

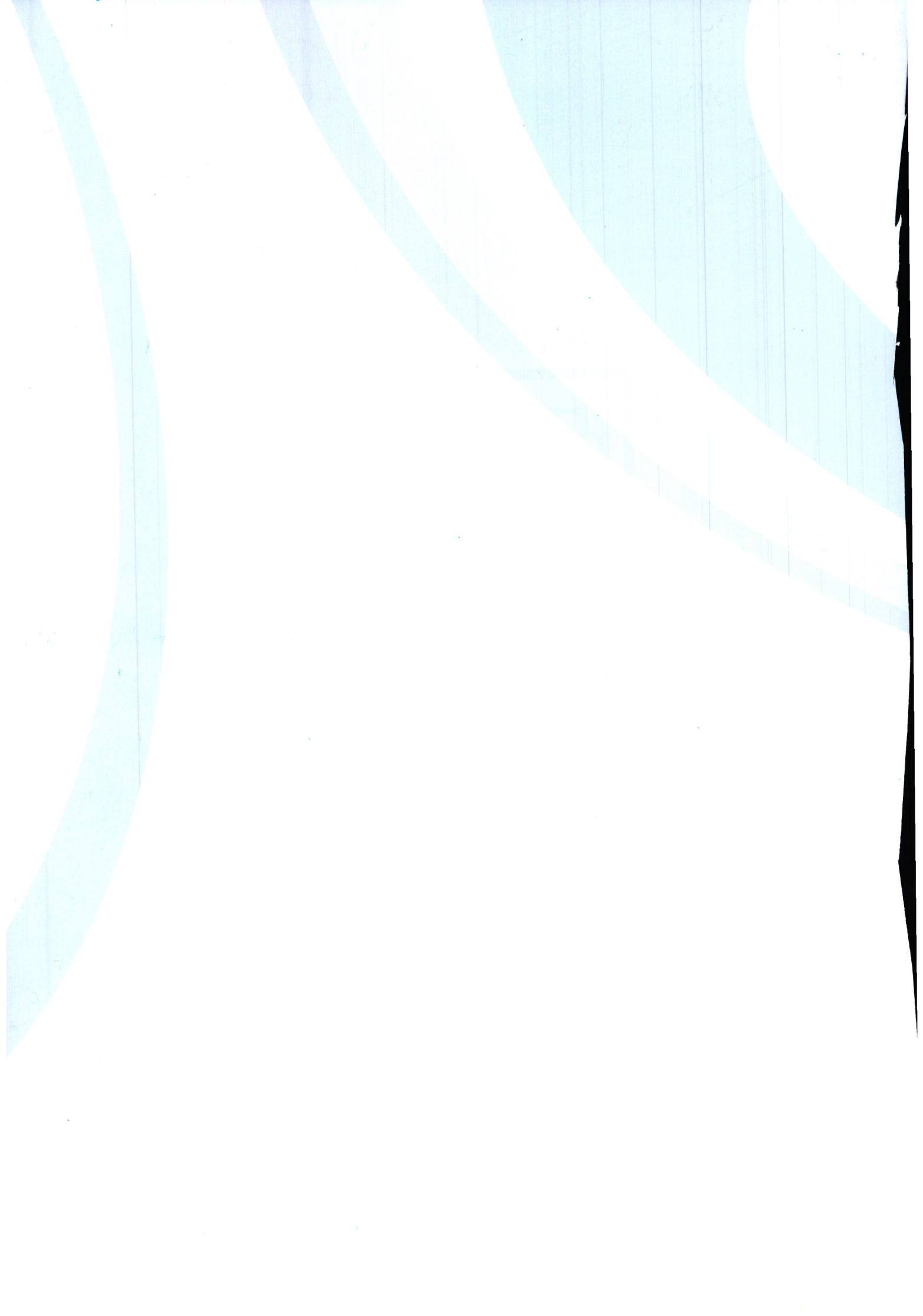


KENYATTA NATIONAL HOSPITAL

*Paper hand by
Leader of Majority
on 22/05/2013
@Sunu.*

**AUDITED FINANCIAL
STATEMENTS FOR
THE YEAR ENDED
30TH JUNE 2010**





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CORPORATE INFORMATION

ESTABLISHMENT

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

VISION

To be a world class referral hospital in the provision of innovative and specialized healthcare.

MISSION :

To provide accessible specialized quality healthcare, facilitate medical training, research, participate in national health planning and policy.

MOTTO :

Quality Health Care.

CORE VALUES

We recognize that Core values form the glue that holds an organization together. The Hospital commits itself to the following Corporate Values:

RESPONSIVENESS :

Preparedness and timely response to clients needs

QUALITY SERVICES :

Quality services to our clients at all time.

PROFESSIONALISM, INTEGRITY AND ETHICS:

uphold professionalism, integrity and ethics in all our activities

CUSTOMER SATISFACTION

Client - driven and always endeavour to exceed their expectation welfare and development .

STAFF RECOGNITION

Value our staff and Endeavour to invest in their welfare and development.

TEAM WORK:

Embrace the spirit of team work in all our activities.

RESPONSIBLE CORPORATE CITIZENSHIP

committed to responsible corporate citizenship at all times.

