT scanners with PACS (Picture Archiving and Communication System) and cloud computing capability. These scanners provide increased coverage, better image quality, and faster exams with minimal radiation exposure.

The use of PACS eliminates the need to manually file, store, retrieve, and send films and reports. Instead, the images can be securely housed in servers and safely accessed remotely using PACS software, workstations, and mobile devices.

The hospital also acquired a state of the art Magnetic Resonance Imaging equipment with capabilities of doing advanced MRI imaging including Spectroscopy, that was used for brain and prostatic imaging for children under sedation, and patients on ventilators.



Dr. Nyabanda, Director; Diagnostic services and Health Information at the commissioning of MRI

Universal Health Coverage (UHC)

Kenyatta National Hospital, as a Level 6 referral facility focused on the following areas as identified in the National UHC workplan:

i. Human resources for health:

we have conducted 43 multidisciplinary outreach activities in 27 counties.....

the hospital has also provided mentorship and preceptor opportunities to Healthcare Workers (Medical Doctors, Pharmacists, Nurses, Radiographers, Laboratory Technologists) from these counties in Pharmaceutical Services, Dialysis Services, Maternal Health, Paediatric & Child Health and Diagnostic Services

ii. Medicines, commodities and equipment

Kenyatta National Hospital, through the Medicines and Therapeutics committee has an active Pharmacovigilance program for reporting of poor quality medicines and adverse drug reactions for enhanced medication safety

iii. Health information systems and research

The goal of this key result area is Provision of quality health information and evidence for decision making. KNH is in the process of acquiring and launching the Enterprise Resource Planning (ERP) system that will enhance Information and Communication Technology (ICT) Infrastructure. The system will be fully operation during the next financial year. KNH collaborated with Machakos Level 5 in setting up a Telemedicine link to enhance referral and management of Non communicable diseases.

iv. Primary care networks

In order to Strengthen emergency preparedness and response and establish a model of integrated care for non -communicable diseases (ncd) including hypertension, diabetes, cancer and HIV at primary care levels Kenyatta National Hospital partnered with County Governments in Meru, Kisii, Bomet, Nyandarua, Nyeri, Muranga, Mombasa and Kwale to train and mentor their Health care workers

Management of COVID 19 Pandemic

Kenya reported the first case of confirmed Covid-19 infection on March 13, 2020. The Hospital received and successfully treated the patient in its infectious disease unit, which has since been converted to a Critical Care Unit for patients with the COVID 19 virus. The unit can manage six patients.

KNH Mbagathi Infectious Disease Unit,

This unit was commissioned on March 6, 2020. It has a bed capacity of 60 patients. Initially, it was designated for both COVID 19 suspects and confirmed cases, with 27 beds reserved for suspected cases and 33 beds reserved for confirmed COVID 19 disease. Due to the increasing number of cases, the unit currently holds only symptomatic COVID 19 patients. The unit has 4 critical care beds.

Covid-19 Patient Management Centres

The **KNH disaster management ward** is currently the holding unit for medical patients undergoing investigation for COVID 19. It can accommodate up to 30 patients. This is to minimize the risk of spreading the virus to patients in the tower block.

KNH Zarina Merali Surgical Day Care Centre was commissioned on April 20, 2020, to manage health workers including non-KNH staff. The unit has 26 beds and a theatre that is specifically been dedicated to COVID 19 patients.

Clinic 66 IDU has been designated to admit pregnant women who are under investigation for COVID 19 and those confirmed to be infected. This unit has 10 beds, all equipped with oxygen ports. It has been dedicated to managing pregnant women who have tested positive for the COVID 19 virus or those suspected to have contracted it while awaiting test results.

The hospital has also established other management areas within the tower block due to the surging numbers of patients who have tested positive for the Covid-19 disease. Several areas have been identified as holding areas within the tower block.



In recognition of the contribution of KNH in the fight against the Covid 19 pandemic, ten (10) of our staff were conferred with the inaugural

'Presidential Order of Service, Uzalendo Award' for their 'distinguished' and 'outstanding' role.



Training and Capacity Building

Towards fulfilling our mandate on provision of facilities for training of healthcare professionals, the hospital has made significant strides in enhancing the numbers for human resource for health.

University of Nairobi, College of Health Sciences, and the Kenya Medical Training College

In collaboration with these institutions, we have produced increasing numbers of health professional for the country and the region at large. The growth in numbers is illustrated in the table below.

KNH School of nursing

This facility was established in 1996 with in- house programs for KNH staff. This has however changed, with the facility now evolving into specialized nursing training in the region.

In line with KNH's vision to be a world-class patient-centered specialized care hospital, the school offers a variety of courses in post-basic specialized nursing and other short courses for health workers.

Specialized nursing courses include Critical Care, Peri-operative, Nephrology, Accident & Emergency, Neonatal, and Oncology Nursing. All specialized nursing courses are approved by the Nursing Council of Kenya (NCK).

Some of the short courses on offer include Stoma and Wound Care, Life Support courses, and Theatre Sterile Assistant (TSA). Approximately 120 nurses graduate from the school every year. The graduates from the school are trained to champion UHC by upscaling the utilization of government-sponsored medical equipment in specialized healthcare in the county referral hospitals.

Our students are equally trained in well-equipped specialized units where they gain a wealth of knowledge and skills to become competent in their area of specialty. Our lecturers are highly qualified and experienced in specialty areas of courses offered in the school. So far the school has trained 1325 specialty nurses.

Other Trainings and Attachments

The hospital has also supported other fields of training by offering of internship opportunities to students from various institutions of learning. The numbers have grown from 780 in 2014/15 to 1,950 in 2019/20

Dissemination of Research Findings

The hospital conducted held five symposia in 2019/20. Target audience were health providers from KNH, UoN and facilities across the country. Other dissemination platforms include monthly journal club.

COVID-19 Webinars

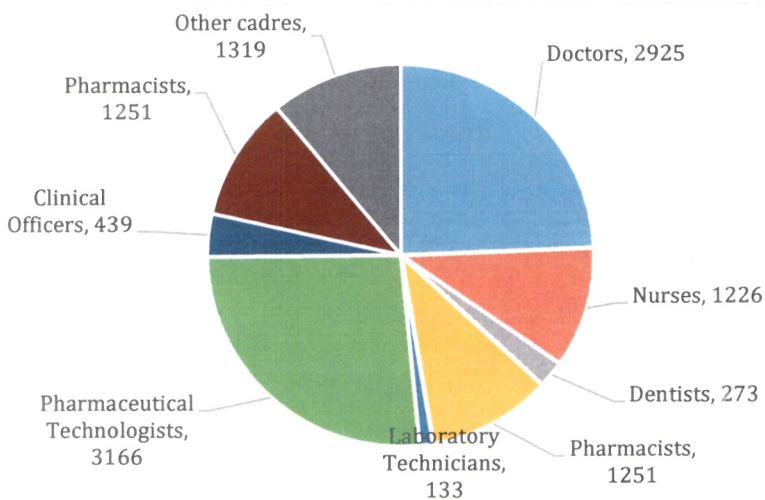
SYMPOSIA TOPICS

- Medical legal issues in health
- Optimizing Patient Safety and Quality in Health Systems for Universal Health Coverage
- Showcasing Excellence in Nursing Practice
- Sensitization on COVID-19 disease
- Male Hormonal Contraception: What is on the pipeline

The Hospital conducted 79 webinars to educate Health providers on pathogenesis, presentation and management of COVID-19 disease. In addition, there are weekly sessions focusing on mental health of providers and experience sharing session that provides opportunity for counties to show case their preparedness to respond To Covid-19, share their experiences in management of admitted patients and to learn from team of experts on currently recommended interventions.



Showcasing Excellence in Nursing Practice Symposium on 12/2/2020



Health providers from across the country log in for the sessions. Currently, 11793 health workers working from all the 47 counties have subscribed for the webinar.

KNH webinar platform accommodates up to 1000 participants per session. The session are usually fully subscribed.

Figure 1: Distribution of health workers who have subscribed to KNH zoom platform

Knowledge repository

The knowledge repository is located at the Resource Centre KNH. The repository has computers for staff to access videos of different surgical procedures, electronic copies of WHO and National Guidelines on management of various medical conditions, policy documents, standard operating procedures, performance contracts, and scientific publications including complete reports of studies funded by the Hospital among other documents. Staff can also access materials in the repository from their workstations through KNH intranet.



KNH Knowledge repository

KNH-UoN Ethics Research Committee

The Kenyatta National Hospital –University of Nairobi Ethics and Reserch committee (KNH-UoNERC) is accredited by the National commission for Science and innovation to regulate research and ensure adherence to ethical principles in order to help safeguard the dignity, rights, safety and well-being of research participants by vetting proposals and overseeing conduct of research.

Applications reviewed & approved in 19/20

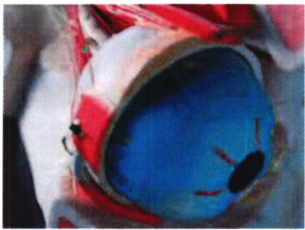
- Number of proposal reviewed – 838
- Number of study renewals - 204
- Number of study modifications - 135
- Number of approvals for international shipment of samples - 29

Policy briefs

The Hospital developed two policy briefs for implementation for implementation by the Ministry of Health in 2019/20 guided by studies funded by the hospital

1. Establishment of Eye Bank at Kenyatta National Hospital

Corneal diseases are a significant cause of blindness and visual impairment in Kenya. Approximately 40% of corneal blindness can be managed through transplanting a donated cornea. Setting up an eye bank in a public hospital will make corneal transplants accessible and affordable for majority of Kenyans.



“Willingness to donate eyes and its associated factors among adults in a community in Kenya”. Ngarachu et al, 2019

2. Monitoring of Diagnostic CT Scan Radiation Levels



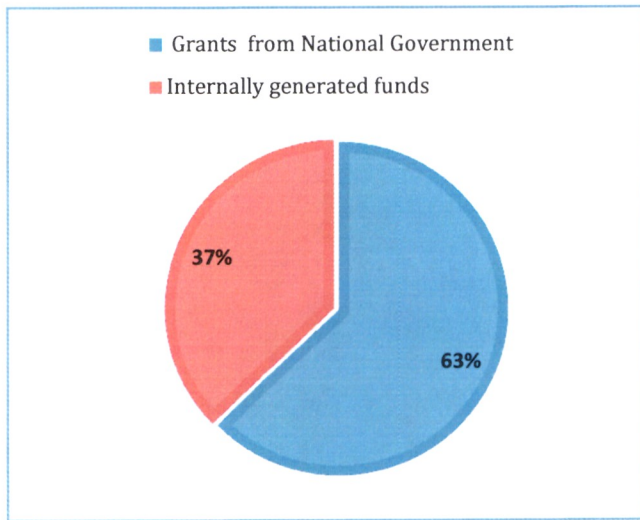
Computed tomography (CT) scan examinations are indicated for diagnosis and monitoring of patient management but can result in exposure to harmful radiation. Monitoring radiation exposure of patients undergoing CT scans is important to minimize risk of harmful radiation levels.

“Survey to determine the national diagnostic reference levels for adult CT examinations of routine head, chest, spine, abdomen and pelvic in Kenya” Nyabanda et al, 2019

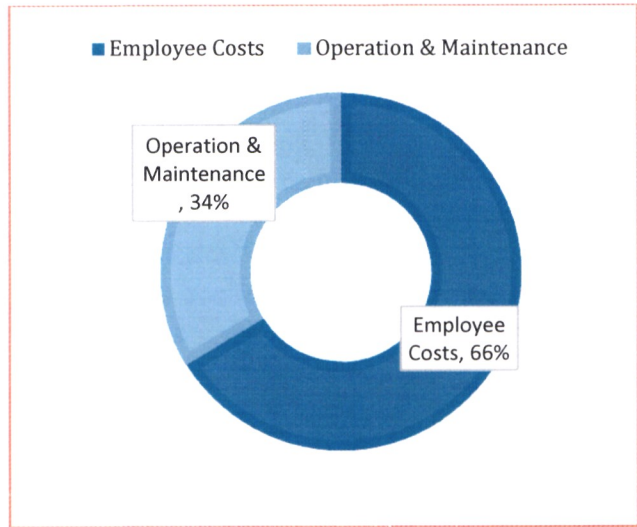
Financial Highlights

The hospital's sources of income during the year under review include recurrent grant from GoK and internally generated revenue from fees charged for services rendered. The funds were utilized to meet employee, operation and maintenance costs.

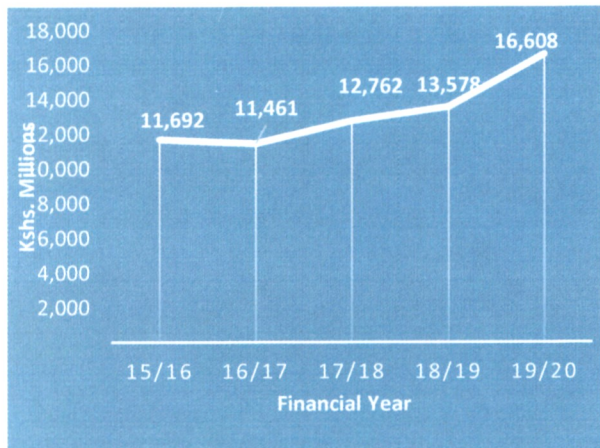
Income Sources



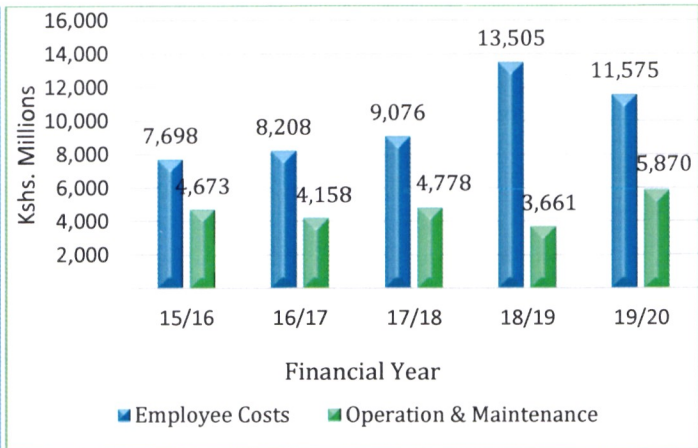
Utilization of Funds



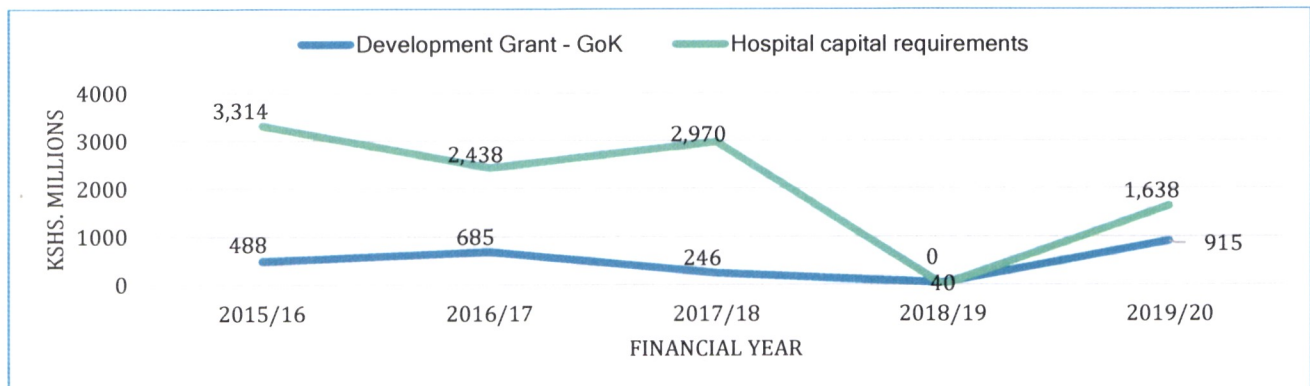
Internally generated Revenue Trends



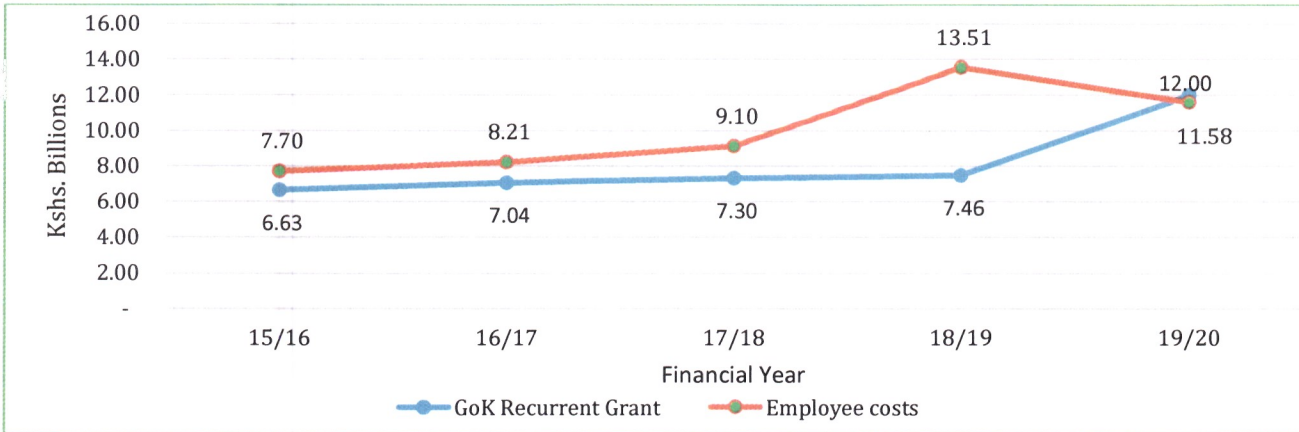
Expenditure Trends



Capital Allocation



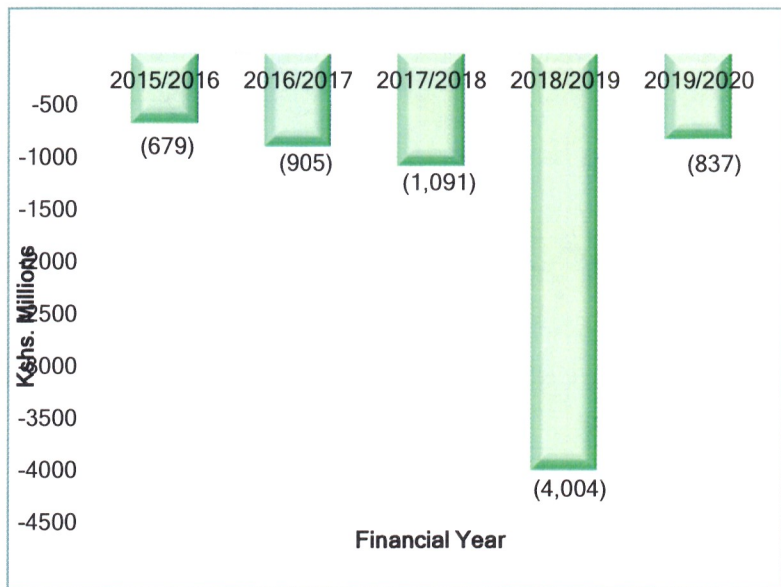
Recurrent grants from National government Vs Employee costs



Performance Results Trend

The Hospital recorded a deficit of Kshs. 837 million during the year under review which is an improvement from the previous year deficit of Kshs. 4,004 as depicted in the figure below;

The deficit position over the years has been occasioned by provision of services to indigent patients who are unable to settle medical bills upon discharge for which the Hospital is not compensated for the resultant cost. In addition, the reimbursement rates for the free maternity services and the NHIF comprehensive care contract have been below the cost of service provision and therefore resulting to losses as depicted in the chart below.

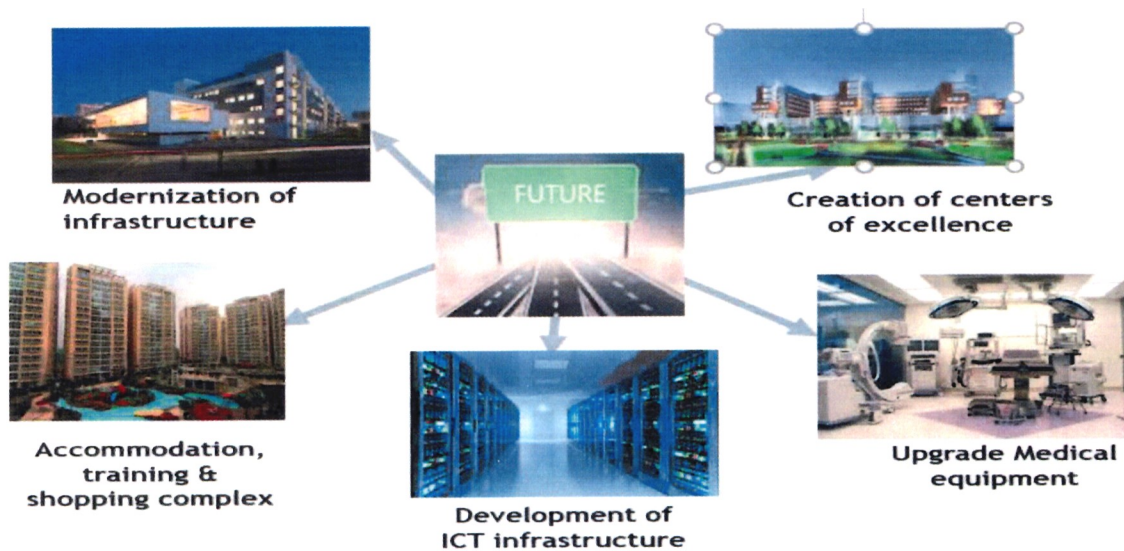


Indigent Patients bills and Medical Contracts Losses



Our Strategic Direction

The hospital has put in place mechanisms geared towards the achievement of its organizational strategy. These include plans and actions that work towards the KNH Vision of a world-class patient-centered specialized care hospital. The vision will be fully realized when KNH becomes a multispecialty center of excellence in the provision of specialized healthcare services that meets international certification standards.



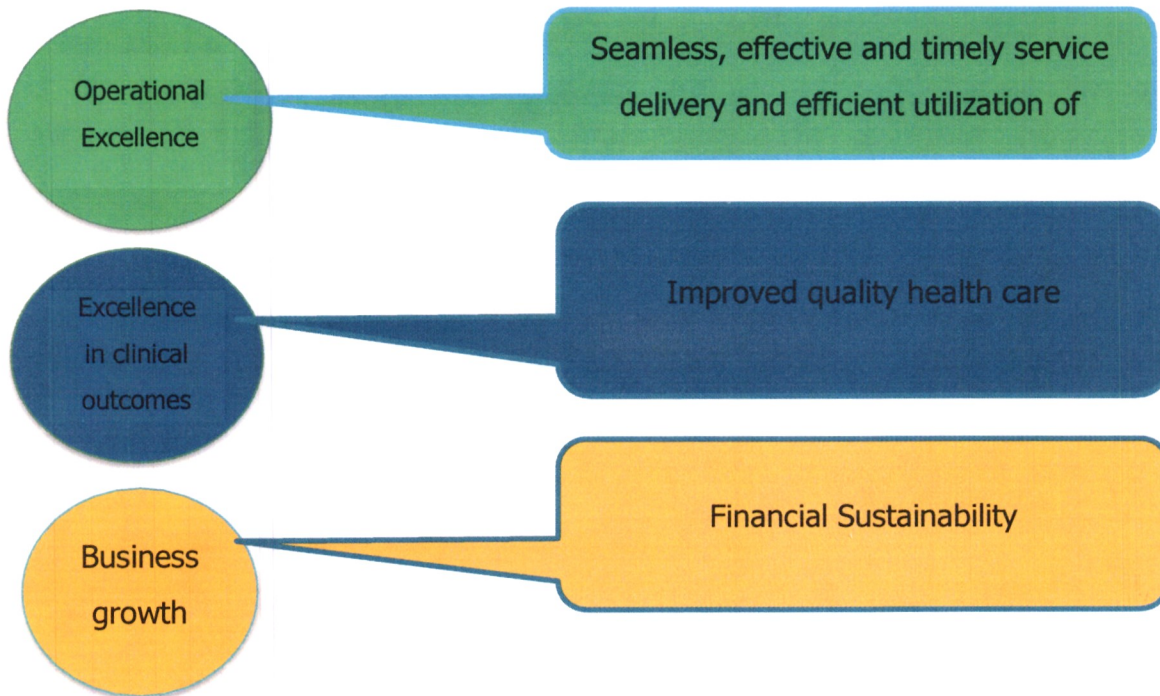
Towards Excellence

The hospital has identified six (6) core values that are shaping the organizational culture towards the attainment of a world-class status in health service delivery.

<p>Customer focus: Empathetic and caring, treating all people with worth and dignity and timely delivery of services</p>	<p>Accountability: The obligation of all staff in the Hospital to be responsible for activities and actions, and to disclose the results in a transparent manner.</p>
<p>Equity and equality: Serving all customers with fairness and impartiality</p>	<p>Professionalism and integrity: Being ethical, honest and having strong moral principles. Competency and skill expected by a professional. confidentiality and privacy</p>
<p>Security and Safety Offering services in a secure environment free from errors, accidents, injuries and infections</p>	<p>Teamwork and Team Spirit: Co-operative or coordinated efforts among staff working together for the interest of a common cause in the Hospital.</p>

Our Key Result Areas (KRAs)

The KNH Strategic plan IV (KNHSPIV – 2018-2023) focuses on three thematic areas, each with a strategic result whose successful execution will enable the Hospital to achieve its mission and vision.



Operational Excellence

Operational Excellence is one of our key areas of focus in the implementation of our strategy. We believe that by focusing on the best work practices and business processes as well as consistent application of policies and standard procedures, KNH will remain a benchmark in provision of specialized healthcare services. The Hallmark of this thematic area is safe, timely, efficient, effective, equitable and patient centred care.

Excellence in clinical outcomes

KNH is the hospital of choice in the region for specialized, critical and complex care requiring multidisciplinary attention. Towards a world class status, our team of experts work across specialties to guarantees excellence in clinical outcomes for all who seek care with us. During the year, the hospital performed cutting-edge specialized surgeries, a testament to the excellence of our remarkable staff who work tireless every day putting our patients' needs first.

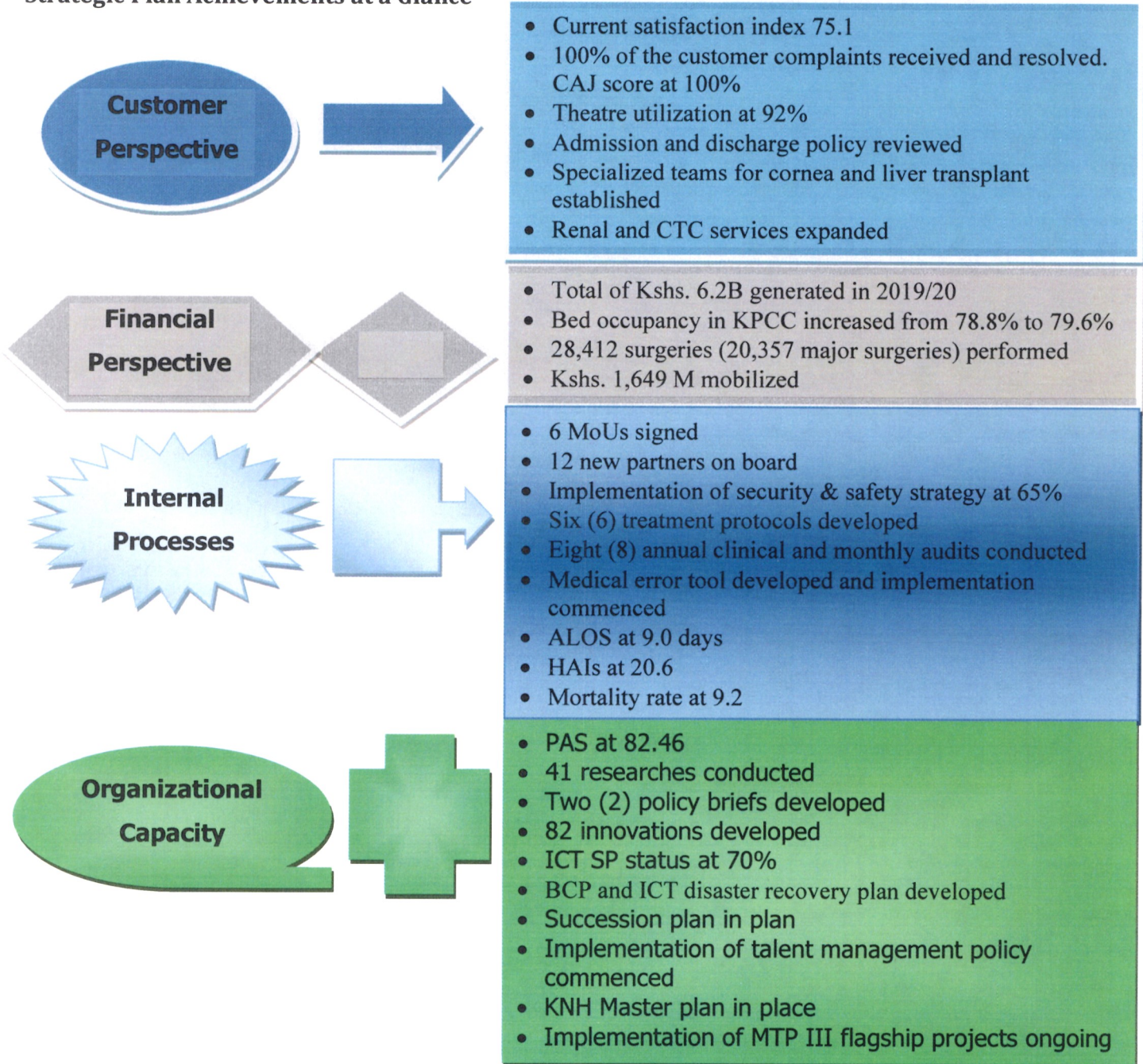
Business Growth

We have maintained our status as a preferred hospital brand of choice and continues to receive patients seeking specialized medical care from Kenya and across borders. The increase in demand for specialized

healthcare services in the region has prompted KNH to develop mechanisms to manage the surging numbers. The hospital has put in place strategies aimed at expanding its services such as Reproductive Health, Renal, Cancer Treatment Centre, Critical Care Units as well as construction of the Paediatric and Burns Emergency centre.

We have also increased the number of Critical Care beds from 65 to 79, which is expected to improve the quality of clinical outcomes.

Strategic Plan Achievements at a Glance



Anchoring strategies

To support and reinforce the implementation of the hospital's 4th strategic plan, We have developed business and operational level strategies various strategies aimed at optimizing desired results. The main anchoring strategies implemented during the periods include: ICT Strategy 2017-2022; Security & Safety Strategy 2017-2022; Resource Mobilization Strategy 2017-2022; Cost Management Strategy 2018-2023; KPCC Strategy 2018-2023; and KNH-Training Centre 2019-2024. The key outputs of these strategies include: acquisition of computing devices, installation of security communication system, enhanced resource mobilization and effective utilization of resources.

Strategy and performance Linkage

At KNH we believe that a well-executed strategy leads to the realization of the desired results. The Balanced Scorecard has been voted as one of the best planning and performance management tool. The Hospital has adopted the Balanced Score Card approach as a tool for effective operationalization and linkage between our strategy and performance. To deliver on the aspirations of our corporate strategy, the high-level elements have been broken down and cascaded to all functional areas (from directorates to units). This has been done through an effective framework of prioritization on the inputs and outputs to help deliver quality and value to our customers whilst ensuring that everybody contributes to the corporate results. In the year, a total of 83 scorecards, objective commentaries and implementation matrices were developed and aligned to the Strategic Plan. The heads of Directorates, Divisions, Departments and Units signed their annual performance contracts aligned to the Plan. Similarly, the departmental/unit targets and activities were cascaded to individuals using the Performance Appraisal Tool.

