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THE AUDITOR-GENERAL

ON

KISII TEACHING AND REFERRAL HOSPITAL

**FOR THE YEAR ENDED
30 JUNE, 2021**

DATE: 30 NOV 2022

TABLED
BY:

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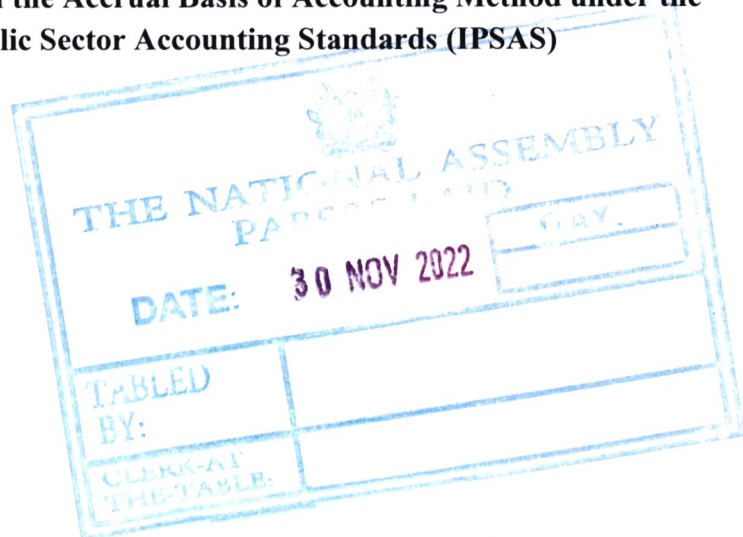


KISII TEACHING AND REFERRAL HOSPITAL

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2021**

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



Kisii Teaching & Referral Hospital
Annual Reports and Financial Statements
For the year ended June 30, 2021.

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1. KEY KISII TEACHING AND REFERRAL HOSPITAL INFORMATION AND MANAGEMENT

(a) Background information

The Kisii County Teaching and Referral Hospital Corporation was established by and derives its authority and accountability from Kisii County Teaching and Referral Hospital Act, 2014 on 2nd May. The entity is wholly owned by the County Government Kisii and is domiciled in Kenya.

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

The entity's principal activity is to provide money for medical supplies, equipping of the hospital and improving the quality of health care services

(b) Principal Activities

The principal activity of the entity is to:

- i. Provide financial resources for medical supplies, rehabilitation and medical equipment for health facilities in the hospital.
- ii. Support capacity building in the management of the hospital.
- iii. To give decision making autonomy to the hospital management committees, to plan and manage the resources within their control
- iv. To improve the quality of health care services in the hospital.

(c) Key Management

The Hospital's day to day management is under the following key organs:

- i. Board of Directors
- ii. Chief Executive Officer
- iii. Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

Ref	Designation	Name
1	Chief Executive Officer	Dr Enock Ondari
2	Director Accounting Services	CPA Osborn Mbego

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(e) Fiduciary Oversight Arrangements

- i. Audit and Finance Committee
- ii. Internal Audit
- iii. Parliamentary Oversight Committees
- iv. Development partners
- v. County Assembly