MEMBERS OF THE BOARD OF MANAGEMENT



Mr. Joseph Kinyua
PS- Treasury



Mrs. Margaret Wanjohi
Chairperson
(Re-appointed on 20/7/2010)



Ms. Mary Ngari
PS- Ministry of Medical Services



Mr. Ibrahim M. Abdille
Member
(Appointed on 26/1/2010)



Prof. Isaac Kibwage
Principal, College of Health Sciences
UON



Dr. Jotham Micheni
Chief Executive Officer
(up to 30/11/2010)



Dr. Charles Olango Onudi
Director, Kenya Medical
Training College



Jackson K. Mpario
Member
(Appointed on 26/1/2010)



Ms. Mary W. Mungai
Member
(Appointed on 26/1/2010)



Prof. Achola Pala
Member
(Appointed on 26/1/2010)



Mr. Lawrence O. Omire
Member
(Re-appointed on 26/1/2010)

SENIOR MANAGEMENT



Mr. Kennedy Auka
Deputy Director
(Administration and Finance)



Dr. Jotham Micheni
Chief Executive Officer



Dr. Charles Kabetu
Deputy Director,
(Clinical Services)
(Appointed Ag. C.E.O. on 1/2/2010)



Mrs. Ludmila Shitakha
Planning Manager



Eng. Josphat Wamburu
Ag. Hospital Engineer



Mr. Fredrick Oyombe
Human Resource Manager



Dr. Godfrey Ombuya
Ag. Chief Pharmacist



Dr. Henry Wanga
Head, Readilgy



Dr. Simeon Monda
Chairman,
Private Wing Management Committee



Mr. Michael Kihuga
Finance Manager



Mr. John Auma
Supplies and Procurement Manager



Mrs. Philomena Maina
Chief Nurse



Dr. Paul Ngugi
Head, Medicine



Dr. Bernard Githae
Head, Surgical

BOARD COMMITTEES

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

1. FINANCE & ALL PURPOSE COMMITTEE

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

2. AUDIT COMMITTEE

Mr. Ibrahim M. Abdille	- Chairman
Mr. Jackson K. Mpario	- Member
Rep. Ministry of Medical services	- Member
Rep. Ministry of Finance	- Member
Chief Internal Auditor, KNH	- Secretariat

3. RESEARCH, STANDARDS, ETHICS AND QUALITY COMMITTEE

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

4. TERMS AND CONDITIONS OF SERVICE & STAFF WELFARE COMMITTEE

Mr. Jackson Mpario	- Chairman
Mr. Lawrence Omire	- Member
Prof. Achola Pala	- Member
Mr. Ibrahim Abdille	- Member
Rep. Ministry of Medical Services	- Member
Principal, CHS, UoN	- Member
Director, KMTC	- Member
Chief Executive Officer, KNH	- Member/Secretary
Human Resource Manager, KNH	- Secretariat

5. STAFF PENSION SCHEME -BOARD OF TRUSTEES

Mr. Lawrence Omire	- Chairman
Rep. Ministry of Finance	- Member
Mrs. Itambo M. M.	- Secretary
Simon J. Ndubai	- Member
Dr. J.K Mogire	- Member
Mrs. Truphosa Murila	- Member

REGISTERED OFFICES

Kenyatta National Hospital
Hospital Road, off Ngong Road
P. O. Box 20723 - 00202
Nairobi.
Tel: +254 20 2726300, +254 20 2726550
Fax: +254 20 2725272
Email address: knhadmin@knh.or.ke
Website : www.knh.or.ke

AUDITORS

Auditor General
Kenya National Audit Office
P. O. Box 30084 - 00100
NAIROBI.
www.kenao.go.ke

BANKERS

National Bank of Kenya Limited
Hospital Branch
P. O. Box 30763 - 00100
NAIROBI.
www.nationalbank.co.ke.

Kenya Commercial Bank Limited
Moi Avenue Branch
P. O. Box 30081
NAIROBI.
Website :
www.kcbbankgroup.com

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management present their annual report together with the audited financial statements for the year ended 30th June 2010.

PRINCIPAL ACTIVITIES

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

RESULTS

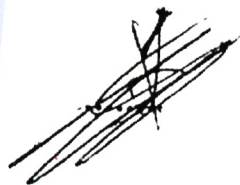
The results for the year ended 30th June 2010 are set out on pages 18 to 27.

BOARD OF MANAGEMENT

The members of the Board of Management who served up to 30th June 2010 are set out page 3 to 5.

BY ORDER OF THE BOARD

NAIROBI

A handwritten signature in black ink, consisting of several overlapping, diagonal strokes.

DATE: 14th March 2011

CHAIRPERSON'S REPORT



It is with great pleasure that I present the Hospital Annual Report and Financial Statements for the year ended 30th June 2010. While we appreciate our important role as the National Referral and Teaching Centre, our goal is to be the best Hospital not only in the country but also in the region.

We are proud to be the region's premier specialized healthcare institution. Our hospital offers outstanding patient care, is involved in research and provides teaching facilities for health care education. This is all geared towards improving healthcare to benefit our clients. We respect your role in making decisions about your care.

We will provide care in a manner that is sensitive to cultural, racial, religious and other differences. We will not discriminate on the basis of race, color, religion, age, sex, sexual preference, national origin, disability or source of payment.

We will respond to your reasonable requests for treatment and to your health care needs, depending on both the urgency of your situation and on our ability to provide the kind of treatment you may require. The report is dedicated to our stakeholders, patients and partners who we highly value. While we are at your service, it is important to present to you some of the activities we managed to accomplish during the year ending June 2010. Some of the achievements are:

Strategic Plan 2008-2012

Kenyatta National Hospital launched its second Strategic Plan 2008 - 2012 in December 2009. The five-year plan sets out strategic interventions that will enable the hospital to improve performance to the expected international standards. These include rehabilitation and replacement of old equipment and facilities, enhancing training and research, attaining financial sustainability and realizing optimal institution capacity.

The development of the new Strategic Plan was necessitated by the hospital's desire to strategically reposition itself and remain competitive and relevant in the advent of globalization. The Strategic Plan aligns the hospital strategic directions with the aspirations of Kenya Vision 2030, the Ministry of Medical Services Strategic Plan 2008 - 2012 and the Millennium Development Goals.

Performance Contracting

The KNH Board of Management has been fully committed to the concept of Performance Contracting. The implementation of Performance Contracts since inception have had positive outcomes in the performance of the hospital. The Board of Management negotiated and signed the performance contract 2009/2010 with the Ministry of Medical Services. Hospital managers have also been trained on performance contracting and this has continued to impact positively on our results.

Projects

Burns and Paediatric Emergency Centre

The Government and three co-financiers namely, Arab Bank for Economic Development in Africa (BADEA), Saudi Fund for Development (SFD) and OPEC Fund for Development (OFID) signed a loan agreement in 2009/10 for the financing for construction and equipping of a modern Burns and Paediatric Emergency Centres at the Kenyatta National Hospital. The project cost is approximately Kshs. 2 billion. Construction of the facilities will commence in the 2010/2011 Financial Year.

