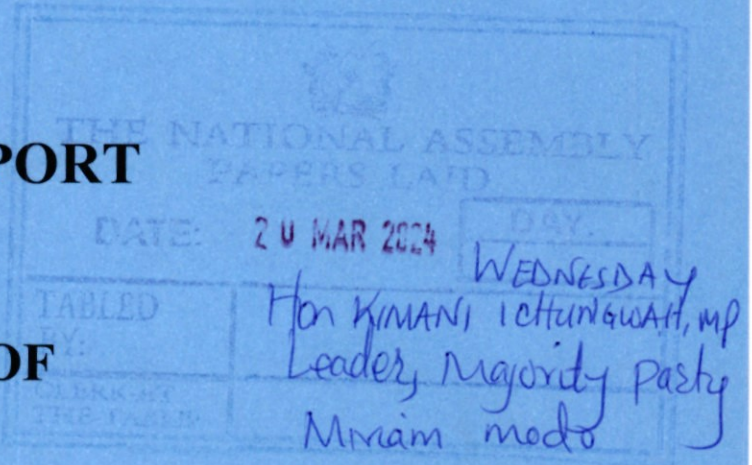
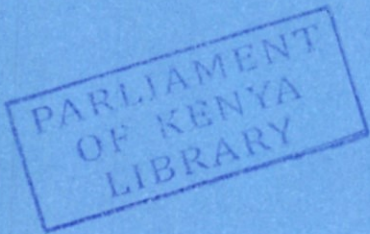


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT



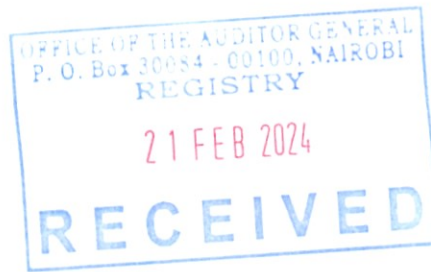
OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2023**



KENYATTA UNIVERSITY TEACHING REFERRAL & RESEARCH HOSPITAL

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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

KENYATTA UNIVERSITY TEACHING REFERRAL & RESEARCH HOSPITAL
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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KUTRRH	Kenyatta University Teaching Referral and Research Hospital
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.

2. Key Hospital 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.

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 is also involved in training and research 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.

(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.

(c) Key Management

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

- (i) Chief Executive Officer
- (ii) Directors
- (iii) Deputy Directors
- (iv) Heads of Departments
- (v) Secretariat

Key Hospital Information and Management (continued)

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Name	Designation
1	Mr. Ahmed Dagane	Chief Executive Officer
2	Dr. Ruth Ndungu	Ag. Chief Operations Officer & Director Administration and Corporate Services
3	CPA Edward Maundu	Chief Finance Officer
4	Dr. Victor Njom	Director, Clinical Services
5	Mr. Edward Omondi	Director, Nursing Services
6	Dr. Tabby W Mungai	Director Human Resource & Development
7	Dr. Christopher Ouma	Ag. Director Training, Research & Innovation
8	Dr. Isaiah Gituma	Director Planning, Development & Partnerships
9	Mr. Isaac Kamau	Director, Integrated Molecular Imaging Center (IMIC)

(e) Fiduciary Oversight Arrangements

1. The Finance Strategy Planning Development & Administration committee

The functions of the Committee are as follows:

- Monitor implementation of Strategic Plans and report to the Board
- 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.

2. The Audit and Compliance Committee

The functions of the Committee are as follows:

- 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
- 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

3. HUMAN RESOURCE AND CLINICAL SERVICES COMMITTEE

The functions of the Committee are as follows:

- Formulate policy guidelines based on Government regulations on Terms and Conditions of Service for Staff.
- Undertake reviews of Terms and Conditions of Service for Staff and make recommendations to the Board for consideration and action.
- Handle disciplinary cases for Senior Managers in Job Group KU2 and above.
- Receive and consider disciplinary appeal cases from members of staff and make appropriate decisions.
- Receive and consider views and recommendations from members of staff on terms and conditions of service and take the necessary action.
- Provide policy guidelines on housing, staff welfare, training, industrial relations and work environment.
- Review quarterly Hospital Performance Management in relation to Board Performance Contract.
- Formulate clinical policy based on existing government guidelines.

4. Training Research and Innovation Committee

The functions of the Committee are as follows:

Training

- To ensure that the Hospital has policy guidelines, procedures and regulations governing training and capacity building in the Hospital.
- Provide oversight and direction for smooth, effective and efficient operation of Hospital Training activities.
- Ensure monitoring of all KUTRRH's training programmes and curricula in line with the hospital's Strategic Plan
- Support the provision of medical education for Kenyatta University and other co-operating health institutions.
- Review any changes on policy issues relating to training and capacity building in the Hospital.

Research

- To ensure that the Hospital has policy guidelines, procedures and regulations governing the conduct of research in the Hospital.
- Ensure effective implementation and monitoring of all KUTRRH's research programmes.
- To ensure that research is prioritized across all hospital departments.
- Support resource mobilization activities to promote research within the hospital.

Innovation

- Ensure development, implementation and review of policies, guidelines and procedures on Innovations and Entrepreneurship within the hospital.
- Promote the establishment of an Innovation Ecosystem to spur medical innovations within KUTRRH.
- Undertake comprehensive quarterly monitoring and evaluation of medical innovations.
- Review and incubate innovations.
- Accelerate viable innovations to commercial products.
- Identify markets for the commercialized products.

Quality Assurance

- Ensure development, implementation and review of policies, guidelines and procedures on Quality Assurance within the hospital.
- Encourage benchmarking to ensure best practice in service delivery.
- To provide guidance on development, implementation, monitoring and evaluation of quality assurance programs in the Hospital.
- Undertake comprehensive quarterly evaluation of standards, quality assurance programs in the Hospital.

Key Hospital Information and Management (continued)

(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
Website: www.kutrrh.go.ke

(h) KUTRRH Bankers

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

(i) Independent Auditor



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

(j) Principal Legal Adviser



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

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3. The Board of Directors/Council

Ref	Directors	Details
1.	 <p data-bbox="319 840 790 940">Prof. Olive Mugenda, Ph.D., CBS, MGH CHAIRPERSON D.O.B-25/12/1954</p>	<p data-bbox="813 347 1420 918">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 & 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>
2.	 <p data-bbox="319 1355 542 1456">Ms. Gladys Ogallo MBA D.O.B-06/12/1966</p>	<p data-bbox="813 974 1412 1299">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>

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3.	 <p>Ms. Kavi Mwendwa Diploma Hospitality Administration/Management D.O.B-1965</p>	<p>Ms. Kavi is an independent member of the Board. She was appointed to the Board in April 2022 to replace Mr. Kithinji Kiragu an independent member whose term had ended. She is a member of the Training Research and Innovation Committee and the Human Resource and Clinical Services Committee. Kavi has had a long illustrious career serving her country and the International community in Protocol, Diplomacy, and Government Relations. She has experience working in government owned enterprises, and over 25 years working in Corporate Management and Governance. She served on the Board of the Kenyatta International Convention Centre and was the Head of Government Relations at the InterContinental Hotel Nairobi. Kavi has hosted Heads of States from many African Countries, internationally acclaimed Global Leaders and even the Secretary General of the United Nations. She has helped to organise and execute bilateral meetings, regional negotiations and award-winning international conferences and has been mentored by some of the world's greatest leaders. Her personal mission is to make sure that the guests' experience in the country is most favourable, seamless and guarantees that they take home only the best memories of Kenya wherever they go. This is a valuable contribution to the KUTHRRH, which has international partners and serves not only Kenya, but all the countries in the Horn of Africa, and the Central and Southern African Region.</p>
4.	 <p>Ms. Jane Wambugu</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</p>


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	<p>MBA, Finance Alternate PS, the National Treasury D.O.B-09/05/1965</p>	<p>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>
<p>5.</p>	 <p>Ms. Pauline Mcharo Master’s 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>6.</p>	 <p>Dr. Alfred Karagu 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>



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<p>7</p>	 <p>Dr. Francisca A. Ongecha Owuor Date of Birth: 27/02/1969 Dean, School of Medicine Kenyatta University M. Med. Psych., (MBCHB)</p>	<p>Dr. Francisca A. O. Owuor joined the Board in May 2022 to replace Dr. Gilbert Munyoki whose term had ended. She is the Dean School of Medicine Kenyatta University. Dr. Francisca is a member of the Training Research and Innovation Committee of the Board. She is a fulltime lecturer and consultant psychiatrist at Kenyatta University in the Department of Psychiatry and Mental Health. She's the founding chairperson of the department of psychiatry and mental health at Kenyatta University. She's a Fogarty international clinical research Fellow. She worked at the Ministry of health and left as an Assistant Director of Medical services. She has extensive experience in managing psychosocial programmes in substance use management, psychotrauma, sexual gender-based violence among others. She's a board member of the National Cancer Institute of Kenya and school boards as well.</p>
<p>8.</p>	 <p>Mr Bernard Nzumbi Mulatya Alternate PS, University Education & Research</p>	<p>Appointed as an Alternate to PS - University Education & Research.</p>

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9.	 <p>Mr. Ahmed Dagane Chief Executive Officer MBA in Health Care Management D.O.B-04/08/1975</p>	<p>Mr. Ahmed Dagane is a member of the Finance Strategy Development and Administration Committee and a member of the Human Resource and Clinical Services Committee. Outstanding interpersonal skills with a track record of establishing positive relationships with clients, other medical professionals and healthcare organizations.</p> <p>Mr. Dagane is currently the CEO, KUTRRH. He has previously served as the Director for Partnerships, Linkages & Resource Mobilization at the same institution.</p>
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4. Key Management Team



	Management	Details
1.	 <p>Ahmed Dagane Chief Executive Officer MBA in Health Care Management</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>Dr. Ruth Ndungu Ag. Chief Operations Officer/ Deputy Director, Gatundu Level V Hospital Annex Doctor of Philosophy</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>


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<p>3.</p>	 <p>Dr. Victor Njom, MD Director Clinical Services MMED in Ophthalmology</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>
<p>4.</p>	 <p>CPA. Edward Maundu Chief Finance Officer CPA(K), BBA (Finance & Accounting), MA (Monitoring & Evaluation</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 & policies; establishment and implementation of monitoring & evaluation systems; budgeting and development of quality improvement initiatives.</p>

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5.	 <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>
6.	 <p>Mr Edward Omondi Director, Nursing Services RN, BSN, MBA</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>

7.	 <p>Dr. Isaiah Gituma Director Planning, Development & Partnerships</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. The directorate also coordinates implementation of projects in the hospital.</p>
8.	 <p>Dr. Christoper Ouma Ag. Director, Training & Capacity Building</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 & rotations and medical internships.</p>

9.	 <p>Mr. Isaac Kamau Director Integrated Molecular Imaging Centre (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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5. 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 (IMIC) diagnostic and Treatment Centre coupled with a Hospitality Center.