Corporate Performance

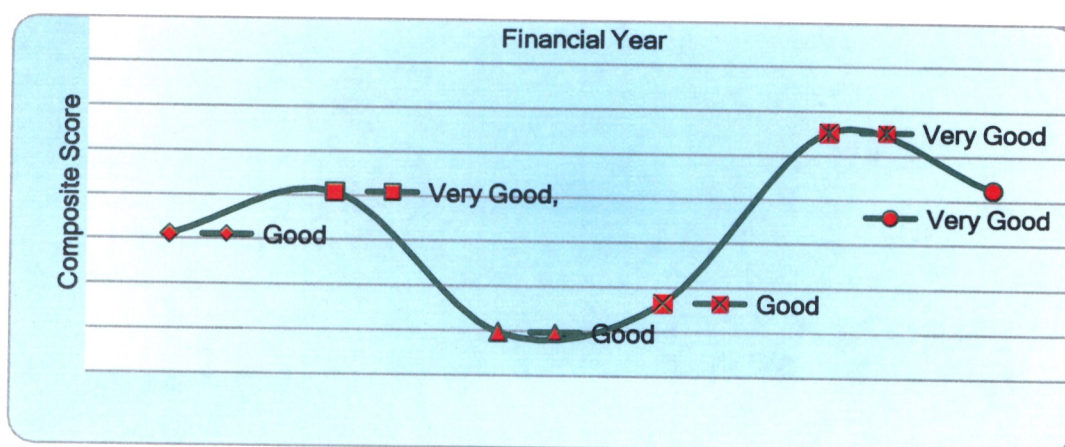
Corporate performance is a composite assessment of how well KNH executes on its most important parameters which are part of Hospital operations. The key parameters described herein include: Board PC trend; staff appraisal trends; and selected clinical performance trends.

Board Performance Contracting Trends

Currently, the Hospital is in the 17th Cycle of implementing performance contracting as required by the State Corporations (Performance Contracting) Regulations, 2004. This has seen an improvement in the standards of service delivery within the Hospital.

The Hospital is evaluated annually by the Public Service Performance Management Unit, currently under the Ministry of Public Service and Gender. The Evaluation is based on documentary evidence of performance as provided. A Composite score ranging from 1 (Excellent) to 5.(Poor) is awarded based on the evaluation. The trends in Performance (Composite scores) are as below:

Figure 2: Performance Contract Composite Score Trends



Staff Performance Trends

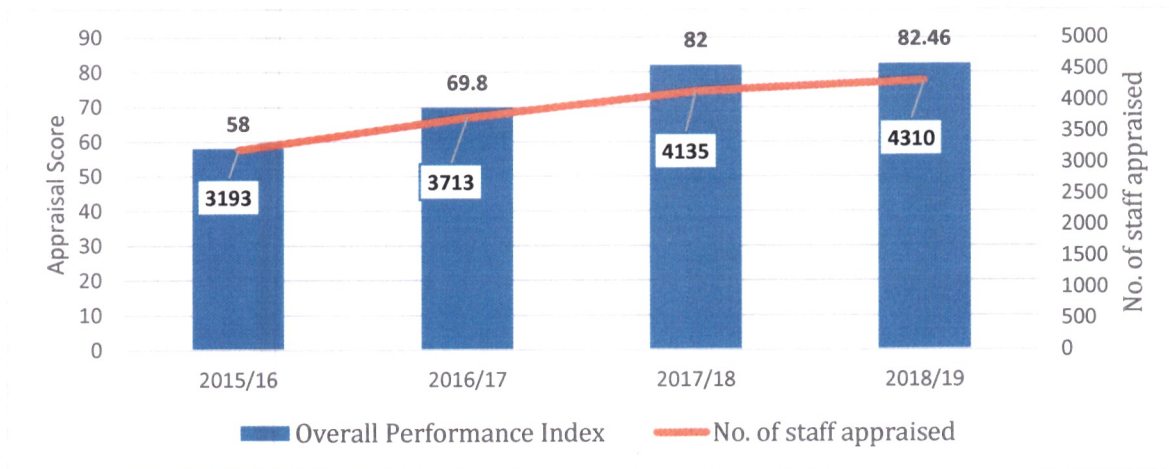
Our Hospital employees are the most valuable assets in the chain of service delivery. These staff touch the hearts of patients and relatives leaving an indelible mark of hope and a future. To this end, the Hospital Board and Management has provided an enabling environment and commensurate remuneration that motivates and inspires the team. In pursuit of excellence and in order to ensure that all staff perform their duties effectively and efficiently to the satisfaction of stakeholders, we have maintained a performance management system.

The hospital's Performance Management System (PMS) is designed to continuously get better results from individuals and teams to progressively improve organizational performance. In addition, it provides a framework of rewards and sanctions aimed at encouraging excellence, recognizing meritocracy, and addressing the issue of poor performance for a high-performing hospital. A performance appraisal tool is

used to evaluate individual performance and is reviewed annually. The individual targets are set with discussions with the supervisor within the first month of the financial year.

The staff appraised per annum has been on an upward trend as reported from the financial year 2015/16 to 2018/19. During the FY 2018/19, 97.01% (n=4,310) of the staff who met the set criteria were appraised with 2.99% (n=133) not appraised. The Figure below illustrates Hospital performance trends for the last three (4) years.

Figure 3: Hospital Performance Trends



The Overall staff performance index significantly improved from 58 in 2015/16 to 82.46 in 2018/19. This translates to a 42.2% increase in performance from the FY 2015/16.

1.1.1. Clinical Performance Trends

The hospital performance has been on an upward trajectory over years.

Outpatient seen

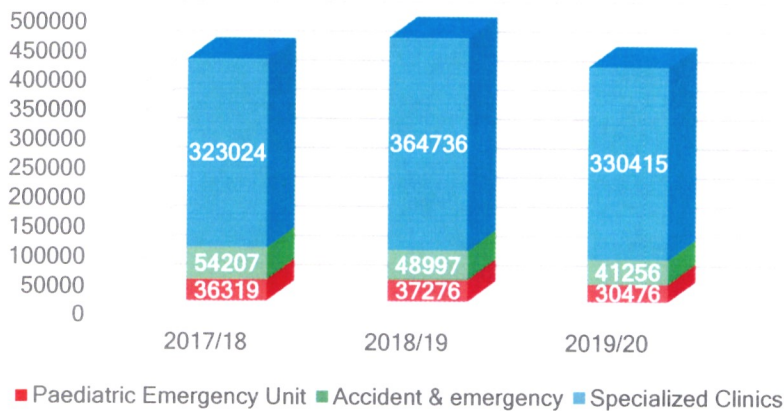


Figure 4: Trend in outpatient clinic attendance

The hospital runs specialized clinics daily in seven medical disciplines (Paediatrics, Gynaecology, ENT, Surgery, Medicine, Orthopaedics and Ophthalmology

These clinics provide specialized services in various fields such as cardiology, oncology, urology and infertility. Over three thousand patients are seen in these clinics annually. In FY 2019/20, there

was a slight drop because of implementation of COVID-19 pandemic containment measures such as physical distancing.

Inpatient admissions

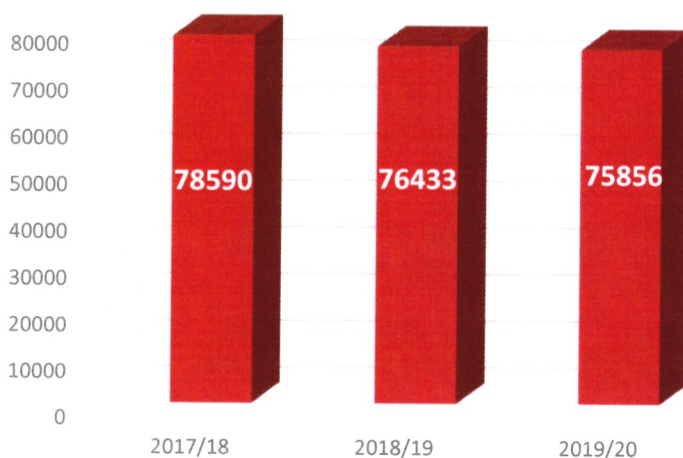


Figure 5: Trend in admissions

Over seventy five thousand patients are admitted to the various specialized units in the hospital annually.

There was a slight drop in FY 2019/20 following confirmation Covid-19 disease in the country and implementation of containment measures

Mortality

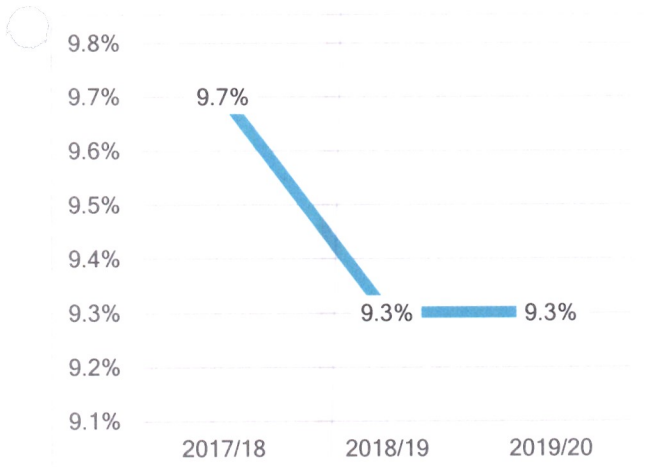


Figure 7: Mortality trend

Deaths/100 admissions have declined from 9.7% in 2017/18 and stabilized 9.3% in 2018/19 and 2019/20

1. Perinatal Conditions	<ul style="list-style-type: none"> • Bacterial sepsis of newborn • Preterm infants • Low birth weight
2. Disease of the circulatory system	<ul style="list-style-type: none"> • Stroke • Heart failure • Hypertensive renal disease
3. Cancers	<ul style="list-style-type: none"> • Cancer of the Cervix • Breast cancer • Cancer of oesophagus
4. Infectious and parasitic diseases	<ul style="list-style-type: none"> • HIV disease • Gastroenteritis • Tuberculosis of lung,

Figure 6:: Leading diagnosis among deceased
NB: Diagnosis are not mutually exclusive

The leading diagnosis among deceased patients are prenatal conditions such as bacterial sepsis of the newborn, diseases of the circulatory system, cancers and infectious disease.

The leading cancers are cancer of the cervix, breast cancer and cancer of the oesophagus

Cancer management

The number of patients seeking cancer care has been increasing in the past three years.

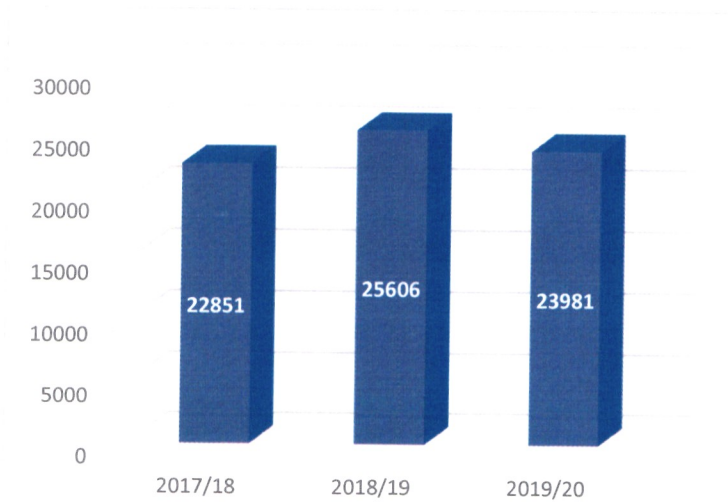


Figure 9: Outpatients seen at the cancer treatment centre

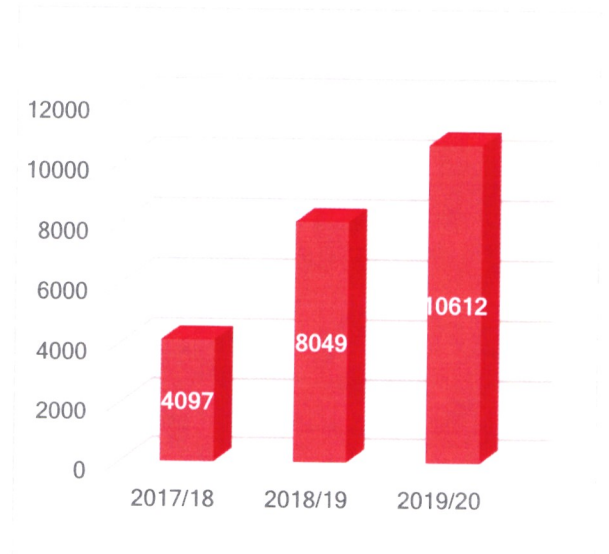


Figure 8: Patients receiving radiotherapy
NB: Diagnosis are not mutually exclusive

Minimally invasive Surgery

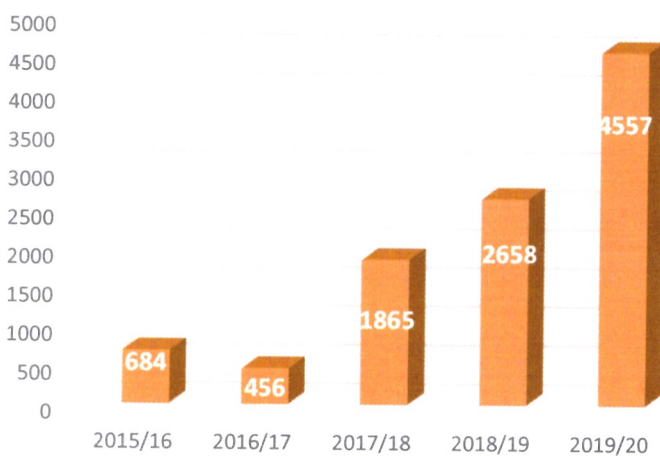


Figure 10: Number of minimally invasive surgeries

The number of minimally invasive surgeries performed annually has increased substantially from 684 in 2015/16 to 4,457 in 2019/20.

Minimally invasive uses small incisions and is associated with less pain, less blood loss, quicker recovery, shorter hospital stay and less scarring.

Average Length of Stay (ALOS)

The average length of stay improved from 9.7 in 2018/19 to 9.5 days in 2019/20

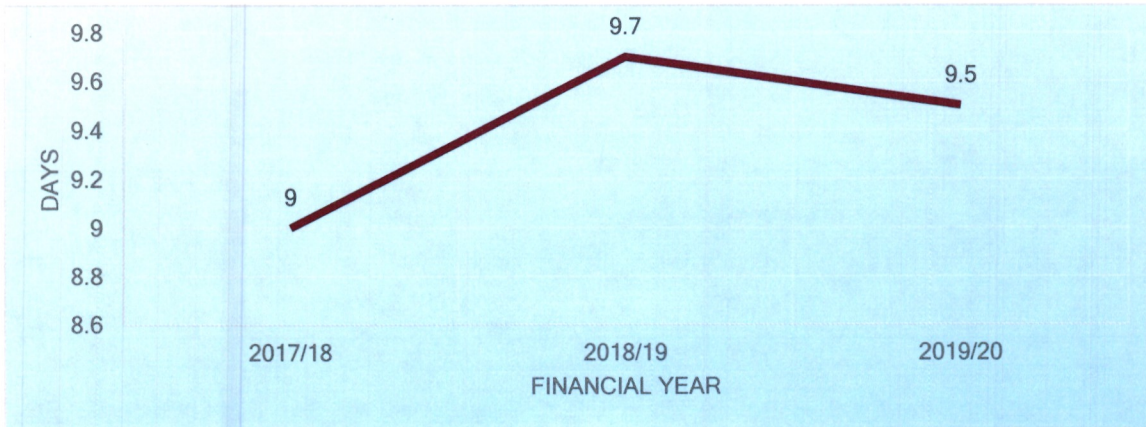


Figure 11: Average Length of Stay

Laboratory Services

There has been an increase in demand for laboratory services. An 11% increase in laboratory tests has been realized from 764,612 (2017/18) to 849,080 (2019/20).

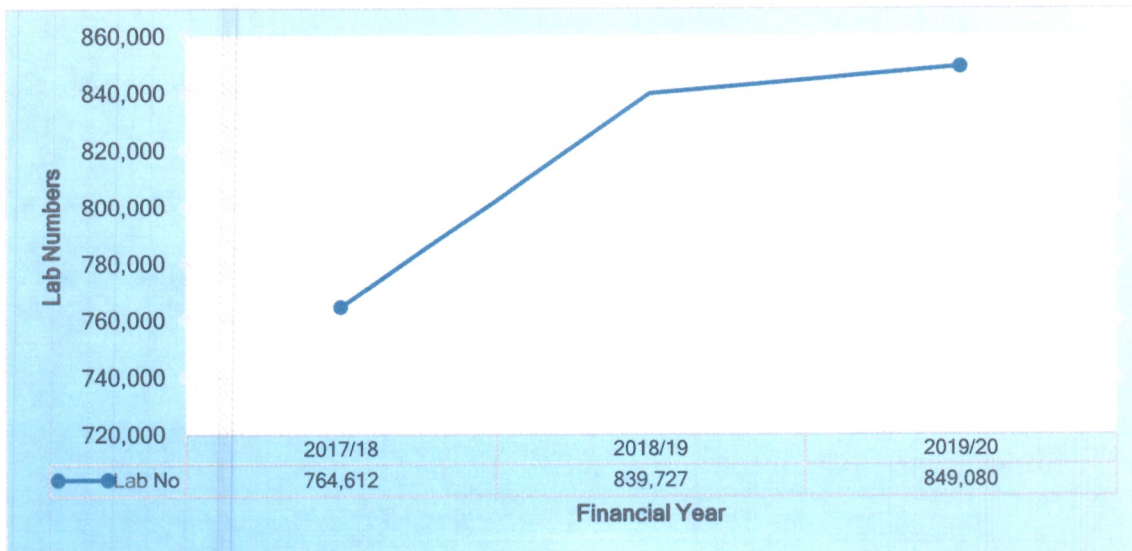


Figure 12: Laboratory Office

Theatre Procedures

In the last three years, a 50.3% increase in theatre procedures was realized

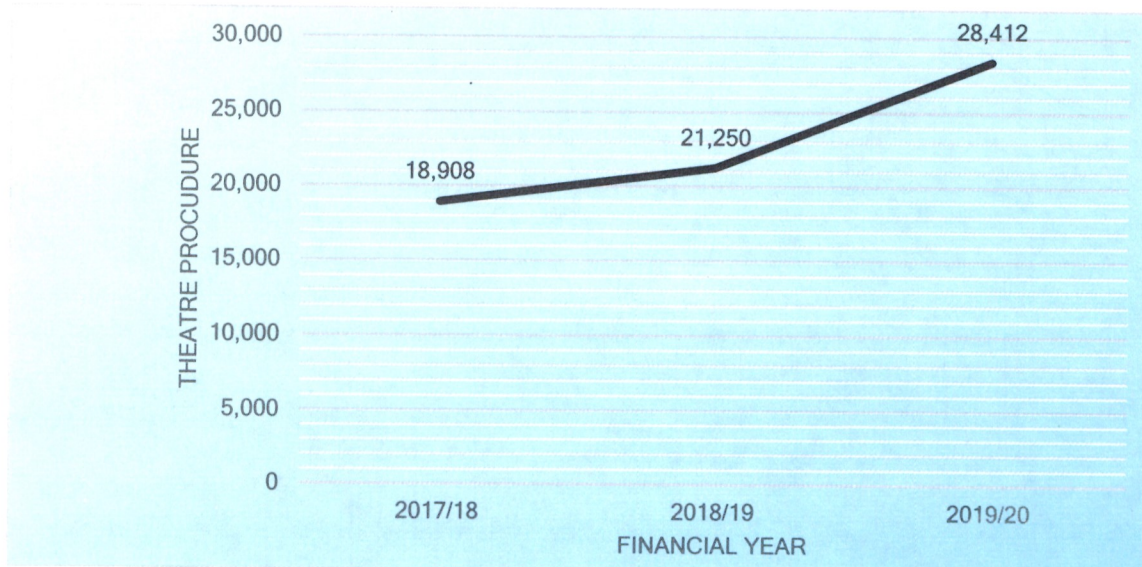


Figure 13: Theatre Procedures

Radiological Services

The demand for radiological services has been on an upward trajectory.

Table 9: Radiology Services

Radiology	2017/18	2018/19	2019/20	trend
CT Scan	13,296	12,601	15,597	↑
MRI	215	-	1,414	↑
Mammogram	457	608	611	↑
Intervention Radiology	280	409	990	↑
Ultrasound	26,155	30,626	28,266	↑
Endoscopy (Colonoscopy & OGD)	1,762	1,991	2,293	↑

Medical Outpatient Clinics (MOPC) and Surgical Outpatient Clinics (SOPC)

Notably, there has been a drop in numbers of SOPC translating to an 8.9% decrease and a 3.3% increase in MOPC numbers.

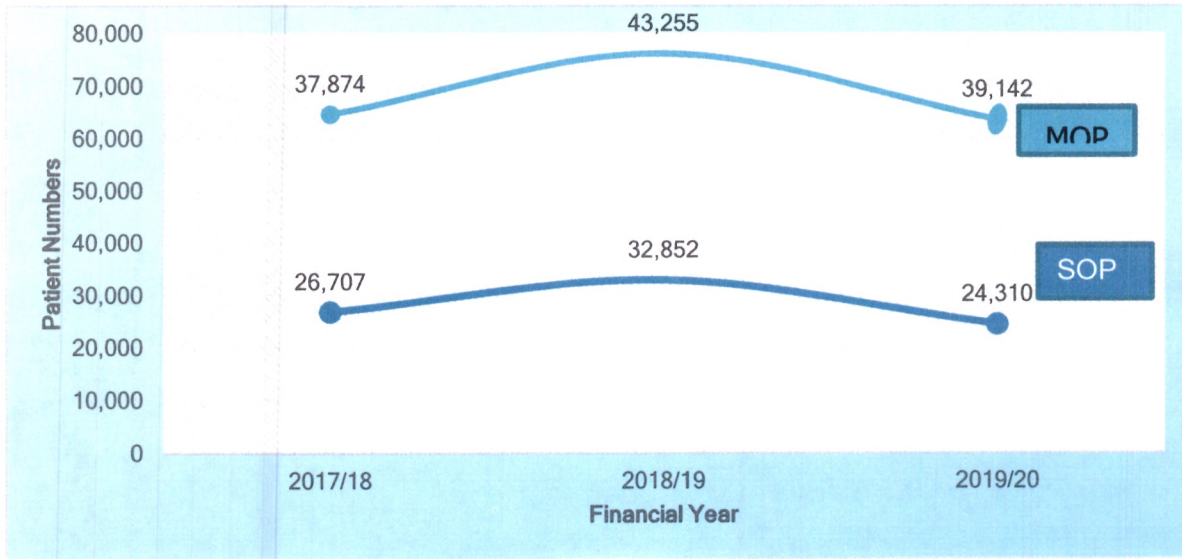


Figure 14: MOPC & POPC

Open Heart Surgeries

Heart surgeries performed have increased from 14 to 54 per year, within the last three years. This translates to a 285.7% increase.

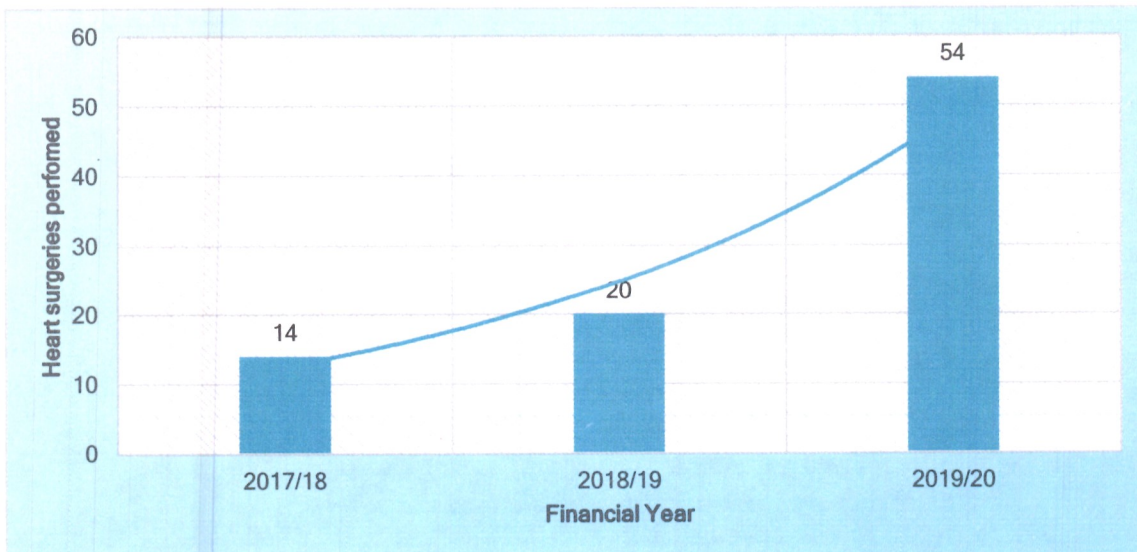


Figure 15: Open Heart Surgery

Cancer Treatment Services

The trend of patients attendance at the cancer centre is as shown below.

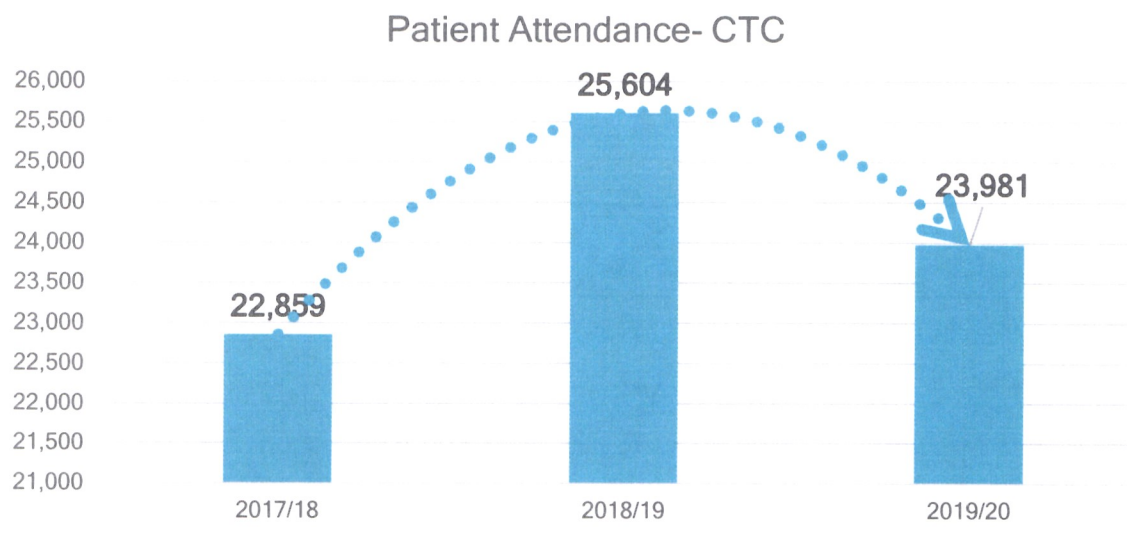


Figure 16: Cancer Treatment Services

Monitoring and Evaluation

For the effective implementation of the KNH project portfolio: strategic plan, projects, and programs, the Hospital has put in place a well-structured Monitoring and Evaluation System. The system comprises of Logic Model/ Logical Framework and an M&E plan. A logic model is a visual tool to systematically map the relationships among a program’s resources, activities, and goals with M&E Plan describing the program’s approach to implementing its M&E activities, detailing what data will be collected, how and when it will be collected and by who. It helps programs measure and track progress toward their objectives and determine if their desired results were achieved.

Developing and implementing a well-designed M&E plan will contribute to success i.e. facilitate efficient and effective allocation of resources; build consensus; promote evidence-based decision- making; help programs satisfy reporting requirements and facilitate dissemination of findings; as well as benchmark against best practices.

An eye on Quality Service delivery

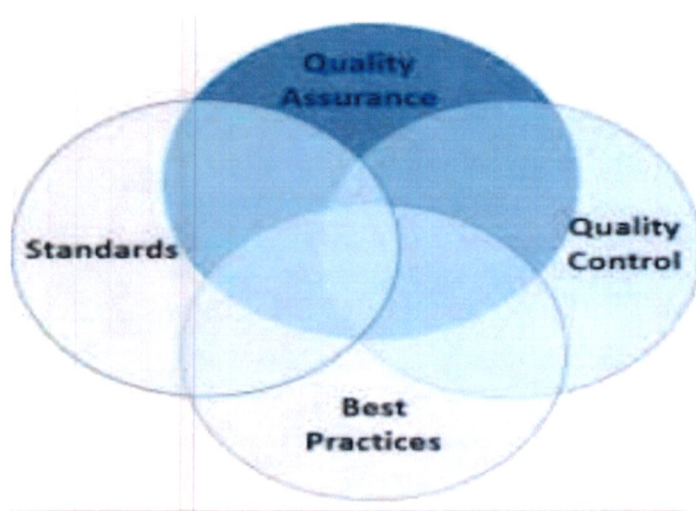
The hospital is at the forefront of maintenance of a desired level of quality in a health care services. Our Excellence Agenda is grounded and based on quality management systems. In this regard, KNH has established and continues to maintain the following management systems:

- a) Quality Management System (QMS) - ISO 9001:2015
- b) Laboratory Medicine Accreditation -ISO 15189:2012

During the year, 17th Internal Quality Audit was carried out with an aim of ensuring adherence to the ISO standards and processes ahead of the 2nd Surveillance Audit by Kenya Bureau of standards. Further, We have commenced accreditation journey for the following:

- a) Food Safety Management System ISO 22000:2015
- b) Environmental Management System ISO 14001: 2013
- c) Information Security Management System ISO 27001:2013

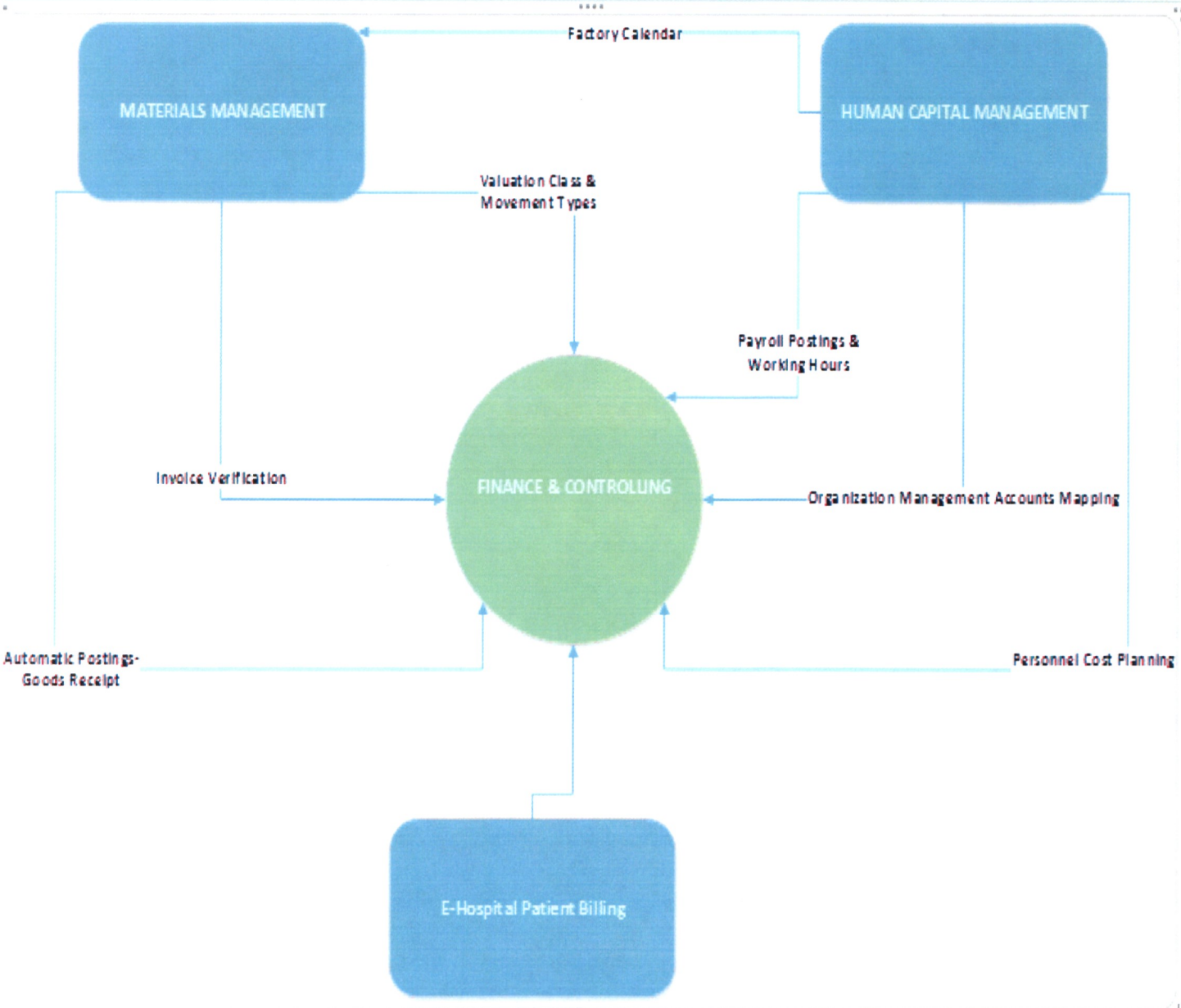
ICT as an Enabler of KNH's Healthcare Service Delivery



Information and communication technologies (ICT) are increasingly seen as being at the centre of healthcare delivery and as key to the modernization of healthcare. These technologies influence the way healthcare is delivered and consumed thus transforming healthcare from an organization-centered model of delivery to a

patient-centered model. KNH has embarked on a journey of improving her ICT technologies to respond to the current market demands. Towards this, the hospital is implementing an Enterprise resource planning (ERP) system aimed at process and system integration.