Oxygen generating plant

During the year under review, the National Hospital Insurance Fund advanced to the Hospital Kshs. 132 million for the upgrading of the oxygen generating plant. This is a critical project for the hospital in terms of generating oxygen that is in great demand in the critical areas care areas in the hospital. This project is envisaged to be completed in the 2010/2011 financial year.

MDR-TB Isolation Facility

The Hospital with the assistance of the Global Fund, the Government of Kenya through the Ministry of Public Health and Sanitation commenced renovation of an existing ward to convert it into a facility for use by patients suffering from multi-drug resistant Tuberculosis (MDR-TB). The project is practically completed but not functional due to some outstanding works that will be completed in the 2010/2011 Financial Year. The facility, one of its kind in Africa has a bed capacity of 15.

Cancer Treatment Centre

During the period under review, a simulator was commissioned at the Radiotherapy Department. The simulator will contribute to improved clinical care for cancer patients by enhancing diagnosis, efficiency, accuracy and pre-treatment plan for patients requiring radiotherapy. This was made possible after the hospital entered into an agreement with the International Atomic Energy Agency (IAEA) to co-finance procurement of a simulator on a fifty-fifty basis. The Hospital contributed about Kshs. 17 million towards the project.

Nairobi International Trade Fair and Kenya Public Service Week

In an effort to enhance public awareness on available specialized services, the Hospital took part in the Nairobi International Trade Fair 2009 and also in the Public Service Week exhibiting under the Ministry of Medical Services. These forums provided an opportunity for the hospital to showcase its services and also get feedback from the public regarding its healthcare provision.

Financial Results/Performance

During the financial year ended 30th June 2010, the Hospital's income was Kshs.5, 472,301,235 while recurrent expenditure was Kshs. 5,926,951,451 resulting in a deficit of Kshs. 454,650,216.

Income

The GOK grant constituted 62% of the income, cost sharing revenue 34% and Projects grant was 4%. There was a decrease of GOK grant by 5% compared to the previous year and this impacted cash flows negatively. The cost sharing revenue improved by 11%, investment income by 35% while the Private Wing deficit increased by 19%.

Expenditure

Personnel emoluments accounted for 63% of the recurrent expenditure during the year, operation and maintenance 32%, projects 3% and provision for bad & doubtful debt 2%. There was 9% increase in personnel emolument & operation and maintenance while project expenses increased by 37%.

Future outlook

My Board will continue to ensure there is good corporate governance and improvement of the welfare of both patients and staff. In the next financial year, key attention will be focused on: Improving the quality of specialized healthcare to our clients. Strengthening financial and risk management. Improving information communication technology. On behalf of the Board of Management I wish to sincerely thank hospital's employees, volunteers, and other stakeholders whose dedication and hard work resulted in the successful performance we enjoyed in 2009/2010. It is my trust that we shall continue working hard to ensure that Kenyatta National Hospital remains the health provider of choice to our clients in the country and beyond.

MRS MARGARET W. WANJOHI

Sign 

CHAIRPERSON

DATE: 15th March, 2011

REPORT FROM THE CHIEF EXECUTIVE OFFICER



Patient Care Services

Kenyatta National Hospital continues to fulfill its mission of providing quality health care to our clients. Each year the hospital staffs are presented with new challenges while they continue to deal with past challenges. We continue to face increased demand from the public for additional services due to emerging diseases and increased fatalities, while operating in an environment of economic constraints.

Our challenge is to maintain an acceptable balance between finances and client services. The dedication and hard work of the Staff, the Board and our stakeholders has enabled Kenyatta National Hospital to advance the quantity and quality of health services we provide. We can now celebrate the successes we achieved during the 2008/2009 operating year. Our successes have immensely contributed to the overall health sector and for the country to realize Vision 2030 and the Millennium Development Goals (MDG).

Scientific Conference

The 3rd Annual KNH Conference was organized with the objective of bringing together experts from all healthcare disciplines and provided a forum for practitioners to share ideas, experiences and learn from each other with the aim of attaining Vision 2030 in the healthcare sector and also to improve the practices to match contemporary best practices. As the national referral Hospital, we recognize research to be of paramount importance if the country expects to face the challenges of providing acceptable levels of healthcare.

Human Resource Management

In recognition of the invaluable position that our staff occupy in service delivery, the hospital has continued to purposefully invest in their welfare and development. The Hospital is currently reviewing various Schemes of Service in line with prevailing Public Service Guidelines. This will ensure attraction and retention of highly skilled human resource that is necessary for sustained quality health service.

Customer Care

The Hospital recognises the value of satisfied customers and every effort is made to ensure that all adhere to patient's service charter during the period under review. Two additional customer care desks were set up in specific areas within the Hospital in order to bring customer care services closer to the clients. This effort has enhanced customer confidence in our services. The Hospital regularly liaises with the Public Complaints Standing Committee (PCSC) to ensure all its clients complaints are addressed adequately and promptly.

ISO 9001:2000 Quality Management Systems Certification

In order for the hospital to be successful and achieve ISO certification it must offer services that meet well defined standards for customer satisfaction by complying with applicable standards and specifications. The hospital launched the ISO 9001:2008 quality management certification process and inaugurated the committee to steer the in February 2010.

Company of the Year Award (COYA)

Kenyatta National Hospital participated in the COYA Award 2009 that is annually coordinated by the Kenya Institute of Management. The exercise helps to create local performance benchmarks and develop case studies for teaching management. It also helps to identify organization's weakness and strengths and recommend areas for improvement.