(f) Registered Offices

P.O. Box 9240200
Kisii –Hospital Road
Kisii, KENYA

(g) Hospital's Contacts

Telephone: (254) 734749322
Email: info@ktrh.go.ke
Website: www.ktrh.or.ke

(h) Hospital's Bankers

Kenya Commercial Bank
P.O. Box 47640200
Kisii, Kenya





(i) Independent Auditors

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

(j) Principal Legal Adviser

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

2. THE BOARD OF DIRECTORS

Name	Details of qualifications and experience
<p>1. Dr. Kenneth Onsate Nyagena</p> 	<p>Dr, Nyagena is the chairman of the KTRH Board of Management. Dr Nyagena is also the chairperson, department of Public Affairs and Environmental studies at Laikipia University where he is also a lecturer, a consultant in various areas of expertise. Dr, Nyagena Holds a Phd in sociology, Masters in Development Studies and B.A in Anthropology and Sociology.</p>
<p>2. Mr. William O. Mbaka</p> 	<p>Born in 1962, Mr. Mbaka is the senior Director Budget Ministry of Energy. He has previously served as senior chief finance officer in the Ministries of Interior and Coordination of Government, Mining, Housing, Labour, Agriculture, Kenya Sugar Board, Livestock, Health and Ministry of Planning; lecture Embu Development Institute. He Holds an MBA strategic management, B.ED Business studies, member of; association of chartered Accountants (ACCA) and Institute of Directors (IOD).</p>
<p>3. Dr. Joseph Mochama Abuya</p> 	<p>Born 1967, Dr. Abuya is a senior lecturer, Department of Radiology and Imaging at Moi University, prior he served as head of Department of Radiology and Imaging Moi, Teaching and Referral Hospital. He is currently Pursing a PhD in Medical Education, Holds a Master of Medicine Diagnostic Radiology and Bachelors of Medicine and Surgery.</p>
<p>4. Dr. Stella Moraa Omari</p> 	<p>Dr. Omari is the chairperson school of Business and Economics, department of Human Resource and strategic Management Kisii University where she also serves as a senior lecturer and member of university senate. She holds a PhD in Human Resource Management; M.A in social Dynamics ;Bachelor of Arts and a member of Institute of Human Resource Management (IHRM)</p>

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5. Martha Momanyi Omambia



Mrs. Omambia is a consultant trainer in leadership for change in various aspects of community development, she is also the Chief Executive Officer , Mare Quality Foods Enterprises; she has previously served as chief project director Winrock International ;consultant ,Lutheran World Federation ,UNEP among others.

She holds MA, Medical Geography and Bed. (Sc), chemistry, Geography, and Education.



6. Dr. Enock Ondari



Dr. Ondari is the chief Executive Officer, Kisii Teaching and Referral Hospital (KTRH). He is an Obstetrician and gynaecologist. Previously he has served as Medical Superintendent and a Deputy District Medical Services Officer (DMSO).

He holds a master of medicine in Obstetrics & Gynaecology and a Bachelors degree in medicine and surgery.

3. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>1. Dr. Enock Ondari</p> 	<p>Master of medicine in Obstetrics &gynaecology, Bachelors degree in Medicine & Surgery , October 2014 to date; Ministry of health, kisii county Position: Chief Executive Officer (CEO) Kisii Teaching & referral hospital</p>
<p>2. CPA Osborn Mbego</p> 	<p>Master of Business Administration –Finance Member of Institute of Certified Accountants of Kenya (ICPAK) Bachelors of Commerce in Finance Has several years of working experience Director Accounting Services</p>

Kisii Teaching & Referral Hospital
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4. CHAIRMAN'S STATEMENT

It's my pleasure to present the hospitals 2020/2021 annual reports and financial statements. The board of management is proud of the achievements realized by the hospital in this period under review towards providing leading health Kenya services in the region that spans to counties in south Nyanza and western Kenya.

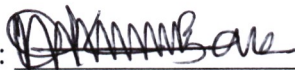
KTRH provides quality specialized healthcare to patients in services that include orthopaedic surgery, plastic surgery, critical care services, new born services, renal and radiological services.

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

The hospitals operations are also influenced by various global, regional and national strategies aimed at promoting, restoring and maintaining the health care service delivery.