The project was completed in October 2021 and all equipment delivered and installed. The facility was commissioned on 16th October 2021. This Center has a Cyclotron and radio pharmacy equipment for production of **fluorodeoxyglucose (FDGs)** which are radioactive products injected into patients to enable imaging of malignant cells for cancer diagnosis using PET/SPECT scans. In addition, the Centre has state of the art **Positron Emission Tomography (PET/CT)** and **Single-Photon Emission Computed Tomography (SPECT/CT)** technologies that help in early diagnosis and management of cancer that is expected to increase the survivorship of cancer patients, reverse outbound medical tourism while at the same time increasing inbound medical tourism into Kenya. The center started operations on 10th January 2022 and since then, the facility has been able to perform 1,148 successful scans as of 30th June 2022.

The Hospital is currently expecting the delivery, installation, and commissioning of the Cyberknife which was procured during the year. CyberKnife is a unique and dedicated stereotactic radiosurgery (SRS) treatment technology that offers treatment options for patients with inoperable or recurrent tumours or an alternative for patients who do not want to endure the risks of surgery. This treatment is painless, non-invasive, and currently not offered in Kenya and the entire African continent and therefore having this treatment at KUTRRH will offer a chance to patients with inoperable or recurrent tumours to be treated. This project will also extend Kenyan superiority in medical advancement in the region and the continent and improve medical tourism. Lack of cyber knife treatment in the country and the entire African continent has been a major reason for medical tourism to Asia and Europe. Having this type of treatment at KUTRRH will not only enhance cancer treatment in the country but also reduce medical tourism by Kenyans outside the country.

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 hospital also started construction of the extension to the Oncology centre. The expected patient influx necessitates the Oncology Centre to be expanded by additional floor space to the existing centre. The Oncology Extension building will cover three floors and will have an additional 60 beds, Doctor and Nurses Offices, Staff and Conference rooms and Patient Consultation Rooms.

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In addition, KUTRRH was mandated to enhance service delivery at Gatundu Level V Hospital through the signing of a Memorandum of Understanding between the Ministry of Health, KUTRRH and the County Government of Kiambu on 10th September 2020.

The responsibilities of KUTRRH as cited from the MOU are:

1. Enhance the provision of specialized services to Gatundu Level 5 Hospital
2. Share equipment and plant for emergency needs with Gatundu Level 5 Hospital
3. Automation of the Hospital Management Information System (HMIS) at Gatundu Level 5 Hospital
4. Organize practicum arrangements for Gatundu Level 5 to support the staff on capacity building.
5. Institutionalize training, research, and innovation amongst Gatundu Level 5 staff.
6. Enhance cross referral of patients between the two institutions.
7. Sharing knowledge of ICT in management and care of patients with Gatundu Level 5 Hospital

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 years 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 continue 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.

Name Prof Olive Mgenda Signature Mgenda Date 15/02/2024

6. 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 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 (IMIC) diagnostic and Treatment Centre coupled with a Hospitality Center. The project was completed in October 2021 and all equipment delivered and installed. The facility was commissioned on 16th October 2021. This Center has a Cyclotron and radio pharmacy equipment for production of **fluorodeoxyglucose (FDGs)** which are radioactive products injected into patients to enable imaging of malignant cells for cancer diagnosis using PET/SPECT scans. In addition, the Centre has state of the art **Positron Emission Tomography (PET/CT)** and **Single-Photon Emission Computed Tomography (SPECT/CT)** technologies that help in early diagnosis and management of cancer that is expected to increase the survivorship of cancer patients, reverse outbound medical tourism while at the same time increasing inbound medical tourism into Kenya. The center started operations on 10th January 2022 and since then, the facility has been able to perform 1,148 successful scans as of 30th June 2022.

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KUTRRH was mandated to enhance service delivery at Gatundu Level V Hospital through the signing of a Memorandum of Understanding between the Ministry of Health, KUTRRH and the County Government of Kiambu on 10th September 2020. KUTRRH and the County Government of Kiambu

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embarked on operationalization of the MOU in October 2020. With the completion the first phase of physical infrastructural renovations in 2021, there has been an increased number of patients seeking health services at Gatundu Hospital due to improved infrastructure and service delivery, thus overstretching the existing facilities. This has created a need for expansion of the physical infrastructure. Tower II will not only serve the increased number of patients but also host much needed services that cannot be housed in Tower I. The contract for the construction of Tower II was awarded and construction is in progress.

In the financial 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

Ahmed Daggane

Signature



Date

15/02/2024

7. Statement of Performance against Predetermined Objectives for FY 2022/2023

KUTRRH has developed a Strategic Plan for the period 2020-2030. The plan has 11 strategic pillars that guide development activities. These strategic pillars are as follows:

1. Development of high calibre clinical and non-clinical staff
2. Physical and technological infrastructure
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 2022/2023 period for its 11 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Value driven clinical services	Provide values based clinical services to all KUTRRH patients	Increase in the number of patients	Increase the number of patients being seen at the Specialised Clinics to 31,500	63,407 patients attended to
		Bed occupancy	Increase hospital bed occupancy to 100%	Occupancy at 350 beds
		No. of major and minor Surgeries	Perform 1700 major Surgeries	4382 major and minor surgeries performed

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
		No. of dialysis sessions	Carry out 5,000 dialysis sessions	9,802 dialysis sessions
		No. of MRIs	Carry out 2,300 MRI Scans	4823 MRIs
		No. of CTs	Carry out 9000 CT scans	18443 CT scans
		No. of Lab Tests	Carry out 180,000 Diagnostic Tests	237034 Laboratory tests
		Availability of essential pharmaceuticals for hospital services offered.	Ensure availability of essential pharmaceuticals for hospital services offered.	95% Availability
		No. of chemotherapy sessions	Undertake 8500 chemotherapy sessions	20517 chemotherapy sessions
		No. of Radiotherapy sessions	Undertake 10,000 Radiotherapy sessions	16,363 radiotherapy sessions
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	600 beds operationalised
		Completion rate	Operationalisation of Integrated Molecular Imaging Centre	100% Operationalised
		Completion rate	Expansion of the Cancer Centre	80% completion
		Completion rate	Procurement, supply, installation and commissioning of the cyber knife	100% completion
Development of high caliber clinical and non-clinical staff	To attract, motivate and retain qualified staff	No. of youths engaged	Engage 130 Youths in internship/industrial attachment	278 youths engaged
		TNA in place	Carry out Training Needs Assessment	100%

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
		Skills Gap Analysis in place	Conduct Skills Gap Analysis	100%
		Score in Performance Contract	Prevention of Alcohol and Drug Abuse	95% score achieved
		Score in Performance Contract	Prevention of HIV Infections	97% score achieved
Training and capacity building	To offer programs which are responsive to the needs of staff and the society	No. of students enrolled	Student enrolment in the Institute of Specialized Nursing	89 students enrolled
		No. of staff Trained	Conduct internal and external trainings for Staff	1500 staff trained
Partnerships, networks and collaborations	To mainstream collaborations and partnerships	No. of partnerships	Establish 3 local Partnerships and Collaborations	1 partnership established
		No. of partnerships	Establish 2 international Partnerships and Collaborations	1 partnership established
Research and innovation	To build research capacity in the hospital	No. of Research Proposals Submitted	Develop and submit research proposals	11 Research
		No. of Research conducted	Conduct research	4 Research
		No. of Published Research Articles	Publish Research Articles	2 Published
		No. of innovations identified and incubated	Identify and incubate innovations	13 innovations
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	Interactive social media pages

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
			update Hospital accounts with social media apps (twitter, Facebook etc.)	
Community health outreach and extension	Institutionalise Community health outreach	No. of programmes	Undertake Community outreach programmes in level 4 and 5 Hospitals	12 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	1,620 M shillings raised
		Pending Bills	Ensure pending bills are below 1% of the annual budget	The Hospital did not have any pending 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	96% 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	96% score achieved
		Score in Performance Contract	Undertake Gender Mainstreaming	100% score achieved
Quality assurance and monitoring and evaluation	To institutionalize quality assurance	No. of policies developed	Development of Hospital Policies	12 policies developed and approved

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
	in all the Hospital operations	Number of SOPs developed	Development of Standard Operating Procedures	50 SOPs developed and approved
		Level of implementation	Implementation of Information Security Management System	Training of champions and staff undertaken
	Operate a robust Monitoring and Evaluation System	Number of reports prepared	Preparation of quarterly and annual performance reports	Quarterly prepared, approved and submitted
		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.

8. 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, 8th 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 [9] members as per Legal No. 4 of 2019 and Legal Notice No.39 Of 1st March 2021. 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 independent members have diverse skills, experience, and backgrounds necessary for the board to execute its mandate. 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 non-executive 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.