This, once realized will transform service delivery leading to efficient patient service delivery, higher through put, accurate and easily accessible patient records, data driven insights, increased positive health outcomes as well as increased revenues.



KNH Satellite facilities

During the year, KNH was directed to take-over management of the former Othaya National Hospital as an annex of KNH herein referred to as KNH-Othaya. Also, as part of the national preparedness for the novel coronavirus (COVID-19), His Excellency, President Uhuru Kenyatta directed that part of the Mbagathi County Referral Hospital be prepared and operationalized as a national COVI-19 testing, isolation and treatment center. Again, this responsibility was given to KNH.

KNH Othaya

KNH-Othaya is located in Othaya Sub-county, Nyeri County. This Hospital is adjacent to Othaya level four Hospital. The construction of the Hospital started in 2009 and was completed in December 2017. KNH - Othaya is strategically located to serve as a Level Six Referral and Teaching Hospital for the counties of Nyeri, Embu, Nyandarua, Laikipia, Tharaka Nithi, Meru, Isiolo, Samburu, Kirinyaga, Muranga, and Marsabit. The facility is a three-story building with two wings. The Hospital has a capacity of 350 beds covering Maternity, Paediatrics, and male & female medical and Surgical wards among other facilities.

Before KNH took over the management of the hospital, the facility provided health services to general patients on a cost-sharing basis. The Hospital is currently offering a wide range of services and specialized care including Surgical Outpatient Clinic (SOPC), General Outpatient Clinic (GOPC), Dermatology, Ophthalmology, Psychiatry, Endocrinology and Ear, Nose & Throat (ENT). The number of patients seeking services at the facility has increased over time. Specialized free medical outreaches are conducted in the county health facilities to build the capacity of health workers and create awareness about services offered at the hospital.

KNH-Infectious Disease Unit, Mbagathi

Given the emerging and re-emerging infectious diseases as well as the COVID 19 pandemic, in several countries in the world, the KNH-Infectious Disease Unit, Mbagathi was taken over by KNH to act as the national center for testing, isolation, and treatment of COVID-19 patients.

Strategic Positioning of KNH

We continuously assess our governance operating model to ensure robust internal governance and proper systems and processes. These support the management team in driving change, setting strategic direction, and formulating high-level goals and policies centered around creating opportunities for economic advancement that are accessible to all levels of society.

For the hospital to continuously offer seamless services, it has identified focus areas that require critical attention and ambidextrous resource allocation. The hospital capabilities go a long way to enhancing service delivery and consequently improve the quality of life. The hospital has identified five organizational level capabilities aimed at delivering transformational healthcare services while at the same time minimizing potential detrimental impacts on people. The pool of the identified organizational capabilities that they possess include human resources, distinctive competencies, invisible assets, core competencies, specific sub-specialized skills, and routines.

KNH Strategic capabilities for success

The capabilities that the hospital has tapped to enhance sustainability are:

Table 10: KNH Strategic capabilities for success

Capability	Hospital position
Business Process Agility	The hospital has conducted business process reengineering and is in the tail end of the installation of ERP. In addition, process mapping of turnaround time drivers such as radiology, laboratory services, theatres among others. Further, supplier payment processes have been streamlined leading to a reduction in the hospital's pending bills as per GoK directives and customer intimacy initiatives aimed at improving customer relationships. The hospital has retooled business processes to adapt to the market environment demands. These have gone a long way to quick detection of changes, opportunities, and

Capability	Hospital position
	threats in the environment and to swiftly respond to customers and stakeholders by reconfiguring resources and processes.
Technology Development Capability:	The hospital has inculcated the culture of learning aimed at acquisition, imitation, adaptation, modification, and/or the development of a new set of knowledge and technical systems for internal use. In a bid to improve hospital process, the hospital has invested heavily on the acquisition, installation, and use of technologically advanced tools of work such as laparoscopic towers, CTC scans, MRI, TSSU autoclave machines, telemedicine, Dialysis machines, Cathlab, Linac, Heart Lung machines, virtual treatment, teleconferencing, CCTV, system security installation and other computing devices.
Operations Capability	KNH utilizes information technology capability to perform operational functions such as quality control, preventive maintenance, and workflow analysis, and inventory control. To create appropriate hospital competitiveness, low cost, quality, delivery time, responsiveness, and flexibility are inexorable. Therefore, KNH has set standards in its products and services; vary the size of product mix; volumes required as well as turnaround time and the ability to attend the technological innovation required by the market.
Management Capability	The hospital has put in place a management team that can guide KNH to achieve higher levels of resource utilization and the ability to anticipate shortages in the market whereupon it makes the appropriate decision is in a better place. Additionally, maintain a smooth flow of information and outputs to achieve higher rates of efficiency. The management teams are supported by well trained and equipped officers that help in appropriate decision making at different points and coping with various and often unpredictable circumstances. The teams have a wide range of skills that are applied in problem-solving.

Capability	Hospital position
Transaction Capability	The hospital has institutionalized transaction systems through the introduction of cashless payments: MPESA, Visa Card, Insurance card and EFT; system integration; review of process flows; patient to doctor notification; NHIF payments and medical packages. This has enabled the hospital to perform many transactions with minimal or no disruption.
Strategic intent	The hospital has created a combination of strategic vision and performance aspirations which envisions a desired leadership position and establishes the criterion KNH will use to chart its progress. It represents the hospital's vision and its aspired direction of growth and plays an important role in shaping resource allocation and capability development. The KNH top management team has effectively been able to scan the operating business environment and developed a strategic plan aimed at proactively offering differentiated products and services that are superior to the rivals. The KNH statement of strategic intent gives symbolic guidance to staff at all levels to work together effectively over time through the uncertainties the business environment presents.

Challenges facing the Hospital

The Hospital has made various strides geared towards ensuring the provision of high-quality specialized services to all her stakeholders to realize her mandate and strategic objectives. Despite the efforts, however, the Hospital has faced numerous challenges that have either affected service delivery or compromised the quality of services offered.

These challenges span the various aspects /components within the Hospital which make up a fully functional and effective healthcare system. To achieve Hospital strategic objectives, there is a need to keep the Hospital on track by identifying the challenges faced since it requires a strong sense of direction, and coherent investment in the various building blocks of the health system, to provide the kind of services that produce results.

Below are the key challenges faced by the Hospital as per the various components of a fully functional and effective health care system;

Human Resources for Health

The health workforce is critical to achieving desired healthcare outcomes. A well-performing workforce is one that is responsive to the needs and expectations of people, is fair and efficient to achieve the best outcomes possible given available resources and circumstances. The Hospital, with this understanding, has put various initiatives geared towards having a highly robust and productive workforce. However, in this endeavor challenges with far-reaching effects on service delivery have been experienced.

Health Financing

Health financing is a key policy instrument for improvement in health and reduction in health inequalities to facilitate universal health coverage by removing financial barriers to access and preventing financial hardship and catastrophic expenditure. The main focus areas of healthcare financing are; raising funds for health; pooling of financial resources across population groups to share financial risks, and allocating or using funds in a way that promotes efficiency and equity.

The Hospital mainly depends on the exchequer for funding for personnel emoluments and other projects. The funding gap has continuously widened owing to the decreased government funding over the years which has negatively impacted on provision of services. Other financing challenges experienced include; Underprivileged and Indigents medical bills which have accumulated; Insufficient funds to fully implement various programs leading to delays in project completion; Delayed NHIF reimbursements affecting service delivery; Low healthcare financing for most of the residents (vulnerable groups; street children, the aged, Post retired, PWD); Partner pull-out from prospective projects; Inadequate funding from financiers

Essential Medical Products and Technologies

Medical products are the second-largest component of most healthcare budgets (after salaries). Universal access to health care is heavily dependent on access to affordable

essential medicines, vaccines, diagnostics, and health technologies of assured quality, which are used in a scientifically sound and cost-effective way. The Hospital, in a bid to be abreast of this component of the health care system, has developed a formulary that is used for diagnosis; monitors availability of essential medicines, has developed treatment protocols and SOPs, and standardized specifications for equipment per levels of care to guide procurement.

Despite the initiatives taken towards ensuring the availability of essential medical products and technologies, a myriad of challenges have been experienced. These include; Unreliable supply of medical commodities; Inadequate budgetary allocation for the acquisition of new diagnostic and medical technologies; lack of a streamlined supply and distribution system to ensure universal access to essential medical products and health technologies through public and private channels, Inconsistent availability of blood and blood products; KEMSA drawdown; High cost of medical equipment, drugs, and services; emerging and re-emerging diseases that call for new treatment methods, vaccines and medicines among others.

Health Systems Service Delivery

Patient-centered and integrated health services are critical for the realization of the Universal Health Coverage (UHC). Integrated health services encompass the management and delivery of quality and safe health services so that people receive a continuum of health promotion, disease prevention, diagnosis, treatment, disease-management, rehabilitation, and palliative care services, through the different levels and sites of care within the health system, and according to their needs throughout the life course.

In the quest for an improved service delivery system, the Hospital has faced various challenges which have thwarted the achievement of the intended results; These include; Insufficient specialized theatre space; Inadequate equipment for specialized surgeries; Rise in non-communicable diseases; Overreliance on UoN specialists and residents easily exposes the hospital during strikes & examination period; Increased trauma cases in Nairobi and its environs; Emerging and re-emerging diseases such as the Novel Corona Virus (COVID-19)-

these is increased intervention costs, resource diversion, and increased mortality and morbidity rates; Low automation/manual processes -admission and discharge processes, health information, supply chain (payments), finance, patient registration, and billing among others are still manual; Inadequate security surveillance system

Health Information Systems

Sound and reliable information is the foundation of decision-making across all health system building blocks and is essential for health system policy development and implementation, governance and regulation, health research, human resources development, health education and training, service delivery and financing.

The Hospital has faced challenges related to inputs to the health system and related processes. Low automation/ manual processes and non-digitization of medical records is characteristic of the level of investment in health information systems at the hospital. This is largely attributed to low capital funding the Government of Kenya (GoK) over the years and the non-prioritization of health systems. Despite the funding challenge, KNH has set aside some internal resources and has commenced the process of automation by acquiring an Enterprise Resource Planning (ERP) System. It is envisaged that with additional funding, the ERP will accommodate other plug in health information systems such as Radiological and Laboratory systems.

COVID-19 Pandemic

The World Health Organization (WHO) first declared COVID-19 a world health emergency in January 2020. Corona outbreak has been forcing the human community to live amid an unprecedented challenging time. “Lock Down” to stop the contagious effect of Corona- the killer of human in the world. Coronavirus disease (COVID-19) is an infectious disease caused by a newly discovered Coronavirus (WHO).

The COVID-19 pandemic has negatively impacted on KNH operations. The hospital scaled down operations or postponed non-emergency care. This has medical consequences for the people served, and it has financial consequences for the hospital. Health and social systems across the globe are struggling to cope. The situation is especially challenging in fragile and low-income households, where health and social systems are already weakly supported. Health facilities in Kenya are limiting services. KNH financially rely on "surgeries, scans, and other well-reimbursed services to privately insured patients"; when non-emergency care was discontinued during the pandemic, caused severe financial strain.

Key Hospital Projects

The Hospital in a bid to deliver on specialized healthcare services has made major strides geared towards improved quality of care. A number of projects are at various stages of implementation. Completion of the projects and modification of existing infrastructure will enable effectiveness and efficiency in delivering health service.

Construction and Equipping of Cancer Center



Proposed Cancer treatment Center



Ongoing construction

The purpose of this project is to cater for the increased demand in Oncology services, improve quality and efficiency of services and promote medical tourism. It is estimated cost is KES 1.9 Billion and is 2 phased. The Government allocated KES.244 million for Phase 1

Hope Hostel



Project Design

The project aims to prevent interruptions of cancer treatment due to transport and accommodation challenges experienced by patients. It's estimated to cost KES.494M and will be financed by the American Cancer Society, friends of Hope Hostel and public donations.

The project designs and Bills of Quantity have been developed and approved by NCC while the project partners are reviewing the agreement for signing by the national treasury

Nephrology and transplant center of excellence (Upgrade of KNH's Renal Unit)



100% completion

The expansion of the renal unit was initiated to provide adequate infrastructure to handle surging number of patients requiring transplants, provide training and research opportunities. The project was funded by the Government of Kenya at an estimated cost of KES.200million.

Emergency Centre Burns Management Centre and Paediatric



Proposed Project design



30% complete

The facility will provide expanded paediatric emergency and burns services that effectively handle disasters involving children. The estimated construction cost is Ksh 2.9 billion which is financed partially by GoK and through a concessionary loan from The Arab Bank for Economic Development in Africa (BADEA), Saudi Fund for Development (SFD), OPEC Fund for International Development (OFID) BADEA, SAUDI, OFID.

Construction and Equipping of the Zarina Merali Surgical Day Care Center



100% complete External View Day care center

The Facility will provide outpatient surgery that will result in decongestion of the surgical wards, reduce mortality and morbidity, and reduce service costs to the patient and patient turnaround time.

The project was finance by Merali Foundation (KES 100 million), Ministry of Health and KNH Ksh 102M.

PARTNERSHIPS

KNH partnered with different stakeholders to improve service delivery to patients during the year under review;

ZARINA MERALLI DAYCARE CENTER

With the aim of decongesting the surgical wards and reducing patient turnaround time the Hospital partnered with Zarina Merali foundation to construct an outpatient surgical center. The project was completed in August 2019 and is being used as one of the COVID -19 centers.

HOPE HOSTEL

KNH in collaboration with American Cancer Society, friends of Hope Hostel and the public aim to raise Ksh 494M for the construction and equipping of an accommodation facility (hostel) for Cancer patients to prevent interruptions of cancer treatment due to transport and accommodation challenges experienced.

The Hospital organized a Fundraising Dinner which was held on the 8th August 2019 which resulted to Ksh 111,868,000 in cash pledges and Ksh 135,550,000 to be contributed in Kind.



28th January 2020 KNH CEO receiving Devki Groups Pledge of Ksh 100M from the President Hon Uhuru Kenyatta.

Patient Identification

KNH in the aim to optimize patient experience partnered with Kenya redcross to reuniting abandoned or unknown patients in the Hospital with their families.

Kenya Redcross's role is to conduct training to KNH Social Workers on Reunification process, Conduct confidential assessment on patients identified for reunification, Coordinate the tracing of Patient's home, Link KNH with local agents during reunification of patients with their families and ensure confidentiality and integrity of data collected from patients

Renovation and furnishing of the farewell Home



Starters Investment Limited renovated and furnished KNH farewell home with a tune of Ksh 1,472,416.731 Which has resulted to a having a good working environment and sufficient equipment for staff.

Exterior of the farewell home

Public Donations

The Hospital received support from well-wishers amounting to Ksh. 93 Million. These were in various forms as shown.

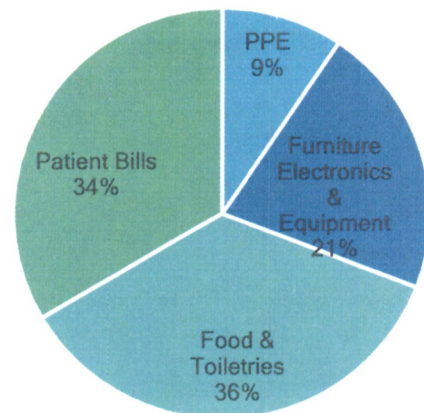


Figure 17: Public Donations



Thermocycler PCR manual machine from the CS EnergyMinK, Hon. Keter, a donation in partnership with IAEA nuclearkenya. The Board Chairman, Mr. Ooko and CEO KNH Dr. kamurie received the equipment for use at the KNH_hospital

On 23rd June 2020 the Israel Ambassador, H.E. Oded Joseph handed over a donation of 6000 face masks, 500 medical gowns, and 50 Thermo guns to KNH, CEO Dr.E.Kamuri as a donation to support the hospital frontline health workers



On June 14th 2020 Amref Health Kenya in partnership with Rockefeller Foundation donated 35beds & mattresses, 4,000 assorted PPEs, 3 patient monitors and 1,000 cartons of sanitizer to knh Othaya through MoH.



On 22nd June 2020 the CAS MOH_Kenya (DrMercy)Health received a realtime



Serena Hotels and Diamond Trust Bank commenced a 30-day initiative to jointly provide 200 hot meals per day to frontline COVID-19 health workers



Transcentury Group Ltd Group CEO , Mr. Ng'ang'a Njiinu through its subsidiary AEA ldt hand over a containerized clinic to the KNH CEO Dr. E. N . Kamuri.

PARTNERS LIST

Table 11: Partner List

1 Absa Group PLC	31 Diamond Trust Bank
2 Abudullahi Ali	32 Don Bosco Catholic Church
3 ACK St. Paul's Church South C	33 Don Bosco Catholic Church St. Paul small community
4 AEA Limited	34 East African Breweries Limited
5 African Church of Kenya St. Barnabas	35 Eastleigh Boda Boda Group
6 AIC Milimani	36 Eliud Wainana
7 All Saints Cathedral Single Ministry	37 Eunice Wanjohi & friends
8 All Saints Cathedral young professionals	38 Faith Muthemba & Friends
9 Alpha Grain Millers	39 First Community
10 Amref & Rockerfeller Foundation	40 Friends Of Christ Ministry Church
11 Andy Speaks/Bayer East Africa	41 Friends of Kapa Oil
12 Angelica medical services	42 Gideon's Bible Society
13 Aviators of Hope	43 Givet Foundation
14 Banki Kuu Sacco LTD	44 Gold Ribbon Initiative
15 Bayer	45 Grace Baptist Church
16 Brook house Schools	46 Guardian Bank Limited
17 Care for Care	47 Haco Industries
18 Caroline Mwaniki & Friends	48 HDI Youth Marketers
19 Catholic Charismatic Renewal	49 Hodari Boys Club
20 Catholic University of East Africa	50 Home of Smiles Foundation
21 Catholic Women Association-Katani	51 Hope Mtaani
22 CIC Group	52 Identical Twins
23 Control Risk E.A Limited Nairobi	53 IPSOS
24 Co-op Bank Sacco	54 Irene Joram
25 Co-operative Bank	55 Jacaranda Hotels Kenya (HQ)
26 CopyCat Kenya	56 Jamii Bora Bank
27 Credit Bank	57 Jimmy Barasa
28 Credit Bank	58 Josphat
29 Deliverance Church Riruta	59 Joyce Njagi & Team
30 Delmonte	60 Jubilee Insurance Co.
	61 Keeping The Smile
	62 Kenya Airports Authority

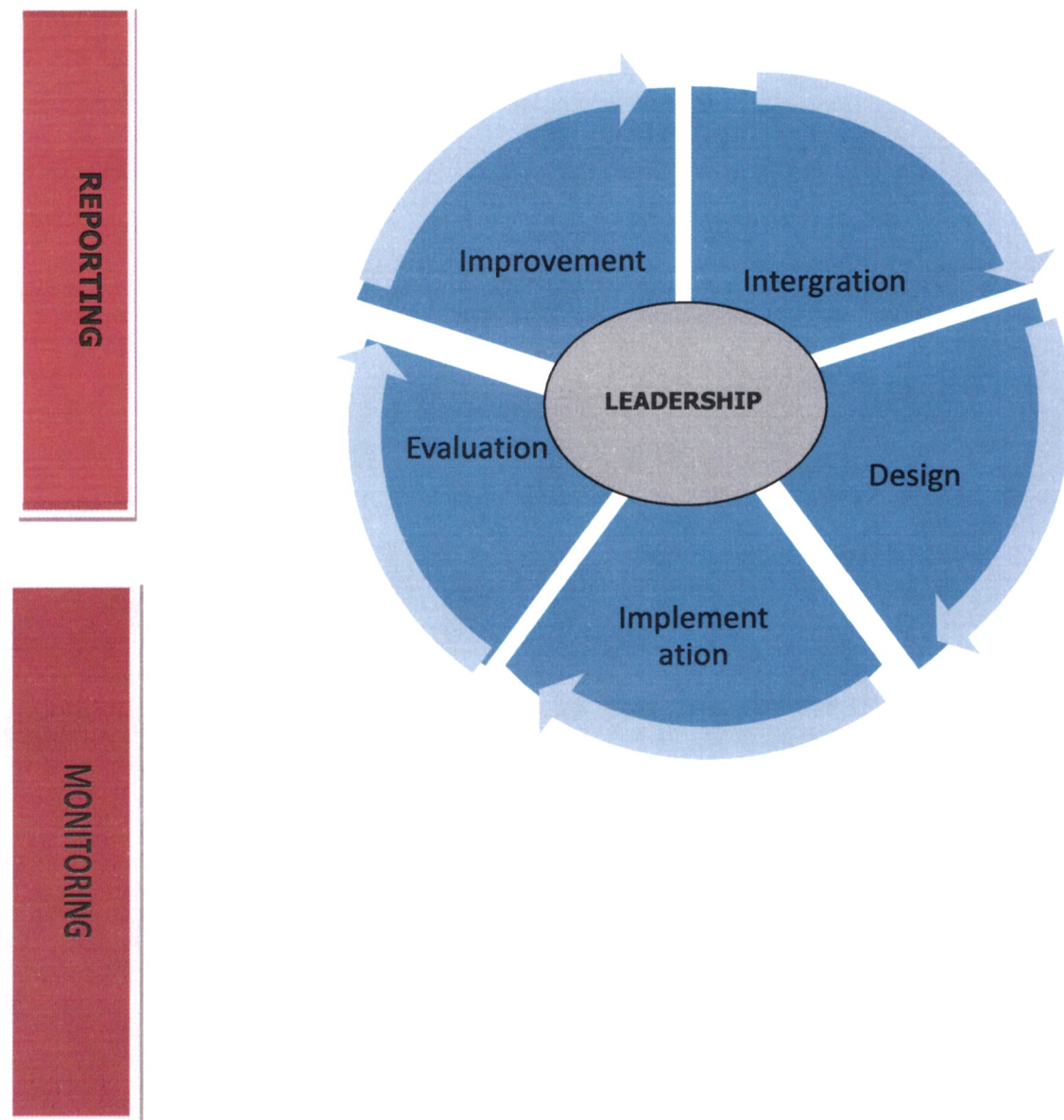
Annual Report and Financial Statements for the Year Ended June 30, 2020

63	Kenya Bankers Association	93	Office of the DPP
64	Kenya Dairy Board	94	Parklands Baptist Church
65	Kenya Flower Council	95	Patricia Wanjiru
66	Kenya Power Pension Fund	96	PCEA Kileleshwa Health Professionals
67	Kenya Secondary Schools Heads Association	97	PCEA St. Andrews Church Choir
68	Kevin Wakoli & Friends	98	PCEA Umoja
69	Kimende Rally	99	Pernord Ricard
70	Kimisitu Sacco	100	Phyllis Ngatia
71	KNH/UON Doctors	101	Platinum Credit
72	Lancet Kenya Laboratories	102	Prevail Arts
73	Latter glory group	103	Project Afya
74	Lavington SDA Church	104	Rose Mureithi & Friends
75	Light International School	105	Rose Taranu & Friends
76	Lucy	106	Safaricom Sacco Limited
77	Makena	107	Sai Dharm
78	Mama to the Rescue	108	Sally
79	Marriage Group (Face book)	109	Samaiah & Friends
80	Miss Elite Africa in collaboration with Lions Club of Dagoretti, Hot Point Appliances Ltd, Eden's Bridge Capital, Maktaba Mashinani & little Miss Kirinyaga	110	Sarova Hotels
81	Molfix Kenya/ Hayat Limited	111	Serena Hotel
82	Mr & Mrs. Adam Mugi	112	Sheffield Company
83	Mr & Mrs. Wasantha	113	Showers of Blessing
84	Ms. Susan Tilson	114	Smart Application International (Honoring the cheque)
85	Muslim Volunteer Group	115	Smart International Limited
86	Muslim Women Group	116	Smile for Children
87	Nairobi Chapel-Ongata Rongai	117	Sonko Rescue Team
88	Nairobi South SDA Church	118	St. Dennis group/Our Lady of Guadalupe
89	NHIF SACCO/ Smart International	119	St. Euphrasia Jumua Veronica Church Syokimau
90	Norah Chikarango	120	Standard Chattered Bank
91	Nyamathumbi Secondary School	121	Superfoam
92	Obra Foundation	122	Susan Tilson

Risk Management Framework

The Board of Management, through the Risk & Audit committee, is ultimately responsible for the governance of risk. An elaborate risk framework for the hospital has been developed guided by the principals of ISO 31000:2018 Risk Management Standards. A risk management strategy and its implementation plan is in place and is executed by the hospital management. The hospital framework is shown in the figure below;

Figure 18: KNH Risk Framework



1. Leadership and Commitment

The Board is committed to the development, ongoing operation, maintenance and continual improvement of the risk management function and the commitment of sufficient resources to meet this commitment.

2. Integration

Risk management in KNH is a dynamic and iterative process and is part of KNH purpose, governance, leadership and commitment, strategy, objectives and operations.

3. Design

Consideration is given to the hospital's external and internal environments and how these interface with strategic objectives and focus areas. Criteria against which we assess risk and the scope is defined.

4. Implementation

Annual risk management strategy is developed including time and resources. Authorities, responsibilities and accountabilities for relevant roles with respect to risk management are assigned, communicated and clearly understood and practiced.

5. Evaluation

Effectiveness of the risk management framework periodically measured against its purpose, implementation plans, indicators and expected behavior. This guides decision making on modification where necessary.

5. Continual Improvement

We are committed to continually improve the suitability, adequacy and effectiveness of the Framework and the way risk management process is integrated.

In line with the combined assurance process and to confirm that there are adequate ongoing risk management processes in place, the Risk and Audit committee receives periodic, independent assurance on the effectiveness of risk management from the internal audit department. The organization has an approved approach to communication and consultation in order to support the framework and facilitate the effective application of risk management.

Principal risks and opportunities analysis

Ten principal risk categories have been identified through annual risk review process where each division re-assess their risks to determine the top risks which could impact on the achievement of their objectives. Related risks are aggregated and grouped to determine the principal risks. Each principal risk has been assigned a qualitative risk appetite statement and appropriate mitigation measures are in place.

Changes to Principal risks: Pandemics was previously identified under clinical risk but is now shown as a separate principal risk as shown in the analysis below.

Table 12: Risks and Opportunities

RISK	RISK DESCRIPTION	HOW WE ARE ADDRESSING THE RISK	OPPORTUNITY
<i>1.Pandemic Risk</i>	This refers to the hospitals ability to respond to potential adverse clinical, operational and business effects caused by a pandemic.	The hospital in common with other organizations has felt the impact of the global pandemic which has resulted into rapid changes in its operation and distractions in the short term. The following actions have been taken for response: -IPC and communicable disease emergency preparedness programs -An effective triage system has been put in place. -Communication strategy and central coordination of task teams Recruitment of health workers for our isolation centers and providing them with the relevant skills and support.Covid 19 trainings	Through integration of the expertise advice and focus on business continuity planning we shall build operational resilience and maturity in 'emerging risk' management techniques. Use of crisis management working groups and review of the existing risk management policies in light of the current situation.

RISK	RISK DESCRIPTION	HOW WE ARE ADDRESSING THE RISK	OPPORTUNITY
		<p>program and treatment protocols in place.</p> <p>Alternative arrangements have been made for patients affected by country cessations and or closures for continuity in their treatment.</p> <p>Refer to 'Emergency preparedness report attached below' for more information</p>	
<p><i>2.Clinical Risk/Patient safety</i></p>	<p>This risk relate to all clinical risks associated with provision of clinical care resulting in undesirable clinical outcomes.</p>	<p>The hospital ensures high quality and safe clinical processes/systems that deliver favorable clinical outcomes by continuous monitoring and analysis of patient clinical outcomes.</p> <p>Improvement actions are taken for any deviations from the expected clinical outcome.</p>	<p>Implementation of Quality Management System (QMS) 9001:2015 to ensure quality healthcare is provided.</p> <p>Monitoring, reporting and implementation of the recommended mitigation measures for patient safety to enhance clinical governance.</p>
<p><i>3.Reputational Risk</i></p>	<p>Reputation risk is a risk of loss arising from negative opinion as viewed by the Hospital's stakeholders</p>	<p>The hospital recognizes that there are events that could have an adverse effect on its reputation.</p> <p>The hospital has identified key risk indicators which may be articulated to the image of the hospital and are continuously monitored to promote a positive image with all its stakeholders.</p>	<p>Implementation of customer feedback mechanism and employee culture change program will improve service delivery and enhance stakeholder experience.</p>

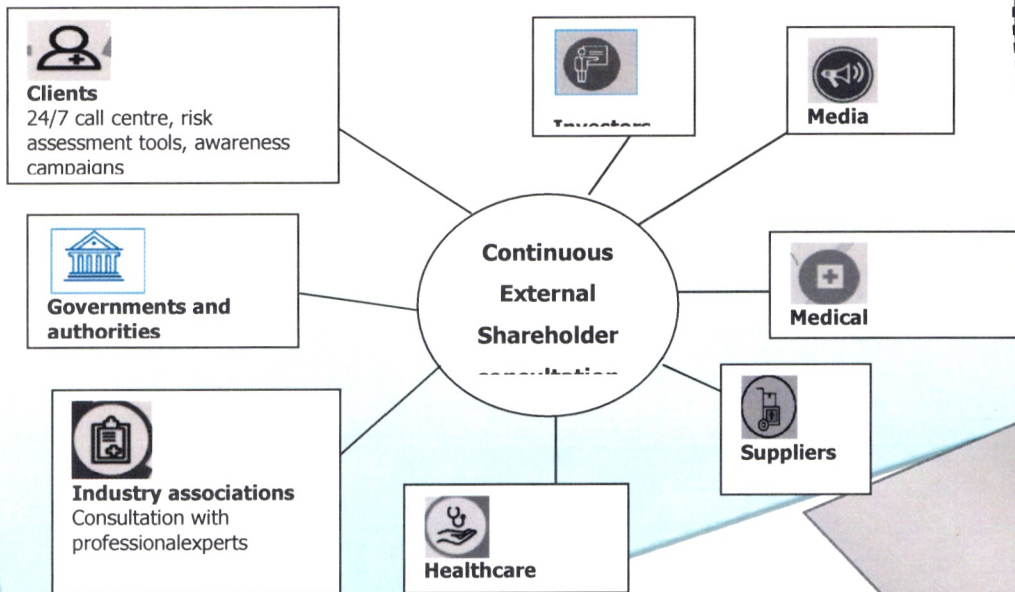
RISK	RISK DESCRIPTION	HOW WE ARE ADDRESSING THE RISK	OPPORTUNITY
<i>4.Project Risk</i>	This refers to any issues that would interfere with successful completion of projects including timelines, cost and quality.	A hospital project implementation team is appointed for oversight. The team ensures there is no cost overruns, projects are delivered as per the agreed standards and that the project is completed without delays.	Proactive monitoring of exposure to uncertain event or condition during project life cycle such that rapid response plans are done before project delays or cost overruns are experienced.
<i>5.Compliance & Regulatory Risk</i>	This relate to adverse changes in legislation and regulations impacting on the hospital or where the failure to comply with legislation and regulation may result in losses, fines, penalties or damage to reputation	The hospital upholds its obligation to comply with internal and externally imposed laws, regulations and standards. External and internal compliance risk assessments are conducted and actions to mitigate compliance risk implemented.	Through yearly assessment of the hospital compliance level and proactive engagement with stakeholders we continue to place the hospital at a position of full compliance with all laws and regulations.
<i>6.Performance Risk</i>	The risk of Choosing and continuing to follow sub optimal strategies to meet objectives, not executing the strategies successfully and changing the business as usual from expected.	KNH has a documented 5 year Strategic Plan which is aimed at progressively attaining its mission and vision. A dynamic strategic risk assessment and performance monitoring system is in place to monitor the risks and rewards for each strategic objective. Annual operation work plans in place.	Through yearly review of the performance contracts and training we continue to effectively and efficiently deliver the set objectives.
<i>7.People Risk</i>	This refers to the risk of shortage of skilled labour particularly a shortage of qualified and experienced health workers.	Executive succession planning in place where successors are identified and mentored. Career development programs for employees at all levels in place. System to monitor employee satisfaction in place.	Development of extensive training and skills development programme Implementation of Succession plans at all levels will ensure business continuity and we are able to attract talented leaders.