Corporate Social Responsibility

During the financial year, Kenyatta National Hospital participated in several Corporate Social Responsibility activities, in various parts of the country. This is in line with our values and commitment to the society. In particular, the hospital conducted regular free medical camps to the disadvantaged communities in Nairobi's slums of Kibera, Korogocho and Mukuru Kwa Njenga. We have continued to partner with Operation Smile International, Kenya and conducted medical camps to mentor Provincial and District hospitals to undertake specialized care. In line with this, case we have held regular specialised surgical outreach programs in Nyeri, Coast and Nyanza Provincial General Hospitals. This is a deliberate mission to cultivate public confidence in level 5 and 4 hospitals and improve national health sector performance. The hospital also offers free specialized healthcare services to unique needy cases like Vesico-Vaginal Fistula (VVF), MEAK, Operation Ear Drop among others.

Future Outlook

Despite the challenges that we face, the future of Kenyatta National Hospital is promising. Through the ongoing implementation of hospital projects that includes ICT, acquisition of modern equipment, improvement of infrastructure and forging strategic partnerships, we will enhance our financial base and improve efficiency and reliability in our healthcare delivery. As we continue implementing the five year Strategic Plan (2008-2012), the hospital will be focused towards achievement of our goals and objectives in conformity with Vision 2030. This should place Kenyatta National Hospital in its rightful position in the region as a leader in specialised healthcare, training and research.

Appreciation

Our achievements would not have been possible without the support of the Government through the Ministry of Medical Services, Board of Management, KNH employees, stakeholders, clients and development partners. I take this opportunity to sincerely thank you and request for your continued support in future.

Thank You.

DR. CHARLES E. KABETU

Ag. CHIEF EXECUTIVE OFFICER

Date: 14th March, 2011

Sign. 

STATEMENT OF CORPORATE GOVERNANCE

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

Board of Management

Kenyatta National Hospital has adopted high standards and applies strict rules of conduct, based on best practices. As part of this commitment the Board has adhered to the Guidelines on Corporate Governance. The Board consists of eleven members, including a non-executive Chairman/person and the Chief Executive Officer. The full Board of Management held 13 meeting while Board Committees held 13 meetings during the financial year ended 30th, June, 2010. The Board committees set up are five whose members are stated in pages 4 and 5. The committees reinforce the Board's independence and legitimacy in areas where there is potential for conflict of interest.

STATEMENT OF THE BOARD OF MANAGEMENT RESPONSIBILITIES

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

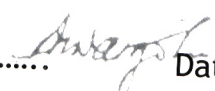
The Board of Management accept responsibility for the annual financial statements for the year ended 30th June 2010 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in the manner required by State Corporations Act. The Board of Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Hospital and of its operating result. The of Board of Management further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements as well as adequate systems of internal financial control.

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

MRS MARGARET W. WANJOHI

CHAIRPERSON

Sign.....



Date.....15th March, 2011

DR. CHARLES E. KABETU

Sign.....



Date.....

14th March, 2011

Ag. DIRECTOR/CHIEF EXECUTIVE OFFICER



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYATTA NATIONAL HOSPITAL FOR THE YEAR ENDED 30 JUNE 2010

I have audited the accompanying financial statement of Kenyatta National Hospital set out at pages 18 to 27, which comprise the statement of Financial Position as at 30 June 2010, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flow for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provision of section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's responsibility for the Financial Statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and for such internal controls as management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performance procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements. I believe the audit evidence obtained is sufficient and appropriate to provide basis for my opinion.

1. Property, plant and equipment

The Property, Plant and Equipment balance of Kshs. 12,023,676,101 includes seven(7) parcels of land valued at Kshs. 379,600,000, out of which four(4) have been exercised and allocated to other parties. In consequence, it has not been possible to ascertain that the balance of Kshs. 12,023,676,101 as at 30 June 2010 is fairly stated.

2. Inventories

The inventories balance of Kshs. 205,303,651 as at 30 June 2010 includes deficits, surpluses and obsolete stocks amounting to Kshs. 3,483,789, Kshs. 4,166,084 and Kshs. 1,418,000 respectively, against which the causes have not been established. As a result, and as similarly observed in the previous year, the validity and accuracy of the figure of Kshs. 205,303,651 could not be ascertained.

3. Trade and other Receivables

(i) The Trade and Other Receivables balance of Kshs. 1,215,199,967 as at 30 June 2010 includes debts amounting to Kshs. 16,221,029 and Kshs. 372,584 relating to the Main Hospital and the Private Wing respectively, and which have not been provided for although they have been outstanding for a considerably long period of time.

(ii) The balance of kshs. 1,215,199,967 also include amounts of Kshs. 297,185,017 and Kshs. 2,028,006 due from National Hospital Insurance Fund (NHIF) and the Kenya Medical research Institute (KEMRI) respectively. However, the financial statements of NHIF as at the same date reflect an amount of kshs. 13,280,600 as owing to the Hospital, while those of KEMRI do not show any debt as due to the Institution. The resultant difference of Kshs. 283,904,417 and Kshs. 2,028,006 respectively, have not been reconciled or explained.

(iii) The balance of Kshs. 1,215,199,967 further includes pre-payments totaling Kshs. 31,733,575 relating to supply contracts for three firms, in the amounts of Kshs. 15,792,611, Kshs. 2,213,309 and Kshs. 13,727,655. As similarly observed in the previous year, the first pre-payment is in dispute while with regard to the second, the matter is under investigation.

The third pre-payment relates to a micro filming project at the Hospital which had not been completed as at 30 June 2010.

(iv) The balance of Kshs. 1,215,199,967 similarly includes an amount of Kshs. 282,044,177 in respect of letters of credit issued by the Hospital to foreign based firms for supply of various goods and services. As in the previous year, the goods and services have not been recognized and accounted for in these financial statements

In the circumstances, it has not been possible to confirm the accuracy of the trade and other receivables balance of Kshs. 1,215,199,967 as at 30 June 2010.

4. Cash and Cash Equivalents

The cash and cash equivalents balance of Kshs. 499,459,834 includes receipts amounting to Kshs. 1,394,512 reflected in the bank statement but not in the cashbook. Further, the bank statement for the month of June 2010 reflects payments of Kshs. 2,222,337 in through bank statement not recorded in the cashbook and receipts amounting to Kshs. 18,926,994 in the cashbook not recorded in the bank statement.

In consequence, the accuracy of the cash and cash equivalents balance of Kshs. 499,459,834 as at June 2010 could not be ascertained.