THE ROLE OF THE BOARD

The functions of the Board are provided for in the Legal Notice No. 4 of 2019 Section 7 (1) as follows:

1. Receive patients on referral from other hospitals or institutions within or outside Kenya for specialized health care;
2. Provide facilities for medical education for the Kenyatta University and for research either directly or through other co-operating health institutions;
3. Provide facilities for education and training in nursing and other health and allied institutions;
4. Participate, as a national referred hospital, in national health planning;
5. Collect, analyze and disseminate all data useful in the prevention, diagnosis and treatment of cancer and other chronic diseases;
6. Provide access to available information and technical assistance to all institutions, associations and organizations concerned with the welfare and treatment of persons with chronic diseases, including those controlled and managed by the Government;
7. Administer the property and funds of the Referral Hospital in such a manner and for such purposes as will, in the opinion of the Board, promote its best interests;
8. Receive on behalf of the Referral Hospital grants in aid, gifts, donations, fees, subscriptions or other moneys and approve disbursement;
9. Advise the Cabinet Secretary on policy matters relating to the treatment and care of persons with cancer and chronic diseases and to advise on the relative priorities to be given to the implementation of specific measures; and
10. Do or perform all other necessary functions or activities of a National Teaching, Research and Referral Hospital, including undertaking of any ventures for the purposes of raising revenues for the purposes of funding its activities wholly or in part.

To effectively discharge these roles, 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 AND ATTENDANCE

The Board has an annual almanac to guide its activities and meetings within the year. The Board and its Committees meet at least once in every 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.

BOARD CHARTER

The Board has a Board Charter in place duly approved by the Board to guide its functions and operations. The Board Charter

APPOINTMENT AND REMOVAL OF THE DIRECTORS

The Board Charter stipulates the procedure for appointment and removal of Board members to the Board.

CAPACITY BUILDING AND INDUCTION FOR THE BOARD

To enhance capacity building for the directors, the Board has a training programme that is developed based on individual skills requirements and the Board expectations. On appointment the directors are inducted to the operations of the Board and issued with the Board operational instruments to guide them in executing their oversight mandate.

PERFORMANCE OF THE BOARD

The State Corporations Advisory Committee (SCAC) conducts annual Board evaluations upon which the Board and each member is evaluated. The Evaluation Report is presented to the Board in a formal meeting where the results are shared to the Board and an improvement plan developed for the Board based on the evaluation.

BOARD REMUNERATION

The Board is remunerated as per the SCAC guidelines and circulars issued from the Head of Public Service from time to time.

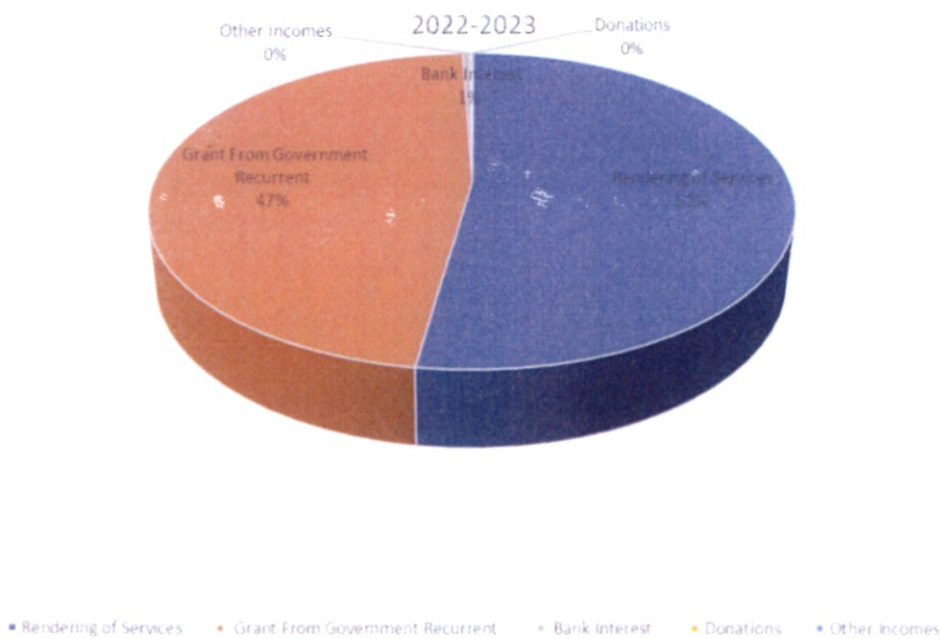
TRANSPARENCY AND ACCOUNTABILITY

To ensure transparency and accountability the Board members are required to declare any conflicts of interest before deliberations on the agenda items. The Board maintains a conflict-of-interest register.

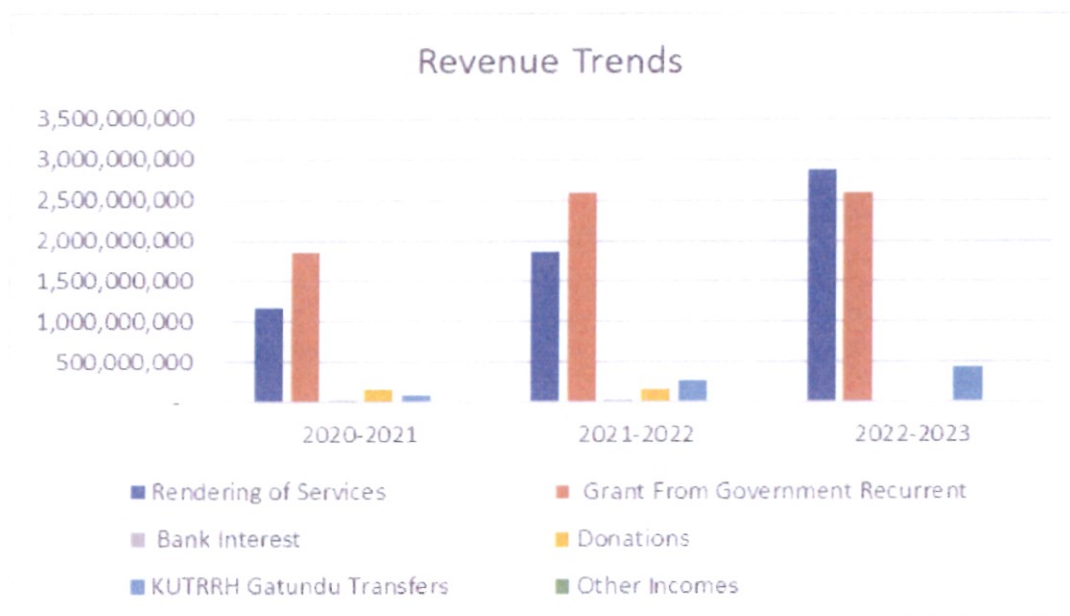
9. Management Discussion and Analysis

The Hospital revenue comprises of grants from the National Government, fee charged for services rendered, public contributions and donations, grants from development partners and interest income. During the year under review, revenue grew by 20% from Kshs.4.9 billion reported in the FY 2021/22 to Kshs.5.9 billion. The sources of revenue for the year under review and the trend over the last three years are as depicted in the charts below:

Revenue Sources



Revenue Trends



Performance results

Despite the growth achieved in generation of revenue, the hospital recorded a deficit of Kshs.262 million in the year under review. This is a negative performance from the previous year’s surplus of Kshs. 176.8 million. This deficit performance is largely attributed to:

Funding Gap

The government allocates grants to the hospital to cater for personnel emoluments and capital expenditure. Over the years, the funding gap between recurrent grant allocations towards employee costs has been growing and as a result, the Hospital bridges the underfunding through internally generated funds that is meant to cater for operational costs. Consequently, this adversely affects financial sustainability of the hospital. The funding gap on employee costs over the last 2 years is as tabulated below:

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Details	2022-2023 Kshs (M)	2021-2022 Kshs (M)
Recurrent Grant from Gok (Personnel Emoluments)	1,739	1,509
Employees Cost	3,036	2,353
Under funding	(1,297)	(844)

KUTRRH Key Projects

Integrated Molecular Imaging Cancer (IMIC)

KUTRRH is currently the only public facility in the East and Central African region that offers the comprehensive continuum of Cancer care with the establishment of an Integrated Molecular Imaging Cancer (IMIC) Centre with a Hospitality Centre.

The project was completed in October 2021 and all equipment delivered and installed. The facility was commissioned on 16th October 2021. This Centre has a Cyclotron and radio pharmacy equipment for production of **fluorodeoxyglucose (FDGs)** which are radioactive products injected into patients to enable imaging of malignant cells for cancer diagnosis using PET/SPECT scans. In addition, the Centre has state of the art **Positron Emission Tomography (PET/CT)** and **Single-Photon Emission Computed Tomography (SPECT/CT)** technologies that help in early diagnosis and management of cancer that is expected to increase the survivorship of cancer patients, reverse outbound medical tourism while at the same time increasing inbound medical tourism into Kenya. The centre started operations on 10th January 2022 and since then, the facility has been able to perform 6,164 successful scans as of 30th June 2023.

CyberKnife

The Stereotactic Radiosurgery LINAC (Cyberknife) Equipment was delivered and installed. It was commissioned by His Excellency President William Ruto on 24th April 2023. Onsite training is ongoing in preparation for commencement of services. Cyberknife is a unique and dedicated stereotactic radiosurgery (SRS) treatment technology that offers treatment options for patients with inoperable or recurrent tumours or an alternative for patients who do not want to endure the risks of surgery. This treatment is painless, non-invasive, and currently not offered in Kenya and the entire African continent and therefore having this treatment at KUTRRH will offer a chance to patients with inoperable or recurrent tumours to be treated. This project will also extend Kenyan superiority in medical advancement in the region and the continent.

Oncology centre

The hospital also started construction of the extension to the Oncology centre. The expected patient influx necessitates the Oncology Centre to be expanded by additional floor space to the existing centre. The Oncology Extension building will cover three floors and will have an additional 60 beds, Doctor and Nurses Offices, Staff and Conference rooms and Patient Consultation Rooms.