RISK	RISK DESCRIPTION	HOW WE ARE ADDRESSING THE RISK	OPPORTUNITY
<i>8.Data Security Risk</i>	This relates to unauthorized access to information system through internal or external attack.	Information management security and data policy is in place to improve information security, manage residual risk and implement further measures to protect the intellectual property of the hospital from hacking and other illegal electronic activities. Regular security reviews are conducted.	Development of business continuity plans (BCP). In investing in our IT infrastructure, we are able to offer better and more efficient service to our patients, lowering the cost of care while maintaining quality.
<i>9.Credit Risk</i>	Credit risk relate to possible loss due to inability to recover outstanding amounts due from patients or a fund's inability to pay the outstanding balance owing. Our trade receivables consist mainly of medical Fund (NHIF) and insurance companies.	Monitoring of contracts and existence of effective monitoring and oversight of operations.	Proactive monitoring of all trade receivables to ensure adherence to credit terms.
<i>10.Operational Risk</i>	This risk refers to diverse types of operational events with a potential for financial loss, operational interruptions or reputational damage.	A Sound internal financial control environment. An effective operational risk management process in place	Continuous monitoring and oversight of operations.

Covid 19 pandemic -emergency preparedness summary

ACTIONS

- Access control at all facilities
- Redeploying suitable employees to support emergency operations
- Acquiring additional ventilators and related consumable products
- Expanding Isolation capacity
- Establishing additional laboratory facilities
- Proactive procurement of critical PPE, medication, consumables and ICU equipment
- Donations from charities supporting COVID-19



CONSEQUENT SOLUTIONS

- Rapid deployment of frontline health workers
- Central procurement and resource management
- Treatment

The hospital have been affected by the spread of the COVID -19 pandemic. The hospital responded quickly to the potential consequences. A taskforce was established to centrally coordinate the response and ensure that clinical protocols and standard operating procedures are developed and shared across the hospital.

The hospital is working closely with the government, Ministry of Health and the regulators to combat the pandemic and support the different initiatives being implemented.

Table 13: Covid Preparedness

Phase	Environment description
Prepare	
Pre- COVID -19	Prior to the outbreak of COVID-19 the hospital had in place well established IPC measures, processes and protocols.
Protect and respond	
Initial COVID-19	Social lock downs implemented which largely include restrictions on elective procedures and outpatient activity during the early stages of the spread of COVID-19 to help ensure necessary resources are made available. Positive COVID-19 cases in hospitals build from relatively low numbers while acute and emergency care mostly continues.
Adapt	
Standard operation resume alongside COVID-19	New protocols and operating practices introduced to allow the safe and efficient gradual reintroduction of elective procedures and outpatient activity as lockdown measures are relaxed. Spikes in COVID-19 cases within countries or specific regions may temporarily affect operations and require additional facility capacity and resources. Frontline hospital employees and affiliated doctors were provided with clear instructions and necessary PPE while reassuring patients during this uncertain period through continuous engagement.
Reform	
COVID-19 rescinds	A new healthcare landscape emerges The hospital will be presented with new opportunities and challenges to deliver on its purpose of enhancing the quality of life and being a patient centered referral hospital that people trust for all their healthcare needs.

The hospital continues to monitor the developments and it is constantly re-evaluating its response to this dynamic and rapidly evolving situation. The areas considered to have the biggest potential operational impacts together with the related mitigating steps are set out in the table below.

Covid 19 pandemic impact analysis summary

Table 14: Covid 19 Pandemic impact analysis

Area of Impact	Mitigation Steps
Preparedness to deal with potential surge of patients with Covid 19	Various initiatives create additional capacity on frontline resources including: <ul style="list-style-type: none"> • Suspending non- essential elective and outpatient activities • Re deploying employees to support emergency areas within the Hospital • Identifying suitable qualified and skilled employees who are available to be redeployed if needed (ie clinically qualified employees working in non clinical positions and employees in teaching positions) • Acquiring additional ventilators and related consumable products and • Expanding ICU capacity where possible
Safety and quality of care of both COVID 19 and non COVID 19 patients	<ul style="list-style-type: none"> • Equipped with clearly defined IPC and communicable disease emergency preparedness programmes that govern admission, containment, triage and treatment of suspected or confirmed COVID 19 cases • Equipped with experienced IPC teams • Established additional laboratory facilities to support COVID 19 testing • Identified separation areas in hospital and sufficiently prepared these for IPC and treatment • Establish alternative interim facilities to admit symptomatic and low acuity cases i.e. Mbagathi Hospital IDU facilities. • Establish 24/7 patient call centers and crisis control centers • Maintain updated websites and developed online updates on Covid 19 information
Safety of healthcare workers, doctors and employees where the contagiousness of the disease could	<ul style="list-style-type: none"> • Establish appropriate measures and programs to provide employees with Covid 19 training. • Adherence to all necessary precautions to limit the spread of COVID 19 in the hospital facilities

Area of Impact	Mitigation Steps
reduce availability of healthcare workers and supporting staff	<ul style="list-style-type: none"> • Adherence to protocols on the safety of healthcare workers and the use of PPE including screening and self-isolation of employees based on official case definitions • Identification of employees with underlying health conditions for them to proceed on leave.
Supply chain risks where certain suppliers are difficult to source due to high global demand and global shortages	<ul style="list-style-type: none"> • Response strengthened by the hospital sourcing capability enabled by Universal Healthcare. • Coordinated and pro-active measures taken by procurement functions to secure the supply of critical PPE, Medication, consumables and ICU equipment

Business Continuity Management

Operational Resilience

With many Covid-19 pandemic plans being developed, implemented, evolved and tested during the crisis the Hospital is reviewing its business continuity plans and have undertaken a business impact analysis to determine it's critical processes and further determine the recovery point objectives(RPO) and recovery time objective(RTO) for each of the critical process. Each division is coming up with measures which fall into two categories, actions that should be ongoing after the pandemic is over (Recovery strategies) and actions that should be part of any pandemic response(Business continuity plans).

Incident reporting and analysis is being done on an ongoing basis to ensure that the hospital can respond quickly to future pandemics.

The key considerations in relation to continuity plans include:

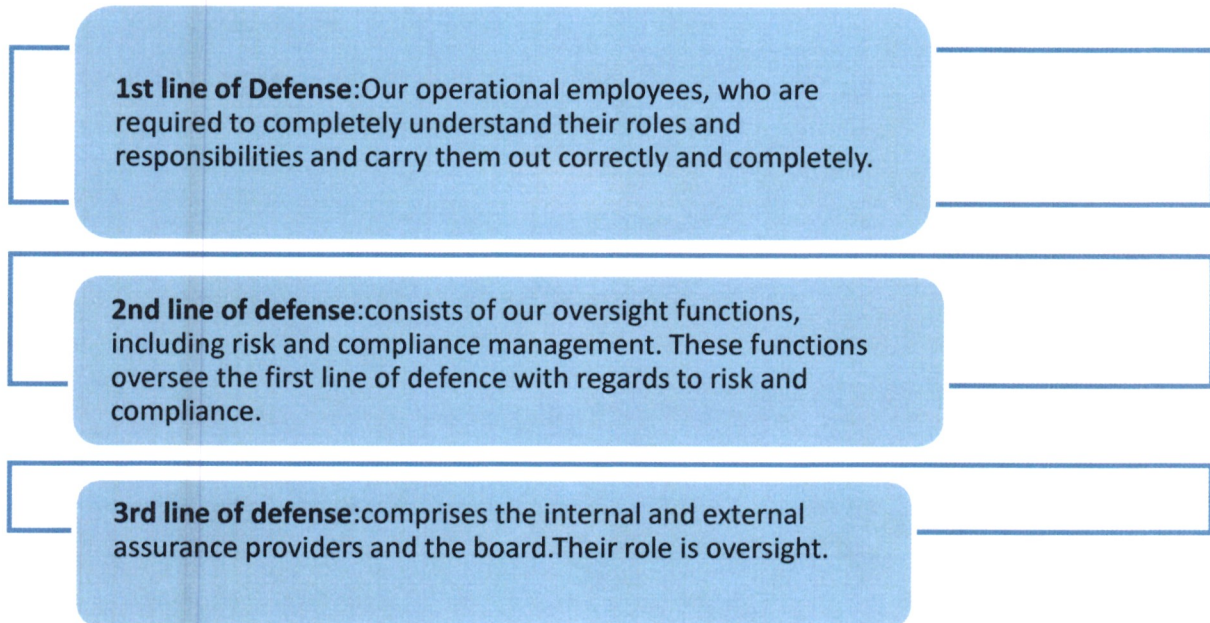
Table 15: Business continuity management

Criteria	Key Considerations
Risk response	<ul style="list-style-type: none"> • Possible business opportunities and opportunities for research and learning e.g. improving processes • Other risks materializing e.g. cyber-attacks due to use of e-communications
Crisis management	<ul style="list-style-type: none"> • Skills and capacity of incident management team. • Crisis management policies review • Authority of the crisis management team.
Communication	<ul style="list-style-type: none"> • Communication strategies for the hospital's internal and external key stakeholders • Communication protocols to keep staff informed without being alarmist • Regular public announcements (website etc)
Staff welfare	<ul style="list-style-type: none"> • Regular review risk assessments to ensure a safe place of work for employees. • Staff health profiles particulars regular updates • Staff insurance policies • Introduction of working from home policies.
Supply Chain Issues	<ul style="list-style-type: none"> • Thoroughly mapped your supply chain • Consider wider extended enterprise • Safety and traceability standards if alternative suppliers are to be used
Regulatory and Compliance reporting	<ul style="list-style-type: none"> • Standards of data protection and IT security • Actions that may be taken by authorities which may impact pricing • Consider how impact of Covid-19 will be reported in compliance with available standards.
Liquidity	<ul style="list-style-type: none"> • Be aware of any government initiative that may affect the hospital funding. • Impact of Covid-19 on patients economic status and ability to pay their bills.

Accountability

The board is responsible for reviewing and confirming the effectiveness of the hospitals risk management and internal controls. Although the responsibility of evaluating the risk management procedures, assessing the effectiveness of internal controls, monitoring and reporting integrity has been delegated to the Risk and Audit committee, the board maintains a strong and regular oversight of the outcome of the committee's work as illustrated below:

Three lines of defence



Internal control features in KNH

IAD is a department independent of management. The IAD assists the Risk & Audit Committee and the Board in monitoring risks and internal controls of the hospital. The hospital recruits and employs qualified professional staff in the IAD. The staff are provided with regular training and development opportunities to ensure that technical knowledge and internal audit skills are maintained.

Key features of the hospital internal control system include:

- Clearly identified delegation of authority and lines of accountability
- Policies and procedures governing financial resource management ,financial reporting ,key projects and ICT security
- Periodic audits conducted by the Internal Audit function
- Annual Review of the Internal Audit charter.

Sustainability Report

During the year under review, the hospital continuously monitored the significant material issues that can directly or indirectly impact our ability to create long-term value for our customers, employees and society at large.

Significant Sustainability Issues

The sustainability reporting Issues considered by the Hospital Board of Management during the year include but not limited to:

Table 16: Sustainability Reporting

ISSUE	ACTIONS TAKEN
Employee	<p>We aim to deliver a competitive and fair employment environment and the opportunity to develop and advance staff capacity. The hospital annually does staff training needs assessment which enables planning for the staff capacity development. We endeavor to provide a supportive work environment and high-quality healthcare to all staff through measures including, but not limited to provision of staff medical and personal insurance cover for all the employees.</p> <p>At KNH, we have a diverse workforce drawn from different age groups, genders, races and nationalities. We embrace differences among our employees as we build bridges to respect and trust.</p> <p>We remain vigilant in the face of COVID-19 outbreak and our employees have shown resilience and determination by taking the necessary precautions and measures across our hospital.</p> <p>Additionally, our Purchasing Department ensures our frontline staff has a sufficient supply of masks and Personal Protective Equipment. Furthermore, we have implemented Business Continuity Plans, including carrying out measures such as daily temperature checks,</p>

ISSUE	ACTIONS TAKEN
	splitting teams, and letting staff who are above 58 years work from home .
Health and safety	<p>We are committed to a programme of activities to achieve continuous improvement in health and safety of staff and patients. During the year the hospital has ensured continuous provision of adequate Personal protective equipment (PPEs).Our premises are designed not to unintentionally or by design cause death, injury, ill-health or social disruption, hardship or detriment. The hospital has skilled security personnel to ensure the safety of all the hospital premises.</p> <p>Core safety elements such as incident reporting, hazard assessment, control, monitoring and review are key considerations of our safety management systems. This enables occupational health and safety (OHS) risks to be controlled effectively, particularly in a large and complex working environment such as a hospital.</p> <p>OHS management is established to ensure the health, safety and well-being of employees. After all, a healthy, productive and well-motivated group of employees is one of the key drivers of business sustainability. Furthermore, good OHS management will lead to high-quality performance and productivity, which in turn guarantee good delivery of services.</p> <p>In managing the risk of occupational diseases, the hospital has established an Infection Control Plan. This plan requires the presence of infectious disease expert who are responsible for the following:</p> <ul style="list-style-type: none"> • monitoring infection and antibiotic use, • eliminating any potential occupational infectious hazards,

ISSUE	ACTIONS TAKEN
	<ul style="list-style-type: none"> • inspecting hospital hygiene and the disposal of biological waste, • implementing isolation procedures when necessary, • proactively monitoring processes of disinfection and sterilization, • staying actively seized on hand hygiene, and • conducting training and periodical examination of employees for infectious risks and occupational hazards.
<p>Environment</p>	<p>In alignment with the Sustainable Development Goals and in compliance with the constitution (Article 42), the hospital appreciates the right to a clean and healthy Environment including the right to have the environment protected for the benefits of present and future generations .</p> <p>The waste produced in the course of healthcare activities, from contaminated needles to radioactive materials, can cause infection and injury. Inadequate management is likely to have serious public health consequences and detrimental effects on the environment. The health risk posed by infectious waste (such as accidental needle stick injuries from used needles) is high and the handling/treatment of the same requires utmost care. This means that in providing quality and patient-centric care, safe and proper waste management is the key to the hospital in upholding patient and staff safety while safeguarding the environment.</p> <p>To facilitate follow-up and review (OSHE) Occupational Safety &Health Environment Committee has been established with the mandate to harmonize the implementation of Occupational Safety Health and Environmental policy statement and coordinate all environmental activities in the hospital.</p>

ISSUE	ACTIONS TAKEN
	<p>The hospital puts effort in environmental protection and eliminates activities and processes likely to endanger the environment through proper waste management systems, utilization of solar energy and water preservation.</p> <p>On waste management systems our hospital has implemented systems and processes that enable the segregation of waste by allocating bin liners for each waste type. Personal Protective Equipment (PPE) is also worn during the process of waste collection, storage and disposal.</p> <p>Biohazard and Cytotoxic waste is clinical waste that contains potentially harmful microorganisms that can infect hospital patients, healthcare workers and the general public. The potential risk caused from this by this type of waste may include the spreading of hazards from the health facilities to the environment. We manage these types of waste and monitor the amount generated on a monthly basis to ensure they are all properly disposed.</p> <p>Another type of clinical waste that requires special treatment is radioactive waste. The hospital manages the disposal of radioactive isotopes used for diagnostics and therapeutic procedures, and radioactive waste from imaging machines, by packing them into red radioactive bags and storing them in individual bins. The bins are then collected daily and stored in the decay room for a specified period of time, prior to its disposal.</p> <p>As part of the hospitals' initiatives to create awareness on proper management of waste, posters are placed at waste disposal areas</p>

ISSUE	ACTIONS TAKEN
	<p>such as Dirty Utility rooms to educate staff on the types of waste and the correct colour of liners and bin types to be used to contain them.</p> <p>Furthermore, our hospital public health and facilities departments and their outsourced service providers are all audited to ensure compliance on matters regarding waste identification, type, sharps disposal, PPE and waste holding areas.</p> <p>Hospital food waste is categorised and managed along with general waste for disposal. Nevertheless, our hospitals are practising waste prevention initiatives, such as using pre-cut food items for food preparation, and a single menu, which means the chef plans a similar menu for a day for all hospital occupants (patients, doctors and staff), closely estimating the daily amount to be prepared to prevent food wastage.</p> <p>Another initiative undertaken by the hospitals to reduce waste generation is the usage of steam sterilisation by the Central Sterile Supply Department (CSSD); items sterilised do not need to be disposed of as they are reusable.</p>
<p>Stakeholders</p>	<p>The hospital has identified its key stakeholders as provided in its strategic plan (KNHSP IV 2018-2023) on Stakeholder Analysis. Measures to monitor engagement with the stakeholders are in place. Patient and employee satisfaction surveys are conducted annually and the recommendations of the report implemented and monitored.</p>
<p>Fraud and ethics</p>	<p>KNH is committed towards Zero tolerance to corruption. In this relation Anti-corruption policy is in place which reflects the</p>

ISSUE	ACTIONS TAKEN
	<p>fundamental principles, roles and responsibilities in relation to the assessment and management of corruption risk.</p> <p>KNH applies a range of policies and standards to its operations and relations with stakeholders. These are reviewed and updated periodically and demonstrate how the hospital operates in an open, transparent and responsible manner. Declaration of interest forms an integral part of the Hospital's ethical and professional approach .The Codes of Conduct set out the ethical behavior expected of all staff members. All staff are encouraged to read, understand and adhere to the code of conduct</p>
<p>How we contribute to the fight against COVID-19</p>	<p>Treating COVID 19 patients</p> <p>Providing COVID-19 testing for suspected cases</p> <p>Safeguarding the health and safety of patients and employees</p> <p>Providing teleconsultations to patients and employees</p> <p>Providing online public education on COVID-19 prevention and safeguards</p> <p>Donating and making essential medical supplies to support front liners</p>
<p>Patients</p>	<p>Doctors are requested to prescribe drugs as per the approved Hospital Drug Formulary, which is reviewed by the Medicine and Therapeutic Committee after a thorough discussion with a primary consultant and based on supporting research. The Pharmacy and Therapeutic Committee plays an important role in ensuring the rational use of medicine. The Committee recommends strategies on medication management, including the prevention of medication errors (Prescription, Transcription, Dispensing and Administration Errors) and adverse drug events, as well as audits for the Hospital Drug Formulary. In addition to prescription audits conducted by clinical pharmacists, this Committee reviews prescription errors</p>

ISSUE	ACTIONS TAKEN
	<p>to check for illegible prescriptions and incomplete medication orders.</p> <p>Also, ensure the correct use of medication and to prevent wastage, our Pharmacy Unit is required to dispense medicine only as per a doctor's prescription; it is not allowed to make any changes without informing the prescribing doctor.</p> <p>The Antimicrobial Stewardship Programme (AMS), led by the MTC (medicine and therapusists committee), was established to assess all antimicrobial use in all hospital units, for perioperative antibiotic prophylaxis, rational sepsis use, culture and sensitivity-based antibiotic de-escalation, and rationalised escalation as appropriate for the condition. The AMS programme strengthens daily surveillance on multidrug resistance bacteria, adherence to antibiotic policy, and sharing of antibiotic de-escalation days for each pathogen category</p>

Corporate Social Responsibility Report

Kenyatta National Hospital partnered with Twenty seven counties to drive the Universal Health Coverage, one of President Uhuru Kenyatta's Big Four Agenda. The partnership was in the form of exporting specialized care for patients to the counties through capacity building and medical outreaches.

KNH conducted 43 multi-disciplinary teams, which entails Non-communicable diseases and Infection Prevention & Control, Specialized medical outreaches, which includes Cervical & Breast Cancer Screening and Surgical Services as well as two surgical camps (Operation Eardrop, Eurology), in which 9,223 patients were reviewed and another 1,914 being mentored.

The objectives of these camps were to screen patients, raise awareness about NCD's and specialized medical conditions, preventive practices, risk factors and management. The objective of the capacity building was to raise the performance of county hospital service delivery.



Women with fistula benefit from free surgery at KNH



Mamba Primary students being sensitized on IPC



Director AID Director issuing care packs



Patient Review by KNH Doctor



KNH Director AID briefing the KNH CEO on the progress of the outreach at the pharmacy section




KNH team with the children in world cerebral palsy day



KNH staff launching the free Kidney screening camp in Kakamega County.



Free medical camp and cancer screening attracts over 1800




WORLD DIABETES DAY CELEBRATION

THEME: *The family & diabetes—Diabetes concerns every family*

VENUE: Kisii Stadium
14TH NOVEMBER 2019

Free Diabetes Screening Services:
Blood sugar, blood pressure, dental check up, eye check up, foot screening, nutritional screening, breast screening & Pap smear



Members of the public being screened for diabetes at the Gusii Stadium.



KNH surgical team carrying out a procedure during the operation ear drop project in November 2019



Patient triage and waiting bay during the Free Medical Camp At Kiawara Police Post In Kieni, Nyeri County February 6, 2020:



Outreach waiting bay Patient triage during the KNH free medical camp at Kiriaini Catholic Church In Mathioya, Muranga County. On February 7, 2020



Kemsa Staff Setting up a temporary pharmacy during the outreach

KNH IPC staff demonstrating the efficient way of handwashing



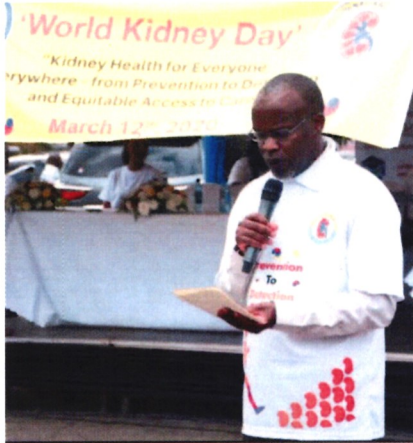
KNH surgical team carrying out an Operation during the urological surgery camp in Meru February 29, 2020



KNH Training Doctors & HCW's in meru county



A patient receiving an Eye pressure test during the fight against Glaucoma week in March 2020



Director AID giving a brief remark



Patient triage area to the participants



Speakers addressing the topic on Gender-based



Participants attending the forum in City Hall



KNH Surgical team carrying out a surgical procedure to remove cancer-affected tissues during the Rapid Results Initiative (RRI) Surgical outreach

Material Arrears in Statutory and Other Financial Obligations

Tax Liability

Kenya Revenue Authority (KRA) conducted an in-depth audit on KNH and issued an assessment on 1st July 2014 of a tax liability of Kshs. 592,860,909 relating to the period January 2010 to March 2014. KNH objected to the findings of KRA and on 5th June 2015, KRA issued a confirmed assessment amounting to Kshs. 545,693,303. On 7th February 2017, the Hospital paid Kshs. 18,022,978 representing the tax not under dispute in relation to withholding tax and VAT.

The hospital engaged KRA through the office of the Attorney General on the disputed assessment. Following a mediation meeting held on 23rd June 2017 at the Attorney General Chambers, KRA issued a revised assessment dated 19th July 2017 of Kshs. 170,590,114 comprising of principal tax of Kshs. 90,056,488, penalty of Kshs. 22,514,122 and interest of Kshs. 58,019,505. The Hospital paid the principal tax liability in the year 2017/18 and submitted an appeal for the penalty and interest totaling Kshs. 80,533,626 which is still outstanding as at June 30, 2020. The Hospital is waiting for KRA response on the appeal made.

National Social Security Fund Arrears

The outstanding amount relates to contribution arrears for the period April 2001 to November 2009 when KNH had sought for an exemption on complying with NSSF Act from the Ministry of Labour and Human Resource Development given the hospital had a better Pension Scheme. The Ministry declined the request for exemption in the year 2011 on the basis that NSSF was a universal social security pillar and was thus mandatory. The Hospital had by then accumulated arrears totaling to Kshs. 311million excluding penalties. The hospital has been including this amount in the budget for funding to offset the arrears as all personnel related expenses are funded through the Government of Kenya recurrent grant. This amount has however not been funded and has thus remained outstanding.

In the FYs 2016/17, 2017/18, 2018/19 and 2019/20, the Hospital paid Kshs. 24 million each year of the arrears awaiting Ministry of Health intervention. The outstanding amount as at June 30, 2020 is Kshs. 215 Million.

Defined Benefit (DB) Pension Scheme Deficit

The hospital operates a defined benefit pension scheme in which contribution is at 10% and 5% of pensionable salaries by KNH and employees respectively. The scheme was closed to new members on June 30, 2011 except for members who were over 45 years and above at the time of closure of the DB scheme in compliance to the notice of discontinuance and adoption of the defined contribution pension scheme.

The current actuarial valuation was done on the KNH Defined Benefit Pension Scheme as at June 30, 2020. The valuation showed liabilities of Kshs. 16,004,501,538 against the scheme's asset of Kshs. 5,968,091,533 with a deficit thereon of Kshs. 10,036,410,005. The deficit is to be paid by KNH as the scheme sponsor.

The Hospital has been requesting for funding of the deficit through the budgetary process and in the last four years, from FY 2015/16 to 2019/20, an amount of Ksh.100 million each year has been allocated and subsequently disbursed to the scheme. However, the allocation of Ksh.100 million per year towards the DB scheme deficit is not sufficient and the Hospital has continued to engage the Government on more funding towards this deficit.

Spanish loan

The Government of the republic of Kenya and the Kingdom of Spain signed a loan agreement on 29th July 2005 for a loan of Euros 14 million (Kshs. 1,199,862,823) in form of medical equipment for KNH. Though there was no on-lending agreement executed between the Hospital and the National Treasury, the Hospital recognized the assets (medical equipment) and the Spanish loan in the books.

The Hospital through various correspondences to The National Treasury, has since January 2008 expressed its inability to service the loan due its poor financial performance over the years. The Hospital management has been consistent in their request for the Government to approve the recognition of the loan as a capital grant. The request has not been granted so far and the loan remains outstanding in the Hospital books.

Financial Statements

Report of the Board of Management

The Board of Management submits their report together with the unaudited financial statements for the year ended June 30, 2020 which shows the state of the Hospital affairs.

Principal activities

The principal activities of the Hospital are:

- a. To receive patients on referral from other hospitals or institutions within or outside Kenya for specialized health care;
- b. To provide facilities for medical education for the University of Nairobi and for research either directly or through other co-operating health institutions;
- c. To provide facilities for education and training in nursing and other health and allied institutions;
- d. To participate, as a national referral hospital, in national health planning.

Results

The results of the Hospital for the year ended June 30, 2020 are set out on page 128.

Board of Management

The members of the Board of Management who served during the year, those who retired and new appointments are shown under the corporate governance statement in the annual report.

Auditors

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

By Order of the Board



Dr Evanson Kamuri

Date: 03/06/2021

SECRETARY TO THE BOARD

Statement of Board's Responsibilities

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

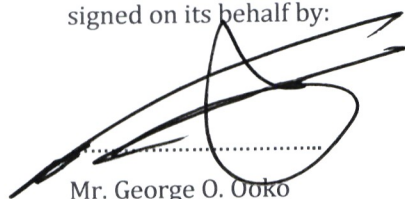
The Board is responsible for the preparation and presentation of the Hospital's financial statements, which give a true and fair view of the state of affairs of the Hospital for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Hospital; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Hospital; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board accepts responsibility for the Hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standard (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Board is of the opinion that the Hospital's financial statements give a true and fair view of the state of Hospital's transactions during the financial year ended June 30, 2020, and of the Hospital's financial position as at that date. The Board further confirms the completeness of the accounting records maintained for the Hospital, which have been relied upon in the preparation of the Hospital's financial statements as well as the adequacy of the systems of internal financial control.

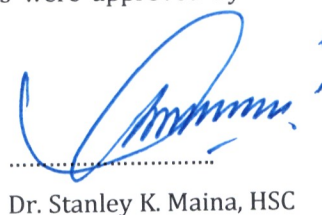
Nothing has come to the attention of the Board to indicate that the Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

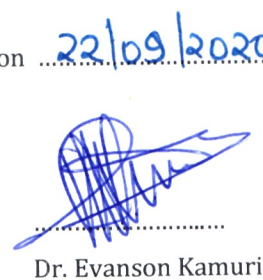
The Hospital's financial statements were approved by the Board on 22/09/2020 and signed on its behalf by:



Mr. George O. Ooko



Dr. Stanley K. Maina, HSC



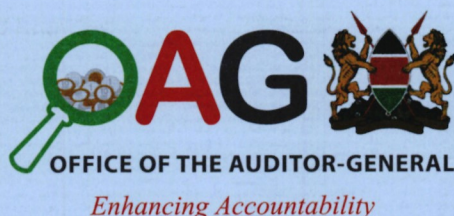
Dr. Evanson Kamuri

Chairman
Board of Management

Member
Board of Management

CEO/Secretary
Board of Management

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON KENYATTA NATIONAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenyatta National Hospital set out on pages 128 to 202, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenyatta National Hospital as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Legal Notice No.109 of 1987.

Basis for Qualified Opinion

1. Unconfirmed Borrowings Balance

As disclosed in Note 37 to the financial statements, as previously reported, the statement of financial position reflects borrowings balance of Kshs.1,199,863,000. The Borrowings relates to a loan received in 2007/2008 from the Kingdom of Spain in form of medical equipment. Review of records indicated that the loan was repayable 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 1 July, 2008. However, interest has not been paid or accrued in the twelve (12) financial years between 2007/2008 and 2019/2020. Further, the accrued interest, loan repayment and loan balance confirmation certificate as at 30 June, 2020 were not provided.

The Management has indicated that it is following up the matter with The National Treasury with a view to converting the borrowing into a grant.

Under the circumstances, the validity, accuracy and completeness of the borrowings balance amounting to Kshs.1,199,863,000 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

2. Inaccuracies in Cash and Cash Equivalents

As disclosed in Note 25 to the financial statements, the statement of financial position reflects cash and cash equivalents balance totalling to Kshs.1,937,317,000. Review of the bank reconciliation statements reflected receipts in the bank that were not recorded in the cashbook totalling to Kshs.5,247,360 and receipts in the cashbook not recorded in the bank statement totalling to Kshs.2,745,590 that were still outstanding as at 30 June, 2020.

Further, the payroll and administration cashbook include a cheque amounting to Kshs.139,090,912. However, a review of the bank statement reflected an amount of Kshs.156,583,664 for the cheques which was debited in the bank account resulting to an unexplained variance amounting to Kshs.17,492,752.

Consequently, the accuracy, completeness and validity of cash and cash equivalents balance of Kshs.1,937,317,000 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

3. Property, Plant and Equipment

As disclosed in Note 25 to the financial statements, as previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.13,029,937,000. The balance includes three (3) parcels of land with a total of 0.763 hectares in Nairobi valued at Kshs.49,000,000 which were excised and allocated to third parties.