5. Long Term Liability

The long term liability of Kshs. 1,199,862,823 relates to a loan received in 2007/2008 from the kingdom of Spain, in form of medical equipment. According to information available, the loan was payable by the Hospital at an interest rate of 3% per annum on a reducing balance for the first six (6) years, and thereafter, the interest plus principal for the next nine (9) years with effect from July 2008. However, and according to records seen, no interest has been paid or accrued in the two financial year i.e. 2008/2009 and 2009/2010.

Although indications are that the management has sought assistance from the ministry of medical services towards settlement of the loan, no response had been received as at 30 June 2010. As a result, it has not been possible to confirm the accuracy of the liability balance of Kshs. 1,199,862,823 as at 30 June 2010

6. Trade and other Payables

The trade and other payable balance of Kshs. 769,132,602 as at 30 June 2010 includes trade creditors and stale cheques amounting to Kshs. 66,898,014 and Kshs. 7,314,634 respectively, which have been outstanding for a considerably long period of time. Consequently, the correctness of the figure of Kshs. 769,132,602 could not be confirmed

7. Collaborative program between Kenyatta National Hospital and Kenya Methodist university

Information available indicates that on 17 May 2007, Kenya Methodist University (KEMU) solicited for consideration for a collaborative arrangement with Kenyatta National Hospital to facilitate partnership for mutual benefit of the two institutions, specifically in the area of training. On 30 April 2008, and in this regard, a memorandum of understanding (MOU) was signed between KEMU and the Hospital with the requirement that the arrangement take effect from the date of signature and remains in force for a period of five (5) years, with an option for renewal or expansion for such further period and on such terms as may be agreed upon between the two parties.

According to MOU, the Hospital was to provide:-

- i. Facilities for clinical placement, attachment or clerkship to KEMU students.
- ii. Support in marketing KEMU programmes
- iii. Facilities and personnel for conducting joint research activities.
- iv. Opportunities for development of KEMU faculty in special areas and in new technology; and
- v. Participation in joint community service programme activities.

Other records indicate that the Hospital was also to provide space at the Rehimtulla training centre at monthly rent of Kshs. 35,000, for purposes of classroom teaching by KEMU.

Although according to additional information available this agreement including the MOU and other related agreements do not appear to have been referred to the board and the ministry of medical services for approval, it is nevertheless apparent that some of the provisions in the MOU were disadvantageous to the hospital, as a public entity. Such provisions include; use of Hospital facilities for placement or attachment of KEMU students, support in marketing KEMU programmes, use of Hospital facilities and personnel for conducting of joint research activities and creating opportunities for development of KEMU faculty in special areas and in new technology.

Separately, and the foregoing notwithstanding, the management has also not indicated the rationale behind renting of classrooms at the Rehimtulla Training Centre to a private institution, when space is already a constraint at the hospital.

Opinion

Except for the foregoing reservations, in my own opinion, the financial statements present fairly, in all material respects, the financial position of the Hospital as at 30 June 2010 and its financial performance and cash flows for the year then ended, in accordance with the international financial reporting standards and comply with the Kenyatta National Hospital board order, 1987.



A.S.M Gatumbu
AUDITOR GENERAL

Nairobi
8th June 2011

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDING 30TH JUNE 2010**

		2010	2009
	<u>NOTE</u>	<u>Kshs.</u>	<u>Kshs</u>
Income			
Government Of Kenya Grants		3,431,808,817	3,615,808,818
Grants (Projects)	2	213,554,839	110,792,794
Cost Sharing Revenue	3	1,883,272,414	1,685,995,616
Investment Income		20,536,580	15,177,189
Private Wing Deficit	4	(76,871,415)	(66,187,320)
Total income		5,472,301,235	5,361,587,098
Expenses			
Personnel Emoluments	5	3,744,104,892	3,433,186,274
Operating and Maintenance costs	6	1,389,410,113	1,350,690,320
Projects' Expenses	7	193,070,228	145,184,235
Directors Emoluments	8	17,803,846	18,257,350
Provision for bad & doubtful debt	9	133,472,654	279,891,793
Depreciation		449,089,718	493,588,467
Total expenses		5,926,951,451	5,720,798,439
Deficit		(454,650,216)	(359,211,341)

STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2010

		<u>2010</u> <u>Kshs.</u>	<u>2009</u> <u>Kshs.</u>
ASSETS			
Non-Current Assets			
Property, Plant & -Equipment	10	12,023,676,101	12,412,682,355
Work-In-Progress	11	96,471,909	46,197,924
		12,120,148,010	12,458,880,279
Current Assets			
Inventories	12	205,303,651	267,931,827
Trade & other receivables	13	1,215,199,967	1,203,396,346
Cash & cash equivalents	14	499,459,834	722,466,359
		1,919,963,452	2,193,794,532
Total Assets		14,040,111,462	14,652,674,811
EQUITY & LIABILITIES			
Equity			
Capital & Reserves		3,182,145,421	3,182,145,421
Accumulated Fund		(343,214,951)	32,829,410
Revaluation Reserve		9,199,351,259	9,199,351,259
		12,038,281,729	12,414,326,090
Liabilities			
Long Term Liability			
Spanish loan	15	1,199,862,823	1,199,862,823
Current Liabilities			
Trade & other payables	16	769,132,602	1,003,679,469
General & Patients Deposits	17	32,834,308	34,379,837
Bank overdraft	18	-	426,592
Total Current Liabilities		801,966,910	1,038,485,898
Total Equity & liabilities		14,040,111,462	14,652,674,812

