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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYATTA UNIVERSITY TEACHING,  
REFERRAL AND RESEARCH HOSPITAL**

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

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**KENYATTA UNIVERSITY TEACHING REFERRAL AND RESEARCH HOSPITAL**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**30<sup>TH</sup> JUNE 2021**

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



**KENYATTA UNIVERSITY TEACHING REFERRAL AND RESEARCH HOSPITAL**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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**KENYATTA UNIVERSITY TEACHING REFERRAL AND RESEARCH HOSPITAL  
ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30,2021**

**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

Kenyatta University Teaching, Referral and Research Hospital was established as a state corporation under the State Corporations Act Cap 446 through a Legal Notice No.4 of 2019. The Hospital's infrastructure was constructed by M/s China Jiangxi Corporation for International Economic and Technical Co-operation (CJIC). The Contract for construction was signed on 12th August 2010; construction works commenced on 1st November 2012 and was completed on 14th December 2016.

Subsequent to the legal order, the Hospital Board was inaugurated by the Cabinet Secretary, Ministry of Health, on Monday, 8th April 2019 and an Acting Chief Executive Officer appointed, with the principal assignment of operationalizing the Hospital by August 2019. The Hospital was handed over to the Hospital Board by the Contractor on 24th May 2019. The Hospital opened its doors to the first patient on Monday, 28th October 2019 after successfully conducting a dry run from 27th September to 27th October 2019 that was followed by a successful soft run between 28/10/2019 to 24/11/2019.

The Hospital is an ultra-modern 650-bed state-of-the-art Hospital sitting on 100 acres of land along the northern bypass road. It is providing tertiary (highly specialized) health care services as a referral facility for level 4 and 5 facilities in the region, thereby helping decongest Kenyatta National Hospital (KNH) and surrounding county government Hospitals. In addition, and in keeping up with evidence-based decision making, it will also provide training and research services with the aim of becoming the Model for research based Integrated Health Care Delivery System that responds to global health issues. KUTRRH is also poised to be the only public facility in the East and Central African region to offer the complete continuum of Cancer treatment with the proposed establishment of the Integrated Molecular Imaging Cancer diagnostic and Treatment Centre.

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**(b) Principal Activities**

The functions of the Hospital as enumerated in the Legal Notice No. 4 of 25th January 2019 of the State Corporations Act (Cap 446) are:

- i. To receive patients on referral from other hospitals or institutions within or outside Kenya for specialized health care.
- ii. To provide facilities for medical education for University and for Research either directly or through other cooperating health institutions.
- iii. To provide facilities for education and training in nursing and other health and allied professions.
- iv. To participate as a national referral Hospital in national health Planning.

**VISION**

To be a premier referral hospital renowned for excellence in clinical care, training, research, and innovation

**MISSION**

To enhance health and wellbeing of Kenyans and global citizens through provision of quality patient-centred and evidence-based healthcare.

**SPECIFIC OBJECTIVE**

Provision of Quality Specialized Health Services and Modernization of Infrastructure and Medical Equipment.

**THE BIG FOUR GOVERNMENT AGENDA**

KUTRRH is playing a key role in enhancing public access to high quality and affordable health care for all as envisioned in the Universal Health Care pillar of the Government's Big Four Agenda. KUTRRH is well positioned to address the increasing demand for highly specialized quality health care services due to the growing population, emerging increase in Non-Communicable Diseases such as cancer, limited number of specialized health facilities, shortage of medical personnel, and lack of specialized research.

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**(c) Key Management**

The KUTRRH's day-to-day management is under the following key offices:

- i. Chief Executive Officer
- ii. Directors of Departments
- iii. Secretariat

**(d) Fiduciary Management**

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

No	Name	Designation
1	Dr. Victor Njom Miganda	Ag. Chief Executive Officer
2	CPA Samuel N Mwaura	Director of Finance and Strategic Development
3	Dr. Anthony Kamau	Ag Director of Clinical Services
4	Mr. Edward Omondi	Director Nursing
5	Dr. George Njoroge	Ag. Director, Research
6	Dr. Tabby W Mungai	Director Human Resource & Development
7	Dr. Ruth Ndungu	Ag Director Administration & Corporate Services
8	Prof. Wangari Mwai	Director Training & Capacity Building
9	Mr. Ahmed Dagane	Director Partnerships Linkages & Resource Mobilization
10	Mr. Isaac Kamau	Ag. Director, IMIC

**(e) Fiduciary Oversight Arrangements**

**The Finance Strategy and Planning committee functions includes:**

- Development of Strategic Plans
- Reviews and approves Budgets, Annual Work Plans and Procurement Plans
- Makes recommendations to the Board on how to improve service delivery.
- Monitors the implementation of Budgets, Procurement Plans and usage of Hospital finances and resources.
- Resource mobilization.
- Performs any other tasks that may be assigned by the board geared towards implementing the mandate of the board.

**The Audit and Compliance Committee function**

- To monitor the financial integrity of financial statements of the board and any communication relating to the Hospitals Financial Performance
- To review the Hospitals internal financial control and risk management systems

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- To monitor and review the effectiveness of Hospitals internal audit function and make recommendations to the Board, in relation to the appointment of an external auditor and proposed remuneration and terms and conditions of the external auditor
- Advise the Hospital Board on financial investments and risks thereof
- Perform any activities that may be assigned by the Hospital Board

**(f) KUTRRH Headquarters**

Kenyatta University Teaching, Referral & Research Hospital,  
Located at: Northern Bypass Rd., Kahawa West, Nairobi  
P.O Box 7674 - 00100 GPO  
Nairobi, Kenya

**(g) KUTRRH Contacts**

Tel: +254 780 900519  
Email: [info@kutrrh.go.ke](mailto:info@kutrrh.go.ke)  
Website: [www.kutrrh.go.ke](http://www.kutrrh.go.ke)

**(h) KUTRRH Bankers**

Kenya Commercial Bank  
Thika Road Mall (TRM) Branch  
P.O. Box 105515-00101  
Nairobi  
Kenya

**(i) Independent Auditors**

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

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**(j) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue



P.O. Box 40112

City Square 00200


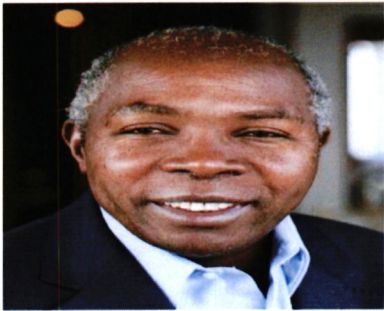

Nairobi, Kenya

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**2. THE BOARD OF DIRECTORS/COUNCIL**

 <p>Prof. Olive Mugenda, Ph.D., EBS, CBS CHAIRPERSON D.O.B-25/12/1954</p>	<p>Prof. Mugenda holds MSc and Ph.D. degrees from Iowa State University (USA). She also holds an MBA degree from ESAMI, Arusha (Tanzania). She was previously the Vice Chancellor of Kenyatta University from 2006 to 2016. Before this, she was the Deputy Vice Chancellor (Finance Planning &amp; Development). She has also held various Board positions in a number of organizations including Chairperson, Association of Commonwealth Universities; Vice-President-International Association of Universities; Director, Nation Media Group; Member, Association of African Universities; Kenya National Examinations Council; Kenya Education Management Institute (KEMI) among others.</p>
 <p>Prof. Paul Wainaina, Ph.D. VC, Kenyatta University Doctor of Philosophy, Education D.O.B-15/07/1950</p>	<p>Prof. Paul Kuria Wainaina is the current Vice Chancellor of Kenyatta University, a position he has held since 26th January, 2018. He is a full Professor of Education, specializing in Philosophy of Education. Professor Wainaina earned his Ph.D. from the University of Alberta in 1985, a Master of Arts in Education, and a Bachelor of Education (Arts) from the University of Nairobi in 1982 and 1976, respectively.</p>

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 <p>Ms. Gladys Ogallo MBA D.O.B-06/12/1966</p>	<p>Gladys is an experienced and an accomplished HRM specialist and board member, serving on both Africa and International boards. She has sector experience in Telecommunications, Banking, Insurance, Investment and Education with special reference to managing Human Resources. She is currently the Managing Director of Virtual Human Resources Services Ltd, a Human Resource consulting company.</p>
 <p>Mr. Kithinji Kiragu, OGW, MBS MBA D.O.B-10/10/1952</p>	<p>Kithinji Kiragu (KK) has over the past 30 years professionally practiced as a public sector management and governance consultant. KK is currently a director of the Africa Development Professional Group. Prior to that, he served as a Partner in PricewaterhouseCoopers (PwC) based in Kenya, and responsible for public sector management advisory services in the Central African region.</p>
 <p><b>Ms. Jane Wambugu</b> MBA, Finance Alternate PS, Treasury D.O.B-09/05/1965</p>	<p>Appointed as an Alternate Director to the Principal Secretary , National Treasury in March ,2020 where currently working in the Directorate of Public Investment and Portfolio Management with more than 20 years' experience working in various Government Ministries and in World Bank and AFD donor funded projects in the Ministry of Energy, Holder of Master's degree in Business Administration (Finance), is a Certified Public Accountant of Kenya(CPA[K]), member of the Institute of Public Accountants (ICPAK)and member of Institute of Certified Investment Financial Analyst (ICIFA).</p>

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 <p><b>Ms. Pauline Mcharo</b> Masters in International Law Alternate Attorney General D.O.B-24/07/1977</p>	<p>Ms. Pauline Mcharo is Deputy Chief State Counsel, International Law Division, at the Office of the Attorney General and Department of Justice. Her current assignments include representing Government in international investment and commercial disputes and assisting in resolution of Territorial and Maritime Delimitation disputes.</p>
 <p><b>Dr. Alfred Karagu</b> Alternate PS, Health Masters of Science Health Systems Management D.O.B-1981</p>	<p>Dr. Karagu is a public health specialist with over 14 years' experience in clinical care, health services management, monitoring and evaluation, training and public health research. He holds a bachelor's degree in medicine and Surgery and a Master of Science in Health Systems Management and is a graduate of the Field Epidemiology and Laboratory Training Programme, a competency-based training by the Ministry of Health and United States Centre for Disease Control.</p>
 <p><b>Dr. Gilbert Munyoki</b> Dean, School of Medicine Kenyatta University PhD, Neurology D.O.B-24/04/1966</p>	<p>Dr Gilbert Munyoki is a health practitioner specializing as a physician. He holds a bachelor's degree in medicine and a Master of Science in internal medicine.</p>

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 <p><b>Mrs. Gertrude Namu</b> Rep. - Kenyatta University Council Masters Degree in Education D.O.B-26/09/1950</p>	<p>Mrs. Gertrude Muthoni Namu holds a master's degree in education (Library and Information Science) and a bachelor's degree in education from Kenyatta University. She is an accomplished leader who has vast knowledge and experience in curriculum and programmes development. She has provided strategic and policy direction in various institutions in addition to spearheading and managing relationships, collaboration and accreditation. Mrs. Namu has previously worked in various institutions of higher learning including Kenya School of Professional Studies and Kenyatta University. Mrs. Namu has also served as a Member of Council, Masinde Muliro University of Science and Technology and as a Board Member of Embu College.</p>
 <p><b>Mr. Dan Mesis - Alternate PS,</b> University Education &amp; Research Post Graduate Diploma in National Defence D.O.B-09/03/1965</p>	<p>Appointed as an Alternate to PS - University Education &amp; Research. His area of specialization is Governance.</p>
 <p><b>Dr. Victor Njom, MD</b> Ag. Chief Executive Officer MMED in Ophthalmology D.O.B-19/08/1974</p>	<p>Dr. Njom is a Licensed medical doctor with specialist degree in Ophthalmology and 19 years of experience providing top-notch medical services in various Kenyan hospitals. Outstanding interpersonal skills with a track record of establishing positive relationships with clients, other medical professionals and healthcare organizations. He also has a passion for teaching, leadership, governance and change management. Dr. Njom is currently the Ag. CEO, KUTRRH. He has previously served as the Director for Clinical Services at the same institution. Previously, Dr. Njom was a Lecturer in the School of Medicine at Maseno University, Deputy Chief Administrator and Consultant Ophthalmologist/Head of Department at Coast Provincial General Hospital.</p>

