

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

THE NATIONAL ASSEMBLY

REPORT LAID

DATE: 23 FEB 2022

DAY.

WED

TABLED  
BY:

HON. JIMMY ANGWENYI, MP

REPORT

Perpetual Karanu.

OF

THE AUDITOR-GENERAL

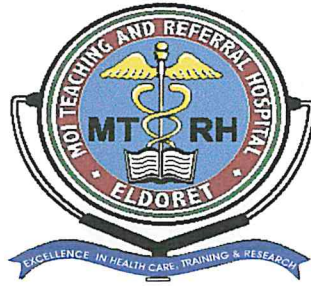
ON

MOI TEACHING AND  
REFERRAL HOSPITAL

FOR THE YEAR ENDED  
30 JUNE, 2019







**An ISO 9001:2015 Certified Hospital**

# **MOI TEACHING AND REFERRAL HOSPITAL**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED**

**30<sup>TH</sup> JUNE 2019**

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

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## **I. KEY INFORMATION AND MANAGEMENT**

### **a) Background information**

Moi Teaching and Referral Hospital (MTRH) was established under Legal Notice No.78 of 12<sup>th</sup> June 1998 of the State Corporations Act (Cap 446). At cabinet level, MTRH reports to the Cabinet Secretary for Health who is responsible for the general policy and strategic direction for healthcare in Kenya.

The Hospital was established in 1916 as a cottage hospital to cater for the Africans health care needs. It has grown tremendously to a fully-fledged Multi-Specialty referral facility with several inpatient and outpatient health care services. It also incorporates the Academic Model Providing Access to Healthcare (AMPATH), Centre for Assault Recovery-Eldoret (CAR-E), Moi University (College of Health Sciences) and Partners with Regional Blood Transfusion Centre (RBTC).

### **b) Principal activities**

The Hospital's mandate is to:

- i) Receive patients on Referral from other Hospitals or Institutions within or outside Kenya for specialized health care;
- ii) Provide facilities for Medical education for the Moi University, and for research either directly or through other co-operating health institutions;
- iii) Provide facilities for education and training in Nursing and other health and allied professions;
- iv) Participate as a National Referral Hospital in National Health Planning.

### **c) Key Management**

MTRH is managed under the following key organs:

1. Board of Directors
2. Chief Executive Officer (Accounting Officer)
3. Senior Management/Head of Directorates

### **d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2019 and who had direct fiduciary responsibility were:

<b>Designation</b>	<b>Name</b>	<b>Professional Membership Number</b>	<b>Certification Body</b>
1.Chief Executive Officer	Dr. Wilson K. Aruasa, <b>MBS</b>	A4530	KMPDB
2.Senior Director - Clinical Services	Dr. Philip Kirwa	A4215	KMPDB
3. Senior Director – Administration & Finance	Dr. Benjamin Tarus (PhD)	2471	ICPSK
4.Director, Finance	Mr. Mathews Birgen	3915	ICPAK
5. Manager, Finance	Mr. Thomas Ngetich	7617	ICPAK
6.Manager, Supply Chain	Mr. Bill Saina	62672	KISM

e) **Fiduciary Oversight Arrangements**

To achieve corporate governance, MTRH has the following key fiduciary oversight arrangements to check and guide Senior Management in executing its roles.

1. Audit and Risk Committee of the Board

- The Hospital's operations are subjected to oversight by the Board Audit and Risk Committee, which meets quarterly to review the organizations risk preparedness, compliance to approved policies and business continuity plans.

2. National Assembly Departmental Committee on Health

- The Hospital is subject to oversight from National Assembly Departmental Committee on Health, on matters defined in the Hospital's Core mandate.