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

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

Signed:  _____

Dr. Kenneth Nyagena

Kisii Teaching & Referral Hospital
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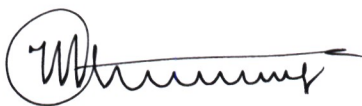
5. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Kisii teaching & Referral Hospital manages its fund based on existing government financial management rules and regulations. The fund is used for financing hospital operations including but not limited to the following:

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

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

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

Signed:  _____

Dr. Enock Ondari

**Kisii Teaching & Referral Hospital
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6. STATEMENT OF KHOSPITAL'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Kisii Teaching and Referral hospital strategic plan 2019/2024 are as follows:

- a) Infrastructure – improve physical facilities, provide modern medical equipment, integrate ICT in the hospital
- b) adequate skilled human resource
- c) enhance financial performance
- d) Enhance Audit and Risk Management
- e) Strengthen supply chain management
- f) Integrate Environment, social and governance concerns into our mission
- g) Optimize customer experience
- h) Enhance research, training and innovative activities
- i) Improved clinical services

Below we provide the progress on attaining the stated objectives:

Strategic Area	Objective	Outcome	Indicator	Performance
Infrastructure	Improved physical facilities	Building mother and child centre Building a Doctors plaza	Built mother and child Built doctors plaza	In financial year 2020/21 the doctors plaza was completed and mother and child construction is underway
Environment, social and governance	Integrate ESG concerns into our mission	Promote proper waste management and pollution controls	Data from incinerator and microwave	In the year incineration services increased
Service delivery	Improved clinical service	Enhanced clinical and professional governance Continuous medical education	Reduced hospital length of stay Reduction in mortality rates CME committee in place	In the year, there was reduced length of stay as well as weekly CMEs

7. CORPORATE GOVERNANCE STATEMENT

Commitment to good corporate governance is fundamental in ensuring sustainable stakeholder value and meeting their expectations. Our procedures and processes are anchored on accountability, transparency, responsibility, and fairness which are the tenets of good corporate governance. Through the board of Directors, Kisii Teaching and Referral Hospital is complying with statutory requirements

Appointment and Induction of Board Members

Appointment of Board members is as prescribed under the County Governments Act, 2012 and section 6(1) (a) and (b) of the Kisii Teaching and Referral Hospital Act, 2014. The Governor appoints the board members.

Role of the Board

The responsibility of driving good corporate governance and stewardship of the Hospital is vested in the board of Directors. The board through its committees provide strategic direction while the Chief Executive Officer assisted by the Executive Management Committee is accountable to the Board for implementing the strategy.

Board Committees

- a) Finance committee
- b) Audit Risk and Compliance Committee
- c) Standard Quality Assurance and Research Committee
- d) Human Resource committee

Conflict of interest

Declaration of conflict of interest is a standing agenda in all meetings of the Board and its committees. A register maintained by the institution to record all declarations made by board members.

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8. MANAGEMENT DISCUSSION AND ANALYSIS

Clinical performance

The hospital attended to 100,969 outpatients and 15,763 inpatients during the year ending 30th June 2021. The number of maternal deliveries stood at 4,385.

OPD ATTENDANCE

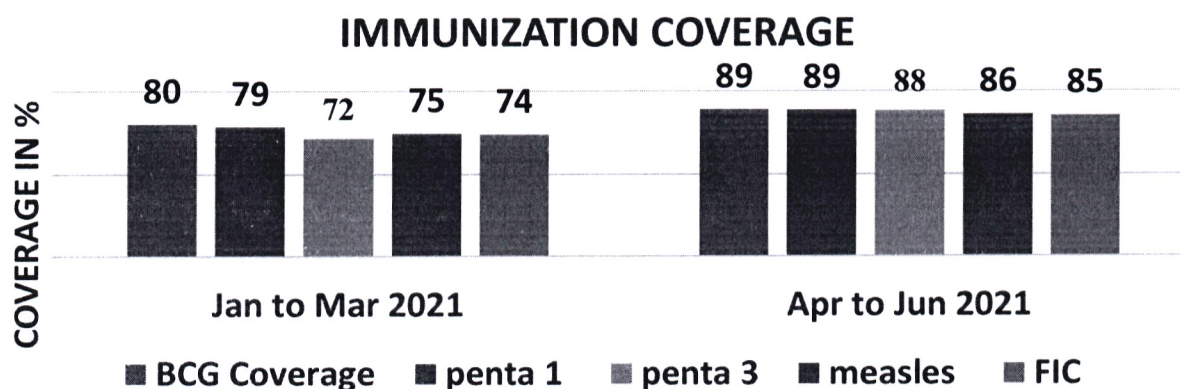
OPD ATTENDANCE	Q1	Q2	Q3	Q4
Over 5	14,777	19,442	22,091	22,402
Under 5	3,832	1,857		2,312
Casualty	16,225	14,520	10,567	11,404

Reproductive Health

During the year , the number of deliveries increased due to increased refferalls.