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**3. MANAGEMENT TEAM**

	<b>DIRECTORS</b>	<b>RESPONSIBILITY</b>
1.	 <p>Dr. Victor Njom, MD Ag. Chief Executive Officer MMED in Ophthalmology</p>	<p>Providing strategic leadership; drawing and execution of plans for implementation of the Hospital's mandate and overall implementation of the Board's decisions.</p>
2.	 <p>Mr. Samuel N Mwaura Director of Finance and Strategic Planning CPA, MBA-Healthcare Management</p>	<p>Organize and coordinate financial management functions; Ensure optimal utilization of financial resources, Ensure compliance with statutory requirements; Financial reporting to management and regulatory bodies. Provide technical guidance on formulation and implementation of strategies &amp; policies; establishment and implementation of monitoring &amp; evaluation systems; budgeting and development of quality improvement initiatives.</p>
3.	 <p>Dr. Anthony Kamau Ag. Director of Clinical Services Master of Science in Evidence- Based Pharmacotherapy</p>	<p>The mandate of the Director Clinical services is to monitor clinical performance throughout the Hospital, promoting a culture of excellence in patient safety, quality of care and patient experience”.</p>


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<p>4.</p>	 <p>Dr. Tabby Mungai, PhD Director of Human Resource Doctor of Philosophy in Education</p>	<p>Providing technical and professional guidance to Human Resource functions of the hospital.</p>
<p>5.</p>	 <p>Mr. Edward Omondi Director Nursing Services Master of Business Administration</p>	<p>Formulation, review and interpretation of KUTRRH health care policies relating to nursing services; ensuring compliance to Nursing Statutory and regulatory requirements; facilitating development and review of training programs for nurses in the Hospital.</p>
<p>6</p>	 <p>Dr. George Njoroge, Ph.D. Ag. Director - Research, Innovation &amp; Entrepreneurship</p>	<p>The core mandates of the Directorate are:</p> <ul style="list-style-type: none"> <li>To establish state-of-the-art systems of medical research, innovations and entrepreneurship in the Hospital, providing ethical, patient-centered, evidence-based practice. To facilitate the incubation, acceleration and translation of novel ideas and solutions to meet the healthcare needs of the society. To implement ICT infrastructure, systems, services, policies and standards to buttress patient-centered, evidence-based practice and harness emerging digital trends in data analytics, artificial intelligence and bioinformatics.</li> </ul>

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7	 <p>Mr. Ahmed Dagane Director Partnerships, Linkages &amp; Resource Mobilization MBA in Healthcare Management</p>	<p>The role of this Directorate is to identify new opportunities to work in partnerships that further the professional and strategic ambitions of the hospital</p>
8	 <p>Dr. Ruth Ndungu Ag. Director Administration &amp; Corporate Services Doctor of Philosophy in Literature-Applied Linguistics</p>	<p>Providing technical and professional guidance to administrative functions of the hospital; ensuring effective execution of Hospital mandate; ensuring optimal utilization of resources</p>
9	 <p>Prof. Wangari Mwai Director, Training &amp; Capacity Building Doctor of Philosophy in Literature</p>	<p>The directorates provide facilities for medical education and training in nursing and other health and allied institutions through the establishment of an institute for specialized nursing and offering short courses. It also ensures continuous learning/re-tooling of staff, through providing facilities for medical education, clinical placements &amp; rotations and medical internships.</p>

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10	 <p>Mr. Isaac Kamau Ag. Director, IMIC Bsc Therapeutic Radiography</p>	<p>The Directorate of Integrated Molecular Imaging Centre (IMIC) offers both diagnostic and therapeutic services in the management of cancer and other diseases. It is an ultra-modern and the first-ever PUBLIC IMIC not only in Kenya but also in the region. The goal of the directorate is to increase the capacity of the Hospital to offer a fully comprehensive continuum of cancer care. This capacity entails Prevention, Screening, Diagnosis, Treatment, Survivorship and Palliative Care.</p>
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**4. CHAIRMAN'S STATEMENT**

The operationalization of Kenyatta University Teaching, Referral & Research Hospital that culminated to the opening of its doors to patients on 28th October 2019 marked a momentous milestone of a journey that started with the conceptualization of the idea in the year 2008.

KUTRRH is playing a key role in enhancing public access to high quality and affordable health care for all as envisioned in the Universal Health Care pillar of the Government's Big Four Agenda. To achieve this, the hospital is equipped with state-of-the-art technology and equipment that will support our highly skilled Healthcare workforce in delivery of care.

In addition to the many specialty's areas, KUTRRH is poised to become the only public facility in the East and Central African region to offer the comprehensive continuum of Cancer care with the establishment of an Integrated Molecular Imaging Cancer diagnostic and Treatment Centre. The IMIC project is in advance stages of completion, with all the equipment delivered on site and currently undergoing installations.

This centre will have state of the art PET/CT and Spectre/CT technologies that will help in early diagnosis and management of Cancer that will be expected to increase the survivorship of cancer patients, reverse outbound medical tourism while at the same time increasing in-bound medical tourism to Kenya. As KUTRRH, we see this as a huge opportunity to increase access to quality cancer care through addressing existing gaps and potential future growth through innovative, care delivery models.

The Coronavirus disease 2019 (COVID-19) that was first identified in Wuhan City, China in November 2019 was declared a pandemic on 11th March 2020 by the World Health Organization, with the Ministry of Health announcing the confirmation of the first case of Covid-19 infection in Kenya on 12th March 2020. Kenyatta University Teaching, Referral and Research Hospital was gazetted as a primary Treatment and Isolation facility in March 2020 and has been playing its role in helping the government's fight against the pandemic by providing space and expertise to combat the spread of the disease in the country.

In the last one year of operation, KUTRRH has established itself as premier public healthcare institution of choice in Kenya and the whole of Africa for patients across all socio-economic status. A paradigm shift is being witnessed as patients will no longer need to seek advanced medical care abroad, as KUTRRH increases the width and breadth of world class healthcare services.

The board is committed to putting in place the governance and leadership structures that will ensure the Hospital achieves its strategic objectives and the core mandate of being a preferred public referral facility, renowned for highly specialized and quality healthcare both for the country and the region.

**OLIVE MUGENDA**

Name

**Ongede**

Signature

**7/7/2022**

Date

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**5. REPORT OF THE CHIEF EXECUTIVE OFFICER**

Kenyatta University Teaching, Referral and Research Hospital operationalization journey started with its establishment as a state corporation under the State Corporations Act Cap 446 through a Legal Notice No.4 of 2019, followed by the appointment of the Hospital Board, which was inaugurated by Cabinet Secretary, Ministry of Health, on Monday, 8th April 2019.

The Hospital was handed over to the Board by the Contractor on 24th May 2019, which then embarked on putting in place the required legal, physical and human resource structures to operationalize. KUTRRH opened its doors to the first patient on Monday, 28th October 2019 after successfully conducting a dry run from 27th September to 27th October 2019.

This was followed by a successful soft run between 28/10/2019 to 24/11/2019. The operationalization strategy focused on opening of four departments i.e., Accidents and Emergency, Oncology Centre, Renal Centre, Trauma and Orthopaedics as well as supporting departments such as Wards, ICU, Laboratory, Radiology, Pharmacy, Catering and funeral home.

In the last year, the Hospital did its first ever pacemaker installation and opened the specialized clinics. As a Hospital, we are also excited to have carried out successful craniotomy, orthopaedics, caesarean section and general surgery cases. In addition, our Renal dialysis unit is serving more than 15 patients per day while our cancer patients are receiving Chemotherapy and radiotherapy treatments in our facility. As a gazetted treatment and isolation facility for Covid-19, we have treated more than 1396 patients with majority of them recovering. The hospital also carried out a successful medical camp outreach in the surrounding settlements and free Surgical camp where 75 life transforming surgeries for Cleft Palate patients were carried out with the aim of sensitizing the public on the nature of the referral status of the hospital as one of the strategies to make KUTRRH the top-of-the-mind referral services facility in Kenya.

KUTRRH is well positioned to address the increasing demand for highly specialized quality health care services due to the growing population, emerging increase in non-communicable diseases such as cancer, limited number of specialized health facilities, shortage of medical personnel, and lack of specialized research.

Name

Signature

Date

AHMED M. DAGANE



07/07/2022

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**6. STATEMENT OF KUTRRH's PERFORMANCE AGAINST PREDETERMINED  
OBJECTIVES FOR FY 2020/2021**

KUTRRH has 11 strategic pillars within the current Strategic Plan for the FY 2020/21- FY 2030/31. These strategic pillars are as follows:

1. Physical and technological infrastructure
2. Development of high calibre clinical and non-clinical staff
3. Training and capacity building
4. Research and innovation
5. Value driven clinical services
6. Partnerships, networks and collaborations
7. Communication, branding and marketing
8. Community health outreach and extension
9. Hospital advancement and resource mobilization
10. Leadership, governance and management
11. Quality assurance and monitoring and evaluation

KUTRRH develops its annual work plans based on the above 11 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The hospital achieved its performance targets set for the FY 2020/2021 period for its 11 strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Physical and technological infrastructure	To provide quality State of the Art physical infrastructure for delivery of healthcare	No of beds operationalised	Operationalisation of the Hospital	400 beds operationalised
		Completion rate	Construction of Integrated Molecular Imaging Centre	100% completion
		Completion rate	Construction of IMIC Hospitality Centre	100% completion

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		Completion rate	Renovation of Gatundu Level 5 Hospital	100% renovations completed
Development of high caliber clinical and non-clinical staff	To attract, motivate and retain qualified staff	No. of youths engaged	Engage 30 Youths in internship/industrial attachment	52 youths engaged
		TNA in place	Carry out Training Needs Assessment	100%
		Skills Gap Analysis in place	Conduct Skills Gap Analysis	100%
		Score in Performance Contract	Prevention of Alcohol and Drug Abuse	85% score achieved
		Score in Performance Contract	Prevention of HIV Infections	93% score achieved
Training and capacity building	To offer programs which are responsive to the needs of staff and the society	Institute in place	Establishment of Centre for Training Specialized Nurses	The centre was established by June 2021 and started admitting students in the year 2021/22
Value driven clinical services	Provide values based clinical services to all KUTRRH patients	No. of Clinics	Operationalization of 5 specialized outpatient clinics	10 clinics operationalised
		Protocol in place	Implementation of COVID 19 Home	Home based care protocol