KUTRRH Gatundu Level Five Hospital Collaboration

Collaborative consultations between KUTRRH and the County Government of Kiambu have been ongoing. The partnership is to allow for cooperation of the parties for purposes of enhancing quality, efficiency, and effectiveness in provision of quality health care and referral services to the populace in preparation of takeover. Memorandum of Understanding (MoU) was signed on 10th September 2020 between the Ministry of Health through KUTRRH and the County Government of Kiambu on collaboration in the management of Gatundu Level five Hospital. The areas of collaboration per the MoU are as follows:

1. Provision of Health care service delivery and referral
2. Infrastructural development and modernization of equipment
3. Sharing of Human Resources for health (HRH)
4. Sharing and development of Health Products and Technology
5. Sharing of Health Information and Management System
6. Training, Research, and Innovation
7. Leadership and Governance

Construction of the Gatundu Level Five Hospital Tower II

KUTRRH and the County Government of Kiambu embarked on operationalization of the MOU in October 2020. With the completion the first phase of physical infrastructural renovations in 2021, there has been an increased number of patients seeking health services at Gatundu Hospital due to improved infrastructure and service delivery, thus overstretching the existing facilities. This has created a need for expansion of the physical infrastructure. Tower II will not only serve the increased number of patients but also host much needed services that cannot be housed in Tower I, as listed here below:

a). Ground Floor

- Modern Accident and Emergency Centre

b) First Floor

- Reproductive Health Centre
- Family Planning & Gynaecology wards

c). Second Floor

- Paediatric wards
- Newborn unit including wards
- Intermediate care unit (IMC)

d). Third floor

- Expansion of Medical wards both female and male wards

e). Fourth floor

- Cancer care centre

The contract was awarded, and construction is in progress.

10. 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 implementation is ongoing.

One of the main factors affecting sustainability priorities is 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 Safety Audits and Fire Safety Audits. Implementation of the recommendations is ongoing.

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.

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 is registered as a Workplace by Directorate of Occupational 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.

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.

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. Two community outreach programmes were carried out in the surrounding community. The Hospital also marked World Health Days like World Kidney Day and World AIDS Day where members of the community were engaged, and health advocacy carried out.

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the KUTRRH affairs.

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 30th June 2022 are set out on pages 1-8

iii) Directors

The members of the Board of Directors who served during the year are shown on page x to xiii.

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 centum of its surplus funds reported in the audited financial statements after the end of each financial year.

The Hospital did not make any surplus during the year and hence no remittance to the Consolidated Fund.

v) Auditors

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

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for the year ended June 30, 2023.

By Order of the Board



.....
Name **GIDEON MUTUA**
Corporation Secretary/Secretary to the Board

12. Statement of Directors Responsibilities

Section 81 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 30th, 2023. 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, 2023, 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.

KENYATTA UNIVERSITY TEACHING REFERRAL & RESEARCH HOSPITAL
Annual Report and Financial Statements
for the year ended June 30, 2023.

Approval of the financial statements

KUTRRH financial statements were approved by the Board on 28/09 2023 and signed on its behalf by:


.....
Name **Prof Olive Mugenda**
Chairperson of the Board/Council


.....
Name **Ahmed Daggane**
Accounting Officer

REPUBLIC OF KENYA

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Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYATTA UNIVERSITY TEACHING, REFERRAL AND RESEARCH HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the 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 50, which comprise of the statement

of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenyatta University Teaching, Referral and Research Hospital as at 30 June, 2023, 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 and Legal Notice No.4 of 25 January, 2019, the State Corporation Act (CAP 446) and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies on Employee Costs

The statement of financial performance and Note 12 to the financial statements reflects employee costs of Kshs.3,036,708,820. The amount includes salaries and wages at Kshs.1,200,549,146 out of which basic pay of Kshs.2,439,000 was paid to various employees above the approved rate while basic salaries amounting to Kshs.1,105,258 were paid below the approved rate. In addition, eight (8) members of staff had more than one annual increment applied to their basic pay during the year. Further, employee costs includes housing benefits and allowances of Kshs.324,740,965 out of which Kshs.13,309,209 was paid to various staff members below the approved rate.

In the circumstances, the accuracy and accuracy and completeness of employee costs amount of Kshs.3,036,708,820 could not be confirmed.

2. Land Without Ownership Documents

The statement of financial position and Note 23 to the financial statements reflects property, plant and equipment balance of Kshs.9,496,555,965 out of which Kshs.5,195,361,485 was in respect to land and building which was not supported with ownership documents.

In the circumstances, the ownership of land and building balance of Kshs.5,195,361,485 could not be confirmed.

3. Obsolete Stock

The statement of financial position and Note 22 to the financial statements reflects inventory balance of Kshs.286,742,904. Included in the balance is Kshs.15,111,800 relating to non-pharmaceuticals whose physical verification revealed that they were obsolete.

In the circumstances, the accuracy, completeness and valuation of inventory balance of Kshs.15,111,800 could not be confirmed.

4. Long Outstanding Receivables

The statement of financial position and Note 19 to the financial statements reflects receivables from exchange transaction balance of Kshs.1,289,417,347. Included in the balance is Kshs.123,533,941 in respect to individual receivables out of which a provision of Kshs.61,609,788 was made. The provision comprises debts which have been outstanding for more than three years and its recoverability was doubtful.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.1,289,417,347 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.

Emphasis of Matter

Outstanding Trade and Other Payables

The statement of financial position and Note 24 to the financial statements reflects trade and other payables balance of Kshs.366,831,471 as at 30 June, 2023 which is mainly attributed to outstanding payments for pharmaceutical products.

Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

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. Non-Compliance with Executive Order No.2 of 2018

The statement of financial performance and Note 11 to the financial statements reflects use of goods and services amount of Kshs.1,818,472,561. Review of the Public Procurement Information Portal (PIIP) revealed that the ongoing contracts for the financial year 2021/2022 and current contracts for 2022/2023 were not published. This was contrary to the Executive Order No.2 of 2018 which state that all Public Procuring Entities shall maintain and continuously update and publicize (through the websites of the Public Procuring Entity, e-Citizen, Public Procurement Regulatory Authority platforms, Public Notice Boards and/or Official Government Publication.

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

2. Irregular Use of Direct Procurement Method

The statement of financial performance and Note 11 to the financial statements reflects use of goods and services figure of Kshs.1,818,472,561. Included in the amount is Kshs.16,350,121 for ceremonial activities out of which Kshs.6,744,287 was procured through direct method despite exceeding the threshold for direct procurement. This was contrary to Section 91(1) of the Public Procurement and Assets Disposal Act, 2015, which states that open tendering shall be the preferred procurement method for procurement of goods, works and services.

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

3. Non-Compliance with the One-Third Rule on Basic Salary

During the year under review, three hundred and eighty-six (386) employees earned a net salary of less than a third (1/3) of the basic salary. This was contrary to Section 19(3) of the Employment Act, 2007 which requires the total amount of all deductions which may be made by an employer from the wages of his employee at any one time not to exceed two-thirds of the basic pay.

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

4. Non-Compliance with the Rule on Ethnic Balance

During the year under review, 44% of members of staff were from one ethnic community. Further, 41% of employees recruited in the year 2022/2023 were from the same ethnic group. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which stipulates that no public establishment shall have more than one third of its staff from the same ethnic community.

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

5. Officers in Acting Capacity Beyond Six Months

Review of human resource records revealed that four (4) officers were appointed in acting capacity for more than six (6) months contrary to Section C.14 of the PSC Human

Resource Policies and Procedure Manual, 2016. However, Management did not provide explanations for the anomaly.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Hospital's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Hospital or to cease operations.

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

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

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of

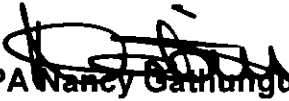
effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Hospital to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the revenue 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi




08 March, 2024

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14. Statement of Financial Performance for the year ended 30 June 2023

		2022-2023	2021-2022
	Notes	Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from GOK	6	2,593,000,000	2,592,680,713
Public Contributions and donations	7	5,126,000	163,890,000
Gatundu Transfers	26	451,151,776	263,875,895
		3,049,277,776	3,020,446,608
Revenue from exchange transactions			
Rendering of services	8	2,883,543,977	1,856,115,195
Finance Income	9	22,708,378	41,168,044
Other Income	10	6,433,956	475,000
		2,912,686,311	1,897,758,239
Total revenue		5,961,964,087	4,918,204,847
Expenses			
Use of goods and services	11	1,818,472,561	1,289,346,350
Employee costs	12	3,036,708,820	2,352,537,668
Board Expenses	13	12,469,692	10,603,781
Depreciation and amortization expense	14	452,427,215	481,595,914
Repairs and Maintenance	15	37,586,105	34,184,578
Contracted services	16	218,891,387	252,152,973
Impairment of Receivables	17	134,675,981	57,040,043
Provision for bad debts	17	61,609,788	
Gatundu Transfers	26	451,151,776	263,875,894
Total expenses		6,223,993,325	4,741,337,201
Other gains/(losses)			
Surplus/Deficit before Tax		(262,029,239)	176,867,644
Taxation			
Surplus/Deficit for the period		(262,029,239)	176,867,644

The notes set out on pages 9 to 59 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:


		
Name: Ahmed Dagne	Name: Edward Mwandu	Name: Prof. Olive Mugenda
Accounting Officer	Head of Finance	Chairman of the Board
Date 15/02/2024	ICPAK M/No: 20119 Date 15/02/2024	Date 15/02/2024

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15. Statement of Financial Position as at 30 June 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Assets			
			-
Current assets			
Cash and cash equivalents	18	1,125,671,977	2,943,692,779
Receivables from Exchange Transactions	19	1,289,417,347	525,961,518
Prepayments	20	500,000,000	-
Receivables from Non-Exchange Transactions	21	257,749,999	-
Inventories	22	286,742,904	121,425,925
		3,459,582,228	3,591,080,222
Non-current assets			
Property, plant and equipment	23	9,496,555,965	9,609,138,079
Total Assets		12,956,138,192	13,200,218,301
Liabilities			
Current liabilities			
Trade and Other Payables	24	366,831,471	497,662,121
Employee benefit obligation	25	507,494,317	417,743,521
Refundable Deposits and Prepayments from Customers	27	12,964,845	12,784,084
Gatundu funds	26	623,723,007	574,874,783
Total liabilities		1,511,013,640	1,503,064,509
Net assets		11,445,124,553	11,697,153,792
Financed By:			
Capital Fund		10,928,796,399	10,918,796,399
Accumulated surplus		516,328,154	778,357,393
Total net assets and liabilities		11,445,124,553	11,697,153,792