3. National Assembly Public Investments Committee

- The Hospital is subject to National Assembly Public Investments Committee

f) **Principal Place of Business**

Moi Teaching & Referral Hospital  
Nandi Road  
P. O. Box 3- 30100,  
ELDORET, KENYA

g) **Contacts**

Tel: +254 722-201277, +254 722 209795  
053-2033471/2/3/4  
Fax: 053-2061749  
Email address: [ceo@mtrh.go.ke](mailto:ceo@mtrh.go.ke)  
Web site: [www.mtrh.go.ke](http://www.mtrh.go.ke)

h) **Bankers**

Kenya Commercial Bank Limited  
Uganda Road Branch-Eldoret  
P. O. Box 5197 – 30100,  
ELDORET, KENYA.

i) **Independent Auditors**

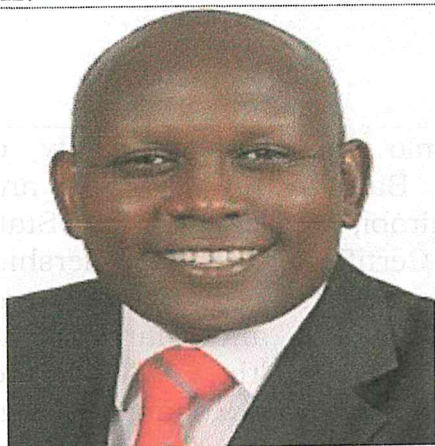
Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P. O. Box 30084 - 00100  
NAIROBI, KENYA

j) **Principal Legal Adviser**

The Attorney General  
State law office  
Sheria House, Harambee Avenue  
P.O. Box 40112 - 00100  
NAIROBI, KENYA



## II. BOARD OF DIRECTORS



**Hon. Joseph Kipchumba  
Lagat  
BOARD CHAIRMAN**

Masters of Business Administration (MBA)- Egerton University  
Bachelor of Arts (B.A), Economics and Sociology - University of Nairobi.  
Director Commercial & Marketing - IAAF World-Under 18- (2015-2017).  
Former Chairman of Board of Directors - Lake Victoria North Water Service Board. (2015-2018).  
Managing Director Laseru Investment LTD. Trustee Coffee Development Fund.  
Member of Parliament - The National Assembly of Kenya. (2003-2007). Supply and Planning Manager - Triton Petroleum Co.LTD (2000-2002)  
Chairman of the Board, MTRH.



**Mr. Idle Mohamud  
Muhumed  
Non-Executive Director**

Moi University - Bachelor of Human Resource Management, NEP Technical Training Institute-Higher Diploma in Human Resources Management, Mombasa Polytechnic University College Diploma in Archives and Library Management, Frontier Institute of Professional and Management Studies.  
Regional Director Northern Kenya, Human Resource Manager at Gulf Energy Limited  
Board member, MTRH.



**Dr. Dorah Malla  
Non-Executive Director**

Bachelor of Medicine and Bachelor of Surgery, University of Nairobi; Leadership Development Program, International Corporate Governance, Corporate Secretaries International Association; Effective Director, Strathmore University; Procurement Strategies and Policies- Crown Agents UK.  
Senior Medical Officer- KNH; Intern- Armed Forces Memorial Hospital; Director, KPLC. Member Chairperson, Staff and Remuneration Committee. Member of Procurement Oversight Committee and ICT & Audit Committee of the Board. Member of Kenya Medical Association.  
Board member, MTRH.





**Dr. Janet Muriuki**  
**Non-Executive Director**

Msc in Public Health, Jomo Kenyatta University of Agriculture and Technology; Bachelor of Medicine and Surgery, University of Nairobi; Certificate in State Corporation Governance; Certificate in Leadership, Leadership Development Program, IntraHealth International, Chapel Hill; Diploma in Leadership and Management, Management Sciences for Health, Cambridge, Massachusetts, USA; Certificate in Monitoring and Evaluation of Population, University of Addis Ababa, Ethiopia; Diploma from Institute for the Management of Information Systems (IMIS), Strathmore College, Nairobi. Health service delivery and health systems expert. Board member, MTRH.