The issue was discussed by the Parliamentary Public Investment Committee (PIC), with recommendations that the National Land Commission revoke title deeds irregularly issued to private entities, Ethics Anti-Corruption Commission investigate how the Hospital land was allocated to individuals and that the then Chief Executive Officer be surcharged for any loss that may have been incurred. However, no progress has been made.

Further, as previously reported, the balance includes seven (7) acres of land totalling to Kshs.13,029,937,000 acquired by the Kenya Urban Roads Authority (KURA) in 18 December, 2015 and August, 2016 for construction of Hospital Road and Mbagathi Way Link Road. The Hospital's internal valuation amounted to Kshs.4,219,257,210 and the Authority was to pay compensation of Kshs.1,859,297,000 to the Hospital. However, no compensation had been made as at the time of audit in April, 2021 despite commencement of the road construction.

Consequently, the validity, accuracy, completeness and ownership of the property, plant and equipment balance totalling to Kshs.13,029,937,000 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

4. Receivable from Exchange Transactions

As disclosed in Note 26 to the financial statements, the statement of financial position reflects receivable from exchange transactions balance of Kshs.1,477,994,000. However, the following unsatisfactory matters were noted;

4.1. Receivables from National Hospital Insurance Fund (NHIF)

As previously reported, the medical services receivables balance of Kshs.8,921,102,000 includes an amount of Kshs.903,098,855 due from NHIF while the NHIF financial statements as at 30 June, 2020 reflected a balance of Kshs.91,253,834 thus resulting to an unreconciled variance totalling to Kshs.811,845,021.

4.2. Prepayment - Supply Contracts

The balance includes prepayments totalling to Kshs.352,355,000 out of which an amount of Kshs.31,734,000 related to supply contracts awarded to three firms of Kshs.15,793,000, Kshs.2,213,000 and Kshs.13,728,000. As reported 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 June, 2020. Although the issue has been discussed by the Public Investment Committee, no action has been taken on the recommendations that the three companies be investigated, prosecuted and the then Chief Executive Officer be held accountable for the loss and be surcharged.

4.3. Impairment Allowance

The balance is obtained from a gross balance of Kshs.9,340,844,000 less impairment allowance amounting to Kshs.7,862,850,000 which includes long outstanding debts totalling to Kshs.6,990,141,202 whose recoverability is doubtful.

4.4. Ministry of Health (MOH) Staff Long Outstanding Debts

As reported in the previous year, the balance includes MOH staff rent totalling to Kshs.7,477,924 that has been outstanding for more than one year, and which ought to have been deducted from the payroll through the check-off system and forwarded to the Hospital.

Under the circumstances, the validity, accuracy, completeness and full recoverability of receivable from exchange transactions balance of Kshs.1,477,994,000 reflected in the statement of financial position as at 30 June, 2020 could not be determined.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenyatta National Hospital

Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs.18,543,995,000 and Kshs.16,607,821,000 respectively, resulting to an underfunding amounting to Kshs.1,936,174,000 or 10% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.17,095,420,000 and Kshs.15,737,210,000 respectively, resulting to an underperformance amounting to Kshs.1,358,210,000 or 8% of the budget.

The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular reference No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Receivable from Non-Exchange Transactions

As disclosed in Note 27 to the financial statements, the statement of financial position reflects receivable from non-exchange transactions balance of Kshs.1,182,597,000.

The balance includes staff receivables totalling to Kshs.13,070,000 out of which temporary imprests and staff debtors amounting to Kshs.7,422,563 and Kshs.1,406,054 respectively, have been outstanding for more than one year. This is contrary to Section 93(5) of the Public Finance Management (National Government) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station. Section 93(6) further provides that in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate.

In the circumstance, the Management is in breach of the law.

2. Medical Services Contracts Loss

As disclosed in Note 22 to the financial statements, as previously reported, the statement of financial performance includes medical services contracts loss totalling to Kshs.474,548,000. The following unsatisfactory observations were noted;

2.1. Contracts with National Hospital Insurance Fund (NHIF)

The balance includes loss from the National Hospital Insurance Fund (NHIF) totalling to Kshs.313,268,000. This loss is net of rebate received from the NHIF and the amount the Hospital spent in the treatment of NHIF members. Review of records showed that the Hospital entered into a two years renewable medical service contract with the Fund with effect from 1 August, 2008 to 31 July, 2010. Upon lapse of the two years and based on the renewal clause, the contract was renewed on the same terms with effect from 1st August, 2010. Since the contract provided for continuous engagement between the parties, the Hospital through several letters in years 2013 and 2014 raised concerns on losses incurred due to the unfavorable contracts.

Upon exhausting all the negotiation mechanisms without success, the Hospital Management sought to discontinue the loss-making contract. The intent to discontinue services to NHIF members was communicated to NHIF and the Ministry of Health in the Month of April, 2014. NHIF responded on the same in the same month of April, 2014 where by NHIF explained its inability to increase the rebate that had been coupled with litigations causing delayed adjustment of premiums. Subsequently the hospital was directed by the Ministry of Health on 30 May, 2014 to continue offering the services on the same terms despite making losses.

The Management continued to engage the NHIF and the Ministry of Health on the loss-making contracts in the year 2016. Although a renegotiated contract signed on 21 March, 2019 has enhanced the number of claimable services which will have a positive effect on the annual losses, the loss incurred during the year is still significant.

Consequently, the Hospital will continue to incur losses if the reimbursable amounts are not reviewed.

2.2. Free Maternity Program

As previously reported, the balance includes an amount of Kshs.161,280,000 relating to loss on free maternity program offered by the Hospital. This follows directive from the Cabinet Secretary, Ministry of Health which communicated the decision of the Government to reimburse an amount of Kshs.17,500 for every delivery. However, the Hospital being a referral hospital receives complicated maternal referrals and as a result, the costs are higher and the reimbursable amount of Kshs.17,500 per delivery has remained the same despite the high costs.

Consequently, the Hospital has continued to bear the high cost on free maternity program which have impacted negatively on the overall performance.

3. Trade and Other Payables from Exchange Transactions

As similarly reported in 2018/2019, as disclosed in Note 26 to the financial statements, the statement of financial position reflects the trade and other payables from exchange transactions balance of Kshs.1,533,408,000. The balance includes balances totalling to Kshs.60,500,440 that have been outstanding for more than twelve (12) months. No explanation has been provided for failing to clear these long outstanding account payables.

In the circumstances, I am unable to confirm whether Management effectively used public resources by accumulating trade and other payables from exchange transactions totalling to Kshs.60,500,440 as at 30 June, 2020.

4. Defined Benefit Pension Scheme Deficit

As disclosed in Note 36 to the financial statements, the statement of financial position reflects net defined benefit scheme balance of Kshs.8,771,990,000 which was to be paid by the Hospital as Scheme Sponsor. The Hospital has been requesting for funding of the deficit through the budgetary process and in the last four years from 2015/16 to 2019/20, an amount of Kshs.100,000,000 per year has been allocated and subsequently disbursed to the scheme. However, the allocation per year towards the scheme deficit is not sufficient as it will take over eighty-seven (87) years to bridge the deficit and by which time most of the beneficiaries will have retired.

In the circumstances, I am unable to confirm whether the benefit scheme is prudently managed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Long Outstanding Debts

As disclosed in Note 26 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of Kshs.1,477,994,000. The balance includes receivables totalling to Kshs.71,410,322, Kshs.95,658,100, Kshs.3,286,110 and Kshs.774,761,257 for National Hospital Insurance Fund (NHIF) rebate, Ministry of Health disaster debts, return to drawer (RD) cheques and absconded patients' debts respectively. Further, the balance includes rental receivables balance of Kshs.36,282,000 includes MOH staff rent totalling to Kshs.7,477,924 that has been outstanding for more than one year, and which ought to have been deducted from the payroll through the check-off system and forwarded to Kenyatta National Hospital

Under the circumstances, I am unable to confirm existence of effective mechanisms of debt management by the Hospital.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue to sustain its services, disclosing, as applicable, matters

related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7 (1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs.

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

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

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

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

- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

04 February, 2022

Statement of Financial Performance**For the Year Ended June 30, 2020**

		2020 Kshs.'000'	2019(Restated) Kshs. '000'
Revenue	Note		
Revenue from non-Exchange transactions			
Grants from National Government	6	10,263,141	7,460,988
Donor funded projects grants	7	256,689	250,759
Public contributions and donations	8	9,434	4,740
Total Revenue from non-exchange transactions		10,529,264	7,716,487
Revenue from exchange transactions			
Rendering of services	9	5,861,430	5,701,549
Sale of Goods	10	2,006	2,213
Rental revenue from facilities	11	130,512	130,565
Interest income	12	84,609	26,638
Total revenue from exchange transactions		6,078,557	5,860,965
Total revenue		16,607,821	13,577,452
Expenses			
Clinical costs	13	2,293,220	2,002,534
Employee costs	14	11,575,384	13,505,106
Board of management expenses	15	26,694	19,486
Depreciation and amortization	16	692,012	553,903
Repairs and maintenance expenses	17	338,781	283,771
Administrative and general expenses	18	554,430	585,727
Donor funded projects expenses	19	256,689	250,759
Total expenses		15,737,210	17,201,286
Other (gains)/losses			
(Gain)/loss on sale of fixed assets	20	2,874	
Impairment loss	21	872,577	459,978
Medical service contracts loss	22	474,548	337,262
Net Actuarial (Gain)/Loss	23	358,383	(415,863)
Foreign exchange transactions (gain)/loss	24	(439)	(220)
Total Other (gains)/losses		1,707,943	381,157
Deficit for the year		(837,332)	(4,004,991)

The notes set out on Pages 135-177 forms an integral part of these Financial Statements.

Statement of Financial Position**As at June 30, 2020**

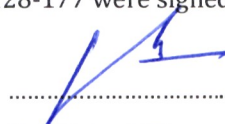
	Note	2020 Kshs. '000'	2019 (Restated) Kshs. '000'
Assets			
Current assets			
Cash and cash equivalents	25	1,937,317	287,055
Receivable from exchange transactions	26	1,477,994	2,039,874
Receivable from non- exchange transactions	27	1,182,597	685,328
Inventories	28	708,362	461,549
Total current assets		5,306,270	3,473,806
Non-current assets			
Property, plant and equipment	29	13,029,937	11,144,479
Intangible assets	30	-	-
Total non-current assets		13,029,937	11,144,479
Total assets		18,336,207	14,618,285
Liabilities			
Current liabilities			
Trade and other payables	31	1,533,408	2,272,976
Deposits from customers	32	74,480	52,724
Provision for leave pay	33	162,249	122,752
Deferred income	34	1,504,538	235,362
Total current liabilities		3,274,675	2,683,814
Non-current liabilities			
NSSF Arrears	35	214,830	238,830
Net Defined Benefit Liability	36	8,771,990	7,500,253
Borrowings	37	1,199,863	1,199,863
Finance Lease Liability	38	10,237	-
		10,196,920	8,938,946
Total liabilities		13,471,595	11,622,760
Net assets			
Capital reserves	39	9,367,825	6,661,406
Accumulated fund	40	(13,273,882)	(12,436,550)
Revaluation reserve	41	8,770,669	8,770,669
Total net assets and liabilities		18,336,207	14,618,285

The Financial Statements set out on pages 128-177 were signed on behalf of the Board of Management by:



Dr. Evanson Kamuri
Chief Executive Officer

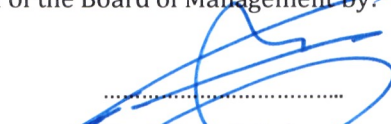
Date... 03/06/2021



Mr. Michael Kihuga
Director, Finance

ICPAK No. 3884

Date... 03.06.21



Mr. George O. Ooko
Chairman of the Board

Date... 03/06/2021

Statement of Changes in Net Assets (Restated)
For the Year Ended June 30, 2020

	Capital Reserve	Accumulated Fund	Revaluation Reserve	Total
Note	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'
Balance as at 1 July, 2018	5,721,206	(3,276,527)	8,957,247	11,401,926
Decrease in land	(3,954)		(186,578)	(190,532)
Development	944,154			944,154
Restatement due to DC pension scheme Recognition	43(1)	(3,937,971)		(3,937,971)
Restatement due to Change in Depreciation method from reducing balance to straight method	43(2)	(1,217,061)		(1,217,061)
Deficit for the year ended June 30,2019 (Restated)		(4,004,991)		(4,004,991)
Balance as at June 30, 2019	6,661,406	(12,436,550)	8,770,669	2,995,525
Balance as at July 1,2019	6,661,406	(12,436,550)	8,770,669	2,995,525
Development grant	2,706,419			2,706,419
Deficit for the year ended June 30,2020		(837,332)		(837,332)
Balance as at June 30, 2020	9,367,825	(13,273,882)	8,770,669	4,864,612

Statement of Cash Flow
For the Year Ended June 30, 2020

	Note	2020 Kshs. '000'	2019 Kshs. '000'
Cash flows from operating activities			
Receipts			
Grants from National Government		10,544,565	6,914,188
Rendering of services		1,132,758	971,952
Accounts receivable		3,891,741	3,164,384
GoK Receivable		546,800	
Deposits from customers		344,194	623,262
Donor funded projects grants		261,824	245,836
Doctors' fee		131,177	92,541
Total Receipts		16,853,059	12,012,163
Payments			
Employees costs		10,153,059	9,073,695
Goods and services		3,528,289	2,109,103
Tax remittance		135,650	2,613
Board of Management expenses		14,483	19,560
Donor funded projects expenses		255,412	251,411
Refund to donor		-	4,341
Patients deposit refunds		30,617	15,951
Doctors' fee		579,109	430,532
Total payments		14,696,619	11,907,206
Net cash flows from operating activities		2,156,440	104,957
Cash flows from investing activities			
Purchase of property, plant and equipment		(941,286)	(754,207)
Interest income		84,388	26,607
Proceeds from sale of fixed assets		480	
Foreign exchange gain /(loss)		-	220
Net cash flows used in investing activities		(856,418)	(727,380)
Cash flows from financing activities			
Capital grant		350,240	40,000
Development partner grant		-	18,000
Net cash flow from financing activities		350,240	58,000
Net decrease in cash and cash equivalents		1,650,262	(564,423)
Cash and cash equivalents at July 1		287,055	851,478
Cash and cash equivalents at June 30		1,937,317	287,055

**Statement of Comparison of Budget and Actual Amounts
For the Year Ended June 30, 2020**

	Original Budget		Adjustment		Final Budget		Actual Cumulative		Performance Variance		% Variance	Note
	2019/20 Kshs. '000'		2019/20 Kshs. '000'		2019/20 Kshs. '000'		2019/20 Kshs. '000'		2019/20 Kshs. '000'			
Revenue												
Grants from National Government	8,203,964		3,796,984		12,000,948		10,263,141		(1,737,807)		14%	a
Donor Funded Projects Grants	162,916		98,909		261,824		256,689		(5,136)		2%	
Public contributions & donations							9,434		9,434			
Rendering of services	5,777,509		350,395		6,127,904		5,861,430		(266,474)		4%	
Sale of Goods	2,272		95		2,368		2,006		(362)		15%	b
Rental revenue	112,648				112,648		130,512		17,864		16%	c
Interest income	12,762		25,541		38,303		84,609		46,306		121%	d
Total Income	14,272,071		4,271,924		18,543,995		16,607,821		(1,936,175)		10%	
Expenditure												
Clinical Costs	2,064,062		1,594,152		3,658,214		2,293,220		(1,364,994)		37%	e
Employee Costs	9,939,024		1,679,045		11,618,069		11,575,384		(42,685)		0%	
Board Expenses	40,060		(5,333)		34,727		26,694		(8,033)		23%	f
Depreciation and amortization	416,862		76,806		493,668		692,012		198,344		40%	g
Repairs and maintenance	358,318		(17,047)		341,271		338,781		(2,490)		1%	
Administrative & General expenses	652,459		35,188		687,647		554,430		(133,217)		19%	h
Donor funded Projects expenses	162,916		98,909		261,824		256,689		(5,135)		2%	
Total Recurrent Expenditure	13,633,701		3,461,720		17,095,420		15,737,210		(1,358,210)		8%	
Other (gains)/losses												
Sale of asset							2,874		2,874			
Impairment Loss	301,424		718,091		1,019,515		872,577		(146,938)		14%	i
Medical service contracts Loss	336,946		92,114		429,060		474,548		45,488		11%	j
Net Actuarial Gain/Loss							358,383		358,383			
Foreign Exchange							(439)		(439)			
Total Other (gains)/losses	638,370		810,205		1,448,575		1,707,943		259,368		18%	
Surplus/(Deficit) for the period							(837,332)		(837,332)			

Explanation of Material Variances of Budget vs. Actual

a) GoK Grants

The underabsorption of the GoK grant by 14% is as a result of funds received at the end of the financial year and will be utilized in the new financial year.

b) Sale of Goods

The unfavorable variance 15% against budget is due to reduced sales of pigswill, sale of stores and sale of tender documents during the period under review. This is as a result of restricted movement due to the COVID-19 pandemic.

c) Rental Revenue from facilities

The favorable variance of 16% is attributed to efficient management of leased properties in the hospital.

d) Interest Income

The favorable variance recorded in interest income is attributed to amount received, which was higher as compared to the projection made during budgeting. The amount received in the 4th Quarter include grants received from GOK relating to KNH-Othaya Hospital, IDU in Mbagathi Hospital and Development grant of Kshs 375 million, Kshs. 150 million and Kshs 350.2 million respectively. The hospital liquidity position therefore improved hence additional interest earned.

e) Clinical Costs

The unfavorable variance of 37% against budget is due to delayed budget confirmation for the FY 2019/2020 by the National Treasury, reduced hospital activities that was caused by the effect of COVID-19 pandemic in the 3rd and 4th quarter and irregular supply of stocks from KEMSA for identified items.

f) Board of Management Expenses

The 23% variance is as a result of the activities budgeted during the period that were not undertaken due to the COVID-19 pandemic.

g) Depreciation & Armotization

During the financial year, the hospital changed its depreciation method from Reducing to Straight line and also acquired new assets, thus the unfavourable variance of 40%.

h) Administrative and General Expenses

The variance of 19% in administrative and general expenses is attributed to low activities owing to delays in the procurement process and signing of medical service contracts.

i) Impairment Loss

This relates to the indigent cases that are provided medical care services but are unable to settle the medical bills on discharge. The indigent patients are released on unsecured credit and their bills have been fully provided for as doubtful debts. The amount was below budget due to the decreased number of the indigent cases attributed to the reduced number of patient visits and admissions to the hospital as the hospital was upholding the social distancing measures during the COVID-19 pandemic.

j) Medical Service Contract Loss

The unfavorable variance of 11% is as a result of increased number of patients who use the NHIF cards as a mode of payment due to the increased awareness of the benefits of the cards and the free maternity services available in the hospital and the contract does not allow any co-payment when the rebate is lower than the invoice cost. However, hospital is in the process to renegotiating the terms of the NHIF contract with a view of having the Hospital benefit or minimize the losses arising from NHIF.

Explanation of changes between original and final budget

Due to COVID-19 interruption of normal business, utilization of funds could not occur as earlier planned whereas others required additional funding to cater for emerging needs. The hospital's budget implementation committee reviewed the budget lines and reallocated funds from one vote to another based on need but without affecting the overall approved budget.

Notes to the Financial Statements

1. General information

Kenyatta National Hospital is established through legal notice No 109 of 6th April 1987 and derives its authority from State Corporations Act. The hospital is wholly owned by the Government of Kenya and is domiciled in Kenya.

2. Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Hospital’s accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the notes to financial statements.

The financial statements have been prepared and presented in Kenya shillings, which is the functional and reporting currency of the hospital. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of new and revised standards

i. Relevant new standards and amendments to published standards effective for the year ended June 30, 2020

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2020 There was no amalgamation or acquisition during the year under review and therefore this standard is not relevant to the Hospital.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

IPSAS 41: Financial Instruments	Applicable: 1st January 2022: This standard is relevant to the Hospital and will be applied effective financial ending June 30, 2022. Classification, recognition and measurement of cash, accounts receivables, accounts payable and borrowings will change in line with the requirements in the new standard. In addition, the impairment loss on accounts receivables will significantly change given the requirements of this standard.
--	--

IPSAS 42: Social Benefits	Applicable: 1st January 2022: The Hospital does not operate any social benefits schemes and therefore this standard is not relevant to the Hospital.
-------------------------------------	---

iii. Early adoption of standards

The hospital did not early – adopt any new or amended standards in year 2020.

4. Summary of significant accounting policies

The principle accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Revenue recognition

i. Revenue from non-exchange transactions

Grants from National Government

Recurrent grants from the Government are recognized in the statement of financial performance on a systematic basis over the periods in which the grants are intended to compensate. Recurrent grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Hospital with no future related costs are recognized in the statement of financial performance in the period in which they become receivable.

Development grants whose primary condition is that the Hospital should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to capital reserve on completion/acquisition.

Donor funded projects grants

Grants received for donor funded projects are recognized in statement of financial performance on a systematic basis over the periods in which the grants are intended to compensate, only to the extent of expenditure incurred during the year. Grants not utilized are recognized as deferred income in the statement of financial position.

Public contributions and donations

Cash donations: Income from endowments, donations, research grants and other similar services rendered are recognized when received and included only to the extent of expenditure incurred during the year.

Donations in-kind: The revenue from donations in kind is measured at fair value and recognized on obtaining control of the asset (goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits (including cost saving from the donation) or service potential related to the asset will flow to the hospital and can be measured reliably. On initial recognition, gifts and donations including goods in-kind (tangible

assets) are measured at their fair value as at the date of acquisition, which is ascertained by reference to an active market or by appraisal by a member of the valuation profession.

ii. Revenue from exchange transactions

Rendering of services

The hospital recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to the costs that reflect services performed. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Rental Revenue from Facilities

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

Interest income

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

b) Budget information

The original budget for financial year 2019/2020 was approved by the Board of Management on 8th October 2019. Subsequent revisions and additional appropriations were made to the approved budget in accordance with specific approvals from the Board of Management and Ministry of Health.

The annual budget is prepared on the accrual basis. 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 are no basis, timing or Hospital differences that would require reconciliation between the actual comparable amounts and the budget amounts are presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and

impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, 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 uses revaluation model for measurement of property, plant and equipment after initial recognition. The Hospital derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when asset is de-recognized.

Land is not depreciated. Depreciation on other assets is calculated on a straight line basis to write off the cost of each asset, or the revalued amount, to their residual values over the estimated useful life. The annual rates used for each class of assets are:

Buildings	2.5%	Tractors	37.5%
Plant & Machinery	12.5%	Computers, copiers	33.3%
Furniture and Fittings	12.5%	Medical Equipment	12.5%
Motor Vehicles	25%	Intangible Assets	30%

d) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the Hospital. All other leases are classified as operating leases.

Finance Lease

Assets held under finance lease are capitalized 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 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 finance lease is depreciated over the useful life of the asset.

Operating Lease

Operating lease payments are recognized as an expense on straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

e) Intangible assets

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

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

f) Financial instruments Financial assets

Financial Assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Hospital determines the classification of its financial assets at initial recognition.

Accounts receivables

Accounts receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at the fair value less impairment. Losses arising from impairment are recognized in the surplus or deficit.

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 that can be reliably estimated.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at fair value through surplus or deficit. The Hospital determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of borrowings, plus directly

Loans and borrowings

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.

g) Inventories

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

h) Provisions

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

i) Nature and purpose of reserves

The reserves maintained by the hospital include;

Capital reserve

Capital reserve relates to the initial value of property, plant and equipment the Board of Management inherited from the Ministry of Health when KNH became a State Corporation. Capital grants received from the National Government are treated as addition to the capital reserve. Movements in the capital reserve are shown in the statement of changes in net asset.

Revaluation reserve

Revaluation reserve arises on revaluation of property, plant and equipment. When revalued property, plant and equipment are disposed, the portion of revaluation reserve that relates to the asset is transferred directly to revaluation reserve. Movements in the revaluation reserve are shown in the statement of changes in net assets.

Accumulated Fund

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

j) 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.

k) Employee benefits Retirement benefit plans

The Hospital operates the following employee benefits retirement plans:

i. Retirement benefits

The Hospital operates a defined pension scheme and defined contributions pension scheme. Payments made by the Hospital to defined contribution pension scheme are recognized as an expense when employees have rendered service entitling them to the contributions.

In the case of defined benefit pension scheme, actuarial valuation of the scheme is carried out at the end of the financial year. The cost of providing benefits is determined using the projected unit credit method. Re-measurements, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on scheme assets (excluding

interest), is reflected in the statement of financial position with a charge or credit recognized in the other gains/losses in the period in which they occur. Re-measurement recognized in other gains/losses is reflected in surplus/deficit.

Past service cost is recognized in surplus or deficit in the financial year of scheme amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and re-measurement.

The Hospital presents current service cost and past service cost in the statement of financial performance in the line item Pension cost – defined benefit scheme (included in employee costs). Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the statement of financial position represents the actual deficit or surplus in the Hospital's defined benefit scheme. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in the future contributions to the plans.

ii. National Social Security Fund (NSSF)

This is a statutory defined contribution pension scheme in which the Hospital and employees contribute equal amounts. The hospital's contribution is expensed in the respective year in which its made.

iii. Other entitlements

The monetary benefits for employees accrued annual leave entitlement as per the Hospital policy at end of the financial year are recognized as a provision.

l) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

m) 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.

n) Related parties

The hospital regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the hospital, or vice versa. Members of key management are regarded as related parties and comprise the Hospital Board of Management, and the Executive management made up of the Chief Executive Officer, Senior Directors, and Directors.

o) Cash and cash equivalents

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

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

5. Significant judgements and sources of estimation uncertainty

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

i. Estimates and assumptions

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

ii. Actuarial valuation of defined benefits scheme

The asset or liability due under the defined benefit scheme is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

iii. Useful lives and residual values

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

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

iv. Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Provisions made by the management include:

Provision for Bad Debts

A debt is deemed impaired if, and only if, there is objective evidence that the recoverability of that debt is doubtful. Indigent patients who are unable to settle their medical bills upon clinical discharge are allowed home on unsecured credit, and since the payment of these debts are highly doubtful, they are provided for as bad and doubtful.

Provision for leave Pay

The provision for leave pay has been calculated based on the leave entitlement due to staff at year end adjusted for; experience adjustment in relation to the forfeiture of leave and leave taken trends and salary scales applicable at the time of realization of leave by employees.

6 Grant from National Government	2020	2019
Transfers from Ministry of Health	Kshs. '000'	Kshs. '000'
Recurrent grants		
Recurrent grant received	10,544,565	6,914,188
Recurrent grant receivable (see note 27)	1,046,795	546,800
Sub-total	11,591,360	
Drawings from KEMSA	312,522	
Direct payments made by MoH	163,827	
Sub-total	12,067,709	
Recurrent grant deferred (see note 34)	(1,239,134)	
Grant utilized for capital items (recognized under capital reserve)	(565,435)	
Recognized in statement of financial performance	10,263,141	7,460,988
Capital grants recognized in capital reserve (see note 39)	2,706,419	944,154

GoK Recurrent Grant

During FY 2019/20, the Hospital was allocated recurrent grant to meet employee costs, COVID – 19 pandemic costs and KNH-Othaya operation and maintenance costs. The total grants allocated amount to Kshs. 11,591,360 out of which Kshs. 10,544,565,051 was received by June 30, 2020 and Kshs. 1,046,795,000 received in the month of July 2020.

In addition, the Hospital was allocated drawing rights from KEMSA of Kshs. 975 million of which the Hospital drew Kshs. 312,522,061 as at June 30, 2020.

Out of the recurrent grants allocated, Kshs. 1,239,133,725 was deferred for utilization in FY 2020/21 and Kshs. 565,434,635 utilized to purchase medical equipment and therefore has been capitalized and reported in the statement of net assets (under capital reserves).

GoK Capital grant

During the FY 2019/20, the hospital received capital grants totaling to Kshs 2,706,419,000 in form of cash, equipment and buildings as tabulated below:

Purpose	Grant Type	Amount
Daycare centre Equipping	Cash	50,000
Construction of Cancer Treatment Centre	Cash	125,000
Conversion of Daycare to COVID 19 ward	Cash	140,000
Burns & Padeatric Management Centre	Cash	175,240
Equipment for COVID-19 emergency preparedness	cash	86,492
Equipment for Mbagathi IDU – COVID -19 Centre	cash	88,943
Construction of key Infrustructure in KNH - Othaya	cash	250,000
GoK Managed Medical equipment services project	Equipment	260,200
GoK Managed Medical Equipment Services Project	Building	205,000
Burns & Padeatric Management Centre	Direct payments made by Financiers (OFID, SFD & BADEA)	205,247
KNH- Othaya capital items taken over by KNH	Buildings and equipment	1,120,297
Total GoK Capital Grants		2,706,419

	2020	2019
	Kshs. '000'	Kshs. '000'
7 Donor funded projects grants		
AGYW Study	12,652	4,602
AMR Study	1,174	587
aPS-Modified Assisted Partner Study	1,193	-
Breast Cancer Chemo Study	352	139
Cancer Centre Support project		4,453
Drip Assist Study	9,989	
Etrot study		585
GIRL study	4,592	5,726
HIV Cascade Training Program	1,644	1,669
HIV-TB Study	5,296	
Innovations Maker Project	1,316	9,451
ITIPS(Micro bacterium TB infection) study	2,250	5,309
KCV-HIV	5,944	3,414
M Health Study	15,290	20,509
Micro biota& Preterm Birth study	5,946	6,649
MITIPS study unit	6,670	4,149
Mobile WACH NEO RCT	9,032	
mPACT Study	5,042	1,807
Mwach neo study		2,790
NPEP Study	859	681
Opt study	498	3,689
Opt-home study		2,486
PACT-COE project	67,004	87,268
Partners in prevention study	3,816	2,089
Patient navigation programme	16,946	10,400
Peck study		2,677
Prima study	44,520	46,595
Prima-X Study	2,423	-
Sharp study	15,794	11,969
Step up study	282	1,020
TES-NES Efficacy study	13,188	5,257
Vijana smart study	906	2,366
YES Study	2,071	2,423
Total Donor funded projects grants	256,689	250,759

	2020 Kshs. '000'	2019 Kshs. '000'
Conditional grants reconciliation (note 46)		
Balance unspent at beginning of year	79,147	88,410
Refund to donor	-	(4,341)
Current year receipts	261,824	245,836
Conditions met- transferred to revenue	(256,689)	(250,759)
Conditions to be met Liabilities	84,282	79,147

8 Public contributions and donations

General donations		
Donation in kind	9,434	4,740
Total Public contributions and donations	9,434	4,740

General donations are contributions received from the public in form of cash. Donations in kind are fixed assets in nature and the amount recognized in the statement of financial performance is the amortized value while the net book value is deferred to be earned over the life of the assets.