The financial statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:


 Name **Ahmed Sagane**
 Accounting Officer


 Name **Edward Mambu**
 Head of Finance


 Name **Prof. Olive Migenda**
 Chairman of the Board

Date **15/02/2024**

ICPAK Member Number: **20119**
 Date **15/02/2024**

Date **15/02/2024**

16. Statement of Changes in Net Assets for the year ended 30 June 2023

	Retained earnings	Capital/Development Grants/ Funds	Total
	Kshs	Kshs	Kshs
As at July 1, 2021	601,489,749	10,232,546,399	10,834,036,148
Surplus for the year	176,867,644	-	176,867,644
Capital/Development grants received during the year	-	666,250,000	666,250,000
Donations in kind (Assets)	-	20,000,000	20,000,000
As at June 30, 2022	778,357,393	10,918,796,399	11,697,153,792
Donations in Cash		10,000,000	10,000,000
Purchase of assets from Accumulated surplus	-	-	-
(Deficit) for the year	(262,029,239)		(262,029,239)
As at June 30, 2023	516,328,154	10,928,796,399	11,445,124,553

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17. Statement of Cash Flows for the year ended 30 June 2023

		2022-2023	2021-2022
	Notes	Kshs	Kshs
Cash flows from Operating Activities			
Receipts			
Transfers from other governments entities		2,835,250,001	3,392,908,774
Public contributions and donations			12,500,000
Rendering of services		1,929,839,979	1,607,221,480
Finance Income		22,708,378	41,643,044
Total Receipts		4,787,798,357	5,054,273,298
Payments			
Use of Goods and Services		(1,909,316,767)	(1,157,401,735)
Employee costs		(3,033,314,376)	(2,154,741,202)
Board Expenses		(12,445,198)	(10,540,816)
Repairs and maintenance		(29,527,838)	(33,870,214)
Contracted services		(209,228,277)	(312,684,512)
Gatundu Transfers		(440,696,628)	(263,875,895)
Total Payments		(5,634,529,085)	(3,933,114,373)
Net cash flows from/(used in) operating activities		(846,730,728)	1,121,158,925
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(481,290,074)	(1,507,129,662)
Purchase of PPE and Intangible assets			
Proceeds from sale of PPE			
Purchase of investments			
Sale of investments			
Net cash flows from/(used in) investing activities		(481,290,074)	(1,507,129,662)
Cash flows from financing activities			
Increase in deposits		(500,000,000)	-
Proceeds from borrowings			-
Repayment of borrowings			-
Proceeds from issue of shares			-
Capital Grants		10,000,000	666,250,000
Net cash flows from financing Activities		(490,000,000)	666,250,000
Net increase/(decrease) in cash and cash equivalents		(1,818,020,802)	280,279,263
Cash and cash equivalents at 1st July 2022	29	2,943,692,780	2,663,413,517
Cash and cash equivalents at 30th June 2023	29	1,125,671,977	2,943,692,780

(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023

	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	
Revenue						
Government grants and subsidies	2,593,000,000	-	2,593,000,000	2,376,916,667	216,083,333	92
Rendering of services	1,236,000,000	1,600,000,000	2,836,000,000	2,912,686,311	76,686,311	103
Donations	-		-	5,126,000	5,126,000	100
Total income	3,829,000,000	1,600,000,000	5,429,000,000	5,294,728,977	297,895,644	98
Expenses						
Compensation of employees	1,739,425,465	1,280,641,592	3,020,067,057	3,036,708,820	(16,641,763)	101
Use of goods & services	1,371,588,577	528,774,424	1,900,363,001	1,818,472,561	81,890,440	96
Board Expenses	10,694,255	-	10,694,255	12,469,692	(1,775,437)	117
Operating cost	301,563,287	(21,485,892)	280,077,395	256,477,492	23,599,903	92
Capital Expenditure	405,728,416	(187,930,124)	217,798,292	218,328,626	(530,334)	100
Total expenditure	3,829,000,000	1,600,000,000	5,429,000,000	5,342,457,192	86,542,808	98
Surplus /Deficit for the period	-	-	-	(262,029,239)	211,352,835	

Budget notes

KUTRRH Board of Directors approved revised budget of Kes. 6.349 billion for the FY 2022/2023. This included Kes 2.593B from GOK recurrent grant Kes 820 million capital grant and Kes.2.836 from projected AIA collections. The allocation for recurrent budget was Kes. 5.429 billion while Kes. 920 million related to development budget for procurement and installation of a Robotic stereotactic radiosurgery LINAC (Cyberknife) equipment, IMIC, Children hospital and Gatundu level 5 hospital Tower II.

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- The hospital had budgeted to receive recurrent grant of Kes 2.593B in the year, the actual amount received was Kes 2.376B. The balance of Kes 216 million for June 2023 had been accrued as of 30th June 2023. The accrued amount has since been received in July 2023.
- The hospital has accrued all the recurrent expenditures not paid by 30th June 2023
- The hospital had budgeted Appropriation In Aid (AIA) collection of Kes. 2.836 B from rendering of services in the year. The revenue generated cumulatively up to the year is Kes. 2.913 B hence a positive performance of 103%. This is attributed to the uptake of the services at IMIC, specialized clinics and the surge in demand for the hospital services.
- KUTRRH has budgeted to spend Kes 3.020 billion on employee costs in the year. The actual amount spent as at 30th June 2023 was Kes 3 036B. This translates to 101% budget utilization which is above the expected utilisation of 100% This is due to recruitment of new staff. In future, this will be handled within the allocated budget.
- The hospital had budgeted to receive Kes 920 million for capital development the funds had not been received as at 30th June 2023. However, the hospital received the following grants during the month of July kes 150M out of the allocation of kes 300M for Cyberknife, Kes 150M out of the allocation of kes 300M for IMIC, Kes 100M for Gatundu Level 5 hospital Tower II and Kes 100M for the Children Hospital.

19. 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 owned by the Government of Kenya and is domiciled in Kenya. The hospital's principal activity is to receive patients on referral basis 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.

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 2023.*

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</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"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</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>

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Standard	Effective date and impact:
	<p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) 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>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

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 2023.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

- iii. **Early adoption of standards**

The Hospital did not early – adopt any new or amended standards in the financial year.

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 Entity 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. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

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

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Hospital'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 the Current FY 2022-2023 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 Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the recorded Hospital additional appropriations of 1.6B on the 2022-2023 budget following the governing body's approval.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

The hospital 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 note 18 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 the Hospital 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.

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 Hospital and the same taxation authority.

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. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an 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.

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, the Hospital recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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.

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. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

h) Research and development costs

The Hospital 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

i) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Hospital does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

a) Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) .

b) Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

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 the *Hospital*.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

k) Provisions

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

l) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

m)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.

n) Contingent assets

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

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

o) Nature and purpose of reserves

The reserves maintained by the hospital include.

Capital reserve.

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

Revaluation reserve

Revaluation reserve arises on revaluation of property, plant and equipment. When revalued property, plant and equipment are disposed, the portion of revaluation reserve that relates to the asset is transferred directly to revaluation reserve.

Accumulated Fund

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

p) 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.

q) 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

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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.

r) 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

s) 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.

t) Related parties

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

u) 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

v) 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.

w) Comparative figures

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

x) 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, 2023.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual value

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

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- 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 are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. Provisions made by the management such as:

1. 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 Other Government entities

Description	2022-2023	2021-2022
	Kshs	Kshs
Recurrent Government grants		
Operational grant	2,593,000,000	1,992,680,713
Supplementary Budget Received	-	600,000,000
Total KUTRRH Recurrent Government grants	2,593,000,000	2,592,680,713

7. Public Contributions and Donations

Description	2022-2023	2021-2022
	Kshs	Kshs
Insurance Regulatory Authority	-	2,500,000
MOH launch of IMIC project	-	10,000,000
KEMSA-Assorted Consumables	-	750,000
KEMSA Drawing Rights	-	150,000,000
Equity Bank Foundation	-	640,000
Medecins Sans Frontieres-Holland	5,126,000	-
TOTAL	5,126,000	163,890,000

The Hospital received donations worth Kshs. 10,000,000 from Manu-Chandaria foundation for the extension of the Cancer Center.

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Notes to the Financial Statements (Continued)

8. Rendering Of Services

The rendering of service revenue is generated from different service points in the hospital.

	Description	2022-2023	2021/2022
		Kshs	Kshs
1	Medicine services fee	163,243,196	83,503,212
2	Pharmaceutical services fee	520,125,149	179,172,690
3	Health Information services charges	232,800	299,939
4	Home Based Care	-	444,819
5	Nutrition services fee	2,870	67,150
6	Chemotherapy	-	153,502,195
7	Radiotherapy	74,903,241	50,781,198
8	Bed Charges Fees	624,773,355	570,421,748
9	Cancer Centre services Fee	4,099,277	7,638,196
10	Farewell Home Services fee	42,322,905	30,942,500
11	Renal Unit services Fee	94,179,007	98,301,624
12	Laboratory services Fee	328,540,935	189,650,126
13	Nursing Procedures and consumables	169,656,567	132,603,011
14	Physiotherapy services Fee	28,135,790	22,120,304
15	Radiology services Fee	286,259,178	148,102,460
16	Cardiology services Fee	13,743,623	9,276,812
17	Theatre services fee	212,238,600	75,191,310
18	Dental services fees	1,699,462	960,679
19	Isolation	-	1,453,154
20	Ambulance services Fees	-	1,107,541
21	Patient Discharge	-	6,920,459
22	IMIC Hospitality Accommodation Fees	1,858,806	1,615,200
23	IMIC Nuclear Medicine services Fees	255,301,128	52,039,200
24	Brachytherapy Services Fees	13,750,000	5,011,400
25	Restaurant Sales	33,595,806	26,533,054
26	Marketing Services Fees	162,500	280,000
27	Training & Nursing School fees	14,719,782	8,175,214
	TOTAL	2,883,543,977	1,856,115,195

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Notes to the Financial Statements (Continued)

9. Finance Income

This refers to the gross credit interest income earned in FY 2022-2023 from deposits in the hospital's current account at KCB Bank. The hospital does not have a fixed deposit account.