**Mrs. Constantine Kandie**  
**Non-Executive Director**

A seasoned Management Consultant, with over 15 years' experience in Governance, Strategic Management, and Leadership of diverse professionals and staff teams. CEO of The Leadership and Governance Advisory (LGA) Group. Technical Advisor, State Department for Trade. Director, CEO and Secretary to diverse boards for the following institutions; The Management University of Africa, KENYA Federation for Alternative Trade (KEFAT) and Kenya Institute of Management (KIM), The Eastern Africa Grain Council, Enterprise Mobilization and Investments, APSEA, The World Fair Trade Organization, Professional Women Empowered (ILO). Director at Kenya Revenue Authority for two terms and Chair of the KRA Board of Trustees. Board Member and Treasurer, Practical Action UK. Board Member, MTRH.



**Dr. Mary Wangai, MD, MPH, PGD**  
**Alt. Principal Secretary, Ministry of Health**

MD, MPH, PGD (STI/HIV) is a registered medical practitioner and Public Health Specialist with expertise in strategic planning and managing Disease programs.

She joined the Ministry of Health in 1988 and worked in various capacities for over the last 30 years. This has included working in the clinical setting, health administration at the regional and national level in the health sector, involved in leading the development and strengthening of health systems that were foundational for the establishment of National Anti-Retroviral Therapy and, Prevention of Mother to Child Transmission Programs.

Board member MTRH.





**Mark Ngecho Lugwisa**  
**Alt. Director to CS / PS**  
**The National Treasury.**

BBA, Accounts option from Bugema Adventist University, School of Business, CPA Part II section 3. Has attended different short courses such as Senior Management course, Corporate Governance Course

He has worked in different capacity at The National Treasury & Planning for a period of 11 years. He is an Alternate Director to CS / PS, The National Treasury at MTRH Board, IDB Capital Bank Ltd Board, Hydrologist Board and National Employment Authority.

Board member, MTRH.



**Dr. Jeremiah Ntaloi Ole Koshal**  
**Chairman, Moi University Council.**

PhD in Organizational Leadership; MBA in Management of Non-Profit Organizations; Bachelor of Commerce in Business Administration.

Chair, Moi University Council, Executive Director, Africa Center for Entrepreneurship and Leadership (ACEL) Nairobi January 2013-August 2016, Senior Lecturer, School of Management and Commerce, Strathmore University Nairobi January 2010-December 2012, currently a Resource Person & Evaluator of Leadership and Management Curricula, Kenya Commission for University Education (CUE), Adjunct Instructor with Development Associates International, Colorado Springs, USA. Board Member MTRH.



**Prof. Isaac Kosgey**  
**Vice Chancellor Moi University**

Vice-Chancellor Moi University.  
 Professor of Animal Sciences (Animal Breeding and Genetics).  
 Doctor of Philosophy degree in Animal Sciences.  
 Master of Science degree in Animal Sciences with Distinction from Wageningen University (Wageningen, the Netherlands).  
 Bachelor of Science degree in Animal Production, First Class Honours, Egerton University.  
 Diploma in Animal Husbandry with Distinction, Egerton University (Njoro, Kenya)  
 Diploma in Law with Distinction from Mt. Kenya University (Thika, Kenya).  
 Master of Business Administration degree from Kenyatta University (Nairobi, Kenya).  
 Currently pursuing a Bachelor of Laws degree (LLB) at The Open University of Tanzania (Dar es Salaam, Tanzania).  
 Board member, MTRH.





**Dr. Wilson K. Aruasa, MBS  
Chief Executive Officer/  
Secretary to the Board**

M.Med in Obs-Gynae, UoN; MBChB, Moi University; Global Executive Masters of Business Administration, USIU; Strategic Leadership Development Programme, KSG; Certificate in Monitoring and Evaluation, KIM; LeHHo, Strathmore University; Health Information Management, Regenstrief Institute Indiana University and several professional workshops, Training and Seminars.