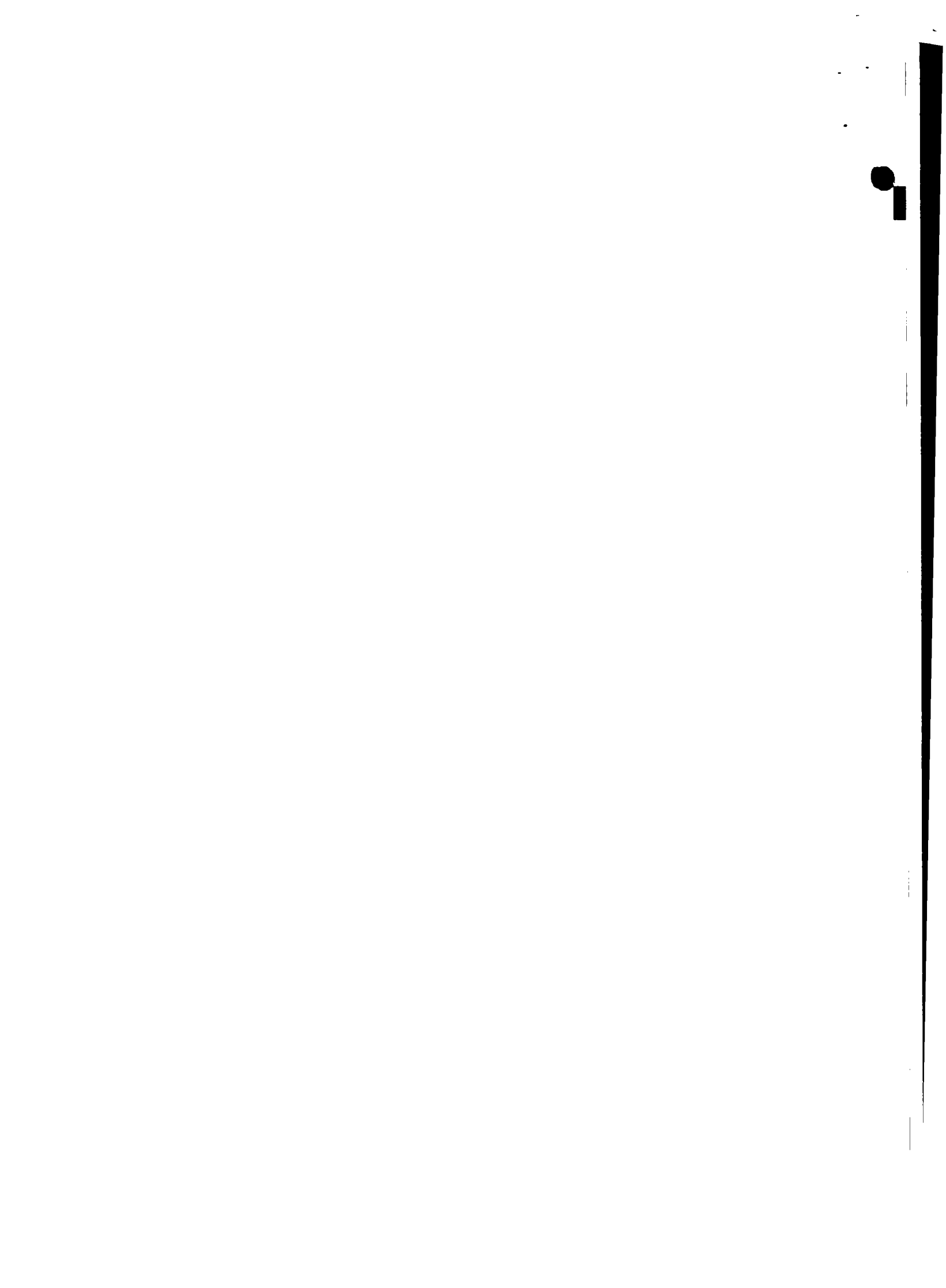


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			Based Care Treatment Protocols	developed and implemented
		No. of surgeries	Undertake 300 Major Surgeries	475
		No. of surgeries	Undertake 100 Minor Surgeries	217
		No. of Dialysis	Undertake 3000 Renal Dialysis	5504
		Obstetrics and Gynaecology Services in place	Operationalization of Obstetrics and Gynaecology Services	Services in place
Partnerships, networks and collaborations	To mainstream collaborations and partnerships	No. of partnerships	Establish 3 local Partnerships and Collaborations	5 3 partnerships established
		No. of partnerships	Establish 2 international Partnerships and Collaborations	3 partnerships established
Research and innovation	To build research capacity in the hospital	No. of proposals	Grant Proposals	20 proposals written and submitted
		No. of research studies	Research Studies	6 research studies carried out
		MIA in place	Establishment of Medical Accelerator and innovation Hub	MIA established and officially opened

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Communication, branding and marketing	To create and enhance KUTRRH corporate image	Plan in place	Development of marketing and branding plan	Plan in place
		Functional website	Develop and continuously update an interactive and friendly website	Functional website
		Interactive social media pages	Open and continuously update Hospital accounts with social media apps (twitter, Facebook etc.)	Interactive social media pages
		Call centre operational	Establishment of 24 hours call centre	Call centre established
Community health outreach and extension	Institutionalise Community health outreach	No. of programmes	Undertake Community outreach programmes in level 4 and 5 Hospitals	10 outreaches undertaken
		No. of camps	Undertake medical camps at the hospital	2 medical camps undertaken
Hospital advancement and resource mobilization	To enhance revenue base for effective implementation of Hospital programs	Absorption rate	Absorption of Allocated Funds (GoK)	100% absorption rate
		Amount of funds raised	Raise A-in-A	887M shillings raised
		Pending Bills	Ensure pending bills are below 1% of the annual budget	The Hospital did not have any pending



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				bills at the end of the year
Leadership, governance and management	To institutionalize effective and efficient governance structures	Implementation rate	Implementation of Citizen Service Delivery Charter	100% implementation achieved
		Score from CAJ	Resolution of Public Complaints	94% score from CAJ
		Plan in place	Development of Strategic Plan	100% achieved
	To foster inclusivity in all hospital operations	Score in Performance Contract	Undertake Disability Mainstreaming	60% score achieved
		Score in Performance Contract	Undertake Gender Mainstreaming	72% score achieved
	Quality assurance and monitoring and evaluation	To institutionalize quality assurance in all the Hospital operations	No. of policies developed	Development of Hospital Policies
Number of SOPs developed			Development of Standard Operating Procedures	45 SOPs developed and approved
Level of implementation			Implementation of Information Security Management System	Training of champions and staff undertaken
Operate a robust Monitoring		Number of reports prepared	Preparation of quarterly and annual performance reports	Quarterly prepared, approved and submitted



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	and Evaluation System	Number of reports prepared	Preparation annual performance reports	Annual reports prepared, approved and submitted

KUTRRH develops Annual Work Plans derived from its mandate as per the Legal Order establishing it and the activities outlined in the Strategic and Vision Plan 2020-2030. The Work Plans form the basis for setting targets for the Hospital Strategic Plan as well as the Individual Staff Performance Appraisal. Quarterly evaluation of the Work Plans and Performance Contract is carried out and reports prepared. Annual performance reports are prepared at the end of the year and form the basis for Annual Performance Evaluation.

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**7. CORPORATE GOVERNANCE STATEMENT**

Kenyatta University Teaching, Referral and Research Hospital (KUTRRH) is a new State Corporation and is registered under Legal Notice No. 4 of the State Corporations Act as a Level 6 Referral Hospital. The Hospital Board was inaugurated by the Cabinet Secretary, Ministry of Health, on Monday, 8<sup>th</sup> April 2019 and subsequently opened its doors to the public on 28th October 2019

The hospital has the Board as the apex decision making organ which sets the direction for good corporate governance underpinned by effective leadership, oversight and management accountability based on a sound and ethical foundation.

The KUTRRH Board of Directors acknowledges the significant role of good corporate governance guided by the State Corporations Act Cap 446, Leadership and Integrity Act 2012, Public Officers Ethics Act 2003, Legal Notice No. 4 of 2019, Health Act of 2017 and Mwongozo Code of Governance for State Corporations. This entails the processes and structures used to direct and manage the affairs of the hospital, the framework for internal controls and the respective roles of individual Board Members and management.

**THE COMPOSITION OF THE BOARD OF DIRECTORS**

The current Board comprises eleven [11] members; the Chairperson, two [2] independent directors and eight [8] directors representing various governmental agencies as per Legal Notice No. 4 of 2019 as well as the Chief Executive Officer.

The Board is comprised of an appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. The non-executive members have diverse skills, experience and backgrounds. They are principally free from any business relationship that could hamper their objectivity or judgment in terms of the business and activities of the hospital. The roles of the Chairperson and the Chief Executive Officer are separate, with their individual responsibilities clearly defined. The Chairperson is an independent nonexecutive Board member and is responsible for leading the Board and ensuring its effectiveness. The Chief Executive is responsible for the execution of the Hospitals strategy, and the day-to-day business of the Hospital.

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**THE ROLE OF THE BOARD**

The Board of Directors provides leadership and strategic direction of the hospital.

The main responsibilities of the Board are:

- (i) establishment of the short and long-term goals of the hospital and strategic plans to achieve those goals.
- (ii) approval and review of annual budgets.
- (iii) risk management and compliance by ensuring adequate systems of internal controls are in place to ensure business continuity.
- (iv) review of financial performance, expenditure, and commitments.
- (v) setting and periodically reviewing organizational key performance indicators as well as management performance; and
- (vi) supporting management to enhance stakeholder value.

To effectively discharge this role, the Board of Directors has full access to the Chief Executive Officer and to relevant hospital information. Existing regulatory instruments also allow them to seek independent professional advice on Hospital matters, where necessary, at the expense of the Hospital.

**BOARD MEETINGS**

The Full Board meets at least once in a quarter or more depending on the requirements of the business and has a formal schedule of matters to be discussed. The members receive adequate notice and detailed reports in good time to facilitate informed deliberations and decision making. The Board promotes an environment of innovative thinking, consultation, cordial relations, information sharing, and openness in communication.

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**8. MANAGEMENT DISCUSSION AND ANALYSIS**

To achieve the operationalization, the Hospital board prepared budget estimates that were to be partly financed by the government and partly financed by internally generated funds. The initial budgetary commitment from the National treasury for the Financial Year (FY) 2020/2021 was Kshs 1.289B (Kshs 757M for recurrent expenditure and Kshs 532.5 for capital expenditure) and Kshs 600M (Kshs. 500M for recurrent expenditure and Kshs. 100M for capital expenditure) for KUTRRH and Gatundu Level 5 Hospital respectively. KUTRRH was later allocated Kshs. 1.5B for building, equipping and operationalizing the Integrated Molecular Imaging Centre (IMIC) by the Ministry of Health. KUTRRH board revised the budget to capture the supplementary 1 allocation of Kshs 1.296B which included the Kshs 847M recurrent and Kshs 449M Capital development. KUTRRH was also allocated Kshs 247M for recurrent expenditure in the Supplementary 2 estimates from Gatundu Level 5 Hospital.

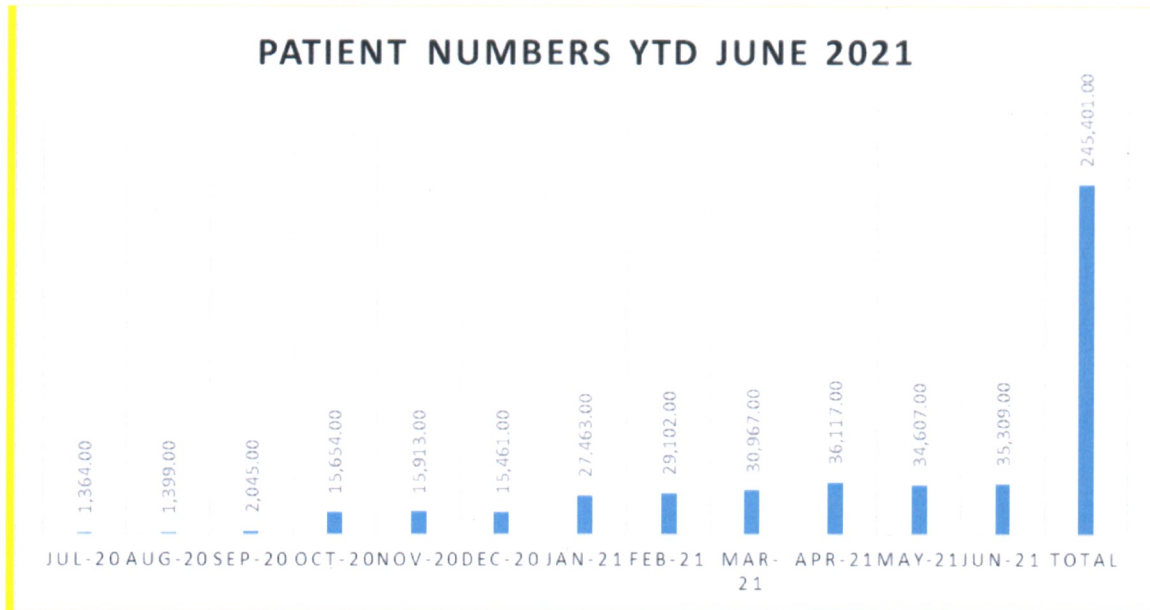
KUTRRH received the additional recurrent disbursement of Kshs. 836M and was expected to receive a further recurrent disbursement of Kshs. 200M.

The Hospital received donations from various organizations amounting to Kshs 212 Million in kind and Kshs 3M in cash towards the fight against the COVID-19 Pandemic.

**SUMMARY OF REVENUES FOR THE YEAR ENDING 30TH JUNE 2021**

	<b>RECURRENT</b>	<b>CAPITAL</b>	<b>TOTAL</b>
<b>SOURCE</b>	<b>KSHS</b>	<b>KSHS</b>	<b>KSHS</b>
Government Grants	1,851,239,910	2,278,410,000	4,129,649,910
Patient Revenues	1,177,068,776		1,177,068,776
Bank Interest	39,603,591		39,603,591
Cash Donations	3,000,000		3,000,000
Donations in kind	162,075,489	50,036,160	212,111,649
Sale of Tender Documents	82,000		82,000
<b>Totals</b>	<b>3,233,069,766</b>	<b>2,328,446,160</b>	<b>5,561,515,926</b>

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**9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

KUTRRH exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the patient first, delivering quality patient centred care, and improving operational excellence. Below is an outline of the hospital's policies and activities that promote sustainability.