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank Interest	22,708,378	41,168,044
Total	22,708,378	41,168,044

10. Other Income

This refers to cost of shared services paid to the hospital by African Population Health Research Centre and the World Health Organization.

Description	2022-2023	2021-2022
	Kshs	Kshs
APHRC Overheads	1,633,956	
WHO Overheads	4,800,000	
Sale of Packaging Materials		475,000
Total	6,433,956	475,000

11. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs	Kshs
Advertising	25,765,915	42,670,836
Audit fees	1,000,000	1,000,000
Cleaning Materials	19,702,431	22,058,525
Corporate Social Responsibilities	179,000	-
Electricity	123,359,837	93,324,631
Gas and Cooking Fuel	72,907,058	46,817,881
Water and sewerage costs	19,426,545	16,002,908
Printing and stationery	29,750,338	18,585,061
Telecommunication	3,533,222	2,623,898
Local Travel & accommodation	27,816,111	13,188,555
External Travel	15,907,175	9,167,640
Seminars and Conferences (CME)	7,378,918	12,766,288
Staff Uniform	5,625,002	3,619,800

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Description	2022-2023	2021-2022
	Kshs	Kshs
Internet Connectivity	4,434,086	4,558,625
Fuel Motor vehicles	4,320,000	2,796,400
Office Expenses	23,697,160	19,392,484
Subscriptions and Registration Fees	3,333,960	2,547,250
Staff Training	11,801,642	861,643
Hospital Branding	607,318	-
Mortuary Expenses	6,790,951	10,379,420
Newspapers and Magazines	345,440	249,720
Ceremonial activities	16,350,121	3,846,075
Environmental audit	392,660	-
Health and Safety Audit	-	700,000
Fire Assessment Audit	450,000	220,000
ISO Certification	-	399,500
Legal costs	289,100	1,894,400
Training School	4,151,757	2,752,043
Licences	5,250,191	4,241,500
Indemnity Insurance	-	1,506,790
Refund Expense	13,937,400	
Pharmaceuticals	455,491,546	141,074,611
Surgicals Materials	-	-
Consumables	870,787,065	616,674,571
Infections Control	19,905,039	31,935,753
House Keeping	2,116,637	576,816
Linen and Clothing	12,072,265	25,737,809
Catering Expenses	141,683,119	106,995,195
Laundry and Drycleaning	5,172,643	8,287,357
Sanitary and waste disposal	9,233,988	995,760
Bank Charges	15,417,643	14,738,176
Finance Costs (Tax on Interest)	3,406,257	6,145,174
TOTAL GOODS & SERVICES	1,983,789,540	1,291,333,095
Add Opening stock (Clinical Costs)	107,382,292	109,633,791
Add Opening Stock (General Expenses)	14,043,633	19,088,506
Less Closing stock (Clinical Costs)	(267,926,591)	(107,382,292)
Less Closing Stock (General Expenses)	(18,816,314)	(14,043,633)
COST OF GOODS SOLD	1,818,472,561	1,298,629,467

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Notes to the Financial Statements (Continued)

12. Employee Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Salaries and wages	1,200,549,146	1,075,870,874
Travel, motor car, accommodation, subsistence and other allowances	1,106,241,362	632,574,252
Housing benefits and allowances	324,740,965	247,536,777
Provision for Staff Gratuity and Pension	193,958,118	220,522,370
Provision for staff Leave Allowance	-	-
Staff Medical	211,219,229	176,033,395
TOTAL	3,036,708,820	2,352,537,668

13. Board Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Chairpersons Honoraria	960,000	960,000
Sitting Allowance	5,604,174	5,567,000
Medical Insurance	660,117	1,000,641
Induction and Training	243,074	375,840
Travel and Accommodation	3,961,063	2,023,107
Mileage Allowance	932,064	515,193
Lunch Allowance	109,200	162,000
Total Board Expenses	12,469,692	10,603,781

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14. Depreciation and Amortization Expense

Description	2022-2023	2021-2022
	Kshs	Kshs
Property, plant and equipment	452,427,215	481,595,914
Total depreciation and amortization	452,427,215	481,595,914

15. Repairs and Maintenance

Description	2022-2023	2021-2022
	Kshs	Kshs
Motor Vehicles	2,803,927	2,503,498
Other Equipment	15,321,151	20,594,653
Furniture and Fittings	5,400	464,821
Buildings	4,973,489	2,583,223
Grounds and Landscaping	2,077,989	4,820,054
Fumigation	1,517,250	3,218,330
Software Maintenance	10,886,900	
Total Repairs and Maintenance	37,586,105	34,184,578

16. Contracted Services

Description	2022-2023	2021-2022
	Kshs	Kshs
Cleaning Services	47,755,635	43,720,620
Security Services	31,358,398	26,184,567
Consultancy	14,547,183	29,324,436
Fire and Burglary Insurance	17,695,407	-
Insurance Motorvehicle	1,697,424	401,810
Medical Equipments	71,000,250	115,291,241
WIBA/GPA Insurance	34,837,091	27,947,195
Total Contracted Services	218,891,387	242,869,869

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17. Impairment of Receivables

This relates to patient bills of Kshs 134,675,981 waived during the financial year 2022-2023.

Description	2022-2023	2021/2022
	Kshs	Kshs
Impairment of Receivables	134,675,981	58,115,918
Total Impairment of Receivables	134,675,981	58,115,918

18. Cash and Cash Equivalents

BANK	Account Name	Description	2022-2023	2021-2022
		Bank Account	Kshs	Kshs
Kenya Commercial Bank TRM	KUTRRH RECURRENT A/C	1258637243	286,898,387	2,632,717,057.59
Kenya Commercial Bank TRM	KUTRRH PROJECT A/C	1283661012	253,528,033	75,502,935.06
Kenya Commercial Bank TRM	GATUNDU RECURRENT A/C	1283666138	558,760,755	234,929,351.45
Kenya Commercial Bank TRM	GATUNDU PROJECT A/C	1283669935	26,484,802	26,792.76
Cash in hand			-	129,616.00
Grand total			1,125,671,977	2,943,305,753

The hospital had a balance of Kshs 2.9B in the previous year which was for IMIC project and procurement of Cyberknife. The funds have been paid out to the suppliers and Kshs. 500M is held through a Letter of Credit for the procurement of the Cyberknife Equipment.

19. Receivables from Exchange Transactions

	NHIF	CORPORATE	INDIVIDUAL	TOTAL
Opening Balance 1.07.2022	302,572,464	83,725,848	139,663,206	525,961,518
Payments During the year	420,941,571	103,601,924	6,476,933	531,020,428
Additions for the Year	1,019,222,806	284,905,783	51,957,456	1,356,086,045
Less: Provision for bad and doubtful debts			61,609,788	61,609,788
Closing Balance 30.06.2023	900,853,700	265,029,707	123,533,941	1,289,417,347

The Hospital has made a provision for bad and doubtful debts of Kshs. 61,609,788 based on debts that were outstanding from the Financial Year 2019/2020 and 2020/2021.

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Notes to the Financial Statements (Continued)

20. Prepayments

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank Guarantee KCB TRM Branch – Letter of Credit for Cyberknife LINAC Equipment	500,000,000	-
Total	500,000,000	-

21. Receivables from Non-Exchange Transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
GOK Recurrent Grant Receivable	257,749,999	-
Total	257,749,999	-

22. Inventories

Description	2022-2023	2021-2022
	Kshs	Kshs
Pharmaceuticals	93,509,026	1,283,200
Rehabilitation	3,514,685	5,240,912
Public Health	5,645,224	5,498,025
Radiology	34,763,384	9,186,480
Non-pharmaceuticals	90,350,321	65,238,034
Kitchen Store	3,253,635	-
Theatre	9,067,665	6,426,417
General Supplies	15,562,679	11,284,287
Linen & Clothing	7,116,070	10,761,418
Laboratory Reagents	23,960,215	2,989,445
Maintenance Accessories	-	3,517,706
TOTAL	286,742,904	121,425,925

The inventory is measured at the lower of cost and net realisable value at the end of the financial year.