9 Rendering of services

a) Medical services revenue

Accident and emergency services fee	70,099	163,689
Anesthesia services fee	24,444	22,975
Burns unit services fee	20,508	21,610
Cancer centre services fee	190,843	201,096
Cardiology services fee	131,089	92,569
Comprehensive care centre fee	1,110	1,489
Critical care unit services fee	71,393	72,946
Dental services fees	54,306	34,216
Ear nose & throat services fee	70,697	87,945
Farewell home services fee	99,330	80,918
General surgery services fee	161,020	172,128
Health information services charges	57,575	68,277
Laboratory services fee	517,062	479,715
Medical gases income	120,195	140,473
Corporate outpatient consultation fee	32,077	42,244
Medicine services fee	288,098	293,699
Nursing procedures and consumables fee	208,752	191,974
Nutrition services fee	71,223	71,309
Occupational therapy services fee	33,764	38,518

Annual Report and Financial Statements for the Year Ended June 30, 2020

	2020	2019
	Kshs. '000'	Kshs. '000'
Ophthalmology services fee	32,156	38,941
Orthopedics services fee	249,945	266,622
Orthopedic technology unit services fee	4,543	5,955
Outpatient Consultations – Othaya	2,419	
Paediatrics services fee	382,105	408,100
Pharmaceutical services fee	914,910	857,631
Physiotherapy services Fee	69,025	69,927
Plastic surgery services fee	61,876	71,174
Prime Care Centre in-patient fee	272,416	296,731
Radiology services Fee	365,844	307,883
Renal unit services fee	94,925	103,641
Reproductive health services fee	373,369	383,682
Sale of theatre services consumables	320,779	208,264
Theatre services fee	219,205	182,934
TSSU/ CSSD services fee	57,442	36,265
Other medical services fee	43,939	48,867
Total medical services revenue	5,688,483	5,564,407

b) Administrative services revenue

Administration charges	120,606	94,521
Nursing School fee	29,028	25,867
Seminars and training	14,415	16,754
Parking Fee	8,898	-
Total administrative services revenue	172,947	137,142

Total rendering of services revenue

5,861,430	5,701,549
------------------	------------------

Other medical services fee includes: endoscopy fees, palliative care income, mental health services fees, catering services income, respiratory infectious diseases services fee and public health services income

10 Sale of goods

Sale of stores	1,477	1,301
Tender documents	468	496
Pigs will	61	416
Total sale of goods revenue	2,006	2,213

	2020 Kshs. '000'	2019 Kshs. '000'
11 Rental revenue from facilities		
Residential properties	99,522	98,442
Commercial properties	30,990	32,123
Total rental revenue	130,512	130,565
12 Interest income		
Bank interest	84,388	26,381
Interest on short term deposits	221	257
Total interest income	84,609	26,638
13 Clinical costs		
Cardiology materials	37,690	8,618
Cleansing materials	37,673	29,827
Covid -19 Patient Bills	35,296	
Dental materials	3,971	6,685
Dressing & Appliances	96,173	
Enteral and nutrition feed	32,955	30,279
Health information stationery	4,265	6,953
ICU Materials	39,156	
Laboratory chemicals and reagents	203,577	196,351
Medical gases	209,279	133,565
Orthopedics materials	16,078	1,215
Patients food	226,229	189,314
Patients uniform and clothing	41,358	37,455
Pharmaceutical supplies	655,013	630,994
Radiology material and chemicals	65,078	46,227
Renal materials	56,389	61,361
Obs & Gyne consumables	1,087	7,499
Stock change	(120,601)	42,816
Surgical consumables	283,039	184,843
Sutures	236,334	233,377
UHC Patient Bills	64,802	
Waste disposal expenses	5,929	5,314
Other clinical costs	62,450	149,841
Total Clinical Costs	2,293,220	2,002,534

Other clinical costs include: purchase of crockery & cutlery, insecticide & rodenticides, , laundry detergents, radiotherapy materials, physiotherapy materials, ENT consumables, occupational therapy materials, ophthalmology materials, paediatric consumables, orthopaedic technology materials, farewell home consumables, clinical outreaches, SPU materials, infection control materials and tailoring materials.

14 Employee costs

	2020	2019
	Kshs. '000'	Kshs. '000'
Pension Cost - DC Scheme	224,236	239,327
Pension Cost - DB Scheme	1,202,406	4,122,312
NSSF Contributions	13,535	-
Insurance premiums	95,051	61,824
Pension administrative costs	8,868	9,404
Pension Arrears	-	100,000
Provision for leave pay (see note 33)	39,497	(1,402)
Salaries and wages	9,543,344	8,590,513
Staff medical expenses	345,083	269,600
Staff training and development	69,104	85,382
Staff welfare expenses	7,729	3,657
Travelling and accommodation	26,531	24,489
Total Employee costs	11,575,384	13,505,106

15 Board of management expenses

Sitting allowance	6,380	4,600
Accommodation allowance	2,675	2,002
Chairman honoraria	960	839
Chief Executive Officer salary	9,955	9,844
Mileage	2,236	852
Airtime	84	73
Insurance	823	490
Training	3,581	786
Total Board of Management expenses	26,694	19,486

	2020 Kshs. '000'	2019 Kshs. '000'
16 Depreciation and amortization		
Property, plant and equipment	692,012	551,018
Intangible assets	-	2,885
Total depreciation and amortization	692,012	553,903
17 Repair and maintenance expenses		
Buildings	194,568	106,549
Medical equipment	67,222	64,492
Motor vehicle running expenses	11,709	16,930
Office equipment	10,005	5,829
Plant and machinery	55,277	89,971
Total repair and maintenance expenses	338,781	283,771
18 Administrative and general expenses		
Audit Fees	4,600	4,048
Bank Charges	6,965	4,257
Boiler Fuel Expenses	100,481	118,286
Cleaning Services	36,296	28,979
Clearing And Forwarding Expenses	1,204	370
Computer Consumables	32,334	27,194
Electricity Expenses	139,240	127,246
Ethics & Research	1,560	-
General Insurance Premiums	7,008	6,228
Interest On Finance Lease	696	-
Legal Expenses	5,468	17,229
Marketing & Communication	13,431	11,192
Outsourced Security	39,104	-
Quality Assurance Expenses	1,596	8,523
Research And Development Expenses	9,478	12,476
Security Investigation Expenses	7	29,143
Sports Activities	8,631	9,741
Staff Uniform	5,396	8,492
Stationery	13,614	6,082
Tax Expenses	8,995	3,651
Telephone Expenses	9,473	7,066
Water And Conservancy Expenses	80,950	74,254
Other Administrative Expenses	27,903	81,270
Total administrative and general expenses	554,430	585,727

Other administrative expenses include: internet services, fire & safety expenses, corporate branding, tender committee allowances, seminars and workshops for senior management, corporate governance, corruption prevention committee expenses, chaplaincy materials, purchase of accountable documents, preparation of financial statements expenses, budget preparation expenses, corporate affairs and communication expenses and nursing school expenses.

19 Donor funded Projects expenses

	2020 Kshs. '000'	2019 Kshs. '000'
AGYW Study	12,652	4,602
AMR Study	1,174	587
aPS Modified - Salaries	1,193	
Breast Cancer Chemo Study	352	139
Cancer Center Support		4,453
DRIP STUDY	9,989	
Etrot study		585
Girl study	4,592	5,726
HIV Cascade Training Program	1,644	1,669
HIV-TB Study - Salaries	5,296	
Innovation Maker Project	1,316	9,451
ITIPS(Micro bacterium TB Infection)	2,250	5,309
KCV-HIV	5,944	3,414
M Health study	15,290	20,509
Micro biota(PBSP) study	5,946	6,649
Mitips Study	6,670	4,149
Mobile WACH NEO RCT- Salaries	9,032	
mPACT Study	5,042	1,807
Mwach Neo Study		2,790
NPEP Study	859	681
Opt study	498	3,689
Opt-Home study		2,486
PACT-COE project	67,004	87,268
Partners in Prevention study	3,816	2,089
Patient Navigation programme	16,946	10,400
Peck study		2,677
Prima study	44,520	46,595
PrIMA-X Salaries	2,423	
Sharp study	15,794	11,969
Step Up study	282	1,020

	2020 Kshs. '000'	2019 Kshs. '000'
Tes-Nes study	13,188	5,257
Vijana Smart study	906	2,366
YES Study	2,071	2,423
Total donor funded projects expenses	256,689	250,759

20 (Gain)/ Loss on sale of fixed assets

Cost of assets disposed	9,015	
Accumulated depreciation	(5,561)	
Net book value of assets disposed	3,454	
Less: Sale proceeds on assets disposal	(580)	
(Gain)/Loss on sale assets	2,874	

21 Impairment loss

Receivables from exchange transactions	872,577	458,965
Staff receivables		1,013
Total Impairment loss	872,577	459,978

The impairment loss relates to provision for bad and doubtful debts on account receivables. Some of the patients who are referred for specialized health care are underprivileged and upon clinical discharge are unable to settle their medical bills. These patients are released from the hospital on unsecured credit based on a commitment to settle their bills in the future. Efforts to collect the due receivables from this category of patients are largely fruitless. Further, deceased patients whose bodies are not claimed by relatives are disposed as per Public Health Act. Consequently, a provision for bad and doubtful debts has been made for the impaired receivables **(see note 26)**.

The impairment allowance on staff receivables relate to long outstanding imprests issued to employees but not accounted for because the staff left KNH service through death, dismissal, resignation or retirement and no individual benefits are owed to them by the hospital.

22 Medical service contracts loss

	2020 Kshs. '000'	2019 Kshs. '000'
Contracts with NHIF	313,268	169,141
Free maternity Program	161,280	168,121
Sponsored Clinical Projects	0	
Total medical service contracts loss	474,548	337,262

Contracts with NHIF

A contract exists between the Hospital and NHIF (Fund) whereby the Hospital provides medical services to the Fund members and in return the Fund compensates the Hospital according to the applicable package as listed below:

- a) Inpatient daily rebate of Kshs. 4,000 (comprehensive cover).
- b) Re-imburement for surgical procedures are based on pre-determined packages for which pre-authorization by the Fund is given before a procedure is done.
- c) Radiology services i.e. C.T Scan, M.R.I and ultrasound at Kshs. 8,000, Kshs. 15,000 and Kshs. 3,000 respectively.
- d) Renal dialysis at Kshs. 9,500
- e) Chemotherapy and radiotherapy services reimbursed at the cost upon prior approved by the Fund

The NHIF loss arises where the medical cost incurred on a patient who is a contributor to the Fund is greater than the rebate reimbursed by the Fund based on the existing medical service contracts.

Linda Mama Program loss

This loss has been occasioned by free maternity services offered by the hospital under presidential directive in June 2013, which was aimed at ensuring that all mothers deliver in a health facility under the care of a skilled health worker. Under this plan the Government reimburses the Hospital Kshs. 17,500 per delivery. KNH being a referral hospital however receives complicated maternal referrals for specialized care services such as renal dialysis, critical care services and neonatal care the medical cost of which is way above Kshs. 100,000. This is further complicated in cases where the actual delivery occurred and was recorded in another health facility other than KNH but only referred to KNH for specialized care, while the hospital attends to such cases, no payment is received from the Government.

With effect from July 2017, the Government transferred the Free Maternity programme to NHIF under Linda Mama Programme. While Linda Mama programme still reimburses the Hospital Kshs. 17,500 per delivery, the package has now been enhanced so that in case of complication the Hospital is allowed to claim normal rebate rate of Kshs. 4,000 per day in addition to the Kshs. 17,500.

Sponsored Clinic Projects

Clinical projects are conducted to address gaps in usual clinical service provision. This is carried out by the hospital clinicians in collaboration with both local and international partners. The hospital undertakes these initiatives with a view of impacting positively in the care of patients. The patients are normally asked to pay a fixed amount to benefit under these projects which in most cases are lower than the actual medical costs.

	2020 Kshs. '000'	2019 Kshs. '000'
23 Actuarial Gain/Loss		
Net actuarial losses(gains) and experience adjustments	160,988	(924,266)
Actual return on assets less implied return included in net interest costs	197,395	508,403
Net Actuarial Gain/Loss	358,383	(415,863)
24 Foreign exchange transactions (Gain)/loss		
(Gain)/loss on exchange rate on dollar bank account	(439)	(220)

The gain on exchange rate for dollar bank account is the exchange difference as a result of the ruling rate as at June 30, 2020.

25 Cash and cash equivalents		
Current accounts	1,927,072	276,171
On - call deposits	346	291
Staff mortgage deposit	9,896	10,593
MPESA	3	
Total cash and cash equivalents	1,937,317	287,055
a) Current accounts		
National Bank of Kenya	1,886,333	237,633
Equity Bank	17,086	34,636
Kenya Commercial Bank	23,653	3,902
Total current accounts	1,927,072	276,171
b) On - call deposits		
National Bank of Kenya	346	291
Euro Bank Ltd (in liquidation)	429,661	429,661
Less: Provision for impairment	(429,661)	(429,661)
Total on - call deposits	346	291

Annual Report and Financial Statements for the Year Ended June 30, 2020

	2020 Kshs. '000'	2019 Kshs. '000'
c) Staff Mortgage deposit		
Housing Finance Co. of Kenya	9,896	10,593
d) MPESA	3	
Total cash & cash equivalents	1,937,317	287,055

Cash at bank earns interest at a floating rate based on daily bank deposit rates. On - call deposits are made for varying periods, depending on the immediate cash requirements of the Hospital and earn interest at the respective call deposit rate. The provision for impairment of Kshs. 429,661 million relates to short term deposits held in Euro bank now in liquidation.

(ii) Detailed analysis of cash and cash equivalent

Financial Institution	Account Name	Number	2020	2019
			Kshs. '000'	Kshs. '000'
Current Account				
Equity Bank	Day Care & Equipment	0810299284461	211	19,147
Equity Bank	Equity PDQ	0810260741031	16,875	15,489
Kenya Commercial bank	KCB Recurrent	229977210	210	212
Kenya Commercial bank	Kidney Trust Fund	1144842999	0	3,472
Kenya Commercial bank	Private Wing	1135769672	0	217
Kenya Commercial bank	KNH Othaya	1135769672	21,372	
Kenya Commercial bank	Hope Hostel	1144842999	2,071	
National Bank of Kenya	Mpesa Holding Company Limited	333700997	376	
National Bank of Kenya	Development 1	1003058005300	181,005	3,936
National Bank of Kenya	Development 2	1003058005301	905	3,801
National Bank of Kenya	Heart Fund	1003058005700	79,736	73,788
National Bank of Kenya	Pact-Coe	1003086493600	6,972	4,985
National Bank of Kenya	Payroll & Administration	1003058005000	17,280	27,318
National Bank of Kenya	Recurrent	1003058004900	23,876	2,165
National Bank of Kenya	Revenue	1003058005200	1,323,264	72,973
National Bank of Kenya	Us Dollar Account	2003058005200	11,108	10,721
National Bank of Kenya	VCT	1003058137700	307	
National Bank of Kenya	Private Wing	1003058005800	241,504	37,947
Total Current Account			1,927,072	276,171

			2020	2019
			Kshs. '000'	Kshs. '000'
On - call deposits				
National Bank of Kenya	KNH & M/S Guserwa & Co. Adv	01403058066000	346	291
Euro Bank			429,661	429,661
Provision for impairment			(429,661)	(429,661)
Total on- call deposits			346	291
Staff mortgage deposit				
Housing Finance Co. of Kenya	Mortgage Scheme Deposit Account	2000027328-0	9,896	10,593
Cash at hand				
MPESA/ Cash in hand	Revenue		3	
Total cash & cash equivalents			1,937,317	287,055

		2020	2019
		Kshs. '000'	Kshs. '000'
26	Receivable from exchange transactions		
	Medical services receivables	8,921,102	8,663,813
	Rental receivables	36,282	28,300
	Nursing students receivables	2,422	124
	Insurance compensation receivables	23,684	23,684
	Sub total	8,983,490	8,715,921
	Accrued investment Income		30
	Prepayments	352,355	311,702
	Legal fees Deposit	4,999	2,349
	Sub total	9,340,844	9,030,002
	Less: Impairment allowance	(7,862,850)	(6,990,128)
	Total Receivable from exchange transactions	1,477,994	2,039,874

As at June 30 2020, trade receivables of Kshs. 7,863 million (2019: Kshs. 6,990 million) were impaired and fully provided for.

Reconciliation of allowance for impairment of receivables from exchange transactions

Beginning of year	6,990,128	6,531,163
Charge for the year	872,722	458,965
Write-off during the year/Paid during the year	-	-
End of year	7,862,850	6,990,128

Annual Report and Financial Statements for the Year Ended June 30, 2020

	2020	2019
	Kshs. '000'	Kshs. '000'
27 Receivable from non-exchange transactions		
GoK Recurrent grant	1,314,963	814,968
Staff receivables	13,070	15,941
Sub total	1,328,033	830,909
Less: Impairment allowance on GoK recurrent grant	(144,568)	(144,568)
Less: Impairment allowance on Staff receivables	(1,013)	(1,013)
Paid during the year	145	-
Total Receivable from non- exchange transactions	1,182,597	685,328

The GoK recurrent grant receivable relates to grants not disbursed to the hospital by MOH as per allocation in the FY 2009/10 (Kshs. 145million), 2014/15 (Kshs. 113 million), 2017/18 (Kshs. 10 million)and for 2019/2020 (Kshs.1,047 Million) being supplementary grant allocated in the month of June 2020.

28 Inventories

Pharmaceutical supplies	358,423	337,026
Maintenance supplies	47,761	36,005
Food supplies	3,400	8,258
Linen and clothing	24,768	29,138
General stores	283,277	65,075
	717,629	475,502
Less: obsolete stock	(9,267)	(13,953)
Total Inventories	708,362	461,549

29. Property plant and equipment

Description	Freehold Land KShs '000'	Freehold Building KShs '000'	Plant, Machinery & Medical Equipment KShs '000'	Motor vehicles KShs '000'	Furniture and fittings KShs '000'	Computers, copiers and faxes KShs '000'	Capital work in progress KShs '000'	Total KShs '000'
Rate of Depreciation	0%	2.5%	12.5%	25% & 37.5%	25%	33%		
COST OR VALUATION	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'
As at 30th June 2018	3,767,846	7,356,278	4,526,401	86,947	273,270	213,006	219,360	16,443,107
Additions			1,194,567			77,522	540,330	1,812,419
Transfers from WIP		47,374	2,399				(49,773)	
WIP Expensed							(13,254)	(13,254)
Transfers from Reserve	** (190,531)							(190,531)
Disposals								
As at 30th June 2019	3,577,314	7,403,652	5,723,367	86,947	273,270	290,528	696,663	18,051,741
As at 1st July, 2019	3,577,314	7,403,652	5,723,367	86,947	273,270	290,528	696,663	18,051,741
Additions		1,158,111	890,039		17,121	5,885	512,211	2,583,367
Transfers from WIP		412,400					(412,400)	
WIP Expensed								
Disposals		(3,600)	(12,121)	(1,300)				(17,021)
As at 30th June 2020	3,577,314	8,970,564	6,601,285	85,647	290,391	296,413	796,474	20,618,087
Depreciation								
As at 1st July, 2018		1,778,792	2,918,953	75,320	199,979	171,250		5,144,295
Charge for the year		434,060	1,191,260	11,591	63,669	62,388		1,762,967
Disposal								
As at 30th June 2019		2,212,852	4,110,213	86,912	263,648	233,638		6,907,263
As at 1st July, 2019		2,212,852	4,110,213	86,912	263,648	233,638		6,907,263
Charge for the year		224,264	426,365		8,373	33,010		692,012
Disposal		(1,010)	(8,851)	(1,265)				(11,125)
As at 30th June 2020		2,436,107	4,527,727	85,647	272,021	266,648		7,588,150
NET BOOK VALUE								
As at 30th June, 2019	3,577,314	5,190,800	1,613,154	35	9,622	56,890	696,663	11,144,479
As at 30th June 2020	3,577,314	6,534,457	2,073,557	-	18,370	29,764	796,474	13,029,937

29 Property, plant & equipment continued

a) ** Adjustment on land

Adjustment was effected in the financial statements for the year ended June 30, 2019 to remove parcels of land with book value of Kshs. 190,531,144 as tabulated below:

Land Ref. No.	Area 'Hectares'	Pre-revaluation value 'Kshs. '000'	Revaluation Value (Done in 2006) Kshs. '000'	Post- revaluation value Kshs. '000'
209/25138	2.1695	3,312	157,533	160,845
209/11460	0.2173	341	15,475	15,816
209/12822	0.0308	48	2,223	2,270
209/13319	0.0217	34	1,566	1,600
209/14269	2.57	219	9,781	10,000
Total	5.0093	3,954	186,578	190,531

The basis on which the adjustment on land was made is as explained below:

i. Land Reference No. 209/25138, 209/11460 and 209/12822

During the FY 2018/19, adjustment was made to remove proportions of land that were compulsorily acquired for construction of the Hospital Road – Mbagathi Way Link Road. The Hospital has not received compensation for the excised land. The parcels of land and the respective book values for which adjustment has been made is as tabulated below:

No.	Land Reference No.	Portion Excised for Road Construction	
		Area in Hectares	Book Value 'Kshs.'
1.	LRN 209/25138	2.1695	160,844,735
2.	LRN 209/11460	0.2173	15,816,139
3.	LRN 209/12822	0.0308	2,270,270
	Total	2.4176	178,931,144

ii. Land Reference No. 209/13319

During the FY 2018/19, adjustment was made to remove land, LRN 209/13319, measuring 0.0217 hectares with a book value of Kshs. 1,600,000. The removal of this parcel of land from KNH books was made based on the National Lands Commission determination dated 21st January 2019 in which the Commission directed the Chief Land Registrar to uphold the title held by Sammy Langat.

iii. Land Reference No. 209/14269

During the FY 2018/19 adjustment was made to remove land, LRN 209/14269, measuring 2.5 hectares with a book value of Kshs. 10,000,000. The removal of this parcel of land from KNH books was made based on the Ndung'u land report in which the land was identified to be owned by KMTC under the irregularly/illegally allocated public land. The land was surrendered back to the Commissioner of Lands as per the surrender memorandum dated 21st September 2006. This land has over the years been included as part of KNH land in error.

b) Included in land is a parcel of land LRN 209/13978 measuring 2.544 hectares that is jointly owned by Kenyatta National Hospital, University of Nairobi and Kenya Medical Training College. The value of this land that is recognized in the Hospital financial statements in FY 2018/19 is a third proportion at Kshs.73 million. The total valued of land LRN 209/13978 is Kshs. 220 million.

c) Included in land, is a parcel of land (LRN 209/25138) measuring 45.01 hectares valued at Kshs.3,337 million. A portion of this land measuring 1.35 hectares with a book value of Kshs. 100,087,758 is owned by National Quality Control Laboratories(NQCL) for which the process of excision is on-going. The value of land recognized in the financial statements for the year ended June 30, 2019 in relation to LRN 209/25138 excludes the portion owned by NQCL.

d) Fully Depreciated Assets (Nil Net Book Value)

Included in the PPE, are motor vehicles and other fixed assets whose net book value is (0) nil balance. This has been occasioned by the change of depreciation method from reducing balance to straight line in the restated financial statements for the FY 2018/2019. The management in recognition that some assets have been fully depreciated and still in use, revaluation process has been initiated to realise the economic value of these assets.

e) Capital Work in Progress (W.I.P)

The composition of capital work in progress included in the property, plant and equipment as at June 30, 2020 is tabulated below:

No.	Description	Amount Kshs. '000'
1.	Construction of Paediatric Emergency Centre and Burns Management Centre	588,577
2.	Construction of Cancer Treatment Centre	154,906
3.	Boiler Burner Installation	14,071
4.	Computerization (ERP)	29,892
5.	Construction of perimeter wall	9,028
	Total	796,474

30 Intangible assets - software

	2020 Kshs. '000'	2019 Kshs. '000'
Cost		
At the beginning of the year (July1)	-	31,408
At the end of the year (June 30)	-	31,408
Amortization		
At the beginning of the year	-	28,523
Charge for the period	-	2,885
At the end of the year (June 30)	-	31,408
Net Book Value as at June 30	-	-

31 Trade and other payables

Trade payables	653,586	1,330,618
Accrued expenses	180,775	288,311
Retention money	95,282	48,883
Remittances	37,108	184,755
Doctors fees	329,028	339,533
Tax liability	80,534	80,534
Other payables	157,095	342
Total trade and other payables	1,533,408	2,272,976

Other payables include: unpaid salaries and over recovery from staff.

Tax Liability

Kenya Revenue Authority (KRA) conducted an in-depth audit on KNH and issued an assessment on July 1, 2014 of a tax liability of Kshs. 592,860,909 relating to the period January 2010 to March 2014. KNH objected to the findings of KRA and on 5th June 2015, KRA issued a confirmed assessment amounting to Kshs. 545,693,303. On 7th February 2017, the Hospital paid Kshs. 18,022,978 being the tax not under dispute in relation to withholding tax and VAT.

The hospital engaged KRA through the office of the Attorney General on the disputed assessment. Following a mediation meeting held on 23rd June 2017 at the Attorney General Chambers, KRA issued a revised assessment dated 19th July 2017 of Kshs. 170,590,114 comprising of principal tax of Kshs. 90,056,488, penalty of Kshs. 22,514,122 and interest of Kshs. 58,019,505.

The Hospital paid the principal tax liability in the FY 2017/18 and submitted an appeal for waiver of the penalty and interest totaling Kshs. 80,533,626 which is still outstanding as at June 30, 2020. The Hospital is waiting for KRA response on the appeal made.

	2020 Kshs. '000'	2019 Kshs. '000'
Deposit from customers		
Admission deposit	47,530	29,946
Advance receipts	10,472	8,567
Caution Money	640	610
Institutional deposit	14,720	13,020
Medical Report Deposits	712	16
Rent Deposit	406	505
Tender Deposit	-	60
Total deposit from customers	74,480	52,724

33 Provision for leave pay		
Balance at the beginning of the year	122,752	124,154
Additional provision raised	39,497	-
Provision utilised	-	(1,402)
Balance as at June 30	162,249	122,752

The provision was calculated based on the leave entitlement due to staff at year end adjusted for; experience adjustment in relation to the forfeiture of leave and leave taken trends and Salary scales applicable at the time of realization of leave by employees

34 Deferred income		
Donor funded projects grants	84,282	79,147
Donations in kind (fixed assets)	177,601	150,184
Specific donations	2,782	219
GoK Recurrent Grant	1,239,134	0
Nursing school pre- paid fees	739	5,812
Total deferred income	1,504,538	235,362

Deferred Income Movement schedule

Details	Donor funded projects grants	Donations in kind (fixed assets)	Specific donation	GoK Recurrent Grant	Nursing school pre-paid fees	Total
	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'
Balance B/fwd	79,147	150,184	219	-	5,812	235,362
Refund to donor						
Receipts	261,824	36,851	2,563	1,239,134	16,187	1,556,559
Recognised in SOFP	(256,689)	(9,434)	-		(21,260)	(287,383)
Deferred income	84,282	177,601	2,782	1,239,134	739	1,504,538

Donations in Kind (fixed assets) includes donation from Zarina & Naushad Foundation for construction of the Day Care Centre which has now been completed. During the year under review, an amount of Kshs. 2,500,000 was realized as income since the building is in use and kshs.5,465,372 earned from fixed assets donated by other donors. Other donations include Kshs.1,468,750 for KNH Othaya earned from fixed assets received from public donations.

Specific donations relate to cash donated for purchase of specific medicine and patient waiting area seats for Cancer Treatment Center amounting to Kshs. 219,000 . Also included in the specific is Kshs. 144,000 whose purpose is for payment of NHIF premiums for selected patients which will be utilized in the FY 2020/2021 . The hospital also received an amount of Kshs. 2.419,050 donations in cash towards construction of Hope Hostel.

The recurrent grants deferred of Kshs. 1,239,133,725 include Kshs. 601,000,000 designated for employee salary adjustment in line with the hospital re-categorization to state corporation category 7A and Kshs. 638,133,725 designated for COVID -19 pandemic preparedness, recruitment of Healthcare workers and purchase of consumable items for KNH Main Hospital and KNH- Othaya.

35 National Social Security arrears

This is a statutory defined contribution pension scheme in which the employer and employee contribute equal amounts. The hospital's contribution during the year under review has been charged to the statement of financial performance .

The outstanding amount relates to contribution arrears for the period April 2001 to November 2009 when KNH had sought for an exemption on complying with NSSF Act from the Ministry of Labour and

Human Resource Development given the hospital had a better Pension Scheme. The Ministry declined the request for exemption in the year 2011 on the basis that NSSF was a universal social security pillar and was thus mandatory. The Hospital had by then accumulated arrears totaling to Kshs. 311 million excluding penalties.

The hospital has been including this amount in the budget for funding to offset the arrears as all personnel related expenses are funded through the Government of Kenya recurrent grant. This amount has however not been funded and has thus remained outstanding. In the FY 2016/17, 2017/18, 2018/19 and 2019/20, the Hospital paid Kshs. 24 million each year of the arrears awaiting Ministry of Health intervention paid Kshs. 24 million each year of the arrears awaiting Ministry of Health intervention.

	2020 Kshs.'000'	2019 Kshs.'000'
National Social Security Fund arrears	214,830	238,830

36 Retirement Benefits Obligation

The hospital operates a defined benefits pension scheme (KNH Staff Superannuation Scheme) and a defined contribution pension scheme (KNH Staff Retirement Benefits Scheme).

i) Defined Contribution (DC) Pension Scheme

The KNH Staff Retirement Benefits Scheme assets are managed by fund managers on behalf of the Fund trustees. The current fund managers are Sanlam Investments East Africa Ltd and GenAfrica Asset Managements. The Hospital's contribution to KNH Staff Retirement Benefits Scheme is at 10% while employees contribute at 5% of basic salary. The Hospital's obligation is limited to any unpaid contribution. Contribution to the scheme during the year under review has been charged to the statement of financial performance.

ii) Defined Benefit (DB) Pension Scheme

The Hospital operates a funded defined benefit scheme (KNH Staff Superannuation Scheme) for its employees that is established under irrevocable trust. The scheme was closed to new members with effect from 30th June 2011 (closure date) and future accrual of benefits on 31st March 2012. Members aged 45 and above as at the closure date were given the option to remain in the scheme and continue to accrue benefits. Members aged below 45 years as at closure date are entitled to benefits accrued under the scheme up to 31st March 2012 and benefits from 1st April 2012 would accrue in the new defined contribution (DC) scheme. Their benefits in the closed scheme are based on the lower of member's basic salary at date of leaving service or annual basic salary as at closure date valued at 7% p.a to date of leaving service, retirement or death in service.

The DB scheme assets are managed by fund managers on behalf of the scheme trustees. The current fund managers are British American Insurance Company (K) ltd and GenAfrica Asset Management. The Hospital makes contribution to the DB scheme in respect of those members who opted to remain

Annual Report and Financial Statements for the Year Ended June 30, 2020

in the scheme. The Hospital's contribution to the DB scheme is at 10% while employees contribute at 5% of basic salary.

Valuation of the DB scheme assets and present value of the defined benefit obligation were carried out as June 30, 2018 by Actuarial Services (E.A) Ltd for statutory purposes. In order to fulfil the financial reporting and disclosure requirements of IPSAS 39, actuarial valuation was carried out as at June 30, 2019 and June 30, 2020. The present value of the defined benefit obligation, the related current cost and past service cost were measured using projected unit credit method.

The principal assumptions used for purposes of the actuarial valuations were as follows:

	2020	2019
Discount rate (% p.a)	10%	10%
Future salary increases (% p.a)	7%	7%
Future pension increases (% p.a):		
- Service before July 1998	3%	3%
- Service after June 1998	0%	0%
Mortality - males	A1949/52	A1949/52
Mortality - females	A1949/52	A1949/52
Weighted average duration of defined benefit obligation	8.2	8.8

a) Amount recognized in the statement of financial performance

The amount recognized in the statement of financial performance in respect of the defined benefit scheme is as shown below:

Details	2020	2019
	Kshs.'000'	Kshs.'000'
Current service cost net of employee's contributions	444,603	418,498
Interest on net liability	757,803	407,515
Recognition of past service cost	-	3,296,299
Total included in Employee costs in respect to the DB scheme	1,202,406	4,122,312

Net actuarial losses/(gains) in net liability/(asset) recognized in the year

Details	2020	2019
	Kshs. '000'	Kshs.'000'
Net actuarial losses(gains) and experience adjustments	160,988	(924,266)
Actual return on assets less implied return included in net interest costs	197,395	508,403
Total included in other losses/(gains) in respect of the scheme	358,383	(415,863)

b) Amount recognized in the statement of financial position

The amount included in the statement of financial position arising from the hospital's obligation in respect of the defined benefit scheme is as follows:

Details	2020	2019
	Kshs'000'	Kshs'000'
Present value of funded of obligations	(16,004,502)	(14,678,626)
Fair value of Scheme assets	7,232,512	7,178,373
Net asset/(liability) in the balance sheet - surplus/(deficit)	(8,771,990)	(7,500,253)

37 Borrowings

Spanish Loan

2020	2019
Kshs. '000'	Kshs. '000'
1,199,863	1,199,863

The Government of the republic of Kenya and the Kingdom of Spain signed a loan agreement on 29th July 2005 for a loan of Euros 14 million (Kshs. 1,199,862,823) in form of medical equipment for KNH. Though there was no on-lending agreement executed between the Hospital and the National Treasury, the Hospital recognized the assets (medical equipment) and the Spanish loan in the books.