	Q1	Q2	Q3	Q4
Skilled birth attendance	1303	1328 (70%)	1000 (42%)	1483 (85%)
Maternal mortality /100,000	227	205	343	278
Still birth/1000	21%	24%	29%	29%
Low birthweight percentage	3.1%	5.3%	4.8%	7.8%
HIV+ pregnant mothers on ART	100%	100%	100%	100%

Immunization



Admissions and Discharges

Bed occupancy stood at 56% during the beginning of the year and 75% at the end of the year. In 3rd quarter the bed occupancy rate was low due to industrial action by medical personnel.

	July Sept 2020	Janmarch	OctDec 2020	Jan March 2021	April June 2021
Admissions	5,112	5,194	3,250	2,317	5,084
Discharges	4,239	4,870	3,163	1,714	4,448
Deaths	262	376	268	220	535
ALOS	5 days	7 days	5 days	7 days	7 days
% occupancy	56%	88%	46%	23%	75%
Waivers		88	60	34	131

Quality health care

With an increase in lifestyle diseases constituting most of the known noncommunicable diseases such as obesity, high blood pressure, diabetics and other related diseases, there is need for a shift in focus on specialized healthcare services. To address this new challenge the hospital is in the process of setting up a doctor’s plaza as well as a mothers and child centre.

Financial performance

The Hospital’s revenue comprises of fee charged for services rendered. The revenue generated during the year was used to fund the hospitals expenditure.

Kisii Teaching & Referral Hospital
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For the year ended June 30, 2021.

9. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Hospital's affairs.

a) Principal activities

The principal activities of the Hospital are:

- i. Provide financial resources for medical supplies, rehabilitation and medical equipment for health facilities in the Hospital.
- ii. Support capacity building in the management of the Hospital
- iii. To give decision making autonomy to the Hospital management committees, to plan and manage the resources within their control
- iv. To improve the quality of health care services in the Hospital

b) Results

The results of the Hospital for the year ended June 30, 2021, are set out on page 1

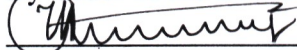
c) Directors

The members of the Board of Directors who served during the year are shown on pages iv and v. During the year 5 directors retired and 5 were appointed.

d) Auditors

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

By Order of the Board



Dr. Enock Ondari

Secretary to the Board

Date 12/11/2021

Kisii Teaching & Referral Hospital
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10. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 19 of the Kisii Teaching and Referral Hospital Act, 2014 require the Directors of Kisii Teaching and Referral Hospital to prepare financial statements in respect of the Hospital, which give a true and fair view of the state of affairs of the Hospital as at 30 June 2021 and the operating results of the Hospital for the year then ended. The Directors are also required to ensure that the Hospital keeps proper accounting records which disclose with reasonable accuracy the financial position of the Hospital. The Directors are also responsible for safeguarding the assets of the Hospital.

The Directors are responsible for the preparation and presentation of the Hospital's financial statements, which give a true and fair view of the state of affairs of the Hospital for and as at the end of the financial year (period) ended on 30 June, 2021. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Hospital; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Hospital; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

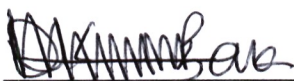
The Directors accept responsibility for the Hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Kisii Teaching and Referral Hospital Act, 2014. The Directors are of the opinion that the Hospital's financial statements give a true and fair view of the state of Hospital's transactions during the financial year ended 30 June, 2021, and of the Hospital's financial position as at that date.