**i. Sustainability strategy and profile**

KUTRRH is committed to sustainable development in line with the Constitution of Kenya 2010. The Hospital has therefore developed a Strategic and Vision Plan to guide its operations in the next 10 years. The plan sets out priorities for the Board and Management and gives a guide on the benchmarks both local and international. The plan was developed in the year 2020/21 and is in the initial stages of implementation.

One of the main factors affecting sustainability priorities inadequate funding. To address this, the Hospital Board has come up with robust resource mobilisation and Hospital advancement activities that will help in raising funds for funding the various programmes.

**ii. Environmental performance**

The Hospital Board and Management ensures that all operations and new developments are environmentally sound and are within the requirements of Environmental Management Act. The Hospital has therefore conducted Annual Environmental Audits and is in the process of implementing recommendation. New projects such as the Construction Integrated Molecular Imaging Centre are conducted strictly within confines of Environmental Regulations and Environmental Impact Assessment is carried out and appropriate licences obtained from NEMA. Hospital Waste management is carried as per NEMA regulations with the Hospital operating a modern Incinerator Plant. Where outsourcing is done for waste management, we ensure that the contracted companies are licenced by NEMA and that they deploy proper waste management practices.

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**iii. Employee welfare**

The Hospital follows the approved Human Resource Instruments during recruitment. The Human Resource Policy and Procedures Manual guides Human Resource management practices at KUTRRH. The Hospital has established a Staff Pension Scheme and provides a generous medical scheme to cater for employee welfare. A staff welfare programme has also been established. A Staff Performance Management System has been established to guide staff performance and appraisals

Matters Occupational Health and Safety are taken very seriously, and the Hospital has complied with Occupational Safety and Health Act of 2007, (OSHA. OSHA Audits have been carried out and recommendations implemented. The Hospital has now been registered as a Workplace by Directorate of Occupation Safety and Health in the Ministry of Labour.

**iv. Market place practices**

**a. Responsible competition practice.**

KUTRRH has taken steps to ensure responsible competition practices in its operations. This includes pricing services and consumables fairly to ensure patients afford quality healthcare in the hospital. The hospital also has working relationships with other private, county and national referral hospitals which facilitates referrals of patients in and out of the hospital.

The hospital's marketing policy which guides all marketing activities has been written in line with Competition Authority of Kenya requirements.

**b. Responsible Supply chain and supplier relations**

The hospital adheres to the Public Procurement and Asset Disposal Act in its procurement processes. Suppliers are issued with Local Purchase Orders (LPOs) and Local Service Orders (LSOs) only when there is availability of funds to pay them. Contracts and Service agreements are also entered in to after the hospital has acquired the necessary budget allocation to fund them. This ensures that suppliers and other service providers are paid within the mutually agreed credit period. KUTRRH also gives priority to Women, Youth and People Living with Disabilities with AGPO certification to supply goods and services to the institution.

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**c. Responsible marketing and advertisement**

- All marketing communications are based on truth. They must be legal, truthful, and not misleading in the public's eye. All communications are thoroughly prepared before they get issued and released to the target audience. In addition, all marketing communications are prepared with a due sense of social and professional responsibility and conform to the principles of fair competition, as generally accepted in business.
- All information that is received by the hospital during its marketing activities and communications is treated as confidential information. The hospital ensures that it does not abuse the trust given to it by its audience or customers and ensures that information such as names, addresses, and other private and personal information shall be kept securely and shall not be used for non-business matters.
- The hospital has a responsibility to ensure that all its marketing activities and communications will always respect human dignity and will not incite or condone any form of discrimination. Marketing communications will not without justifiable reason play on fear or exploit misfortune or suffering. Marketing communications will not appear to condone or incite violent, unlawful, or anti-social behaviour among its customers.

**d. Product stewardship**

The hospital has put in place the following measures to safeguard consumer rights and interests:

- Release of patient bills and medical information only to authorised next of kin to safeguard confidentiality of patients' information.
- Provision of emergency medical care to patients regardless of financial status.
- Hiring of highly specialised medical staff to ensure patients receive the highest level of treatment possible.
- Availing different modes of payment to suit patients' convenience.
- Establishment of a robust patient liaison office to update next of kin of patient progress and respond to customer feedback.

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**v. Corporate Social Responsibility / Community Engagements**

Majority of Kenyans have limited access to quality health care because they are too poor to afford travel and user charges in referral facilities. To reduce this burden of disease among poor Kenyans, Kenyatta University Teaching Research and Referral Hospital has developed initiatives that are aimed at offering quality health care to the poor at minimal or no cost at all. The hospital mobilizes resources to undertake such initiatives to assist the community living around it and beyond. Ten community outreach programmes were carried out in the surrounding Level 5 and 4 Hospitals. The Hospital also organised medical camps for the surrounding communities.

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**10. REPORT OF THE DIRECTORS**

The Directors submit their report together with the annual financial statements for the year ended 30<sup>th</sup> June 2021 which show the state of Kenyatta University Teaching, Referral and Research Hospital (KUTRRH) affairs as of 30<sup>th</sup> June 2021.

**i) Principal activities**

The principal activities of the hospital continue to be.

1. To receive patients on referral from other hospitals or institutions within or outside Kenya for specialized health care.
2. To provide facilities for medical education for university and for Research either directly or through other cooperating health institutions.
3. To provide facilities for education and training in nursing and other health and allied professions.
4. To participate as a national referral Hospital in national health Planning.

**ii) Results**

The results of Kenyatta University Teaching, Referral and Research Hospital (KUTRRH) for the period ended 30<sup>th</sup> June 2021 are set out on pages 1-49

**iii) Directors**

The members of the Board of Directors who served during the year are shown on page vii-xi. During the period no director retired/ resigned, and no director was appointed.

**iv) Surplus remission**


In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per cent of its surplus funds reported in the audited financial statements after the end of each financial year.

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**v) Auditors**

The Auditor General is responsible for the statutory audit of KUTRRH in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of KUTRRH for the year ended June 30, 2021.

By Order of the Board

Name..... Kendi Ntara .....Signature.....  .....

Date..... 07/07/22 .....

Corporate Secretary/Secretary to the Board

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**11. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 83 of the Public Finance Management Act, 2012 and Legal Notice Number 4 of the State Corporations Act Cap. 446 requires the Directors to prepare financial statements in respect of that which give a true and fair view of the state of affairs of the KUTRRH at the end of the period and the operating results of the KUTRRH for that year/period. The Directors are also required to ensure that the KUTRRH keeps proper accounting records which disclose with reasonable accuracy the financial position of the KUTRRH. The Directors are also responsible for safeguarding the assets of the KUTRRH.

The Directors are responsible for the preparation and presentation of the KUTRRH's financial statements, which give a true and fair view of the state of affairs of the KUTRRH for and as at the end of the year ended on June 30<sup>th</sup>, 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 KUTRRH; (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 KUTRRH; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances. The Directors accept responsibility for the KUTRRH's annual 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 State Corporations Act) – The Directors are of the opinion that the KUTRRH's financial statements give a true and fair view of the state of KUTRRH's transactions during the year ended JUNE 30, 2021, and of the KUTRRH's financial position at that date. The Directors further confirm the completeness of the accounting records maintained for the KUTRRH, which have been relied upon in the preparation of the KUTRRH'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 KUTRRH will not remain a going concern for at least the next twelve months from the date of this statement.

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**Approval of the financial statements**

The KUTRRH's financial statements were approved by the Board on 29/9/ 2021  
and signed on its behalf by:

Signature *[Handwritten Signature]*.....

Name OLIVE MUKHENDA.....

**Chairperson of the Board/Council**

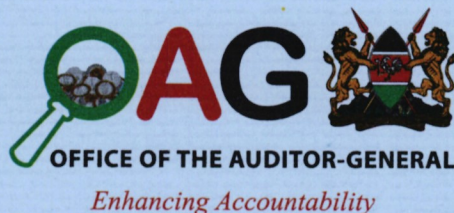
Signature *[Handwritten Signature]*.....

Name AHMED DAGANE.....

**Accounting Officer**

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYATTA UNIVERSITY TEACHING, REFERRAL AND RESEARCH 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, gazetted 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**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenyatta University Teaching, Referral and Research Hospital set out on pages 1 to 49, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenyatta University Teaching, Referral and Research 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 State Corporations Act, Cap 446 of the Laws of Kenya and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Lack of Ownership Documents and Valuation for Land**

The statement of financial position reflects property, plant and equipment balance of Kshs.8,489,271,968, as disclosed in Note 23 to the financial statements. The balance includes land and buildings with a net book value of Kshs.5,323,114,303. As previously reported, the land and buildings balance does not include the value of the land on which the Hospital has been built. However, as indicated under Note 28 to the financial statements, the land is owned by Kenyatta University, a Semi-Autonomous Government Agency in the Ministry of Education, and has been assigned a nominal value of Kshs.1 as at 30 June, 2021 which is unrealistic. Management has disclosed that the Hospital has no documents on ownership and valuation of the land. Other records indicated that the ownership of the land was one of the items that were in transition discussions between the Hospital's Board and the Management of Kenyatta University under the guidance of the parent Ministries. The Hospital had, therefore, not acquired the title deed to the land or carried out any valuation thereof as at 30 June, 2021.

In the circumstances, the accuracy, completeness, valuation and ownership of the land and buildings balance of Kshs.5,323,114,303 as at 30 June, 2021 could not be confirmed.

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no other key audit matters to communicate in my report.

## **Other Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects a revenue budget and an actual amount of Kshs.3,523,205,757 and Kshs.3,812,571,773 respectively resulting to over-collection of Kshs.289,366,016 or 8% of the budget. Similarly, the statement reflects expenditure budget amount of Kshs.3,523,206,757 and actual expenditure of Kshs.3,770,990,727 resulting to an over-expenditure of Kshs.247,783,970 (or 21%). Therefore, the Hospital spent funds that had not been budgeted for. This was contrary to the provisions of Regulation 43(b) of the Public Finance Management (National Government) Regulations, 2015 which states that an Accounting Officer shall - ensure that public funds entrusted to their care are safeguarded and are only applied for purposes which they were intended and appropriated by the National Assembly.

### **2. Unresolved Prior Year Matters**

In the audit report for the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved some of the issues.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Inadequate Verification and Tagging of Fixed Assets**

The statement of financial performance reflects use of goods and services of Kshs.1,000,759,531 (2020 - Kshs.298,592,838), as disclosed in Note 11 to the financial statements. The amount includes Hospital branding expenses totalling Kshs.16,482,784 which further includes Kshs.10,083,300 in respect of payments for provision of asset verification and tagging services whose contract sum was Kshs.10,614,000. However, the report submitted by the contractor in respect to the assets did not include their estimated open market and insurance values, purchase prices, depreciation amounts, residual value, motor vehicles, land, buildings and photos of the assets. In addition, the assets register provided for audit review had not been updated to incorporate all the assets reflected in the financial statements.

In the circumstances, the Hospital may not have achieved value for money from the expenditure of Kshs.10,614,000 spent on branding its assets.

## **2. Non-Adherence to Staff Ethnic Balance Requirement**

Review of human resource records revealed that out of the nine hundred and ninety-nine (999) staff in service as at 30 June, 2021, four hundred and forty-five (445) or 44% of the total number of staff were from the same ethnic, or dominant community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires “all public offices to seek to represent the diversity of the people of Kenya in employment of staff and that no public institution should have more than one third of its staff establishment from the same ethnic community”.

In the circumstances, Management was in breach of the law.

## **3. Staff Employed Beyond the Mandatory Retirement Age**

Examination of records on personnel emoluments indicated that Kshs.20,840,928 related to payments to officers employed after attainment of the mandatory retirement age of sixty (60) years and others who had already attained the mandatory retirement age but were still in service. This was contrary to Section 14.3.2(a) of the Kenyatta University Teaching, Referral and Research Hospital Human Resource Policy and Procedures Manual of October, 2019 which provides that the mandatory retirement age shall be sixty (60) years.

In the circumstances, Management was in breach of the Hospital's Human Resource Policy.

## **4. Officers in Acting Capacity Beyond Stipulated Period**

Review of human resource records of the Hospital revealed that three (3) officers were appointed in acting capacity for more than six (6) months. Review of personnel records revealed that the officers earned acting allowance amounting to Kshs.456,790 for the period beyond the stipulated time of the acting appointment. This was contrary to Section C.14 of the Public Service Commission Human Resource Policy and Procedures Manual for the Public Service of May, 2016.

In the circumstances, Management was in breach of the regulations.