MRS. MARGARET W. WANJOHI
CHAIRPERSON

Sign.....  Date..... 15th March, 2011

DR. CHARLES E. KABETU
Ag. CHIEF EXECUTIVE OFFICER

Sign.....  Date..... 14th March, 2011

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE 2010

	2010 KSHS	2009 KSHS
Cash flow from operating activities		
Net Deficit For The Year	(454,650,216)	(359,211,341)
Adjusted For: -		
Depreciation	449,089,718	493,588,467
Investment Income	(20,536,580)	(15,177,189)
Provision for bad & doubtful debt	133,472,654	279,891,793
Grant Projects	(213,554,839)	(110,792,794)
Prior Period Adjustments	-	(263,034,430)
Adjustment for transfers	(14,373,825)	(27,814,047)
NHIF surplus	78,605,857	104,926,118
Operating Deficit Before Working Capital Changes	(41,947,232)	102,376,577
Decrease In Stock	62,628,176	37,720,944
(Increase) / Decrease In Prepayment	-	(48,031,738)
(Increase) In Debtors	(257,276,275)	(214,249,115)
(Increase) / Decrease In GOK Grant Receivable	112,000,000	(112,000,000)
Increase / (Decrease) In Creditors	(234,546,867)	99,285,813
Decrease In General Deposits	(1,545,529)	(102,956,897)
Net Cash Outflow From Operating Activities	(360,687,727)	(237,854,416)
Cash Flows From Investing Activities		
Purchase Of Fixed Assets	(64,422,030)	(560,322,711)
(Increase) / Decrease In Work In Progress	(50,273,985)	514,560,546
Investments Income	21,729,462	12,976,035
Investments withdrawals/Receipts	17,092,918	67,802,648
Net Cash Outflows From Investing Activities	(75,873,636)	35,016,517
Cash Flows From Financing Activities		
Projects Grants	213,554,839	110,792,794
Net Cash Inflows From Financing Activities	213,554,839	110,792,794
(Decrease)/Increase In Cash and Cash Equivalents	(223,006,525)	(92,045,105)
Cash and Cash Equivalents at the beginning	722,466,359	814,511,464
Cash and Cash Equivalents at the end	499,459,834	722,466,359

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2010**

	CAPITAL RESERVES KSHS	ACCUMULATED FUND KSHS	REVALUATION RESERVE KSHS	TOTALS KSHS
At 1st July 2008	3,182,145,421	1,904,374,537	9,199,351,259	14,285,871,217
Prior year adjustments		(1,617,276,523)		(1,617,276,523)
Deficit for the year		(29,366,964)		(29,366,964)
NHIF surplus		104,926,118		104,926,118
At 30th June 2009	3,182,145,421	362,657,168	9,199,351,259	12,744,153,848
ADJUST FOR:				
Grant for 2008/09 not received		(144,568,000.00)		(144,568,000.00)
Differed projects grant 2008/09		(49,949,804.00)		(49,949,804.00)
Provision for doubtful debts 2008/09		(135,323,793.00)		(135,323,793.00)
Bank charges 2008/09 letters credit		(5,353.00)		(5,353.00)
Overstated depreciation 2007/08/09		19,192.00		19,192.00
At 1st July 2009	3,182,145,421	32,829,410	9,199,351,259	12,414,326,090
Deficit for the year		(454,650,216)		(454,650,216)
NHIF surplus		78,605,855		78,605,855
At 30th June 2010	3,182,145,421	(343,214,951)	9,199,351,259	12,038,281,729

*The accumulated fund of Kshs. 362,657,168 has been restated to Kshs. 32,829,410 by the following adjustments :

- a) Provision of GOK grant of Kshs. 144,568,000 receivable in 2008/09 not likely to be received now restated.
- b) Provision for bad & doubtful debt Kshs. 135,323,793 relates to 82% of credit facilities extended to indigent kenyans not provided for in 2008/09.
- c) Project grant which ought to have been diferred to the financial year 2009/10 for kshs.49,949,804.20 now restated.
- d) Overstated deprecation of Kshs.2,572(2008/09) and kshs.16,620(2007/08) now corrected.
- e) Bank charges for kshs5,352.65 on letters of credit for 2008/09 now accounted for .

**STATEMENT OF CHANGES IN ACCUMULATED FUND & RESERVES
FOR THE YEAR ENDED 30TH JUNE 2010**

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2010

1. SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Preparation and form of presentation

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

B. Depreciation

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

The annual rates generally used are:

Building	2.5%
Plant & Machinery	12.5%
Furniture and Fittings	12.5%
Motor Vehicles	25 %
Tractors	37.5%
Computers and Duplicating Machines	30 %
Medical Equipment	12.5%

Medical equipments that are digital/computerized in nature are depreciated at 30%.

Free hold land is not depreciated as it is deemed to have an indefinite life.

C. Revenue Recognition

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

D. Grants

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

E. Cash and Cash Equivalents

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

F. Inventories

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

G. Trade and Other Debtors

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

H. Trade and Other Creditors

Trade and other creditors are stated at their cost.

I. Patients Deposits

The Hospital receives deposits from patients as advance for services to be rendered.

This represents a liability to the Hospital clients for deposits received have been included in the balance sheet.