The Hospital through various correspondences to The National Treasury, has since January 2008, expressed its inability to service the loan due its poor financial performance over the years. The Hospital management has been consistent in their request for the Government to take over the loan and convert it into a grant. The request has not been granted so far and the loan remains outstanding in the books.

38 Finance Lease Liability

The Hospital leased an Automated car parking system from with effect from 14th December 2019 for a period of five years under a finance lease as outlined below:

Description	2020	2019
	Kshs.'000'	Kshs.'000'
Finance lease liability at the beginning of period	11,049	-
Less: Repayment during the year	812	-
Finance lease liability as at June 30,2020	10,237	-

39 Capital Reserve

As at July 1

Capital Grants (see note 6)

Adjustment on land

As at June 30

2020	2019
Kshs.'000'	Kshs.'000'
6,661,406	5,721,206
2,706,419	944,154
	(3,954)
9,367,825	6,661,406

40 Accumulated fund

As at July 1

Change due to depreciation method (R)

Recognition of pension plan deficit (R)

Deficit for the year

As at June 30

(12,436,550)	(3,276,527)
-	(1,217,061)
-	(3,937,971)
(837,332)	(4,004,991)
(13,273,882)	(12,436,550)

41 Revaluation reserve

As at July 1

Adjustment on land

As at June 30

8,770,669	8,957,247
-	(186,578)
8,770,669	8,770,669

42 Cash generated from operations

Deficit for the year

Adjusted for: -

Depreciation and amortization

(Gain)/ Loss on disposal of fixed asset

Non cash grants received

(837,332)	(435,969)
692,012	545,702
2,874	
(9,434)	(3,279)

	2020	2019
	Kshs.'000'	Kshs.'000'
Interest income	(84,609)	(26,638)
Foreign exchange (Gain) /Loss (See Note 24)	(439)	(220)
Operating deficit before working capital changes	(236,928)	(771,949)
(Increase) / Decrease in stock	(246,813)	42,816
(Increase) / Decrease in receivables	64,612	(1,025,745)
Increase / (Decrease) in payables	1,257,462	995,726
Increase / (Decrease) in deferred income	1,278,610	13,966
Increase / (Decrease) in provision for leave pay	39,497	(16,997)
Net cash outflow from operating activities	2,156,440	104,957

43 Restatement

a) Depreciation and Amortization

The hospital has been using reducing balance method to depreciate fixed assets in periods before FY 2019/20. During the FY 2019/20 the hospital changed depreciation method from reducing balance to straight line in accordance with the approved KNH Finance and Procedures Manual. The change in depreciation method has been accounted for retrospectively, and the Financial Statements for FY 2018/19 have been restated.

The effect of the restatement on the financial statements is tabulated below.

i) Donations in Kind

Donations in kind recognized under income and deferred income relating to fixed assets donations have been restated and the effect in the financial statements for FY 2018/19 and prior years is summarized below:

Effect on FY 2018/19	Kshs. '000'
Increase in donations in kind	2,087
Decrease in Deficit	(2,087)
Decrease in Deferred Income	(2,087)

Effect on periods prior to 2018/19

Decrease in Deferred Income	2,329
Decrease in Accumulated Deficit (Accumulated fund)	(2,329)
Decrease in Net Assets/Equity	4,416

ii) Depreciation & Amortization

Depreciation & amortization have been restated and the effect in the financial statements for FY 2018/19 and prior years is summarized below:

Effect on FY 2018/19	Kshs. '000'
Increase in Depreciation and amortization	8,202
Increase in Deficit	8,202
Effect on periods prior to 2018/19	
Increase in accumulated deficit (Accumulated fund)	1,217,061
Decrease in Net Assets/Equity	(1,225,263)

b) Defined Benefit Pension Scheme

In compliance to IPSAS 39 which took effect in January 2018, the net defined benefit liability (actuarially determined pension deficit) relating to the KNH defined benefit (DB) pension scheme has been recognized in the financial statements for the period ending June 30, 2019. Consequently, financial statements of FY 2018/19 have been restated. The effect of the restatement on the financial statement for FY 2018/19 is summarized below.

	Kshs. '000'
Decrease in Hospital contribution to staff superannuation expense	(144,165)
Current service cost (initial recognition)	418,498
Interest on net liability (initial recognition)	407,513
Net Actuarial loss (gain) in net liability (Initial recognition)	(415,863)
Past service cost	3,296,299
Increase in Deficit for FY 2018/19	3,562,282
Increase in Accumulated deficit (prior years to FY 2018/19)	3,937,971
Decrease in Net Assets	(7,500,253)
Net Defined Benefit Liability (Initial recognition)	7,500,253

c) Net Assets / Equity

The effect of the restatement due to change in depreciation method and the recognition of the defined benefit scheme on Net assets is summarized below:

	Kshs. '000'
Increase in Accumulated deficit (Change of Depreciation method)	1,229,679
Increase in Accumulated deficit (Defined benefit pension scheme)	7,500,253
Decrease in Net Assets/Equity	8,729,932

44 Financial instruments**Capital risk management**

The Hospital manages its capital to ensure it is able to continue as a going concern while maximizing return. The Hospital's overall strategy remains unchanged from the prior year and is not subject to externally imposed capital requirements. The hospital capital structure comprises of the following funds;

	2020	2019
	Kshs.'000'	Kshs.'000'
Revaluation Reserve	8,770,669	8,770,669
Accumulated Fund	(13,273,882)	(12,436,550)
Capital Reserve	9,367,825	6,661,406
Total Funds	4,864,612	2,995,525
Borrowings	1,199,863	1,199,863
Finance Lease Liability	10,237	-
Net Defined Benefit Liability	8,771,990	7,500,253
NSSF Arrears	214,830	238,830
Total Borrowings	10,196,920	8,938,946
Less: Cash and bank balances	1,937,317	287,055
Net debt/(excess cash & cash equivalent	8,259,603	8,651,891
Gearing ratio: (borrowings to total funds)	210%	298%

Financial risk management objectives

The Hospital is exposed to credit and liquidity risks related to financial instruments. The Hospital does not enter into or trade in financial instruments and investments in securities, including derivative financial instruments for speculative purposes

Credit risk**Exposure to credit risk**

Financial assets that potentially subject the Hospital to concentration of credit risk consist principally of cash, short-term deposits and trade and other receivables. The Hospital's cash equivalents and short-term deposits are placed with financial institutions with a high credit rating. Trade receivables are represented net of the allowance for doubtful receivables.

The carrying amounts of financial assets included in the statement of financial position represent the Hospital's maximum exposure to credit risk in relation to these assets. At June 30, 2019 and June 30, 2020, the Hospital did consider there to be a significant concentration of credit risk.

	Total Amount	Fully performing	Past due	Impaired
	KShs. '000'	Kshs. '000'	KShs. '000'	Kshs. '000'
AS at June 30, 2020				
Receivables from exchange transactions	9,340,844	1,477,994	872,577	7,862,850
Receivables from non-exchange transactions	1,328,033	1,182,596		145,437
Bank balances	2,366,978	1,937,317		429,661
Total	13,035,855	4,597,907	872,577	8,437,948
As at June 30, 2019				
Receivables from exchange transactions	9,030,002	2,039,875	458,965	6,990,128
Receivables from non-exchange transactions	830,909	685,328	1,013	144,568
Bank balances	716,716	287,055		429,661
Total	10,577,627	3,012,258	459,978	7,564,357

Liquidity risk

The ultimate responsibility for liquidity risk management rests with the Directors of the Hospital, who have built an appropriate liquidity risk management framework for the management of the Hospital's short, medium and long-term funding and liquidity management requirements. The Hospital manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Liquidity risk is the risk that the Hospital will be unable to meet its funding requirements. The table below summarizes the maturity profile of the Hospital's non-derivative financial liabilities. The contractual maturity of the financial liabilities have been determined on the basis of the remaining period at the end of reporting period to the contractual repayment date.

The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the liabilities as at June 30, 2020 based on existing contractual repayment arrangements was as follows:

	Carrying Amount	Contractual cash flows	0-12 months	1-5 years	Beyond 5 years
	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'
As at June 30, 2020					
Trade & Other payables	1,533,408	1,533,408	639,551	782,041	111,816
Amount due to NSSF	214,830	214,830			214,830
Finance Lease Liability	10,237	10,237	10,237		
Net Defined Benefit Liability	8,771,990	8,771,990	1,271,737	7,500,253	
Borrowings	1,199,863	1,199,863			1,199,863
	11,730,328	11,730,328	1,921,525	8,282,294	1,526,509
As at June 30, 2019					
Trade & Other payables	2,272,976	2,272,976	1,259,865	873,340	139,771
Amount due to NSSF	238,830	238,830	-	-	238,830
Finance Lease Liability	-	-	-	-	-
Net Defined Benefit Liability	7,500,253	7,500,253	7,500,253	-	-
Borrowings	1,199,863	1,199,863	-	-	1,199,863
	11,211,922	11,211,922	8,760,118	873,340	1,578,464

45 Related party disclosures**Nature of related party relationships**

Kenyatta National Hospital is related to the National Government, Ministry of Health, University of Nairobi, Kenya Medical Training College, the Board of Management and key management

	2020 Kshs. '000'	2019 Kshs. '000'
i) Transfers from Ministry of Health	10,544,565	6,914,188
ii) Board of Management remuneration		
Sitting Allowance	6,380	4,600
Accommodation Allowance	2,675	2,002
Chairman Honoraria	960	839
CEO Salary	9,955	9,844
Mileage	2,236	852
Total Board of Management remuneration	22,206	18,137

There were 11 members of the Board of Management during the year

iii) Key management compensation

Gross Salaries	111,642	101,408
Gratuity	2,478	24,339
Total key management compensation	114,120	125,747

There were 20 members of senior management who served during the year

iv) Amount due from Related Parties

Ministry of Health	1,314,963	814,968
--------------------	------------------	----------------

46 Capital Commitments

Capital commitments at the year-end for which no provision has been made in these financial statements are:

Authorized but not contracted		-
Authorized and contracted	1,140,449	837,097
Total capital commitments	1,140,449	837,097

47 Events after the reporting period

There were no events after the reporting date.

48 Ultimate and holding entity

Kenyatta National Hospital is a state corporation under the Ministry of Health. Its ultimate parent is the Government of Kenya.

49 Currency

The financial statements are presented in Kenya shillings thousands (Kshs. '000')

50 Donor funded projects detailed analysis

Project	Balance as at	Receipts	Recognized	Balance as
	01/07/2019	during the	as revenue	at
	A	year	C	30/06/2020
	Kshs. '000'	B	Kshs. '000'	D=A+B-C
		Kshs. '000'	Kshs. '000'	Kshs. '000'
AGYW study	758	13,951	12,652	2,057
Aids Care Treatment Services (ACTS)	1,074	-	-	1,074
AMR Study	1,268	-	1,174	94
Aps modified study	1,209	302	1,193	318
Assisted Partners notification services project	254	-	-	254
Breast Cancer Chemo Study	781	-	352	429
Cancer Center Support project	513	-	-	513
Cord Blood Immune Reper- salary	4	-	-	4
Drip assisted study	4,948	7,061	9,989	2,020
Elewa Study	-	465	-	465
Etrot Study	189	-	-	189
GIRL STUDY	368	5,124	4,592	900
HIV Cascade Training Program	142	1,772	1,644	270
HIV TB Study	-	6,183	5,296	887
HIV TX Study	-	2,139	-	2,139
Hope study	810	-	-	810
Innovations Maker Project	3,866	455	1,316	3,005
ITIPS study	175	1,795	2,250	-280
KCV-HIV Project	3,459	6,237	5,944	3,752
M HealthStudy	6,247	10,659	15,290	1,616
Management of Postpartum Haemor study	83	-	-	83
Microbiota & Preterm Birth study	216	7,308	5,946	1,578
MITIPS study	482	8,106	6,670	1,918
Mobile WACH Neo RCT	-	10,888	9,032	1,856
mPACT Study	936	4,312	5,042	206
Mwach Neo	217	-	-	217
NPEP study	150	718	859	9
OPT study	257	331	498	90
OPT-Home study	135	-	-	135
Partners in Advanced Care & Treatment -Centre Of Excellence(PACT-COE)	19,081	68,704	67,004	20,781
Partners in Prevention study	4,764	3,956	3,816	4,904
Patient Navigation Programme	1,583	18,347	16,946	2,984
Peck study	190	-	-	190
Prevention of HIV Transmission	15,566	-	-	15,566
Prima study	5,761	46,449	44,520	7,690
Prima-X study	-	4,564	2,423	2,141
SHARP study	1,897	16,830	15,794	2,933
STEP UP study	85	198	282	1
Tes Nes Efficacy study	867	12,693	13,188	372
Vijana Smart study	474	340	906	-92
YES Study	338	1,937	2,071	204
Total	79,147	261,824	256,689	84,282

APPENDICES

Appendix i: Progress on Follow-up of Auditor Recommendations

1. Financial Performance

During the year under review, the hospital reported a deficit of Kshs.435,969,000 (2017/2018-deficit Kshs.1,091,284,000) resulting in increase in accumulated deficit from Kshs.3,276,527,000 as at 30 June 2018 to Kshs.3,712,496,000 as at 30 June 2019.

Clearly, the Hospital's performance is on a downward trend and if strategies are not put in place to reverse the trend, the hospital is likely to experience financial difficulties in the near future.

Management Response

Over the years, the hospital has recorded an operating performance deficit which is caused by the increasing medical bills for indigent patients who are unable to settle their bills upon clinical discharge and losses arising from the comprehensive NHIF cover. A provision for bad and doubtful debt is made for indigent patients bills.

Provision for bad debts.

The provision made annually for bad and doubtful debts relates to medical bills for indigent patients who upon clinical discharge are unable to settle their bills. These patients are released from the hospital on unsecured credit based on a commitment to settle their debts in the future. Efforts to collect the due receivables from this category of patients are largely fruitless and consequently a provision is made which eats into the realizable operating surplus. The hospital has made request to the Ministry of Health to fund the indigent patients' bills to mitigate against financial distress.

Medical service contracts loss

Medical service contracts loss arises where the medical cost incurred on a patient who is a contributor of NHIF is greater than the rebate reimbursed by the Fund based on the existing contracts. The hospital is in the process of renegotiating the contracts with NHIF to mitigate against loss in future. .

Focal person: Director, Finance

Status: Resolved

Time frame: June 30, 2020

2. Borrowings

As previously reported, the borrowings balance of Kshs.1,199,863,000 reflected in the statement of financial position as at 30 June 2019 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 repayable 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 1 July 2008. However, records examined indicated that, no interest has been paid or accrued in the ten financial years between 2008/2009 and 2018/2019. Further, the accrued interest, loan repayment and loan balance

confirmation certificate as at 30 June 2019 were not availed for audit review. Although indications are that the management has sought assistance from the Ministry of Health towards settlement of the loan, the response from the Ministry on the matter was not availed for audit review.

Under the circumstances, it has not been possible to confirm the validity, accuracy and completeness of the borrowings balance reflected in the statement of financial position as at 30 June 2019 and that the balance of Kshs.1,199,863,000 is fairly stated as at the same date.

Management Comment

The Kingdom of Spain extended a loan facility to the Government of Kenya for Euro 14 million in FY 2007/2008 towards upgrading and equipping KNH. Upon installation and commissioning, the equipment was capitalized in KNH books with the corresponding entry being long term borrowing using the loan contract documentation between GoK and Kingdom of Spain.

There was no on-lending loan agreement signed between KNH and The National Treasury.

The Hospital through various correspondences to The National Treasury has since January 2008 been expressing its inability to service the loan and has requested the Government to give approval to the hospital to recognize the loan as capital grant. The most current communication towards this request include: Ref: KNH/FIN/278/VOL.I/37, Ref; MOH/FIN/1/A/VOL.II(479); Ref MOH/FIN/1/A/VOL.III (147) Ref: KNH/FIN/278/Vol.1/37. Dated April 29th 2020, 20th May 2020, 22nd July 2020, 15th April 2021 respectively.

KNH wrote to the National Treasury vide letter Ref: KNH/FIN/278/VOL.1/40 dated 5th March 2019 requesting confirmation of the loan balance as at 30th June 2018. The National Treasury confirmed that the loan was being serviced since 2012 vide letter ref: DND 4/78 Dated 20th March 2019 as per the agreement with Spanish government. The loan balance as at 30th June 2018 was Euro 4,666,668 out of the principal loan of Euro 14,000,000. There was no on-lending agreement signed between KNH and The National Treasury.

Focal person: Director, Finance

Status: Unresolved

Time frame: June 30, 2020

3. Property, Plant and Equipment

3.1 Land-Three Parcels of Land Excised

As previously reported, the property, plant and equipment balance of Kshs.12,364,842,000 included in the statement of financial position as at 30 June 2019 includes three (3) parcels of land with a total of 0.763 hectares valued at Kshs.49,000,000 which were excised and allocated to other parties as detailed below:

LR No.	Location	Hectares	Value Kshs.
LRN-209/11460	Upper hill	0.316	23,000,000
LRN-209/12767	Upper hill	0.226	17,000,000
LRN-209/12822	Upper hill	0.221	9,000,000
Total		0.763	49,000,000

Although the issue has been discussed by the Parliamentary Public Investment Committee (PIC), no action seems to have been taken on the PIC recommendations in the 19th report that the National Land Commission revoke title deeds irregularly issued to private entities, Ethics Anti-Corruption Commission investigate how the hospital land was allocated to individuals and that the then hospital Chief Executive Officer be surcharged for any loss that may have been incurred.

Management Response

There has been no loss incurred in respect to the three (3) parcels of land irregularly allocated- LR.No.209/12822; LR.No.209/12767; and LR.No.209/11460. The Hospital took upon itself since the matter came to its attention in the year 2005 to pursue the placement of caveats on the said parcels of land with the relevant authorities so as have the titles revoked. This process commenced in 2006 and has been ongoing to date.

In February 2012, the Ministry of Lands confirmed that caveats had been placed on LR.No.209/12767 on 26th January 2007 and LR.No.209/12822 on 28th February 2000. The caveats are still in place to date.

A civil suit No.599 of 2014 was filed by Chai Developers Limited against NQCL seeking orders to withdraw the caveat placed on LR.No.209/12767. From the Court file, we established that the parties had entered into a consent order to withdraw the caveat. The Hospital requested NLC to place a caveat on LR.No.209/12767, revoke the title and investigate the authenticity of the said title. Further, vide the Management letter 24th September 2019, the Hospital requested the President's Delivery Unit to facilitate the NLC acting in concert with the Chief Lands Registrar to review with a view of revoking these titles which had been irregularly/illegally allocated with the KNH Complex. We await feedback on the same.

On 4th June 2020, EACC wrote to KNH to furnish them with all documents relating to the parcels of land and appoint a competent officer to record statement. The documents were submitted and statement recorded on or about 30th June 2020. EACC has yet to inform the Hospital on the outcome of their investigations.

Focal person: Director, Finance

Status: Unresolved

Time frame: June 30, 2020

3.2 Land LRN 209/13319 - Title given to Individuals

As indicated at note 28(a) ii to the financial statements, the financial statements have been adjusted to remove land LRN 209/13319, measuring 0.0217 hectares with a book value of Kshs.1,600,000. The justification provided is that the National Lands Commission made a determination on 21 January 2019 where it directed the Chief Registrar of Lands to uphold the title which was held by a private individual for this parcel of land. However, board resolution approving removal of the land from the hospital books was not availed for audit verification.

Consequently, the status of the land could not be confirmed as at 30 June 2019.

Management Response

Pursuant to Gazette Notice No.9340 dated 18th December 2015, the Government issued a notice of its intention to acquire parcels of land for Kenya Urban Roads Authority (KURA) for the construction of the Hospital-Mbagathi Link Road. LR.No.209/13319 that was irregularly allocated was a subject of the aforesaid gazette notice. To this end, KNH launched its claim for compensation with NLC for the said parcel of land among others. In response, NLC indicated that it had received a memo from the Director of Valuation and Taxation indicating that LR.No.209/13319 was registered to one Sammy Lagat. Upon investigations, NLC conducted an inquiry in which the Hospital made its presentation and the Commission concluded that LR.No.209/13319 falls outside KNH land and upheld the title by Sammy Lagat.

During the FY 2018/19, adjustment was made to remove land, LRN 209/13319, measuring 0.0217 hectares with a book value of Kshs. 1,600,000. The removal of this parcel of land from KNH books was made based on the National Lands Commission determination dated 21st January 2019 in which the Commission directed the Chief Land Registrar to uphold the title held by Sammy Lagat. The Board approved the adjustment as per the Board minutes that were presented for verification.

Focal person: Director, Finance

Status: Resolved

Time frame: June 30, 2020

3.3 Acquisition of KNH Land for Construction of Hospital Road and Mbagathi Way Link Road

As previously reported, the Kenya Urban Roads Authority (KURA) in their Gazette Notice No. 9340 of 18th December, 2015 and 6441 of August, 2016 compulsorily acquired seven (7) acres of Kenyatta National Hospital (KNH) land with Hospital's internal valuation of Kshs.4,219,257,210 for construction of Hospital Road and Mbagathi Way Link Road. According to available information, KURA was to pay compensation of Kshs.1,859,297,000 to Kenyatta National Hospital (KNH) for the acquired portion of land. However, no compensation had been made to KNH as at the time of audit in April 2020 despite commencement of the road construction. The excised land has been included in the property plant and equipment balance of Kshs.12,364,842,000.

Management Response

Pursuant to Gazette Notice No.9340 dated 18th December 2015, the National Land Commission (NLC) did gazette its intention to acquire part of KNH land for the construction of the proposed Hospital Road-Mbagathi Way Link Road.

Vide Kenya Gazette Notice No.92 of 12th August 2016, NLC issued a notice of inquiry for hearing of claims for compensation by interested parties in the land required for the construction of the Link Road. The Hospital delivered its memorandum of claim for compensation on 29th August 2016 to the tune of **KES.4,219,257,210** for the following KNH land affected by the Link Road:

- 209/13982 - 2.1695 Ha
- 209/13319 - 0.0217 Ha
- 209/11460 - 0.2173 Ha

- 209/12822 – 0.0308 Ha

Further, the Hospital engaged a property valuer to conduct a valuation of the approximate 7 acres portion of land acquired for the construction of the Link Road, which was valued at **KES.3,142,000,000**.

During a stakeholders meeting called by Kenya Urban Roads Authority (KURA) on 31st January 2017 and 8th February 2017 respectively, KNH raised the issue of compensation to which KURA responded that the matter should be dealt with by NLC. As a follow up with NLC, the Hospital wrote to the Commission on 28th February 2017 seeking compensation noting that vide letter dated 30th November 2016, NLC had written to KURA for payment to the tune of **KES.1.859,297,000** for the parcels of land affected by the Link Road. Of this amount, compensation for KNH land amounted to **KES.1,759,787,500** as per the attached compensation schedule.

NLC vide letter dated 9th March 2017 responded stating that KNH was not entitled to compensation. The letter posits that compensation would have only followed if there were demolition of structures and improvements of the specific corridor. The Hospital sought intervention from Office of the Head of Public Service and the Attorney General. In the interim vide letter dated 18th December 2018, the Hospital wrote to NLC requesting disbursement of the compensation sum owed to the Hospital. A report on the same was submitted to the National Department Committee on Health during their visit to the Hospital on 20th March 2019.

Vide letter dated 14th May 2019, the Management wrote to the Attorney General (AG) seeking intervention and possible guidance as to whether or not KNH was entitled to compensation and why NLC has sought compensation from KURA for the same. The AG responded vide letter dated 23rd July 2019 and indicated that: -

- (i) KURA received a request to deposit KES.1,877,889.97 with MLC in respect of the KNH Land over the construction of Mbagathi Way Link Road;
- (ii) Upon receipt of the request, KURA approached NLC and was advised that the award was made in error or contrary to the law;
- (iii) KURA did not seek exchequer for the compensation from the National Treasury. However, NLC graciously advised KURA to consider on corporate social responsibility basis to oversee the rehabilitation of roads with KNH complex and erecting a perimeter wall to help secure KNH property along the Mbagathi Way Link Road. KURA stated that the request was under consideration and could be implemented from savings realized upon conclusion of the link road project.

During FY 2018/19, adjustment was made to remove parcels of land excised for the construction of Mbagathi way link road. The Board approved the adjustment as per the per the Board minutes that were presented for verification.

3.4 Kenya Medical Training College (KMTC) Land

As disclosed at note 28 (a) (iii) to the financial statements, an adjustment to remove land LRN 209/14269, measuring 2.5 hectares with a book value of Kshs.10,000,000 has been effected in the financial statements. The removal of this parcel of land from the hospital's books was made based on the Ndung'u land report in which the land was identified to be owned by KMTC under the irregularly/illegally allocated public land. The land was surrendered back to the Commissioner of Lands as per the surrender memorandum dated 21st September 2006. This land has over the years been included as part of KNH land. However, no board resolution minutes were provided for the adjustment to remove the land from the hospital's books.

Under the circumstance, ownership and accuracy of the property, plant and equipment balance of Kshs.12,364,842,000 in the statement of financial position as at 30 June 2019 could not be confirmed.

Management Response

During the FY 2018/19 adjustment was made to remove land, LRN 209/14269, measuring 2.5 hectares with a book value of Kshs.10,000,000. The removal of this parcel of land from KNH books was made based on the Ndung'u land report in which the land was identified to be owned by KMTC under the irregularly/illegally allocated public land. The land was surrendered back to the Commissioner of Lands as per the surrender memorandum dated 21st September 2006. This land has over the years been included as part of KNH land in error.

The Board approved the adjustment as per the Board minutes that were presented for verification.

Focal person: Director, Corporation Secretary

Status: Resolved

Time frame: June 30, 2020

4. Medical Service Contract Loss

4.1 Contracts with National Hospital Insurance Fund (NHIF)

As previously reported, the statement of financial performance for the year ended 30 June 2019 includes medical services contracts loss of Kshs.337,262,000 out of which Kshs.169,141,000 relate to loss from National Hospital Insurance Fund (NHIF). This loss is net of rebate received from the NHIF and the amount the Hospital spent in the treatment of NHIF members. According to information available, Kenyatta National Hospital (KNH) entered into a two years renewable medical service contract with the National Hospital Insurance Fund (NHIF) with effect from 1st August 2008 to 31 July 2010. Upon lapse of the two years and based on the renewal clause, the contract was renewed on the same terms with effect from 1st August 2010. Since the contract provided for continuous engagement between the parties, the management of KNH vide several letters in years 2013 and 2014 raised concerns on losses incurred due to the unfavorable contracts.

Upon exhausting all the negotiation mechanisms without success, the Hospital management sought to discontinue the loss-making contract. The intent to discontinue services to NHIF members was communicated to NHIF and the Ministry of Health in the Month of April 2014. NHIF responded on the

same in the same month of April 2014 where by NHIF explained its inability to increase the rebate that had been coupled with litigations causing delayed adjustment of premiums. Subsequently the hospital was directed by the Ministry of Health on 30 May 2014 to continue offering the services on the same terms despite making losses.

The management continued to engage the NHIF in a deliberate effort to eliminate losses that have been arising as a result of the existing unfavorable medical service contracts. In addition, the management continued to engage NHIF and the Ministry of Health on the loss-making contracts in the year 2016 as evidenced in several correspondences in the year 2016. Although a renegotiated contract signed on 21st March, 2019 has enhanced the number of claimable services which will have a positive effect on the annual losses, the loss incurred during the year is still significant.

Consequently, the hospital will continue to incur losses if the reimbursable amounts are not reviewed.

Management Response

The current contract with NHIF provides for continuous engagement between the parties. The hospital Management has been monitoring the thematic areas of improvement within the contract with a view to engaging NHIF on any clause in the contract that are unfavorable to the hospital. A number of issues which will form basis of midterm review of the contract have been identified.

The hospital management has already embarked on the process of negotiation with the Fund with an ultimate goal to enter into amicable agreed rates by 30th June 2021.

KNH is optimistic that the engagement will be fruitful and the new contract will reduce the losses in the future.

Focal person: Senior Director, Corporate Services

Status: Unresolved

Time frame: June 30, 2021

4.2 Free Maternity Program

As previously reported, the medical services contracts loss of Kshs.337,262,000 also includes Kshs.168,121,000 relating to loss on free maternity program offered by the Hospital, as disclosed in note 22 to the financial statements. This follows directive from the Cabinet Secretary, Ministry of Health which communicated the decision of the Government to reimburse an amount of Kshs.17,500 for every delivery. However, Kenyatta National Hospital being a referral hospital receives complicated maternal referrals and as a result, the costs are higher and the reimbursable amount of Kshs.17,500 per delivery has remained the same despite the high costs.

Consequently, the hospital has continued to bear the high cost on free maternity program which have impacted negatively on the overall performance.

Management Response

In July 2013, the Government of Kenya rolled out free maternity services program through a presidential declaration to encourage women to give birth at health facilities under skilled personnel. The policy aimed at reducing maternal complications as well as maternal mortalities in Kenya. Under

this program, referral hospitals were to be reimbursed on every delivery conducted in the facility Kshs.17, 500 with the assumption that this will be adequate with/without delivery complications.

The management vide ref: KNH/FIN/13/26 dated 1st July 2015 appealed to the Principal Secretary MOH for review of the reimbursement rate to Kshs.39, 000. However, this proposal did not yield a positive consideration.

In July 2017, the Government transferred the Free Maternity Scheme to Linda Mama Programme under the NHIF management. The Linda Mama covers delivery and pre- delivery incidental costs only. The hospital has engaged NHIF in full implementation of the programme where NHIF agreed to take care of post-natal and delivery complication through Letter ref HF/CB/12/3/ (97) dated 11th April 2018. The reimbursable amounts include:

- Delivery package at Kshs.17, 500
- Hospitalization as a result of pregnancy complications at a rebate of Kshs.4, 000 per day.
- Three months' post Natal care for mother and child at a rebate of Kshs.4, 000 per day.

The hospital management is in the process of renegotiating with the Fund for favorable rates. The hospital is optimistic that the engagement will be fruitful and the new contract will reduce the losses in the future.

Focal person: Senior Director, Corporate Services

Status: Unresolved

Time frame: June 30, 2021

5. Receivable from Exchange Transactions

5.1 Long Outstanding Debts

The statement of financial position reflects receivables from exchange transactions balance of Kshs.2,039,875,000 as at 30 June 2019 and which includes receivables of Kshs.71,410,322, Kshs.95,658,100 and Kshs.3,286,110 for National Hospital Insurance Fund (NHIF) rebate, Ministry of Health disaster debts and return to drawer (RD) cheques respectively. The balances have been outstanding for more than two years and no explanation has been provided by the management for failure to recover these long outstanding debts.

Management Response

Disasters Debt- Kshs. 95,658,100

This relates to hospital bills for victims of disasters that have occurred across the country in diverse dates from 1998 to 2019 and who were treated in the hospital. Upon discharge, the patients were released without paying medical bills incurred based on the Government's directive that the Hospital will be reimbursed. The hospital has been making follow-ups with the parent ministry for settlement but these bills have not been settled to date.

Return to drawer (RD) cheques -Kshs. 3,286,110

This relates to personal cheques that were received in the year 2004 and prior years for patients' medical bills. These cheques were drawn by well-wishers who were helping patients to meet their medical bills obligations but were unfortunately dishonored upon presentation to the bank. Efforts to have the drawers replace the cheques have not been fruitful.

Currently, the hospital no longer accepts personal cheques as a mode of payment to avoid recurrence of the same. The long outstanding debts whose recoverability is doubtful have been properly provided for in the financial statements as impaired in line with International Public Sector Accounting Standards (IPSAS).

The hospital management is in the process of seeking for Write-off for the long outstanding debts in line with the PFM Act 2012.

Focal person: Director, Finance

Status: Unresolved

Time frame: June 30, 2021

5.2 Absconded Patients Debts

As previously reported in the year 2017/2018, the receivables from exchange transactions balance of Kshs.2,039,875,000 as at 30 June 2019 includes medical services receivables of Kshs.8,663,813,000. Further, the medical services receivables include Debt Management Unit (DMU) receivables of Kshs.5,996,693,958 which includes absconded patients' debts of Kshs.748,581,556 as at 30 June 2019. No explanation has been provided by the management for failure to recover these long outstanding debts.