## **5. Irregular Issuance of Imprests**

Review of records on local travel and accommodation and seminars and conferences revealed that the Hospital incurred expenditures of Kshs.3,587,317 and Kshs.4,420,126 respectively on the two expenditure components. However, the amounts were paid directly to individuals, through per diems, without issuance of imprest warrants. This was contrary to Regulation 93(2) of the Public Finance Management (National Government) Regulations, 2015 which states that an imprest shall be issued for a specific purpose, and any payments made from it, shall be only for the purposes specified in the imprest warrant.

In the circumstances, Management was in breach of the Regulations.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, 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

#### 1. Lack of an Updated Assets Register

The statement of financial position indicates that the Hospital owned property, plant and equipment with a net book value of Kshs.8,489,271,968 (2019/2020 Kshs.7,372,035,036) as at 30 June, 2021, as indicated under Note 23 to the financial statements. However, Management did not maintain an updated asset register with details such as cost of assets, depreciation rates, location, for parcels of land and each building: - the terms on which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, lease hold terms and maintenance contracts.

In the circumstances, the Hospital Management may not be able to track the value, location and status of every fixed asset. Therefore the Hospital's assets are at risk of misuse and loss.

#### 2. Irregularities on Human Resource Management

Review of sampled personal files revealed lack of clear recruitment specifications and uncompetitive filling of some positions. Further, some positions filled were not in the staff establishment and the incremental amount of some employees' basic salaries was not supported by any criterion.

In the circumstances, the Hospital's human resources instruments and practices are not aligned to the Public Service Commission Human Resource Policy and Procedures Manual for the Public Service of May, 2016 thus posing a risk to the operations of the Hospital.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 controls 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or 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 controls 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 controls 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 Hospital's 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My

conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Hospital to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**06 September, 2022**

**KENYATTA UNIVERSITY TEACHING REFERRAL AND RESEARCH HOSPITAL  
ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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

	Notes	2020-2021	2019-2020
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from GOK	6	1,851,239,910	1,926,471,150
Public Contributions and donations	7	165,075,489	10,688,960
		<b>2,016,315,399</b>	<b>1,937,160,110</b>
<b>Revenue from exchange transactions</b>			
Rendering of services	8	1,177,068,776	193,649,070
Finance Income	9	39,603,591	6,200,218
Sale of tender documents	10	82,000	78,000
Gatundu Transfers	26	91,680,311	
		<b>1,308,434,678</b>	<b>199,927,288</b>
<b>Total revenue</b>		<b>3,324,750,077</b>	<b>2,137,087,398</b>
<b>Expenses</b>			
Use of goods and services	11	1,000,759,531	298,592,838
Employee costs	12	1,535,711,589	514,160,686
Board Expenses	13	7,722,200	12,947,790
Depreciation	14	466,632,713	451,302,989
Repairs and Maintenance of other Equipment	15	14,526,154	17,448,339
Contracted services	16	209,380,652	125,416,906
Impairment of Receivables	17	69,000,668	45,064,360
Gatundu Transfers	26	91,680,311	
<b>Total expenses</b>		<b>3,395,413,818</b>	<b>1,464,933,908</b>
<b>Other gains/(losses)</b>			
<b>Surplus before Tax</b>		(70,663,741)	672,153,490
Taxation			
<b>Surplus for the period</b>		(70,663,741)	672,153,490

The notes set out on pages 10 to 42 form an integral part of these Financial Statements.

**KENYATTA UNIVERSITY TEACHING REFERRAL AND RESEARCH HOSPITAL  
ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30,2021**

The Financial Statements set out on pages 1 to 49 were signed on behalf of the Board of Directors

by:



Accounting Officer

Name:

AHMED DARGAWI

Date

07/07/2022



Head of Finance

Name: Edward Mwandu

ICPAK Member Number: 20119

Date

07/07/2022



Chairman of the Board

Name:

OUC MUGANDA

Date

7/7/2022

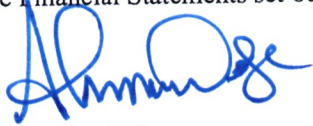
**KENYATTA UNIVERSITY TEACHING REFERRAL AND RESEARCH HOSPITAL  
ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**14 STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	Notes	2020-2021	2019-2020
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	18	2,663,465,792	682,486,620
Accounts Receivable	19	323,299,491	58,439,608
Prepayments	20	901,810	1,313,000
Grant Receivable	21	200,000,000	512,270,000
Inventories	22	128,722,297	142,013,078
		<b>3,316,389,390</b>	<b>1,396,522,306</b>
<b>Non-current assets</b>			
Property ,plant and equipment	23	8,489,271,968	7,372,035,036
<b>Total Assets</b>		<b>11,805,661,357</b>	<b>8,768,557,342</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	24	476,714,432	130,197,451
Employee benefit obligation	25	298,416,160	61,589,235
Gatundu funds	26	195,859,410	
Refundable Deposits and Prepayments from Customers	27	635,208	516,927
<b>Total liabilities</b>		<b>971,625,210</b>	<b>192,303,613</b>
<b>Net assets</b>		<b>10,834,036,148</b>	<b>8,576,253,729</b>
<b>Financed By:</b>			
Capital Grant		10,232,546,399	7,904,100,239
Accumulated surplus		601,489,749	672,153,490
<b>Total net assets and liabilities</b>		<b>10,834,036,148</b>	<b>8,576,253,729</b>

**KENYATTA UNIVERSITY TEACHING REFERRAL AND RESEARCH HOSPITAL  
ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30,2021**

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



Accounting Officer

Name:

AKHMD DAKARK

Date

07/07/2022



Head of Finance

Name

Edward Mawda

ICPAK Member No:

2019

Date

07/07/2022



Chairperson of the Board

Name:

OLIVE MUKONDA

Date

7/7/2022

**KENYATTA UNIVERSITY TEACHING REFERRAL AND RESEARCH HOSPITAL  
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FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

**15 STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021**

	<b>Retained earnings</b>	<b>Capital/Development Grants/ Funds</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>As at June 30, 2020</b>	672,153,490	7,904,100,239	<b>8,576,253,729</b>
Capital/Development grants received during the year		2,278,410,000	<b>2,278,410,000</b>
Donations in kind (Assets)		50,036,160	<b>50,036,160</b>
Surplus for the year	(70,663,741)		<b>(70,663,741)</b>
<b>As at June 30, 2021</b>	<b>601,489,749</b>	<b>10,232,546,399</b>	<b>10,834,036,148</b>

**KENYATTA UNIVERSITY TEACHING REFERRAL AND RESEARCH HOSPITAL  
ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30,2021**

**16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

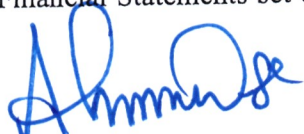
	Notes	2020/2021	2019/2020
Government grants and subsidies		2,516,509,910	1,414,201,150
Rendering of services		845,165,444	90,145,102
Sale of tenders		82,000	78,000
Donations		3,000,000	10,688,960
		<b>3,364,757,354</b>	<b>1,515,113,212</b>
<b>Payments</b>			
Employee cost		(1,321,931,697)	(457,044,306)
Contracted services		(101,191,586)	(122,499,586)
Goods and Services		(685,416,349)	(375,087,225)
Board Expenses		(6,816,339)	(11,586,090)
Repairs and maintenance		(40,332,919)	(13,621,725)
Gatundu Transfers		(91,680,311)	
<b>Net cash flows from operating activities</b>		<b>(2,247,369,200)</b>	<b>(979,838,932)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(1,449,347,308)	(383,761,773)
<b>Changes in working Capital</b>			
Increase/Decrease in Creditors			
Increase/Decrease in Debtors			
Increase/Decrease in Inventories			
Pension			
<b>Net cash flows used in investing activities</b>			
Interest income		39,603,591	6,200,218
Tax on Interest		(5,940,539)	(930,033)
<b>Cash flows from financing activities</b>			
Increase in deposits		813,000	(1,313,000)
Increase in Patient deposits			516,927
Capital Grants		2,278,410,000	526,500,000
Changes in Equity			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,980,926,898</b>	<b>682,486,619</b>
<b>Cash and cash equivalents at 1st July 2020</b>		<b>682,486,619</b>	<b>-</b>
<b>Cash and cash equivalents at 30th June 2021</b>	<b>20</b>	<b>2,663,413,517</b>	<b>682,486,619</b>

*(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. Entities should use the direct method of cash flow preparation as shown above)*

**KENYATTA UNIVERSITY TEACHING REFERRAL AND RESEARCH HOSPITAL  
ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30,2021**

The Financial Statements set out on pages 1 to 49 were signed on behalf of the Board of Directors

by:

  
Accounting Officer

Name:

**AHMED DAGANK**

Date

**07/07/2022**



Head of Finance

Name **Edward Mawanda**

ICPAK Member No: **20119**

Date **07/07/2022**

  
Chairman of the Board

Name:

**DUUC MUKENDU**

Date

**7/7/2022**

**KENYATTA UNIVERSITY TEACHING REFERRAL AND RESEARCH HOSPITAL  
ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30,2021**

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR  
THE YEAR ENDED 30 JUNE 2021**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2021						
	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	% of utilisation
	a	b	c=a+b	d	e	f=d/c
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Government grants and subsidies	757,000,000	847,239,910	1,604,239,910	1,404,239,910	(200,000,000)	-12.47%
Rendering of services-Hospital Income	500,000,000	250,000,000	750,000,000	1,176,343,001	426,343,001	56.85%
Rendering of Services- Training income	-	1,000,000	1,000,000	725,775	(274,225)	-27.42%
Sale of Tenders	-	-	-	82,000	82,000	0.00%
Interest Income	-	40,000,000	40,000,000	39,603,591	(396,409)	-0.99%
Donations		1,500,000	1,500,000	215,111,649	213,611,649	14240.78 %
Covid B/f	-	976,465,847	976,465,847	976,465,847	-	0.00%
Kemsa drawing rights	-	150,000,000	150,000,000		(150,000,000)	-100.00%
<b>Total income</b>	<b>1,257,000,000</b>	<b>2,266,205,757</b>	<b>3,523,205,757</b>	<b>3,812,571,773</b>	<b>289,366,016</b>	<b>821.31%</b>
<b>Expenses</b>						
Compensation of employees	860,017,274	587,539,978	1,447,557,252	1,535,711,589	(88,154,337)	-6.09%
Contracted Services	33,554,006	136,444,050	169,998,056	209,380,652	(39,382,596)	-23.17%
Use of goods and services	262,064,353	911,214,268	1,173,278,621	1,000,759,531	172,519,090	14.70%
Board Expenses	7,138,818	0	7,138,818	7,722,200	(583,382)	-8.17%
Depreciation	-	-	-	466,632,713	(466,632,713)	
Repairs and Maintenance	3,037,317	9,300,000	12,337,317	14,526,154	(2,188,837)	-17.74%
Impairment of Receivables	-	-		69,000,668		
Capital Items	91,188,232	621,708,460	712,896,692	467,257,220	245,639,472	34.46%
Taxation paid	-	-				
<b>Total expenditure</b>	<b>1,257,000,000</b>	<b>2,266,206,757</b>	<b>3,523,206,757</b>	<b>3,770,990,727</b>	<b>(178,783,302)</b>	<b>-6.01%</b>
<b>Surplus for the period</b>				<b>(70,663,741)</b>	<b>(70,663,741)</b>	<b>100.00%</b>
<b>Development Projects</b>						
IMIC	2,032,500,000	-	2,032,500,000	1,114,712,723	(917,787,277)	-45.16%
CANCER CENTRE	-	190,000,000	190,000,000	-	(190,000,000)	-100.00%
FREE WARD TO 30 ICU BED	-	299,660,000	299,660,000	299,660,000	-	0.00%
<b>SUB TOTAL</b>	<b>2,032,500,000</b>	<b>489,660,000</b>	<b>2,522,160,000</b>	<b>1,414,372,723</b>	<b>1,107,787,277</b>	<b>43.92%</b>
<b>TOTAL</b>	<b>3,289,500,000</b>	<b>2,755,866,757</b>	<b>6,045,366,757</b>	<b>5,185,363,450</b>	<b>929,003,975</b>	<b>37.91%</b>

**KENYATTA UNIVERSITY TEACHING REFERRAL AND RESEARCH HOSPITAL  
ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30,2021**

**Explanation of Material Variances**

- a) KUTRRH Board of Directors approved the revised budget of Kshs 6 Billion for the year 2020/2021 after the allocation of more funds through the supplementary budget and revision of AIA. This included Kshs 847M to support the recurrent expenditure and Kshs 150 million KEMSA drawing rights. AIA was revised upwards from Kshs 500M to Kshs 750M. Interest Income of Kshs 40M, Training Income of Kshs. 1M and donations of Kshs. 1.5M were also included in the hospital's projected revenues.  
KUTRRH also received capital grants in the supplementary budget of Kshs 150M for the expansion of the cancer center and Kshs 299M for the conversion of free wards to 30 bed ICU. The Kshs 200M variation includes allocated funds not received at the end of the financial year (These funds were received on 5th July 2021) and the Kshs 150M KEMSA drawing rights.
- b) The hospital had budgeted AIA revenues of Kshs. 750M from rendering of services in the year but the revenue generated was Kshs. 1.177 billion hence a positive variance of 57%. This was largely attributed to the opening of specialized clinics, operationalization of the general wards, increased dialysis machines and continued care of COVID 19 patients.
- c) The Hospital received donation worth 215M which included cash donation of Kshs 3M and Donation in kind of Kshs 212M.
- d) KUTRRH had budgeted 959.8M for the purchase of Capital item the actual amount spent was 496 M hence a positive variance of 48.31%
- e) KUTRRH reported a net deficit of Kshs 3,321,008. in the period.
- f) KUTRRH had not budgeted for depreciation but provided Kshs 461,294,797.74 for depreciation hence a negative variance of 100%.