J. Provision for Loss on Short Term Investments

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

	2010	2009
	Kshs.	Kshs.
2 GRANTS (PROJECTS)		
PARTICULARS		
Global Fund		
Voluntary Counselling and Testing (VCT)	35,253,466	21,883,178
Partners in Prevention Study	71,340,244	47,812,029
Aids Care Treatment Services (ACTS)	25,913,795	26,947,570
HAART Grant	19,715,736	1,027,426
CAT Study	15,246,866	1,479,548
Preps Income	3,816,420	900,199
Prevention of Mother to Child Transmission (PMCT)	41,763,870	10,742,844
Asthma Study	504,443	-
TOTALS	213,554,839	110,792,794
3 COSTS SHARING REVENUE		
In-patient Fees	428,828,075	414,529,254
Boarding Fees	45,678,929	41,373,524
Out-patient Fees	31,819,661	35,412,297
Laboratory Fee	75,877,214	66,299,783
Laboratory Fee (PW)	9,200	75,950
Physiotherapy Fee	10,244,764	8,958,924
Occupational Therapy Fees	3,120,636	3,489,394
Workmens Compensation	660,443	244,342
Renal Unit Fee	21,540,704	26,328,695
Mausoleum Charges	30,957,255	27,688,860
Pharmacy Fee	209,926,917	184,334,786
Heart Unit Fee	28,474,023	22,464,155
Medical Records	22,669,218	20,540,550
ENT	12,220,281	13,114,446
Ophthalmology Fee	5,358,290	4,996,170
Medicine	13,466,651	13,326,725
Obs & Gynaecology	69,247,302	64,169,240
SOPC	8,257,219	7,284,770
Theatres	71,825,180	54,326,660
Radiotherapy Fee	17,695,590	15,062,670
Radiology Fee	122,200,711	106,802,076
Radiology Fee(PW)	1,512,100	1,906,701
Dental Charges	13,654,567	12,997,984
Nursing Fee	110,409,192	75,483,288
Casualty/Orthopaedic Fee	10,222,663	4,749,233
Family Planning Clinic	2,447,678	1,995,500
ICU Fees	143,400	7,000
PRIVate Wing Income	32,800	118,440
ORTHopaedic Income	9,251,278	9,333,880
Paediatrics Income	16,020,807	16,808,310
Donations	89,000	254,690
VCT - Training Income	827,400	1,780,500
Rent from leased properties	9,994,141	5,174,398
Government Rent	76,359,790	68,947,893
Rent from leased properties	1,418,500	738,000
Doctors Suites	7,027,596	5,177,091
Mausoleum Car Hire	56,296	11,144
Income Billboards	66,000	500,000
Sale of Artificial Limbs	40,008	23,272
Miscellaneous income-Sale IV fluids	3,034,750	782,050
Seminars and Training	1,979,320	1,740,200
Senior Staff Canteen	5,817,732	7,853,121
Senior Staff Canteen (To PW)	106,140	2,995,610
Pigs Will	401,945	450,000
Sale of Stores	329,389	382,158
Fax and Telex	192,656	
Miscellaneous Income	11,300,532	6,601,686
Other Revenue	370,458,472	328,360,196
TOTALS	1,883,272,414	1,685,995,616

4 PRIVATE WING**STATEMENT OF COMPREHENSIVE INCOME**

	2009/2010	2008/2009
INCOME		
Gross Income	402,448,573	373,245,229
EXPENDITURE		
Personnel Emoluments	292,802,648	282,625,198
Operations & Maintenance	173,723,293	141,316,309
Administrative Expenses	8,455,478	10,532,678
Depreciation	4,338,569	4,958,365
Total Expenses	479,319,988	439,432,549
Deficit	(76,871,415)	(66,187,320)
5 PERSONEL EMOLUMENTS		
Personnel Emoluments	3,227,344,196	2,993,353,671
Other Staff Costs	516,760,696	439,832,603
	3,744,104,892	3,433,186,274
6 OPERATION AND MAINTENANCE COSTS		
Financing Costs	3,114,926	1,691,016
Administrative Costs	101,119,384	126,012,254
Transport, Utilities, & Maintenance	499,594,234	488,947,711
Medical Costs	721,029,802	694,666,940
Research Costs	8,413,592	10,602,054
Stock change	56,138,175	28,770,346
TOTAL O&M	1,389,410,113	1,350,690,320
7 PROJECTS COSTS		
VCT	25,443,372	21,369,278
PMTCT	30,696,075	23,426,401
PIPS	74,068,252	49,391,049
ARV Study	-	-
Asthma Study	-	-
ACTS Study	56,280,273	46,131,655
HAARRT Study	988,816	1,027,426
TUMAINI Study	1,685,181	170,000
PREPS	-	-
CAT	3,908,261	3,668,426
TOTAL	193,070,228	145,184,235
8 DIRECTORS EMOLUMENTS		
Sitting allowance	5,434,000	5,476,340
Travelling & Accommodation:-		
Local	-	-
Overseas	-	-
Mileage	2,724,350	3,223,193
Honoraria	480,000	960,000
CEO:- Salary	4,080,000	3,120,000
-Others	2,285,696	2,345,817
Accommodation	2,321,800	2,610,000
Lunch allowance	436,000	438,000
Others	42,000	84,000
TOTAL	17,803,846	18,257,350

9 PROVISION FOR BAD & DOUBTFULL DEBT KSHS. 133,472654

This relates to credit facilities extended to poor kenyan for Kshs. 29,795,096 and Hospital's lost revenue due to abscondment by patients from wards without clearing their bills of Kshs. 67,917,858 and Kshs. 35,759,700 for patients released through Minister of Medical Services directive.

10 PROPERTY, PLANT AND EQUIPMENT

MAIN HOSPITAL

DESCRIPTION	LAND (KSH)	BUILDING (KSH)	PLANT, MACHINERY & MEDICAL EQUIPMENT (KSH)	MOTOR VEHICLES (KSH)	FURNITURE, FITTINGS & OFFICE EQUIPMENT (KSH)	GRAND TOTAL (KSH)
COST AS AT 1ST JULY 2009	4,014,600,000	6,675,936,845	2,888,796,555	52,453,625	186,763,280	13,818,550,304
ADDITIONS FOR THE YEAR			58,579,950		5,842,080	64,422,030
AS AT 30TH JUNE 2010	4,014,600,000	6,675,936,845	2,947,376,505	52,453,625	192,605,360	13,882,972,335
DEPRECIATION						
As at July 2009		463,266,984	889,297,757	26,729,310	61,282,448	1,440,576,499
Charge for the year		155,316,747	268,327,858	6,491,809	18,953,304	449,089,718
AS AT 30TH JUNE 2010		618,583,731	1,157,625,615	33,221,119	80,235,753	1,889,666,217
Net Book Value 30/06/2010	4,014,600,000	6,057,353,115	1,789,750,890	19,232,506	112,369,607	11,993,306,118
Net Book Value 30/06/2009	4,014,600,000	6,212,669,861	1,999,498,798	25,724,315	125,480,832	12,377,973,805
PRIVATE WING						
COST AS AT 1ST JULY 2009			4,234,000		46,308,760	50,542,760
ADDITIONS FOR THE YEAR						
TOTAL COST			4,234,000	-	46,308,760	50,542,760
DEPRECIATION						
As at July 2009			682,156		15,152,052	15,834,208
Charge for the year			443,980		3,894,589	4,338,569
AS AT 30TH JUNE 2010			1,126,137	-	19,046,641	20,172,777
Net Book Value 30/06/2010			3,107,863	-	27,262,119	30,369,983
Net Book Value 30/06/2009			3,551,844	-	31,156,708	34,708,552
CONSOLIDATED						
Net Book Value 30/06/2010	4,014,600,000	6,057,353,115	1,792,858,753	19,232,506	139,631,727	12,023,676,101
Net Book Value 30/06/2009	4,014,600,000	6,212,669,861	2,003,050,642	25,724,315	156,637,540	12,412,682,355