The Directors 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.

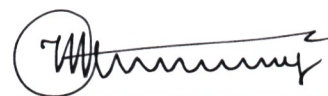
Nothing has come to the attention of the Directors to indicate that the Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the Board on 12/11/ 2021 and signed on its behalf by:



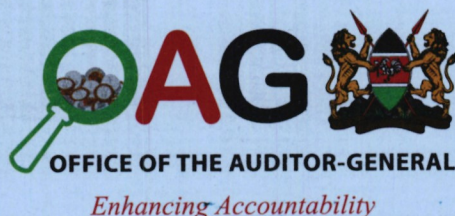
Dr. Kenneth Onsate
Chairman of the Board



Dr. Enock Ondari
Chief Executive Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KISII TEACHING AND REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kisii Teaching and Referral Hospital set out on pages 1 to 18, which comprise of the statement of financial position as at 30 June, 2021 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kisii Teaching and Referral Hospital as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects final receipts budget and actual on comparable basis amounts of Kshs.350,876,886 and Kshs.244,233,154 respectively, resulting in an under-funding by Kshs.106,643,732 or 30% of the approved budget. Similarly, the Hospital spent an amount of Kshs.247,847,003 out of the approved expenditure budget of Kshs.350,876,886, resulting in under expenditure of Kshs.103,029,883 or 29% of the approved expenditure budget.

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

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, I confirm that nothing 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

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

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

Basis for Conclusion

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 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 governance.

In preparing the financial statements, Management is responsible for assessing the Hospital's ability 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 the 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

31 August, 2022

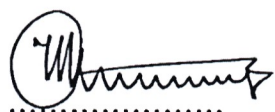
Kisii Teaching & Referral Hospital
Annual Reports and Financial Statements
For the year ended June 30, 2021.

12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020/2021	2019/2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities	6	11,922,350	
Revenue from exchange transactions			
Rendering of services	7	254,647,246	379,182,531
Total revenue		266,569,596	379,182,531
Expenses			
Use of goods and services	8	248,600,842	322,505,002
Remuneration of directors	9	3,195,869	3,250,000
Repairs and maintenance	10	20,626,201	31,520,607
Total expenses		272,422,912	357,275,609
Deficit/ Surplus for the year		(5,853,316)	21,906,922

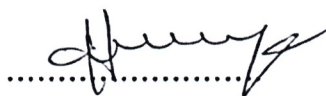
The notes set out on pages 7 to 19 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 19 were signed on behalf of the Board of Directors by:



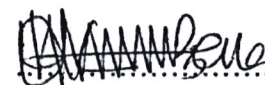
Chief Executive Officer
 Dr. Enock Ondari

Date 12/11/2021



Director Accounting
 CPA Osborn Mbego
 ICPAK Member Number: 9663

Date 12/11/2021



Chairman of the Board
 Dr. Kenneth Onsate

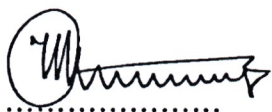
Date 12/11/2021

Kisii Teaching & Referral Hospital
Annual Reports and Financial Statements
For the year ended June 30, 2021.

13. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

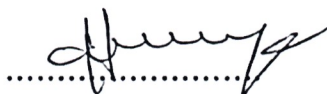
	Notes	2020/2021	2019/2020
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	11	611,735	4,225,584
Current portion of receivables from exchange transactions	12	69,939,674	47,603,232
Inventories	13	20,306,818	
Total Current Assets		90,858,227	51,828,816
Total Assets		90,858,227	51,828,816
Liabilities			
Current Liabilities			
Trade and other payables	15	59,908,727	15,026,000
Total Current Liabilities		59,908,727	15,026,000
Total Liabilities		59,908,727	15,026,000
Net Assets			
Accumulated surplus		(41,477,804)	(35,624,488)
Revolving Fund		72,427,304	72,427,304
Total Net Assets		30,949,500	36,812,816
Total Net Assets and Liabilities		90,858,227	51,828,816