**KENYATTA UNIVERSITY TEACHING REFERRAL AND RESEARCH HOSPITAL**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

---

**18. NOTES TO THE FINANCIAL STATEMENTS**

**1. General Information**

KUTRRH is established by and derives its authority and accountability from the Legal Notice No. 4 of 25th January 2019 of the State Corporations Act (Cap 446). The hospital is wholly owned by the Government of Kenya and is domiciled in Kenya. The hospital's principal activity is to receive patients on referral from other hospitals or institutions within or outside Kenya for specialized health care.

**2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the hospital's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the hospital.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**KENYATTA UNIVERSITY TEACHING REFERRAL AND RESEARCH HOSPITAL  
Annual Reports and Financial Statements  
For the year ended June 30, 2021.**

**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><b>Applicable: 1<sup>st</sup> January 2021:</b></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 Non-Cash-Generating 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, First-time 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>

**KENYATTA UNIVERSITY TEACHING REFERRAL AND RESEARCH HOSPITAL**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

**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><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>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.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>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> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> </ul>

**KENYATTA UNIVERSITY TEACHING REFERRAL AND RESEARCH HOSPITAL  
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Standard	Effective date and impact:
	(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1st January 2023:</b></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> <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*

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

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

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes and fines**

The hospital recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the hospital and the fair value of the asset can be measured reliably.

**Transfers from other government entities**

Revenues from non-exchange 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 hospital 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 hospital recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to 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.

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

**Summary of Significant Accounting Policies (Continued)**

**Sale of goods**

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

**Interest income**

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

**ii) Revenue from exchange transactions**

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or KUTRRH's right to receive payments is established.

**Rental income**

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

**b) Budget information**

The original budget for FY 2020-2021 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the hospital upon receiving the respective approvals in order to conclude the final budget.

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

The hospital'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 xxx of these financial statements.

**c) Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where KUTRRH operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

**Summary of Significant Accounting Policies (Continued)**

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

**Summary of Significant Accounting Policies (Continued)**

***Sales tax***

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included  
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) Investment property**

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. After initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

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

Transfers are made to or from investment property only when there is a change in use.

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

**Summary of Significant Accounting Policies (Continued)**

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, KUTRRH recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**f) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Hospital. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Hospital also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Hospital will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Hospital. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

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

**Summary of Significant Accounting Policies (Continued)**

**g) Intangible assets**

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

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

**h) Research and development costs**

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

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

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

**i) Financial instruments**

**a) Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. KUTRRH determines the classification of its financial assets at initial recognition.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

**Held-to-maturity.**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when KUTRRH has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

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

**Summary of Significant Accounting Policies (Continued)**

**Impairment of financial assets**

The Hospital assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or KUTRRH of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or an entity of debtors are experiencing significant financial difficulty.
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization.
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults.

**b) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. KUTRRH determines the classification of its financial liabilities at initial recognition., All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

**Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

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

**Summary of Significant Accounting Policies (Continued)**

**j) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and 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 KUTRRH.

**k) Provisions**

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

Where the Hospital expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

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

**Summary of Significant Accounting Policies (Continued)**

**l) Contingent liabilities**

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

**m) Contingent assets**

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

**n) Nature and purpose of reserves**

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

**o) Changes in accounting policies and estimates**

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

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

**Summary of Significant Accounting Policies (Continued)**

**p) Employee benefits**

**Retirement benefit plans**

The Hospital provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**q) Foreign currency transactions**

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

**r) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

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

**s) Related parties**

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

**t) Service concession arrangements**

The Hospital analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Hospital recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Hospital also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**u) Cash and cash equivalents**

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

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

**v) Comparative figures**

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

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

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Hospital based its assumptions and estimates on parameters available when the 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 KUTRRH. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Significant Judgments and Sources of Estimation Uncertainty (Continued)**

**Useful lives and residual values**

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

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

**Provisions**

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Provisions for the financial year 2020/21 were made by the management such as;

- **Provision for Bad Debts**

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

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

**6. Transfers from Government**

During the year under review, the total amount allocated for recurrent expenditure was Ksh 1,851,239,910. However, the amount transferred and received totalled Kshs 1,404,239,910. The initial hospital recurrent grant for the year 2020/2021 was Kshs 757 M. The hospital was further allocated supplementary budget of Kshs 647,239,910 to cater for personnel emoluments shortfall. Contracted services and utilities were also allocated Kshs 200 M in the supplementary budget as they were underfunded. Kshs 247M was allocated for recurrent expenditure towards the end of the year through Supplementary 2 estimates.

**KUTRRH TRANSFERS FROM GOVERNMENT**

Transfers from Government	2020/21	2019/20
	Kshs	Kshs
<b>Government grants</b>		
Operational grant	757,000,000	1,155,000,000
Covid -19 Staff Support		245,196,150
KUTRRH Official Launch		14,005,000
COVID-19 Emergency response Infrastructure devt		
COVID-19 Emergency response recurrent		500,000,000
COVID -19 Frontline Workers Allowance		12,270,000
Supplementary Budget	647,239,910	
Supplementary Budget	247,000,000	
Supplementary Budget Receivable	200,000,000	
<b>Total government grants and subsidies</b>	<b>1,851,239,910</b>	<b>1,926,471,150</b>

**GATUNDU TRANSFERS FROM GOVERNMENTS**

Transfers from Government	2020/2021	2019/2020
	Kshs	Kshs
Operational grant	253,000,000	
<b>Government grants</b>		
Capital grant	100,000,000	
<b>Total government grants and subsidies</b>	<b>353,000,000</b>	<b>-</b>

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

**7. Public Contributions and Donations**

The hospital received Kshs 212M donations in kind and Kshs 3M donations in cash from various organizations toward the fight against Covid-19. All the consumables were used for the care of Covid Patients in the Financial year and their costs included in the clinical expenditures. The donated equipment was capitalized in the budget year.

**Donations in Kind**

ORGANISATION	CONSUMABLE	EQUIPMENT	TOTAL
KEMSA	50,637,164		50,637,164
DISEASE SURVEILLANCE & RESPONSE	578,100		578,100
UNICEF	5,529,913		5,529,913
MIN OF INTERIOR	62,850	1,410,000	1,472,850
DCI CHINA	370,500		370,500
MOH	39,254,666		39,254,666
EQUITY BANK FOUNDATION	30,393,000		30,393,000
EGYPTIAN DONATIONS	304,350		304,350
GRADIAN HEALTH SYSTEMS		48,000,000	48,000,000
WHO	9,109,200		9,109,200
ROSE MOVERS	2,500,000		2,500,000
USAID	2,612,780		2,612,780
WB CHERP	1,384,195		1,384,195
GOK		400,000	400,000
BOC	500,006		500,006
UNFPA		226,160	226,160
GLOBAL FUND	3,752,305		3,752,305
BEIJIN	956,160		956,160
ABSA STAN	550,000		550,000
SURGIPHARM LIMITED	40,000		40,000
ANGELICA	13,540,300		13,540,300
<b>TOTAL</b>	<b>162,075,489</b>	<b>50,036,160</b>	<b>212,111,649</b>

**Cash donations**

MONTH RECEIVED	DONOR	AMOUNT
JULY 2020	IRA	1,500,000
NOVEMBER 2020	KCB	1,000,000
MAY 2021	BATA KENYA	500,000
<b>TOTAL</b>		<b>3,000,000</b>

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

**Summary Donations**

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Donations	165,075,489	10,688,960
<b>Total</b>	<b>165,075,489</b>	<b>10,688,960</b>

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

**8. Rendering of services (Healthcare Services Revenues)**

	DESCRIPTION	2020/2021	2019/2020
		AMOUNT(KSHS)	AMOUNT(KSHS)
1	CONSULTATION FEE	14,068,528	23,184,372
2	COVID TEST	4,046,829	2,682,606
3	MEDICATION	13,469,169	3,088,476
4	PALLATIVE	91,626	
5	MEDICAL REPORTS	222,641	329,114
6	HOME BASED CARE	1,576,710	45,100,334
7	NUTRITION FEE	107,930	
8	ADMISSION DEPOSIT	32,970,647	
9	CHEMOTHERAPY	87,646,898	2,577,994
10	RADIOTHERAPY	51,360,815	
11	MORGUE	28,681,082	341,262
12	DIALYSIS/RENAL	55,252,542	70,874,054
13	LABORATORY	28,480,419	12,328,148
14	NURSING SERVICES	2,320,666	
15	REHAB/PHYSIO/ORTHO	2,439,724	
16	IMAGING/X-RAY	44,355,470	4,281,562
17	CARDIOLOGY	562,700	10,637,573
18	THEATRE	25,336,955	
19	ICU/HDU/IDU	42,280,484	9,020,063
20	DENTAL	290,150	5,493,955
21	ISOLATION	51,563,372	8,599
22	PATIENT DISCHARGE	675,033,962	3,477,867
23	AMBULANCE/TRANS	547,147	223,090
24	TRAINING	725,775	
25	RESTAURANT SALES	13,636,535	
	<b>TOTALS</b>	<b>1,177,068,776</b>	<b>193,649,070</b>

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**9. Finance Income (Interest Income)**

This refers to the gross credit interest income earned in the FY 2020/2021 from deposits in the hospital's Current account at KCB Bank. The hospital does not have a fixed deposit account.

Description	2020/2021	2019/2020
	Kshs	Kshs
Bank Interest	39,603,591	6,200,218
<b>Total</b>	<b>39,603,591</b>	<b>6,200,218</b>

**10. Sale of Tender Documents**

This relates to revenue generated from sale of tender documents during the financial year under review.

Description	2020/2021	2019/2020
	Kshs	Kshs
Sale of tender Documents	82,0000	78,000
<b>Total</b>	<b>82,0000</b>	<b>78,000</b>

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**11. Use of Goods & Services**

Description	2021/2020	2020/2019
	Kshs	Kshs
	3,360,520	12,824,619
Advertising	1,000,000	1,000,000
Audit fees	10,033,547	8,530,838
Cleaning Materials	(11,500)	124,950
Refunds	81,438,426	29,602,050
Electricity	31,048,546	22,683,046
Gas and Cooking Fuel	13,561,803	7,199,624
Water and sewerage costs	22,143,008	23,630,147
Printing and stationery	1,652,355	928,300
Telecommunication	3,587,317	2,019,390
Local Travel & accommodation	4,420,126	3,619,870
Seminars and Conferences (CME)	7,599,899	10,762,722
Staff Uniform	6,672,859	1,524,881
Internet Connectivity	2,573,625	1,685,482
Fuel for Motor vehicles	7,096,681	11,021,364
Office Expenses	1,011,696	725,284
Subscriptions and Registration Fees	16,482,764	5,676,791
Hospital Branding	6,007,130	5,601,558
Mortuary Expenses	216,960	
Newspapers and Magazines	13,749,042	
Ceremonial activities	1,280,000	
Environmental audit	4,490,082	
Licenses	401,840	
Indemnity Insurance	155,896,728	82,577,148
Pharmaceuticals	34,147,576	14,276,749
Surgical Materials	383,704,499	95,238,987
Consumables	47,393,703	3,614,625
Infections Control	3,472,964	4,621,065
House Keeping	2,345,701	24,371,755
Linen and Clothing	108,073,392	62,472,796
Catering Expenses	8,576,623	1,442,140
Bank Charges	5,940,540	930,033
Finance Costs (Tax on Interest)	<b>989,368,452</b>	<b>438,706,214</b>
<b>TOTAL GOODS &amp; SERVICES</b>		
Add Opening stock (Clinical Costs)	132,250,848	
Add Opening Stock (General Expenses)	7,862,528	
Less Closing stock (Clinical Costs)	(109,633,791)	(132,250,848)
Less Closing Stock (General Expenses)	(19,088,506)	(7,862,528)
<b>COST OF GOODS SOLD</b>	<b>1,000,759,531</b>	<b>298,592,838</b>

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**12. Employee Costs**

The following expenses relate to employee costs incurred during the FY 2020/2021. Pension/Gratuity Provision of Kshs 140,927,544 /= was accrued in the year as KUTRRH is yet to set up a pension scheme. A provision for staff leaves allowance of Ksh 30.2 M was made as the hospital is in the process of seeking approval from the SRC on the payment of leave allowance.