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23. Property, Plant and Equipment

Details	Land & Buildings	Capital Work in Progress	Motor vehicles	Furniture and fittings	ICT Infrastructure	Hospital Equipment	Computers & Accessories	Security Equipment	Software	Total
Property, plant and equipment	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost at 1st July 2021	5,596,017,394	1,117,422,247	51,962,470	155,919,181	38,570,394	2,251,438,183	117,860,020	11,448,368	66,569,412	9,407,207,669
Additions	80,277,102	1,088,979,892	-	77,663,272	51,866,921	253,402,889	4,006,744	6,267,310	38,997,896	1,601,462,026
Disposals	-	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-	-
Total Cost at 30th June 2021	5,676,294,496	2,206,402,139	51,962,470	233,582,453	90,437,315	2,504,841,072	121,866,764	17,715,678	105,567,308	11,008,669,695
Depreciation for the period	135,084,785	-	7,307,222	24,958,818	22,980,028	249,616,760	21,284,467	1,913,149	18,450,685	481,595,914
Accumulated Depreciation	407,987,876	-	30,040,803	58,870,729	36,817,251	757,523,750	72,203,008	4,323,632	31,764,568	1,399,531,617
Net Carrying Amount at 30th June 2022	5,268,306,620	2,206,402,139	21,921,667	174,711,724	53,620,064	1,747,317,322	49,663,756	13,392,046	73,802,740	9,609,138,078
Property, plant and equipment										
Cost as at 1st July 2022	5,676,294,496	2,206,402,139	51,962,470	233,582,453	90,437,315	2,504,841,072	121,866,764	17,715,678	105,567,308	11,008,669,695
Additions	60,269,262	121,516,476	24,482,300	19,948,110	10,058,956	94,956,880	8,463,119	150,000	-	339,845,102

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Details	Land & Buildings	Capital Work in Progress	Motor vehicles	Furniture and fittings	ICT Infrastructure	Hospital Equipment	Computers & Accessories	Security Equipment	Software	Total
Donation										
Transfers/adjustments										
Total Cost at 30th June 2023	5,736,563,758	2,327,918,615	76,444,770	253,530,563	100,496,271	2,599,797,952	130,329,883	17,865,678	105,567,308	11,348,514,797
Depreciation for the period	133,214,397	-	11,600,992	24,332,479	19,103,706	230,284,275	17,438,063	1,692,756	14,760,548	452,427,215
Accumulated Depreciation	541,202,273	-	41,641,795	83,203,208	55,920,957	987,808,025	89,641,071	6,016,388	46,525,116	1,851,958,832
Net Carrying Amount at 30th June 2023	5,195,361,485	2,327,918,615	34,802,975	170,327,354	44,575,314	1,611,989,926	40,688,813	11,849,290	59,042,192	9,496,555,965

The work in progress relates to project which were not completed as at the end of the financial year they include IMIC project and Cyberknife installation

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24. Trade and Other Payables

Description	2022-2023	2021-2022
	Kshs	Kshs
Trade and other Payables	354,452,313	431,787,501
Provision for audit fees	2,000,000	2,000,000
Gatundu Creditors	10,379,158	42,663,206
TOTAL	366,831,471	474,450,707

25. Employment Benefit Obligation

Description	2022-2023	2021-2022
	Kshs	Kshs
Balance b/f	417,743,521	298,416,160
Staff Pension Paid	(160,836,072)	79,583,858
Accrued Pension	8,592,909	
Provision for Staff Gratuity	193,958,118	140,938,512
Staff Gratuity Paid in the year	(12,256,989)	(37,353,947)
Provision for staff Leave Allowance		
Accrued Salaries	59,264,330	(65,681,562)
Staff Welfare accrued	1,028,500	1,840,500
TOTAL	507,494,317	417,743,521

Retirement benefit Asset/ Liability

The Entity operates a defined benefit scheme for all full-time employees from Feb 1, 2022. The scheme is administered by Zamara while Kenya Commercial Bank are the custodians of the scheme. The Hospital's contribution to KUTRRH staff Retirement Benefit Scheme is at 15% while the employees contribute 7.5% of their basic salary.

26. Gatundu Transfers/Funds

Description	2022-2023	2021-2022
	Kshs	Kshs
Property ,plant and equipment	272,452,726	103,361,141
CCTV	565,680	
Other Equipment	183,324	19,848,905
Medical Equipment	-	1,508,809
Computers servers	25,201,797	
Furniture	-	
Software	1,486,756	43,860,911
Salaries and wages	11,206,760	66,528,991

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Description	2022-2023	2021-2022
	Kshs	Kshs
Casuals	82,044,185	10,805,934
Locums	8,995,224	2,264,220
Board Allowances	10,951,500	90,000
Pharmaceuticals	7,242,131	150,000
Non Pharmaceuticals	14,080,304	5,028,933
Fumigation	305,000	29,000
Publicity		32,000
Staff Uniform	413,000	
Linen and Clothings	771,270	
Gas and Cooking Fuel	8,429,200	439,460
Catering	0	
Security		1,392,000
Local Travel	83,425	
External travel		32,550
Staff Training	4,240	
Consultancy	218,236	
Sanitary services	-	176,897
Seminars and conferences	-	106,138
Printing and stationery	15,000	2,571,038
Telephone	-	36,503
Connectivity and Bandwidth	1,936,620	509,878
Bank charges	185,137	174,052
Repairs and Maintainance	171,000	873,756
Fuel for Motor vehicles	400,000	585,364
Grounds and landscaping and Fumigation	1,756,005	3,469,415
Infection control	865,156	
Office exp	1,093,624	
Ceremonial	4,244	
Cleaning Materials	90,232	
TOTAL	451,151,776	263,875,895

Description	2022-2023	2021-2022
	Kshs	Kshs
Opening Balance	574,874,783	195,859,412
Grant from GoK	500,000,000	600,000,000
Interbank Transfers	-	227,261
Deposits	-	800
Transfers To Gatundu	(440,772,618)	(263,875,895)
Gatundu Creditors	(10,379,158)	42,663,205
TOTAL	623,723,007	574,874,783

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Notes to the Financial Statements (Continued)

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.

Description	2022-2023	2021-2022
	Kshs	Kshs
Patient Deposits	12,964,845	12,784,084

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28. Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Hospital did not make any surplus during the year.

29. Cash Generated from Operations

Description	2022-2023	2021-2022
	Kshs	Kshs
Surplus for the year before tax	(263,849,429)	176,867,644
Adjusted for:		
Depreciation	452,427,215	481,595,914
Non-cash grants received	5,126,000	163,890,000
Contributed assets	-	-
Impairment	134,675,981	57,040,043
Gains and losses on disposal of assets	-	-
Contribution to provisions	197,977,818	140,938,512
Contribution to impairment allowance	-	-
Working capital adjustments		
Increase in inventory	165,316,979	(7,296,372)
Increase in receivables	1,582,815,616	(26,649,268)
Increase in deferred income	-	-
Increase in payables	180,942,321	508,221,771
Increase in payments received in advance	4,815,159	13,191,508
Net cash flow from operating activities	2,356,089,979	1,507,799,752

30. Financial Risk Management

The Entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The Entity's financial risk management objectives and policies are detailed below:

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Notes to the Financial Statements (Continued)

i) Credit risk

The Entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Entity's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

The carrying amount of financial assets recorded in the financial statements representing the Entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due	Impaired
Description	Kshs	Kshs	Kshs	Kshs
As at 30th June 2023				
Receivables from exchange transactions	1,351,027,135.23			134,675,981.00
Receivables from non-exchange transactions	757,749,999			
Bank balances	1,125,892,665			
Total	3,234,669,800			134,675,981
As at 30 June 2022				
Receivables from exchange transactions	525,961,518			57,040,043
Receivables from non-exchange transactions				
Bank balances	2,943,692,779			
Total	3,469,654,297			57,040,043

Notes to the Financial Statements (Continued)

Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the Entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Hospital directors, who have built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

Notes to the Financial Statements (Continued)

Financial Risk Management

iii) Market risk

The Hospital has put in place an internal audit function to assist it in assessing the risk faced by the Entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Entity's exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

The Hospital has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The *Entity* manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Notes To The Financial Statements (Continued)

b) Interest rate risk

Interest rate risk is the risk that the Entity's financial condition may be adversely affected as a result of changes in interest rate levels. The Entity's interest rate risk arises from bank deposits. This exposes the Entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Entity's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Financial Risk Management

Sensitivity analysis

The Entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant.

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Notes to the Financial Statements (Continued)

31. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the Hospital, holding 100% of the Hospital's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Hospital, both domestic and external.

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of directors.

32. Events after the Reporting Period

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

33. Ultimate And Holding Entity

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

34. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

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20. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations


	Item	Issue/Observations from the Auditor	Management Comment	Status/Timeframe
1	Inaccuracies on Employee Costs	The statement of financial performance reflects employee costs balance of Kshs. 2,352,734,668 as disclosed in Note 12 to the financial statements. However, the following inconsistencies were noted:		
		1.1 Basic Salaries: - Included in the salaries and wages amount of Kshs.1,076,067,874 is basic pay of Kshs.5,322,400 paid to various members of staff above the approved rate. Conversely, basic salaries amounting to Kshs.14,927,450 was under paid as the rate applied was lower than the approved.	The Management acknowledges that there were anomalies in the staff compliment data which had not been updated. KUTRRH salary structure is based and adheres to the approved rates and the appointment letters/contracts are approved based on the same. Conversely there was no overpayment of Kshs.5,322,400/= and no underpayment of Kshs.14,927,450/=. The differences have been explained by updating the staff compliment as per the corrections herein attached. The error is regrettably noted, and we have taken measures to ensure the same does not recur.	Ongoing
		1.2 House Allowances: -	The Management acknowledges that there were anomalies in the staff	Ongoing

	Item	Issue/Observations from the Auditor	Management Comment	Status/Timeframe
		<p>the approved rate. Conversely, house allowances amounting to Kshs.6,715,000 was under paid as the rate applies was lower than the approved. In the circumstances, the accuracy of employee costs of Kshs.2,352,734,668 could not be confirmed.</p>	<p>is based and adheres to the approved rates and the appointment letters/contracts are approved based on the same. Conversely there was no overpayment of Kshs. 3,255,613/= and no underpayment of Kshs. 6,715,000/=. The differences have been explained by updating the staff compliment as per the corrections herein attached. The error is regrettably noted, and we have taken measures to ensure the same does not recur.</p>	
2.	<p>Missing Land Ownership Documents</p>	<p>The statement of financial position reflects property, plant, and equipment balance of Kshs.9,609,138,079 as disclosed in Note 23 to the financial statements. The balance includes land and buildings balance of Kshs. 5,268,306,620 whose ownership documents were not provided for audit. In the circumstances, the rightful ownership to land and buildings valued at Kshs.5,268,306,620 could not be confirmed.</p>	<p>There have been deliberate efforts of follow up on the missing land ownership documents by the Management and the Hospital is still waiting for the Title deed to be issued as per the following documents from the Ministry of Lands and Physical Planning: REF: PPD/42/31/XIX/ (12) dated 30th August 2022 referring to a Cabinet memo and a public notice in September 2022 of the completion of local physical and land development plan no 42/31/2022/01.</p>	
<p>Key Audit Matters 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>				