The Financial Statements set out on pages 1 to 19 were signed on behalf of the Board of Directors by:



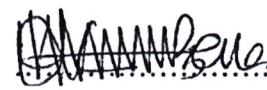
Chief Executive Officer
 Dr. Enock Ondari

Date 12/11/2021



Director Accounting
 CPA Osborn Mbego
 ICPAK Member Number: 9663

Date 12/11/2021



Chairman of the Board
 Dr. Kenneth Onsate

Date 12/11/2021

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For the year ended June 30, 2021.

14. 15 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

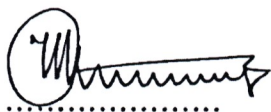
	Revolving Fund	Accumulated surplus	Total
		Kshs	Kshs
Balance as at 1 July 2019	72,427,304	(57,531,410)	14,895,894
Surplus/(deficit) for the period		21,906,922	21,906,922
Balance as at 30 June 2020	72,427,304	(35,624,488)	36,802,816
Balance as at 1 July 2020	72,427,304	(35,624,488)	36,802,816
Surplus/(deficit) for the period		(5,853,316)	(5,853,316)
Balance as at 30 June 2021	72,427,304	(41,477,804)	30,949,500

Kisii Teaching & Referral Hospital
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15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

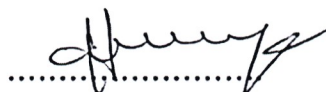
		2020/2021	2019/2020
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other governments entities	6	11,922,350	
Rendering of services	7	254,647,246	379,182,531
Total Receipts		266,569,596	379,182,531
Payments			
Use of goods and services	8	248,600,842	322,505,002
Remuneration of directors	9	3,195,869	3,250,000
Repairs and maintenance	10	20,626,201	31,520,607
Total Payments		272,422,912	357,275,609
Adjusted for :			
Changes in receivables		(22,336,442)	(47,603,232)
Changes in payables		44,882,727	15,026,000
Changes in inventory		(20,306,818)	0
Net cash flows from operating activities		(3,613,849)	(10,670,310)
Net increase/(decrease) in cash and cash equivalents		(3,613,849)	(10,670,310)
Cash and cash equivalents at 1 JULY 2020	11	4,225,584	14,895,894
Cash and cash equivalents at 30 JUNE 2021	11	611,735	4,225,584

The Financial Statements set out on pages 1 to 19 were signed on behalf of the Board of Directors by:



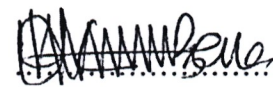
Chief Executive Officer
 Dr. Enock Ondari

Date 12/11/2021



Director Accounting
 CPA Osborn Mbego
 ICPAK Member Number: 9663

Date 12/11/2021



Chairman of the Board
 Dr. Kenneth Onsate

Date 12/11/2021

Kisii Teaching & Referral Hospital
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16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	b	C=(a+b)	d	e=(cd)	F=d/c
Revenue						
Transfers from other governments entities	8,902,255		8,902,255	11,922,350	(3,020,095)	134%
Rendering of services	341,974,631		341,974,631	232,310,804	109,667,827	68%
Total income	350,876,886		350,876,886	244,233,154	106,643,732	70%
Expenses						
Use of goods and services	318,958,279		318,958,279	226,696,741	92,261,538	71%
Remuneration of directors	3,450,000		3,450,000	3,195,869	254,131	93%
Repairs and maintenance	28,468,607		28,468,607	17,954,393	10,514,214	63%
Total expenses	350,876,866		350,876,866	247,847,003	103,029,883	71%
Surplus for the period				(3,613,849)	3,613,849	

Budget notes

1. Over funding by the County Government by 34% was as a result of need to facilitate extension workers who dealt with COVID 19 patients.
2. Shortfall in revenue from rendering of services by 32% was due to delay in disbursement of Linda Mama funds and industrial action by health workers.
3. Underutilization of allocations for use of goods and services and repairs and maintenance by 29% and 37% respectively was as a result of delay in disbursement of Linda Mama funds and industrial action by health workers.