<b>EMPLOYEE COSTS</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and wages	774,516,610	300,302,579
Travel, motor car, accommodation, subsistence and other allowances	419,933,467	17,626,800
Housing benefits and allowances	170,116,148	134,642,072
Provision for Staff Gratuity and Pension	140,927,545	45,741,335
Provision for staff Leave Allowance	30,217,819	15,847,899
	<b>1,535,711,589</b>	<b>514,160,685</b>

**13. Board Expenses**

Director's costs relate to allowances and other related costs for the Board of directors. During the year 2020/21 Board expenses were Kshs 7,722,200/-

<b>Board Expenses</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>Kshs</b>	<b>Kshs</b>
Chairpersons Honoraria	960,000	1,200,000
CEO's Salary		1,265,044
Per Diem allowance for seminars/conferences		666,500
Sitting Allowance	6,088,200	8,855,750
Mileage Allowance	428,000	926,496
Lunch Allowance	246,000	34,000
<b>Total Board Expenses</b>	<b>7,722,200</b>	<b>12,947,790</b>

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**14. Depreciation and Amortization Expense**

Description	2020-2021	2019-2020
	Kshs	Kshs
Property, plant and equipment	466,632,713	451,302,989
<b>Total depreciation and amortization</b>	<b>466,632,713</b>	<b>451,302,989</b>

**15. Repairs and Maintenance**

Description	2020/2021	2019/2020
	Kshs	Kshs
Motor Vehicles	883,707	1,126,556
Other Equipment	12,199,721	5,674,709
Buildings	547,203	3,135,986
Grounds and Landscaping	261,153	1,035,060
Fumigation	634,370	6,476,027
<b>Total Repairs and Maintenance</b>	<b>14,526,154</b>	<b>17,448,339</b>

**16. Contracted Services**

Description	2020/2021	2019/2020
	Kshs	Kshs
Cleaning Services	55,492,654	18,840,256
Security Services	21,769,568	12,265,535
Laundry Services	7,217,850	6,369,101
Sanitary services	495,103	
Staff Medical cover	33,662,767	73,046,797
Consultancy	1,803,450	9,534,000
Insurance Buildings and Equipment	2,300,967	5,361,217
Insurance Motor vehicle	815,991	
Medical Equipment	85,822,302	
<b>Total Contracted Services</b>	<b>209,380,652</b>	<b>125,416,906</b>

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**17. Impairment of Receivables**

This relates to patient bills of Kshs 69,000,668 waived during the financial year 2020/2021.

Description	2020-2021	2019-2020
	Kshs	Kshs
Impairment of receivables	69,000,668	45,064,360
<b>TOTAL</b>	<b>69,000,668</b>	<b>45,064,360</b>

**18. Cash and Cash Equivalents**

BANK	Account Name	Bank account	2020/2021	2019/2020
			Kshs	Kshs
Kenya Commercial Bank TRM	KUTRRH RECURRENT A/C	1258637243	787,027,077	682,408,830
Kenya Commercial Bank TRM	KUTRRH PROJECT A/C	1283661012	1,401,475,973	
Kenya Commercial Bank TRM	GATUNDU RECURRENT A/C	1283666138	431,163,945	
Kenya Commercial Bank TRM	GATUNDU PROJECT A/C	1283669935	43,746,518	
Cash in hand			52,279	77,790
<b>Grand total</b>			<b>2,663,465,792</b>	<b>682,486,620</b>

**19. Receivables from Exchange Transactions**

	NHIF	CORPORATE	INDIVIDUAL	IMPAIRMENT ALLOWANCE	TOTAL
Opening Balance 1.07.2020	51,340,784	-	52,163,184	45,064,360	58,439,608
Payments During the year	160,458,169	22,687,076	5,024,229		188,169,474
Additions for the Year	323,034,845	64,375,170	134,620,010	69,000,668	453,029,357
<b>Closing Balance 30.06.2021</b>	<b>213,917,460</b>	<b>41,688,094</b>	<b>181,758,965</b>	<b>114,065,028</b>	<b>323,299,491</b>

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**20. Prepayments**

This refers to Ksh 901,810/= paid to Aga Khan University hospital as a bank guarantee for histopathology services and Kshs. 401,810 for motor vehicle insurance relating to the FY 2021/2022.

Description	2020-2021 Kshs	2019-2020 Kshs
	-	-
KPLC Deposit	500,000	-
Aga Khan University Hospital	401,810	-
Motor Vehicle Insurance Prepayment	901,810	1,313,000
<b>Total</b>		

**21. Grant Receivable**

This relates to Ksh 200M recurrent grant not received at the end of the year under review but whose Authority to Incur Expenditure (AIE) letter had been issued before the close of the year. These funds were received on 5<sup>th</sup> July 2021.

Description	2020/2021 Kshs	2019/2020 Kshs
Grant Receivable	200,000,000	512,270,000
<b>Total</b>	<b>200,000,000</b>	<b>512,270,000</b>

**22. Inventories**

Inventory is measured at the lower of cost and net realizable value as at the end of the Financial Year. The table below shows the inventory as at 30th June 2021

Description	2020/2021 Kshs	2019/2020 Kshs
Non-Pharmaceuticals	43,018,891	72,425,722
Drugs	34,005,603	23,780,862
Laboratory Reagents	11,349,513	14,352,714
Theatre Consumables	5,975,144	
Radiology	2,450,586	
Linen & Clothing	9,041,751	11,065,913
Public Health	1,418,727	6,509,122
Kitchen Store	2,373,576	4,116,515
Stationery	12,329,122	7,862,528
Maintenance Accessories	6,759,384	1,899,702
<b>Total</b>	<b>128,722,297</b>	<b>142,013,078</b>

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**23. Property, Plant and Equipment**

Details	Land and Buildings Kshs	Work in Progress Kshs	Motor Vehicles Kshs	Furniture and Fittings Kshs	ICT Infrastructure Kshs	Hospital Equipment Kshs	Computers & Accessories Kshs	Security Equipment Kshs	Software Kshs	Total Kshs
Property, plant and equipment										
Cost at 1st July 2019	5,345,189,999					2,032,410,240				7,377,600,239.00
Additions	-	112,139,047	51,962,470	131,858,408	10,790,974	38,238,602	75,050,574	8,954,846	20,945,876	449,940,797
Disposals	-	-	-	-	-	-	-	-	-	-
Transfers/adjustments	111,329,225	(111,329,225)	-	-	-	-	(952,785)	-	(3,250,226)	(4,203,011)
<b>Total Cost at 30th June 2020</b>	<b>5,456,519,224</b>	<b>809,822</b>	<b>51,962,470</b>	<b>131,858,408</b>	<b>10,790,974</b>	<b>2,070,648,842</b>	<b>74,097,789</b>	<b>8,954,846</b>	<b>17,695,650</b>	<b>7,823,338,025</b>
Depreciation for the period	136,412,981		12,990,618	16,482,301	3,237,292	258,831,105	22,229,337	1,119,356		451,302,989
Accumulated Depreciation	136,412,981		12,990,618	16,482,301	3,237,292	258,831,105	22,229,337	1,119,356		451,302,989
<b>Net Carrying Amount at 30th June 2020</b>	<b>5,320,106,243</b>	<b>809,822</b>	<b>38,971,853</b>	<b>115,376,107</b>	<b>7,553,682</b>	<b>1,811,817,737</b>	<b>51,868,452</b>	<b>7,835,490</b>	<b>17,695,650</b>	<b>7,372,035,036</b>
Property, plant and equipment										
Cost as at 1st July 2020	5,456,519,224	809,822	51,962,470	131,858,408	10,790,974	2,070,648,842	74,097,789	8,954,846	17,695,650	7,823,338,025
Additions	139,498,170	1,116,612,425	-	24,060,773	27,779,420	180,789,341	43,762,231	2,493,522	48,873,762	1,583,869,645
Disposals										
Transfers/adjustments										
<b>Total Cost at 30th June 2021</b>	<b>5,596,017,394</b>	<b>1,117,422,247</b>	<b>51,962,470</b>	<b>155,919,181</b>	<b>38,570,394</b>	<b>2,251,438,183</b>	<b>117,860,020</b>	<b>11,448,368</b>	<b>66,569,412</b>	<b>9,407,207,670</b>
Depreciation for the period	136,490,110		9,742,963	17,429,610	10,599,931	249,075,885	28,689,205	1,291,127	13,313,882	466,632,713
Accumulated Depreciation	272,903,091		22,733,581	33,911,911	13,837,223	507,906,990	50,918,542	2,410,482	13,313,882	917,935,702
<b>Net Carrying Amount at 30th June 2021</b>	<b>5,323,114,303</b>	<b>1,117,422,247</b>	<b>29,228,889</b>	<b>122,007,270</b>	<b>24,733,171</b>	<b>1,743,531,193</b>	<b>66,941,478</b>	<b>9,037,886</b>	<b>53,255,530</b>	<b>8,489,271,968</b>

The hospital received donation of medical equipment worth Kshs 50 Million. This has been included in the medical equipment added in the year.

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**24. Trade and other payables**

These are obligations owing to the organization that were incurred and were payable in the financial year 2020/21

<b>Details</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade and other Payables	432,051,226	129,197,451
Provision for audit fees	2,000,000	1,000,000
Gatundu Creditors	42,663,206	-
<b>TOTAL</b>	<b>476,714,432</b>	<b>130,197,451</b>

**25. Employee Benefit Obligation**

This is provision for employee pension, gratuity, leave allowance and accrued salaries for the financial year 2020/21

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Provision for Staff Gratuity and Pension	186,668,880	45,741,335
Provision for staff Leave Allowance	46,065,718	15,847,899
Accrued Salaries	65,681,562	-
<b>TOTAL</b>	<b>298,416,160</b>	<b>61,589,234</b>

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**26. GATUNDU TRANSFERS/FUNDS**

This are funds which are received by KUTRRH on behalf of Gatundu level 5 hospital for the implementation of the MOU between the Ministry of Health, KUTRRH and Gatundu Level 5 hospital. The expenditure by KUTRRH relating to Gatundu is being reported as a transfer due to the nature of the relationship between the entities.

<b>GATUNDU TRANSFERS</b>	
<b>DETAILS</b>	<b>AMOUNT(Kshs)</b>
GATUNDU BASIC SALARIES	10,169,855
GATUNDU OTHER ALLOWANCES	27,300
GATUNDU CASUALS	12,401,629
GATUNDU PHARMACY	937,416
GATUNDU CONSUMABLES	4,357,510
GATUNDU GROUNDS & LANDSCAPING	1,853,037
GATUNDU PRINTING & PUBLISHING	8,000
GATUNDU SOLAR HEATING	4,600,829
GATUNDU RENOVATIONS	57,318,376
BANK CHARGES	6,359
<b>TOTAL</b>	<b>91,680,311</b>

<b>GATUNDU FUNDS</b>		
<b>Details</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Grant from Government	353,000,000	-
Transfer to Gatundu	(91,680,311)	
KUTRRH (Salaries)	(22,797,071)	
Gatundu Creditors	(42,663,206)	
<b>Total</b>	<b>195,859,411</b>	<b>-</b>

**27. Refundable Deposits and Prepayments from Customers**

This was the amount of cash credited in KUTRRH bank account, where services had not been rendered as at the close of the year.