	2010 Kshs.	2009 Kshs.
11 WORK IN PROGRESS		
Balance b/f		560,758,470
Computerisation	6,534,132	(9,333,327)
Completion of Rehabilitation of Doctor's Flats	-	(465,020,140)
Completion of Casualty	526,950	(3,029,394)
Equipment & Supplies Medical & Surgical	9,632,518	(67,027,402)
Replacement of Motor Vehicles	-	-
Upgrading fire fighting equipment	2,057,000	2,057,000
Purchase of Office Equipment & Furniture	-	(4,936,008)
Purchase of Specialised Medical Equipment	-	(11,412,200)
Boundary fence mbagathi road	2,918,733	4,329,930
Purchase of medical equipment	-	2,210,000
Development of isolation ward MDRTB	35,000,000	35,000,000
Re-roofing of Radiology	2,600,995	2,600,995
Rehabilitation of Compressed Air System	20,050,600	-
Purchase of incinerator	14,318,374	-
Upgrading of P/W kitchen	2,382,852	-
Upgrading of private wing	449,755	-
	96,471,909	46,197,924
12 INVENTORIES		
Main Hospital	180,113,101	236,251,276
Private Wing	25,190,550	31,680,551
	205,303,651	267,931,827
13 TRADE & OTHER RECEIVABLES		
Debtors		
Main Hospital	2,239,714,034	1,982,217,731
Less: Provision	(1,623,038,539)	(1,489,565,885)
Private Wing	236,715,042	236,935,070
Grant receivable	144,568,000	256,568,000
Less: Provision	(144,568,000)	(144,568,000)
Prepayments	361,809,430	361,809,430
	1,215,199,967	1,203,396,346

GRANT RECEIVABLE

This relate to Government of Kenya grant (**Kshs.144,568,000**) being the balance due after implementation of the CBA agreement in 2006/2007 financial year .

	2009/2010 Kshs.	2008/2009 Kshs.
14 CASH & CASH EQUIVALENTS		
A) Short term deposits		
National Bank of Kenya	21,862,273	32,614,886
Housing Finance Co. of Kenya	63,072,183	69,412,487
Euro Bank Ltd (in liquidation)	429,660,514	429,660,514
Less: Provision for Euro Bank	(429,660,514)	(429,660,514)
	84,934,456	102,027,373
B) Cash & bank balances		
Bank balances	413,045,267	618,622,408
Cash in hand	1,480,111	1,816,578
	414,525,378	620,438,986
Total cash & cash equivalents	499,459,834	722,466,359

15 SPANISH LOAN

This Government guaranteed loan received from the Kingdom of Spain in form of Medical Equipment of Ksh.1,199,862,823. The Hospital is to pay interest of 3% p.a on reducing balance for the first six (6)years,thereafter interest plus principal for the next nine(9) years with effect from from 1st July 2008.

	2009/2010 Kshs.	2008/2009 Kshs.
16 TRADE & OTHER PAYABLES		
Trade Creditors	447,497,996	561,041,261
Accrued Expenses - Trade Creditors	18,226,123	20,839,160
Contingent Liability(water bill)	48,325,006	78,325,006
Unpaid Pensions	16,613,859	27,247,182
Unpaid Salaries	1,871,359	3,035,640
Payroll Remittances	43,981,597	147,484,504
Deferred income	50,000,000	49,949,804
Private Wing	142,616,662	115,756,912
	769,132,602	1,003,679,469

17 DEPOSIT

Main Hospital	12,687,666	22,330,266
Private Wing	20,146,642	12,049,571
	32,834,308	34,379,837

18 BANK OVERDRAFT

PMCTC is a donor supported account and bank overdraft that occurred was occasioned by delay in receipt of funds from the donor.

19 CONTINGENT LIABILITIES

a) Water Bills - Kshs. 48,325,006

This is an amount that was arrived at after reconcillation between the Nairobi Water an Sewerage Company for long outstanding un-paid water bills due to the dispute in meter readings. Currently, the Hospital is negotiating with the Ministry of Health for further financial assistance.

b) OUSTANDING NSSF ARREARS-KSHS. 230 MILLION

This is an amount that was arrived at by Fund officials together with the Hospital , delved into past hospital records and assed Kshs. 230 million for the period April,2001 to November,2009 .

20 EMPLOYEE BENEFITS

a) Retirement Benefits

The hospital operates staff superannuation scheme for its employees. The scheme is a defined scheme and it provides for payment of pension and related benefits to the members. The investment of the scheme's assets are managed by the Investment Manager (Old Mutual Assets Manager (K) Ltd) on behalf of the trustees.

b) Pension Scheme Deficit

Currently the Staff Superannuation Scheme is having a deficit of Kshs.3,637,400,000 as at 30th June 2009 a build up from Kshs.1,352,000,000 as at 30th June 2007. This has been attributed to salary increase to staff in the years 2005/2006 and 2006/2007 The hospital contribution to the scheme for the year ended 30th June 2010 amounted to **Kshs.203,221,250.15** and **Kshs.157,494,470.80** in 2008/2009

c) Other Employee Benefits

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

21 COMPARATIVES

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

22 GOVERNMENT OF KENYA GRANT

The Hospital received grant from Government of Kenya to cater for Personnel Emoluments and Capital Expenditure.

23 PROJECT GRANTS

The Hospital received grants from Path Finder International to fund the VCT Study Project and the rest are funded by University of Washington in the US.







KENYATTA NATIONAL HOSPITAL

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