Kisii Teaching & Referral Hospital
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4. Reconciliation of total actuals reported in the this statement and total actuals reflected in the statement of financial performance:

	Amount (Kshs)
REVENUE	
Total actual revenue as per statement of comparison of budget and actual amounts	244,233,154
<i>Add: increase in receivables</i>	22,336,442
Total actual revenue as per statement of financial performance	266,569,596
EXPENSES	
Total actual expenses as per statement of comparison of budget and actual amounts	247,847,003
<i>Add: Increase in accounts payable</i>	44,882,727
<i>Less: Cost of inventories included in the use of goods and services</i>	19,624,318
<i>Less: Cost of inventories included in the repairs and maintenance</i>	682,500
Total actual expenses as per statement of financial performance	272,422,912

17. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kisii Teaching and Referral Hospital entity is established by and derives its authority and accountability from the Kisii Teaching and Referral Act. The entity is wholly owned by the county Government of Kisii and is domiciled in Kenya. The entity's principal activity is to provide money for medical supplies, equipping of the hospital and improving the quality of health care services

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis. 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 judgement in the process of applying the Hospital's accounting policies.

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.

18. NOTES TO THE FINANCIAL STATEMENTS

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Kisii Teaching and Referral Hospital entity is established by and derives its authority and accountability from the Kisii Teaching and Referral Act. The entity is wholly owned by the county Government of Kisii and is domiciled in Kenya. The entity's principal activity is to provide money for medical supplies, equipping of the hospital and improving the quality of health care services

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Kisii Teaching & Referral Hospital
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of NonCashGenerating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, Firsttime Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

**Kisii Teaching & Referral Hospital
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single ^{forwardlooking} expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p>

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Standard	Effective date and impact
	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

iii. **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020/2021.

4. Summary of Significant Accounting Policies

a) **Revenue recognition**

i) **Revenue from nonexchange transactions**

Transfers from other government entities

Revenues from nonexchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

The entity 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 labour hours incurred to date as a percentage of total estimated labour hours.

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

b) **Budget information**

The original budget for FY 2020/2021 was approved by the KTRH board. No subsequent revisions or additional appropriations were made to the approved budget.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section v of these financial statements.

c) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through nonexchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

d) Changes in accounting policies and estimates

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

e) Related parties

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

f) Cash and cash equivalents

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

g) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

h) 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, 2021.

5. Significant Judgments and Sources of Estimation Uncertainty

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from Other Government Entities

Description	2020/2021	2019/2020
	Kshs	Kshs
Basic services subsidy	11,922,350	
Total government subsidies	11,922,350	

7. Rendering Of Services

Description	2020/2021	2019/2020
	Kshs	Kshs
User fee	142,844,298	181,664,826
NHIF	64,998,876	128,869,107
Linda Mama	46,460,912	67,991,453
Britam Insurance	343,160	657,145
Total revenue from the rendering of services	254,647,246	379,182,531

8. Use of Goods and Services

Description	2020/2021	2019/2020
	Kshs	Kshs
Utilities supplies and Services	23,200,000	47,053,107
Fuel oil and Lubricants	2,432,500	11,067,725
Domestic travel and other subsistence ,and other transport costs	7,162,002	7,159,500
Printing ,adverting and information supplies and services	440,352	2,200,590
Hospitality Supplies and Services	20,617,356	14,477,395
Office and General supplies and services	8,615,208	17,176,049
Communication, supplies and services	1,810,690	1,603,109
Training, and capacity building	800,000	8,983,550
Other operating expenses	46,850,697	69,408,900
Purchase of specialized Material and supplies	136,672,037	143,375,077
Total	248,600,842	322,505,002