<b>Description</b>	<b>2020/2021</b>	<b>2019/2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Patient Deposits	635,208	516,927

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**28. Land**

The Land on which the hospital stands is under the ownership of Kenyatta University, a SAGA within the Ministry of Education. The Hospital has given the land a nominal value of 1 as a matter of disclosure but has no ownership documents to support the value of the land. Land ownership is one of the items that are still in transition discussions between the board of KUTRRH and Kenyatta University under the guidance of the parent ministries.

**29. Events after the Reporting Period**

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

**30. Ultimate and Holding Entity**

KUTRRH is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Health. Its ultimate parent is the Government of Kenya.

**31. Currency**

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

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**APPENDIX**

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

	Item	Issue/Observations from Auditor	Management Comment	Status/Timeframe
1	Property, Plant and Equipment	As disclosed in Note 9 to the financial statements, the statement of financial position reflects property, plant, and equipment balance of Kshs.7,372,035,036. The balance includes land and buildings balance of Ksh.5,320,106,243. However, the balance excludes the cost of land on which the hospital is built. Information available indicates that the hospital is situated on 100 acres of land under the ownership of Kenyatta University. Management did not explain measures taken to have the land valued and ownership transferred to the hospital. Under the circumstances, the accuracy and validity of land and buildings of Ksh.5,320,106,243 as of 30 <sup>th</sup> June,2020 could not be confirmed.	The hospital sits on 81.26 acres of land under the ownership of Kenyatta University. As a young parastatal, there are many items that are still in transition discussions between the boards of KUTRRH and Kenyatta university under the guidance of the parent ministries. The issue of land ownership and transfer is one such item and will therefore be resolved with time. The KUTRRH Board Chairperson wrote to the Head of Public Service through a letter referenced KUTRRH/CBD/F9/VOL.1/378 dated 21st October 2021 requesting for a title deed for the Hospital's land. The letter has been availed to the audit team.	Not Resolved
2	Unauthorised Board Expenses	As reflected in Note 8 to the financial statements, the statement of financial performance reflects Board expenses of Ksh. 12,947,790, against an approved budget of Ksh. 4,800,000 resulting in an over expenditure of Ksh.8,147,790. However, the National Treasury approval for the over-expenditure of	The Board was authorised by the CS Health to have more than the set number of board meetings since the Institution was new.	Resolved

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		Ksh.8,147,790 was not provided for audit verification. In the circumstances, the propriety and regularity in the expenditure of Ksh.8,147,790 could not be ascertained.		
3	Irregular Employee Costs	As disclosed in Note 7 of the financial statements ,the statement of financial performance reflects employee cost balance of Ksh.514,160,686.The balance includes salaries and wages amount of Ksh.300,302,579.Review of records revealed the balance includes payment of medical allowances commonly referred to as locum to medical staff amounting to Ksh.30,844,552.However, the rates applied for the allowances were approved in a meeting held on 21 January,2020 which had no quorum as only two (2) Board members were present against the provision of five members of the board as stipulated under Section 6 (6) of the State Corporations Act, CAP 446. In the circumstances, the propriety and regularity of the expenditure of Ksh.30,844,552 could not be ascertained.	The Committee for the meeting cited had membership of four (4) where three (3) were present and one (1) registered apology.	Resolved
<p><b>Key Audit Matters</b>  Key Audit Matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in year under review.</p>				
<p><b>Other Matter</b></p>				
	Budgetary Control and Performance	The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable	The Under-absorption of the budget was mainly due to unutilized COVID-19 Emergency Response funds that were allocated to the	Resolved

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	<p>basis of Kshs.2,214,471,150 and Ksh 2,137,087,398 respectively, resulting to an under-funding of ksh 77,383,752 or 4 % of the budget.</p> <p>Similarly, the statement reflects final expenditure budget and actual on comparable basis of Ksh 2,613,670,709 and kshs 1,464,933,908 respectively resulting to an under-expenditure of Ksh 1,148,736,801 or 44% of the budget.</p> <p>The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.</p>	<p>Hospital in Supplementary 11 towards the end of the Financial Year and disbursed in the bank in July 2020 (in the FY 2020/21)</p> <p>The KUTRRH board approved a specific budget and procurement plan for these funds, and all has now been utilized in response to the COVID-19 pandemic.</p>	
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**REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

**Conclusion**

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

**Basis for Conclusion**

1	<p>Non-submission of Assets and Liabilities Register</p>	<p>Management did not provide evidence that it submitted to The National Treasury, the assets and liabilities register for the year ended 30 June 2020. This is in contravention of the National Treasury Circular No.5/2020 of 25 February, 2020 that required the Accounting Officers of ministries, departments and agencies to prepare and submit the assets and liabilities</p>	<p>The Register was in the formative stage then. Updating is continuous as more assets are procured. The Register will be submitted as guided in the stated circulars.</p>	<p>30<sup>th</sup> May 2022</p>
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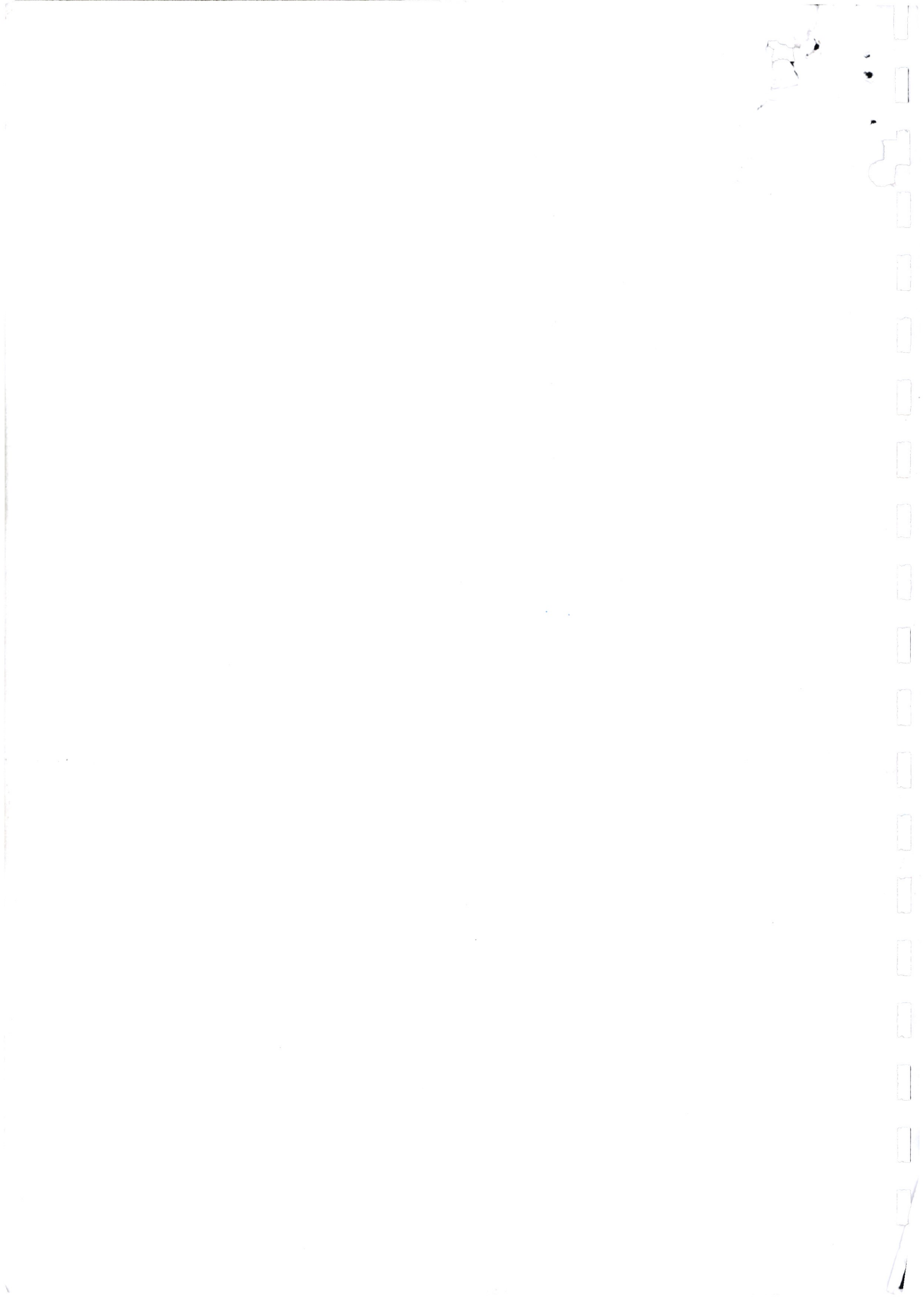
		<p>registers to the National Treasury by 30th May 2020. In addition, the Circular No.23/20 dated 14 October 2020 issued a standardised reporting to the National Treasury and required that the assets and liabilities registers as ta 30 June,2020 be submitted to the National Treasury not later than 31<sup>st</sup> October 2020. In the circumstances, Management is therefore in breach of the directive.</p>		
2	<p>Non-Compliance with the National Cohesion and Integration Act,2008</p>	<p>During the year under review, the Hospital had six hundred and eight (608) employees out of whom two hundred and eighty -five (285) or 46 % of the total number were members of the same community. This is contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act,2008 which states that “all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same community” However, Management explained that the imbalance was partly caused when the Hospital was declared a National COVID-19 Treatment and Isolation Centre, upon which the Board was required to quickly recruit, train and deploy staff to the treatment and isolation areas and that it was not possible to balance the ethnicity</p>	<p>The Hospital is consciously seeking to have a representation of the diversity of the people of Kenya in employment of staff and not have more than one third of staff establishment from same community.</p>	<p>Not resolved</p>

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		distribution of staff during the first year of operations. Consequently, Management is in breach of the law.		
<b>REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>				
<b>Conclusion</b>				
As required by Section 7 (1)(a) of the Public Audit Act,2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.				
<b>Basis for Conclusion</b>				
1	Lack of Substantive Chief Executive Officer (CEO)	The Hospital, despite being categorised as a Level 6 hospital has operated without a substantive Chief Executive Officer since 1 July,2019.Information provided indicated that the Board placed an advert on 4 <sup>th</sup> February 2020 inviting applications for the position which closed on 21 <sup>st</sup> February 2020.An Ad-hoc Committee was constituted by the Public Service Commission (PSC) which submitted names of candidates that were to be invited for interview on 10 August 2020.However,no interviews had been conducted by the time of the audit in April 2021 and the position remained vacant. In the circumstances am unable to confirm effectiveness of day-to-day management of the Hospital.	Recruitment of a CEO is ongoing. The advertisement closed on 22nd March 2022.	Not resolved
2	Lack of an Enterprise-Wide Risk Management Process	Review of the Hospital's Information Communication Technologies, ICT platforms revealed that	The Hospital has a Risk Management Committee, formed on 11th August 2021.It will operationalise	Resolved

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		<p>there is no well-documented enterprise-wide risk management processes and polices to effectively guide the enterprises risk management processes. This would have ensured that the hospital develops effective risk management strategies for fraud prevention mechanism as well as a system of risk management that builds robust business operations. Consequently, in the absence of clearly documented risk management strategies, it is not possible to ascertain the hospital's level of preparedness in dealing with risks associated with its operations.</p>	<p>risk management in the Hospital.</p>	
3	<p>Weakness in Information Communication Technology (ICT) Environment</p>	<p>The Hospital did not provide evidence of existence of an ICT strategic committee, approved IT security policy, ICT strategic plan that supports business requirements and ensures that ICT spending remains within the approved IT strategic plan and to ensure data confidentiality, integrity, and availability. In the circumstances am unable to confirm existence of effective internal controls and governance in ICT.</p>	<p>The Hospital is on course for Information Security Management System certification as per ISO 27001 Standard.</p> <p>-The ICT committee was appointed on 3rd August 2021, and it has held two meeting since then.</p> <p>-The KUTRRH has implemented an information security management system based on ISO 27001:2013 with all the requisite policies. Its internal audit was conducted between 7th – 18th 2022.</p> <p>-ICT strategy is integrated in the ICT policy and the manual was approved on 13th May 2022, by the Board.</p>	<p><b>Resolved</b></p>



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**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

**Director General/C.E. O/M.D (KUTRRH)**

Name: ..... **ARMED DAGANE** .....  
Date..... **07/07/2022** .....

Signature..... 