Management Response

This debt relates to patients who absconded from hospital before paying bills or entering into a formal credit arrangement. Efforts have been made to follow-up the debts through demand letters and short messages (SMS). However, recovery of these debts has not been fruitful. A provision has been made in the financial statements for the year ended June 30, 2019 for the absconded patients' debts in line with the requirements of IPSAS.

The management has put measures in place to curb abscondment which include:

1. Installation of CCTV system in the main corridors and wards to monitor patient movement.
2. Additional security personnel have been contracted by the Hospital and stationed to cover all patients' wards.
3. Tracking of repeat patients with previous outstanding bills where they are required to pay obligations before provision of services except for emergencies as determined by the clinicians.
4. Escort of patients seeking services outside the wards.
5. Enhanced data collection by Health Information Officers for tracing in case of abscondment.
6. A revised KNH Credit Policy and Procedure Manual is in place that has streamlined identification and assessment of indigent cases early enough thus shortening stay after clinical discharge that has discouraged abscondment.

The above measures have resulted in reduction of incidences of abscondment reported per year as illustrated in the trend below:

Annual Report and Financial Statements for the Year Ended June 30, 2020

	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Abscondees (No.)	2,200	1,931	985	433
Medical Bills for Abscondees (Kshs.)	61,700,532	73,184,901	53,032,665	27,072,586

Focal person: Director, Finance
 Status: Unresolved
 Time frame: June 30, 2021

5.3 Receivables from National Hospital Insurance Fund (NHIF)

As previously reported, the medical services receivables balance of Kshs.8,663,813,000 as disclosed at note 25 to the financial statements includes Kshs.903,098,855 due from NHIF while the NHIF financial statements as at 30 June 2019 reflects Kshs.149,533,123 thus resulting to unreconciled variance of Kshs.753,565,732. No explanation has been provided by the management for failure to reconcile the two sets of records.

Management Response

NHIF and KNH carried out a reconciliation of the two figures as at 30th June 2019 in the month of November 2019 that was signed off by representatives of the two institutions on 5th December 2019. The reconciliation statement is attached as .

While NHIF recognized only Kshs.149,533,123 as due to KNH as at 30th June 2019 based on their accounting policy that “they only recognize liability for claims submitted by healthcare provider only after verification” (see their significant accounting policy on benefit expenses extract on the same date the Fund acknowledged vide their letter reference HF/ADM/54?VOL.IV/392 dated 10th September 2019 that they held KNH claims that were at various stages of processing amounting to kshs.842,442,947 of which claims totaling Kshs.149,533,123 were at accounts payable stage.

Of the Kshs. Kshs.903,098,855 being NHIF rebate that was outstanding as at 30th June 2019, Kshs.474,337,667 has since been settled by the Fund as at 30th April 2021 . This demonstrates that as at 30th June 2020, the Fund was holding KNH claims more than their reported figure of 149,533,123.

Focal person: Director, Finance
 Status: Unresolved
 Time frame: June 30, 2020

5.4 Prepayment - Supply Contracts

The receivables from exchange transactions balance of Kshs.2,039,875,000 includes prepayments of Kshs.311,702,000 out of which prepayments totaling Kshs.31,734,000 related to supply contracts awarded to three firms of Kshs.15,793,000, Kshs.2,213,000 and Kshs.13,728,000. As reported 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

June 2019. Although the issue has been discussed by the Public Investment Committee, no action has been taken on the PIC recommendations that the three companies be investigated, prosecuted and the then hospital Chief Executive Officer be held accountable for the loss and be surcharged.

Management Response

High Voltage Communications Limited – Kshs.15,792,611

The amount was an advance payment made in the May 2001 for the supply, delivery and installation of submersible pumping equipment into helipad borehole and de-fluorination plants for boreholes at helipad and laundry. A dispute arose in the performance of the contract necessitating the parties to refer the matter to arbitration. An arbitral award was made in favor of the Hospital on 26/11/2012 to the tune of Kshs.14,876,645 but realization of the award was fruitless since the Registrar of Companies confirmed that the firm's file was missing from their electronic data base. In the absence of the Company's file and records at the Registry, the Management in unable to pursue any legal recourse for recovery of the advanced sums.

Vide letter dated 13th May 2019, the Hospital wrote to the National Bank of Kenya, Hospital Branch to furnish the Management with details of directors and signatories to the bank account held by High Voltage Communications Limited and names of the person who cashed the cheque that was drawn from the KNH Recurrent Account to enable Management recover the advance payment. The Bank in its response letter dated 27th May 2019 indicated that they were unable to accede to the request noting the details sought were confidential.

Further vide letter dated 13th May 2019, the Hospital wrote to the Registrar of Companies requesting for certified copies of the Certificate of Incorporation, Memorandum and Articles of Association, Statement of Nominal Capital, Notice of Situation of Registered Office and the Particulars of the Directors and Secretaries of High Voltage Communications Limited.

In addition, vide letter dated 13th May 2019, The Hospital wrote to the Ethics and Anti-Corruption Commission (EACC) for an update on the progress of investigations into the conduct of High Voltage Communications Limited and return of the original.

The Registrar of Companies and the EACC are yet to respond.

Glutex Medical Kenya Limited – Kshs.13,727,655

The amount was advance payment made the year 2003 for the supply of nuclear medicine materials. The supplier failed to perform and the Hospital demanded refund of the amount. It has been established through the Registrar of Companies that the firm is not registered; therefore, it is not possible to institute legal action against a non-existing entity.

Vide letter dated 13th May 2019, the Hospital wrote to the National Bank of Kenya, Hospital Branch to furnish the Management with signatories to the account held by Glutex Medical Kenya Limited and names of the person who cashed the cheque that was drawn from the KNH Recurrent Account to enable Management recover the advance payment. The Bank in its response letter dated 27th May 2019 indicated that they were unable to accede to the request noting the details sought was confidential.

Further vide letter dated 13th May 2019, the Hospital wrote to the Registrar of Companies requesting for certified copies of the Certificate of Incorporation, Memorandum and Articles of Association, Statement of Nominal Capital, Notice of Situation of Registered Office and the Particulars of the Directors and Secretaries of Glutex Medical Kenya Limited.

The Bank in its response letter dated 27th May 2019 indicated that they were unable to accede to the request noting the details sought was confidential. The Registrar of Companies is yet to respond.

Microtec Office Supplies – Kshs.2,213,309

The Company was awarded the tender for delivery and installation of microfilm equipment and to microfilm inactive medical records at a contract sum of Kshs.3,688,849.72 in May 1999. The supplier delivered and installed the requisite microfilm equipment and embarked on the exercise of microfilming inactive files. The supplier was paid an advance payment of 60% of the contract price but only performed 34% of the work.

The Hospital is unable to follow up on the recovery of the amounts advanced since section 4(1) of the Limitation of Actions Act, Cap 22 provides that actions founded on contract may not be brought after the end of six (6) years from the date on which the cause of action accrued.

Vide letter dated 13th May 2019, the Hospital wrote to the National Bank of Kenya, Hospital Branch to furnish the Management with signatories to the account held by Microtec Office Supplies and names of the person who cashed the cheque that was drawn from the KNH Recurrent Account to enable Management recover the advance payment. The Bank in its response letter dated 27th May 2019 indicated that they were unable to accede to the request noting the details sought was confidential.

Further vide letter dated 13th May 2019, the Hospital wrote to the Registrar of Companies requesting for certified copies of the Certificate of Incorporation, Memorandum and Articles of Association, Statement of Nominal Capital, Notice of Situation of Registered Office and the Particulars of the Directors and Secretaries of Microtec Office Supplies.

The Bank in its response letter dated 27th May 2019 indicated that they were unable to accede to the request noting the details sought was confidential. The Registrar of Companies is yet to respond.

Surcharge of then Chief Executive Officer for the loss

The Hospital Management has done everything within its purview and has sort guidance and direction of PIC on;

- i) To get an update from EACC on the status of investigations into the matter and return of the original files and documentation; and
- ii) Surcharge for the loss totaling to KES.31,733,575.90 through the Inspectorate of State Corporations.

Focal person: Director, Corporation Secretary

Status: Resolved

Time frame: June 30, 2020

5.5 Impairment Allowance

As in the previous year, the receivables from exchange transactions balance of Kshs.2,039,875,000 included in the statement of financial position as at 30 June 2019 is the net amount obtained from the gross balance of Kshs.9,030,003,000 less impairment allowance of Kshs.6,990,128,000 as disclosed in note 25 to the financial statements. The impairment allowance of Kshs.6,990,128,000 includes long outstanding debts of Kshs.6,531,163,000 and whose recoverability is doubtful. In addition, the

impairment allowance of Kshs.6,990,128,000 includes a provision of Kshs.1,248,877,758 whose supporting schedule of beneficiaries was not availed for audit review.

Management Response

The impairment allowance of Kshs. 6,990,128,000 has been provided for in line with International Public Sector Accounting Standards (IPSAS) in recognition of the uncertainty of recoverability of debts relating to indigent patients' medical bills. The listing supporting the entire amount of Kshs. 6,990,128,000 (including the Kshs.1,248,877,758 highlighted by the auditor) impairment allowance was availed for audit verification.

The hospital renders services to all patients referred for specialized healthcare without discrimination. Some of the patients who were attended are indigents and upon clinical discharge are unable to settle their medical bills. These patients are released from the hospital on unsecured credit based on a commitment to settle their bills in the future in line with the credit policy. Efforts to collect the due receivables from this category of patients have been unsuccessful. Most demand letters sent to the debtors' last recorded address demanding settlement of debts have been returned to hospital. Also included in the impairment allowance are bills relating to unclaimed bodies that are disposed off by the Hospital as per Public Health Act.

The hospital management has sought reimbursement of bills incurred by indigent patients from Ministry of Health. Consideration for this request is awaited.

The process of having the impaired debts written off shall be initiated in line with the Public Finance Management Act, 2012.

Focal person: Deputy Director, Finance

Status: Resolved

Time frame: June 30, 2020

5.6 Ministry of Health (MOH) Staff Long Outstanding Debts

As in the previous year, the receivables from exchange transactions balance of Kshs.2,039,875,000 include rental receivables balance of Kshs.28,300,000 as disclosed at note 25 to the financial statements. The rental receivables balance of Kshs.28,300,000 include MoH staff rent totaling to Kshs.2,998,806 that has been outstanding for more than one year, and which ought to have been deducted from the payroll through the check-off system and forwarded to Kenyatta National Hospital. Also noted on the rent receivable are five officers who vacated the houses without paying rent arrears amounting to Kshs.991,000.

Under the circumstances, the validity, accuracy and full recoverability of receivable from exchange transactions balance of Kshs.2,039,875,000 as at 30 June 2019 could not be determined.

Management Response

The long outstanding rent receivables relates to rent due from registrar doctors accommodated in the hospital houses and the recoveries for the rent executed through check off by the Ministry of Health. Although the deductions were being effected, the same was not remitted to the Hospital. Some of these

remittances were sent to the Department of Housing, Ministry of Lands. The Hospital is in the process of following up the remittances.

Further, recovery of rent through check-off system for tenants who are not KNH employees has been stopped effective February 2019. All registrar doctors are required to pay their rental fees directly to the Hospital.

Focal person: Director, Finance

Status: Unresolved

Time frame: June 30, 2021

6. Receivables from Non-Exchange Transactions

Receivables from non-exchange transactions balance of Kshs.685,328,000 as at 30 June 2019 includes staff receivables of Kshs.15,941,000 out of which temporary imprests and staff debtors amounting to Kshs.1,013,509 and Kshs.1,056,529 respectively have been outstanding for more than one year.

This is contrary to Section 93(5) of the Public Finance Management (National Government) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station. Section 93(6) further provides that in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate.

In the circumstance, the Hospital is in breach of the law and recoverability of staff receivable balance of Kshs.2,070,038 and the propriety of the same as at 30 June 2019 could not be ascertained.

Management Response

Temporary imprest

The long outstanding imprest is owed by former Hospital employees who left service due to death; dismissal; retirement or resignation before fully accounting for imprest issued to them in the course of their duty. Follow-up to recover the balance of outstanding imprest has not borne fruit as there are no benefits due to them that are held by the hospital and hence recoverability of the debts is doubtful. However, in the FY 2019/2020, the hospital was able to recover Kshs. 144,625 from outstanding temporary imprest and the new balance is now Kshs. 868,884.25

A provision for bad and doubtful debt for the irrecoverable imprest was made in the financial statements for the year ended June 30, 2019 in line with the requirements of IPSAS. The process of debt write off will be initiated in line with the PFMA regulations requirements.

Staff debtors

The debt relates to patients' bills guaranteed by staff at the time the patient is discharged from the hospital. The long outstanding staff debts have not been recovered from staff that subsequently left KNH service. Follow-up to recover the outstanding staff debts has not borne fruit as there are no benefits due to them that are held by the hospital and hence recoverability of the debts is doubtful.

A provision has been made in the financial statements for the long outstanding staff debts in line with the requirements of IPSAS. The process of debt write off will be initiated in line with the PFMA regulations requirements.

Focal person: Director, Finance
Status: Unresolved
Time frame: June 30, 2021

7. Trade and Other Payables from Exchange Transactions

As similarly reported in 2017/2018, the trade and other payables from exchange transactions balance of Kshs.2,272,976,000 in the statement of financial position as at 30 June 2019 includes balances totalling to Kshs.91,753,342 that have been outstanding for more than twelve (12) months. No explanation has been provided for failing to clear these long outstanding account payables.

In the circumstances, the accuracy and validity of trade and other payables from exchange transactions totaling Kshs.91,753,342 as at 30 June 2019 could not be confirmed.

Management Response

The hospital has put in place a framework for monitoring accounts payable to ensure that payments to suppliers are made within the stipulated credit period. Further, the hospital has resolved and paid some of the long outstanding invoices and is continuing to engage suppliers to submit requisite support documentation for the invoices not yet paid. There has been significant progress in resolving long outstanding suppliers' invoices as those aging beyond 360 days have decreased from Kshs.91,753,342 (FY 2018/19) to Kshs. 61,551,970 (FY 2019/20).

Focal person: Director, Finance
Status: Unresolved
Time frame: June 30, 2020

8. Defined Benefit Pension Scheme Deficit

The Kenyatta National Hospital (KNH) defined benefit scheme actuarial valuation as at 30 June 2019, showed benefit liability of Kshs.11,284,264,000 as per note 34 of the financial statement against the schemes assets of Kshs.7,346,292,000 resulting to an underfunding of Kshs.3,937,972,000 which was to be paid by KNH as Scheme Sponsor. The Hospital has been requesting for funding of the deficit through the budgetary process and in the last four years from 2015/16 to 2018/19, an amount of Kshs.100 million per year has been allocated and subsequently disbursed to the scheme. However, the allocation of Kshs.100 million per year towards the scheme deficit is not sufficient as it will take over thirty-nine (39) years to bridge the deficit and by which time most of the beneficiaries will have retired. No measures appear to have been put in place to prudently address the issue.

Management Response

The current actuarial valuation of the KNH defined benefit pension scheme as at 30 June 2020, showed benefit liability of Kshs. 16,004,501,538 against the schemes assets of Kshs.7,232,511,954 resulting to an underfunding of Kshs.8,771,989,584.

Annual Report and Financial Statements for the Year Ended June 30, 2020

The KNH Board of management has severally considered various options to address the deficit. The latest consideration has been to prioritize the utilization of the anticipated proceeds from the compulsory acquisition of the hospital land for the construction of the Mbagathi Way Link Road. The National Lands Commission however directed that the land was not to be compensated as it was a government acquisition. The position was supported by the Office of the Attorney General and therefore the hospital could not lay any further claim on the anticipated proceeds.

The hospital management has made a request to The National Treasury through MoH to consider budgetary support towards pension payout for the next seven years at an average of Kshs. 1 billion per year with effect from FY 2021/22.

The hospital awaits The National Treasury consideration during confirmation of the approved budget FY 2021/22.

Focal person: Deputy Director, Finance

Status: Unresolved

Time frame: June 30, 2020

Other Matter

Budgetary Performance

During the year under review, the Hospital's actual receipts amounted to Kshs.13,575,990,000 against budgeted receipts of Kshs.14,289,468,000 resulting in a revenue shortfall of Kshs.713,478,000. Further, actual expenditure for the year amounted to Kshs.13,214,939,000 against budgeted expenditure of Kshs.13,577,799,000 resulting in an overall under absorption of Kshs.362,861,000. It is therefore clear that the Hospital did not fully achieve its budget objectives which adversely affected delivery of the intended services to the public. Consequently, there is need for the Hospital to review its budget making process with a view to coming up with a vibrant budget implementation follow up mechanism and feedback process with a view to ensuring that all projects and activities are implemented as planned for the Hospital to meet its mission and objectives for the benefits of the Citizens of Kenya.

Management Response

Management concurs with the auditor's observation on the need for the Hospital to institute a more vibrant budget implementation follow up mechanism and feedback process to ensure that all projects and activities are implemented as budgeted and planned. Currently budget implementation is guided by the approved departmental procurement plans that HOD's develop based on the budget allocations.

Automation of the budget making and monitoring is in process. This is expected to be implemented in FY 2021/22. On the meantime, Management has enhanced monitoring of the budget performance by heads of departments / units on quarterly basis through including the targets in their performance contracts, enhanced training of hospital budgeting committees and monthly review of budget performance by the Hospital Budget Implementation Committee.

Focal person: Director, Finance

Status: Resolved

Time frame: June 30, 2020

Basis for conclusion

1. Unutilized staffs leave days

Section 6.3.3 of the Human Resource Policies and Procedures manual requires that all employees irrespective of their grades will be entitled to thirty (30) working days annual leave. Further, section 6.3.5 states that deferment of annual leave from one year to another is not permitted except under exceptional circumstances with the approval of the Hospital Chief Executive Officer. Contrary to the above requirements, it was observed that a large number of staff at the hospital in various departments had leave balances that were out of the Human Resource Manual guideline. Four (4) staff had negative leave days and sixty-three (63) others had accumulated between 30 and 156 leave days. No evidence of approval by the Chief Executive Officer was availed for audit verification.

Management was therefore in breach of its Human Resource Policies and Procedures Manual.

Management Response

The Hospital has endeavored to implement leave management as stipulated in the Human Resource Policies and Procedures Manual. In particular, the following actions have been taken to ensure compliance:

- a) HODs/HOUs have been reminded to ensure the leave rota is adhered to by all the staff in their departments/Units. This is to ensure that staff proceed on leave as scheduled to address the challenge of many leave days being carried forward (Ref: KNH/HR//82/66 dated 5th December 2019).
- b) The officers who had over utilized their leave days leading to negative balances were issued with warning letters to desist from proceeding on leave before the same was approved. The over utilized leave days were recovered from the officers' subsequent year leave entitlement (Ref: KNH/535374/72 and KNH/529568/189 dated 9th November 2020).

Focal person: Director, Human Resource Management

Status: Resolved

Time frame: June 30, 2020

2. Inconstancies in Depreciation Policy

Section 7.3.4 of the approved Hospital Finance Manual stipulate that the straight-line method of depreciation shall be applied for property plant and equipment. However, a review of the depreciation method used during the year indicated that the reducing balance method has been applied as indicated in the property, plant and equipment movement schedule at note 28 to the financial statements and significant accounting policy No. 4(c) on property, plant and equipment at page 95 of the financial statements which state that depreciation is calculated on reducing balance basis. In addition, computer and related devices as per the policy should be depreciated within three years at the rate of 33.33% using straight line method of depreciation. However, a rate of 30% has been applied using reducing balance method. No justifiable explanations have been provided for these inconsistencies.

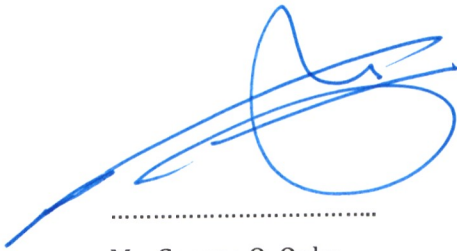
Management Response

The hospital Management has carried out re-computation of the depreciation amounts using the straight-line method and has passed the necessary adjustments required in the books. Restatement of the financial statements for prior year 2018/2019 has also been done.

Focal person: Director, Finance

Status: Resolved

Time frame: June 30, 2020



.....
Mr. George O. Ooko

**Chairman
Board of Management**



.....
Dr. Evanson Kamuri

**CEO/Secretary
Board of Management**

Appendix ii: Projects Implemented by Kenyatta National Hospital

	Project title	Source of Funding	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1.	Cancer Treatment Center Phase 1	GOK	52	250M	NO	Yes
2.	Burns and paediatrics Emergency Center	GOK, OFID, SFD BADEA	104		NO	Yes
3.	Renal Upgrade	GOK	54	200M	NO	Yes
4	300 Bed Private Hospital Feasibility study	GOK, World Bank Treasury			NO	NO
5.	Day care Surgical centre	GOK KNH Merrali Foundation	54	42 M GOK 60 M KNH 100 M Meralli	NO	Yes

Status of Projects completion as at 30th June 2020

	Project	Total project Cost	Total expended to date	Completion % to date	Sources of funds
1.	Cancer Treatment Center Phase 1	Kshs 244,721,296.00	Kshs 156,045,701.83	70%	GOK
2.	Burns and paediatrics Emergency Center	Kshs 2,959,511,555.29	Kshs 876,012,606	30%	GOK, OFID, SFD BADEA
3.	Renal Upgrade	Kshs 200,000,000.00	Kshs. 143,371,211.78	100%	GOK
4.	300Bed Private Hospital Feasibility study	Kshs. 100,213,588		100%	GOK, World Bank Treasury
5.	Day care Surgical center	Kshs 202,226,590	Kshs 204,492,380	100%	GOK KNH Merrali Foundation

Appendix iii: Inter-Entity Transfers Confirmation**KENYATTA NATIONAL HOSPITAL**

Hospital Rd. along, Ngong Rd.

P.O. Box 20723, Nairobi.

Tel: 2726300-/2726450/2726550

Fax: 2725272

Email: Knhadmin@knh.or.ke

Ref: KNH/FIN/12/Vol.II/24

Date: 22nd July 2020

Principal Secretary
Ministry of Health
P.O. Box 30016 – 00100
NAIROBI

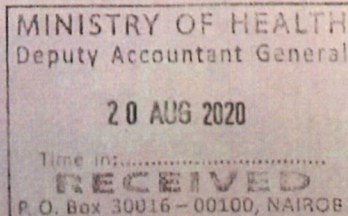
Attn: Head of Accounts**RE: INTER ENTITY TRANSFER CONFIRMATION FOR 2019/20 FINANCIAL YEAR**

In line with the annual reporting, Ministry of Health is required to confirm transfers made to KNH in 2019/20 financial year.

According to our records KNH Received Ksh11, 941,600,051.00 for recurrent grant, development grant, COVID-19 preparedness and frontline workers allowance as tabulated below;

Recurrent Grant Month	Bank Statement Date	Amount (Kshs)	Financial Year
July 2019	06/08/2019	683,663,638.25	2019/20
August 2019	09/09/2019	683,663,638.25	2019/20
September 2019	01/10/2019	683,663,638.25	2019/20
October 2019	01/10/2019	683,663,638.25	2019/20
November 2019	04/11/2019	683,663,638.25	2019/20
December 2019	29/11/2019	683,663,638.25	2019/20
January 2020	03/01/2020	683,663,638.25	2019/20
February 2020	04/02/2020	683,663,638.25	2019/20
March 2020	03/03/2020	683,663,638.25	2019/20
April 2020	01/04/2020	683,663,638.25	2019/20
May 2020	08/05/2020	683,663,638.25	2019/20
June 2020	08/06/2020	683,663,638.25	2019/20
Sub Total		8,203,963,659.00	
Supplementary I	27/04/2020	870,000,000.00	2019/20
Supplementary II	23/06/2020	601,000,000.00	2019/20
Total		9,674,963,659.00	

Page 1 of 3



GoK Capital Grant

Capital Grants	Bank Statement Date	Amount (Kshs)	Financial Year	Capital Grants
Burns And Paediatric Emergency Center	04/02/2020	175,240,000	2019/2020	Burns And Paediatric Emergency Center
Daycare and Equipment	04/02/2020	25,000,000	2019/2020	Daycare and Equipment
Strengthening of Cancer Management	04/02/2020	62,500,000	2019/2020	Strengthening of Cancer Management
Daycare and Equipment	02/03/2020	25,000,000	2019/2020	Daycare and Equipment
Strengthening of Cancer Management	02/03/2020	62,500,000	2019/2020	Strengthening of Cancer Management
Total		350,240,000		

KNH COVID-19 Preparedness Grant

Description	Bank Statement Date	Amount (Kshs)	Financial Year
Renovation of Mbagathi IDU Ward	05/03/2020	150,000,000	2019/2020
Recruitment of temporal staff	22/04/2020	125,701,392	2019/2020
Recruitment of temporal staff	22/04/2020	85,000,000	2019/2020
COVID-19 Intervention	07/07/2020	250,000,000	2019/2020
COVID-19 Intervention	07/07/2020	350,000,000	2019/2020
Conversion of Daycare to COVID - 19 Medical ward	07/07/2020	140,000,000	2019/2020
Total		1,100,701,392	

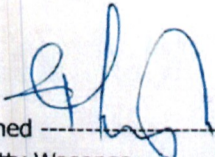
KNH-Othaya Recurrent

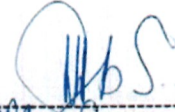
Description	Bank Statement Date	Amount (Kshs)	Financial Year
1 st , 2 nd & 3 rd Quarter	04/02/2020	375,000,000	2019/2020
4 th Quarter	08/06/2020	125,000,000	2019/2020
Sub Total		500,000,000	
Supplementary II	07/07/2020	150,000,000	2019/2020
Commissioning of KNH Othaya Hospital	14/05/2020	8,900,000	2019/2020
Total		658,900,000	

Frontline workers Allowances

Description	Bank Statement Date	Amount (Kshs)	Financial Year
Frontline Worker Allowance	07/07/2020	156,795,000	2019/2020

The above amounts have been communicated to and reconciled with Ministry of Health.

Signed 
Twitty Wasonga
Ag. Director, Finance
Kenyatta National Hospital
Date 22/07/2020

Signed 
Name CPA Samson M. Ongalo
Head of Accounts
Ministry of Health
Date 20/08/2020

Annual Report and Financial Statements for the Year Ended June 30, 2020

Appendix IV : Recording of transfers from the state department

Transfers from Ministries, Departments and Agencies							
KENYATTA NATIONAL HOSPITAL							
As at 30th June, 2020							
Breakdown of transfers from Ministry of Health							
FY 19/20							
Recurrent Grant		Where recorded/recognized					
NAME OF ENTITY:	BANK STATEMENT DATE	AMOUNT RECOGNIZED TO STATEMENT OF COMPREHENSIVE INCOME (Kshs.'000')	AMOUNT RECOGNIZED IN CAPITAL FUND (Kshs.'000')	DEFERRED INCOME (Kshs.'000')	RECEIVABLES (Kshs.'000')	CUMULATIVE TRANSFERS TO DATE (Kshs.'000')	FINANCIAL YEAR
MINISTRY OF HEALTH							
19-Jul	7/8/2019	683,664				683,664	2019/20
19-Aug	10/9/2019	683,664				683,664	2019/20
19-Sep	1/10/2019	683,664				683,664	2019/20
19-Oct	1/10/2019	683,664				683,664	2019/20
19-Nov	4/11/2019	683,664				683,664	2019/20
Dec-19	29/11/2019	683,664				683,664	2019/20
20-Jan	3/1/2020	683,663				683,663	2019/20
20-Feb	4/2/2020		262,740			262,740	2019/20
20-Feb	5/2/2020	683,664				683,664	2019/20
20-Feb	5/2/2020	375,000				375,000	2019/20
20-Mar	2/3/2020		87,500			87,500	2019/20
20-Mar	3/3/2020	683,663				683,663	2019/20
20-Mar	5/3/2020	150,000		5,002		150,000	2019/20
20-Apr	1/4/2020	683,663				683,663	2019/20
20-Apr	23/4/2020	125,701		125,701		125,701	2019/20
20-Apr	23/4/2020	85,000		85,000		85,000	2019/20
20 -April	27/04/2020	870,000				870,000	2019/20
20-May	19/05/2020	8,900		8,900		8,900	2019/20
20-May	11/5/2020	683,663				683,663	2019/20
20-May	24/06/2020	601,000		601,000		601,000	2019/20
20-May	9/6/2020	125,000				125,000	2019/20
20-May	8/6/2020	683,664				683,664	2019/20
		10,544,565	350,240	825,603		10,894,805	2019/20

Transfers from Ministries, Departments and Agencies							
NAME OF ENTITY: MINISTRY OF HEALTH	BANK STATEMENT DATE	AMOUNT RECOGNIZED TO STATEMENT OF COMPREHENSIVE INCOME (Kshs.'000')	AMOUNT RECOGNIZED IN CAPITAL FUND (Kshs.'000')	DEFERRED INCOME (Kshs.'000')	RECEIVABLES (Kshs.'000')	CUMULATIVE TRANSFERS TO DATE (Kshs.'000')	FINANCIAL YEAR
Jul-20	7/7/2020			150,000	150,000	11,044,805	2019/20
Jul-20	7/7/2020				156,795	11,201,600	2019/20
Jul-20	7/7/2020			263,531	350,000	11,551,600	2019/20
Jul-20	7/7/2020				250,000	11,801,600	2019/20
Jul-20	7/7/2020				140,000	11,941,600	2019/20
						11,941,600	2019/20
TOTAL RECURRENT TRANSFERS /CAPITAL & DEVELOPMENT GRANTS		10,544,565	350,240	1,239,134	1,046,795		
Development Grant							
Surgical Day Care Centre	2/3/2020	25,000					2019/20
Cancer Management Centre	2/3/2020	62,500					2019/20
Day Care Centre	4/2/2020	25,000					2019/20
Burns & Paediatrics Centre	4/2/2020	175,240					2019/20
Cancer Management Centre	4/2/2020	62,500					2019/20
KNH OTHAYA	7/7/2020	250,000	250,000				2019/20
COVID-19 PREPAREDNESS	7/7/2020	86,469	86,469				2019/20
COVID-19 IDU	5/2/2020	88,942	88,942				2019/20
Surgical Day Care Centre	7/7/2020	140,000	140,000				2019/20
TOTAL DEVELOPMENT GRANTS		915,651	915,651				2019/20



KENYATTA NATIONAL HOSPITAL

Hospital Rd. along, Ngong Rd. P.O. Box 20723, Nairobi. Tel: 2726300-9 Fax: 2725272

Email: knh_schoolofnursing@knh.or.ke Website: www.knh.or.ke

HIGHER DIPLOMA IN SPECIALIZED NURSING

HIGHER DIPLOMA COURSES IN SPECIALIZED NURSING [NCK APPROVED]			
COURSE	DURATION	COMMENCEMENT DATE	TUITION FEE IN KENYA SHILLINGS (KSHS)
Critical Care Nursing	One (1) year	September,2020	232,000
Peri-Operative Nursing	One (1) year	September,2020	232,000
Neonatal Nursing	One (1) year	September,2020	232,000
Nephrology Nursing	One (1) year	April, 2020	232,000
Accident & Emergency Nursing	One (1) year	April,2020	232,000
NB: An additional fee of Kshs.22, 000 is payable directly to the Nursing Council of Kenya for indexing, training materials and licensure examination.			
Foreign students are required to pay 300 USD for temporary licensing by NCK before commencement of the courses.			
Each student will be required to have an NHIF card or Health Insurance cover for the period.			
Application fee of Kshs.1, 500 is payable to KNH.			

Qualifications:

- Diploma in KRN/M, KRCHN or Bachelor's degree in Nursing (BScN).
- Two (2) years post registration as a Registered Nurse.
- Must have attained a "C" Minus or Div III in O level.
- Must be registered by the Nursing Council of Kenya and has a valid practicing license.
- Proficiency in English is mandatory for foreign students.