9. Board

Description	2020/2021	2019/2020
	Kshs	Kshs
Sitting allowances	2,894,000	3,250,000
Medical Insurance	301,869	
Total	3,195,869	3,250,000

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10. Repairs and Maintenance

Description	2020/2021	2019/2020
	Kshs	Kshs
Medical and Dental Equipment	324,520	6,519,300
Plant, Equipment and machinery	16,284,632	19,147,896
Vehicles and insurance cover	4,017,049	2,452,261
Computers and accessories	-	3,401,160
Total repairs and maintenance	20,626,201	31,520,617

11. Cash and Cash Equivalents

Description	2020/2021	2019/2020
	Kshs	Kshs
Current account	611,735	4,225,584
Total cash and cash equivalents	611,735	4,225,584

11 (a) Detailed Analysis of the Cash and Cash Equivalents

		2020/2021	2019/2020
Financial institution	Account number	Kshs	Kshs
a) Current account			
Kenya Commercial bank	1101996315	611,735	4,225,584
Grand Total	1101996315	611,735	4,225,584

12. Receivables from Exchange Transactions

Current Receivables from Exchange Transactions

	2020/2021	2019/2020
	Kshs	Kshs
Current receivables		
Other exchange debtors	69,939,674	47,603,232
Total current receivables	69,939,674	47,603,232

13. Inventories

Description	2020/2021	2019/2020
	Kshs	Kshs
Consumable stores	19,394,218	-
Spare parts and meters	466,600	-
Catering	283,500	-
Computer Accessories	162,500	-
Total inventories at the lower of cost and net realizable value	20,306,818	-

**Kisii Teaching & Referral Hospital
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For the year ended June 30, 2021.**

15. Trade and Other Payables

Description	2020/2021	2019/2020
	Kshs	Kshs
Trade payables	59,908,727	15,026,000
Total trade and other payables	59,908,727	15,026,000

16. Related Party Disclosures

Nature of related party relationships

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

County Government of Kisii

The county Government of Kisii is the principal shareholder of the Hospital, holding 100% of the Hospital's net assets interest.

Other related parties include:

- i) The Parent Ministry Health
- ii) Other SCs and SAGAs
- iii) Key management
- iv) Board of directors

Kisii Teaching & Referral Hospital
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For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Events after the Reporting Period

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

18. Ultimate And Holding Entity

The Hospital is a County Corporation under the Ministry of Health Services of Kisii County Government. Its ultimate parent is the Kisii County Government.

19. Currency

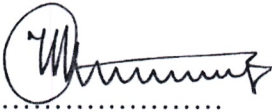
The financial statements are presented in Kenya Shillings (Kshs).

Kisii Teaching & Referral Hospital
Annual Reports and Financial Statements
For the year ended June 30, 2021.

18. APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

This report could not be completed because we have not yet received the Report of the Auditor General on the Kisii Teaching and Referral Hospital for the year 2019/2020.



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Chief Executive Officer

Date 12/11/2021

Kisii Teaching & Referral Hospital
Annual Reports and Financial Statements
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APPENDIX II: INTERENTITY TRANSFERS

ENTITY NAME:			
Break down of Transfers from the county Government			
FY 2020/2021			
a. Recurrent Grants			
	<u>Bank Statement</u>	<u>Amount (KShs)</u>	<u>Financial year</u>
	<u>Date</u>		
	28/9/2020	3,500,000	2020/2021
	25/1/2021	1,500,000	2020/2021
	3/2/2021	682,000	2020/2021
	8/3/2021	360,000	2020/2021
	5/5/2021	3,700,000	2020/2021
	11/5/2021	360,000	2020/2021
	9/6/2021	1,820,350	2020/2021
	Total	11,922,350	

The above amounts have been communicated to and reconciled with the parent Ministry

Sign.....
 Osborn Mbego
 Director Accounting
 Kisii Teaching and Referral Hospital

Sign.....
 Lukio Obwoye
 Head of Accounting
 Kisii County Government