Item	Issue/Observations from the Auditor	Management Comment	Status/Timeframe
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. Non-Compliance with Executive Order No.2 of 2018.	The statement of financial performance reflects use of good and services amount of Kshs.1,289,346,350 as disclosed in Note 11 to the financial statements. Included in the use of goods and services expenditure are advertising, internet connectivity, office expenses, mortuary expenses and consumables of Kshs.42,670,836, Kshs.4,558,625, Kshs.19,392,484, Kshs.10,379,420 and Kshs.616,674,571 respectively. However, the tender notices, ongoing tenders, and contracts for the financial year 2021/2022 on the expenditures were not published in Public Procurement Information Portal. This was contrary to the Executive Order No.2 of 2018 which requires all public procurement entities to publish the tender and supplier data. In the circumstances, Management was in breach of the law.	The Hospital registered with the PPIP in August 2021. The Management acknowledges that there were no tenders advertised in the portal during the year under audit. However, from June 2022 the hospital is reporting all the tender notices, ongoing tenders and contract awards as per Section 63(2) and (3) of the Public Procurement and Asset Disposal Act, 2015 and its attendant regulations, 2020.	Ongoing
2. Failure to Notify Direct Procurement	The statement of financial performance reflects use of goods and services amount of Ksh.1,289,346,350 as disclosed in Note 11 to the financial statements. Included in the use of goods and services expenditure are consumables expenditures of Kshs.616,674,571 out of which Kshs. 16,837,941 was procured by way	The Hospital acknowledges the error and omission to report the following procurements within the timeframe required; i) M/s Angelica Medical Supplies KES 6,408,078/=	Ongoing as at when the purchase is done.

Item	Issue/Observations from the Auditor	Management Comment	Status/Timeframe
	<p>of direct procurement method. However, Management did not report within fourteen days after the notification of the award of the contracts to the Public Procurement Regulatory Authority all direct procurement of a value exceeding five hundred thousand shillings. This was contrary to Regulation 90 (1)(b) which states that an accounting officer shall, within fourteen days after the notification of the award of the contract, report any direct procurement of a value exceeding five hundred thousand shillings to the Authority in a format provided by the Authority.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>ii) M/s Microbiology E.A Limited KES 4,804,707/= and,</p> <p>iii) M/s Philips Healthcare Technologies KES 5,625,156/=</p> <p>However, the Hospital reported the same to the Public Procurement Regulatory Authority on 14th January 2023.</p> <p>The error is regrettably noted and is now compliant with this directive and reporting is being done as per Regulation 90 (1) (b)</p>	
REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE			
	Conclusion		
	<p>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.</p>		
	Basis for Conclusion		

	Item	Issue/Observations from the Auditor	Management Comment	Status/Timeframe
1.	Inaccuracies of Fixed Assets	<p>The statement of financial position reflects property, plant, and equipment balance of Kshs.9,609,138,079 as disclosed in Note 23 to the financial statements. However, the fixed asset register for Gatundu Level 5 was not submitted for audit verification. In addition, there was no evidence of receiving assets amounting to Kshs.161,579,046 transferred to the Hospital. In the circumstances, the effectiveness of controls of fixed assets held at Gatundu Level 5 Hospital could not be confirmed.</p>	<p>The assets for Gatundu Level 5 Hospital are under the County Government of Kiambu asset registers. All the purchases meant for Gatundu Level Five Hospital were received through delivery notes signed and acknowledged by the relevant users. The assets procured through KUTRRH amounting to Kshs. 161,579,046 have been recorded in the KUTRRH-Gatundu Assets Register.</p>	



 C.E.O **Ahmed Dagane**
 Date: **15/02/2024**

Appendix II: Projects implemented by the Hospital

Projects implemented by KUTRRH Funded by the Government of Kenya.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Procurement of Robotic stereotactic radiosurgery system (Cyberknife)	1081119600	GOK	1year	N/A	NO	YES
Expansion of Comprehensive Cancer Centre	1081120800	GOK	2year	N/A	NO	YES
Construction of a Second Tower Block - Gatundu Level V Hospital	1081118300	GOK	2 years	N/A	NO	YES
Construction of Children Hospital	1081118400	GOK	3 years	N/A	NO	YES

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Procurement of Robotic stereotactic radiosurgery system (Cyberknife)	685,000,000	350,000,000	51%	685,000,000	350,000,000	GOK
2	Expansion of Comprehensive Cancer Centre	300,000,000	100,000,000	33%	300,000,000	100,000,000	GOK
3	Construction of the 2 nd Tower at Gatundu Level V Hospital	670,000,000	276,000,000	41%	670,000,000	276,000,000	GOK
4	Construction Children Hospital	6,000,000,000	-	0%	6,000,000,000	-	GOK

Appendix V- Inter-Entity Confirmation Letter



Kenyatta University Teaching Referral and Research Hospital
P.O BOX 7476-00100

The Ministry wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by KUTRRH as at 30 th June 2023							
Reference Number	Date Received	Amounts Disbursed by MOH (KShs) as at 30th June 2023				Amount Received by [beneficiary Entity] (KShs) as at 30 th June (2022) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Inward SWIFT Pa AT-DPC MINISTRY OF HEA /REC/0000	08/08/2022	216,083,333			216,083,333	216,083,333	
Inward SWIFT Pa AT-DPC	08/09/2022	216,083,333			216,083,333	216,083,333	

Confirmation of amounts received by KUTRRH as at 30th June 2023

Reference Number	Date Received	Amounts Disbursed by MOH (KShs) as at 30th June 2023				Amount Received by [beneficiary Entity] (KShs) as at 30 th June (2022) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
MINISTRY OF HEA /REC/0000							
Inward SWIFT Pa AT-DPC MINISTRY OF HEA /REC/0000	05/10/2022	216,083,332			216,083,332	216,083,332	
Inward SWIFT Pa AT-DPC MINISTRY OF HEA /REC/0000	14/11/2022	216,083,333			216,083,333	216,083,333	
Inward SWIFT Pa AT-DPC MINISTRY OF HEA /REC/0000	13/12/2022	216,083,333			216,083,333	216,083,333	
Inward SWIFT Pa AT-DPC MINISTRY OF HEA /REC/0000	06/01/2023	216,083,334			216,083,334	216,083,334	
Inward SWIFT Pa AT-DPC MINISTRY OF HEA /REC/0000	16/02/2023	216,083,333			216,083,334	216,083,334	
Inward SWIFT Pa AT-DPC	24/03/2023	216,083,333			216,083,333	216,083,333	

Confirmation of amounts received by KUTRRH as at 30th June 2023

Reference Number	Date Received	Amounts Disbursed by MOH (KShs) as at 30th June 2023				Amount Received by [beneficiary Entity] (KShs) as at 30 th June (2022) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
MINISTRY OF HEA /REC/0000							
Inward SWIFT Pa AT-DPC MINISTRY OF HEA /REC/0000	28/04/2023	216,083,333			216,083,333	216,083,333	
Inward SWIFT Pa AT-DPC MINISTRY OF HEA /REC/0000	05/06/2023	216,083,333			216,083,333	216,083,333	
Inward SWIFT Pa AT-DPC MINISTRY OF HEA /REC/0000	12/06/2023	216,083,333			216,083,333	216,083,333	
Total		2,376,916,666			2,376,916,666	2,376,916,666	

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department

Name Edward Mambu Sign  Date 15/07/24

Confirmation of amounts received by KUTRRH as at 30th June 2023							
Reference Number	Date Received	Amounts Disbursed by MOH (KShs) as at 30th June 2023				Amount Received by [beneficiary Entity] (KShs) as at 30 th June (2022) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Confirmation of amounts received by KUTRRH - Gatundu Hospital as at 30th June 2023							
Reference Number	Date Received	Amounts Disbursed by MOH (KShs) as at 30th June 2023				Amount Received by [beneficiary Entity] (KShs) as at 30 th June (2022) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Inward SWIFT Pa AT-DPC MINISTRY OF HEA /REC/0000	10/08/2022	41,666,667			41,666,667	41,666,667	
Inward SWIFT Pa AT-DPC MINISTRY OF HEA /REC/0000	26/09/2022	41,666,667			41,666,667	41,666,667	
Inward SWIFT Pa AT-DPC MINISTRY OF HEA /REC/0000	05/10/2022	41,666,667			41,666,667	41,666,667	
Inward SWIFT Pa AT-DPC	14/11/2022	41,666,667			41,666,667	41,666,667	

Confirmation of amounts received by KUTRRH as at 30th June 2023


Reference Number	Date Received	Amounts Disbursed by MOH (KShs) as at 30th June 2023				Total (D)=(A+B+C)	Amount Received by [beneficiary Entity] (KShs) as at 30 th June (2022) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)				
MINISTRY OF HEA /REC/0000								
Inward SWIFT Pa AT-DPC MINISTRY OF HEA /REC/0000	13/12/2023	41,666,667			41,666,667	41,666,667		
Inward SWIFT Pa AT-DPC MINISTRY OF HEA /REC/0000	06/01/2023	41,666,667			41,666,667	41,666,667		
Inward SWIFT Pa AT-DPC MINISTRY OF HEA /REC/0000	16/02/2023	41,666,667			41,666,667	41,666,667		
Inward SWIFT Pa AT-DPC MINISTRY OF HEA /REC/0000	24/03/2023	41,666,667			41,666,667	41,666,667		
Inward SWIFT Pa AT-DPC MINISTRY OF HEA /REC/0000	28/04/2023	41,666,667			41,666,667	41,666,667		
Inward SWIFT Pa AT-DPC	05/06/2023	41,666,667			41,666,667	41,666,667		

Confirmation of amounts received by KUTRRH as at 30th June 2023

Reference Number	Date Received	Amounts Disbursed by MOH (KShs) as at 30th June 2023				Amount Received by [beneficiary Entity] (KShs) as at 30 th June (2022) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
MINISTRY OF HEA /REC/0000							
	12/06/2023	41,666,667			41,666,667	41,666,667	
Total		458,333,337			458,333,337	458,333,337	

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department:

Name Edward Mawanda Sign  Date 15/02/24