CEO, MTRH; Honorary lecturer, Moi University School of Medicine; Member AMPATH Executive Committee and AMPATH Board, and Council Member, Kenya Medical Association (KMA)

#### **BOARD MEMBERS WHO SERVED DURING THE FY 2018/19**

	<b>NAME</b>	<b>POSITION</b>	<b>REPRESENTATION</b>
1	Hon. Godana Doyo	Chairman	Independent Director
2	Florence Liza Chelimo	Member	Independent Director
3	Dr. Dorah Malla	Member	Independent Director
4.	Dr. Janeth Muriuki	Member	Independent Director
5	Mrs. Constantine Kandie	Member	Independent Director
6	Dr. Simeon Kibias	Member	Representing Principal Secretary - Ministry of Health
7	Dr. Izaq Odongo	Member	Representing Director Medical Services
8	Mr. Martin Gumo	Member	Representing Principal Secretary - The National Treasury
9	Mrs. Anne Mworio	Member	Representing Principal Secretary - Ministry of Education
10	Dr. Jeremiah Ntaloi Ole Koshal	Member	Chair, Moi University Council
11	Prof. Isaac Kosgey	Member	Vice Chancellor, Moi University
12	Dr. Wilson K. Aruasa	Secretary to the Board	Chief Executive Officer

### III. MANAGEMENT TEAM

NAME	AREA OF RESPONSIBILITY
 <p><b>Dr. Wilson K. Aruasa, MBS</b>  <b>M.Med in Obs-Gynae, (UoN) MBChB,(Moi University),</b>  <b>MBA-Health Leadership and Management (USIU)</b></p>	<p><b>Chief Executive Officer</b></p>
 <p><b>Dr. Philip Kirwa</b>  <b>MBChB, (UON) M.Med in Obs-Gynae (UON)</b></p>	<p><b>Senior Director-Clinical Services</b></p>





**Dr. Tarus B. Kipchumba (PhD)**  
**PhD in Strategic Mgt (MU), MSc. HRD (MU), MBA**  
**(JKUAT), BBM Accounting (MU), CPS(K).**

**Senior Director –  
Administration &  
Finance**



**Mr. Mathews Birgen**  
**MBA Finance (MU), BCOM (UON), CPA(K)**

**Director, Finance**



**Mr. Titus Tarus**  
**MScN, BScN**

**Director, Nursing  
Services.**



**Dr. Victor Maina**  
**MBA, Moi University, B. Pharm (UON),**

**Director, Pharmacy &  
 Nutrition**



**Ms. Ann Chemworsio**  
**MBA, Human Resource Management (MU), B.ED (MU),**  
**Post Graduate Diploma in Human Resource**  
**Management, (KIM)**



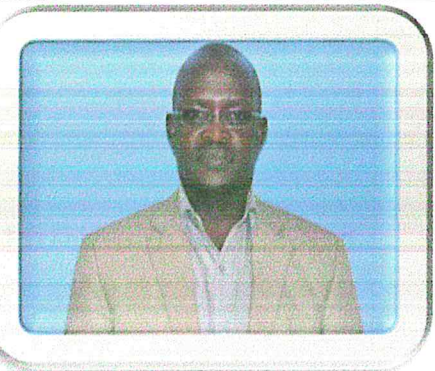
**Director, Human  
 Resource Management &  
 Development**



**Ms. Christine Chuani**  
**MBA Strategic Management (MU), BSC. Public Health**  
**(MU)**

**Director, Administration**



 <p><b>Dr. Stephen Ondigo</b> <b>M.MED, MBChB.</b></p>	<p><b>Director, Private wings</b></p>
 <p><b>Dr. Saratiel Nyabera</b> <b>MBChB, M.MED.</b></p>	<p><b>Director, Surgery</b></p>
 <p><b>Dr. Ezekiel Kimutai</b> <b>MBChB, M.MED.</b></p>	<p><b>Director, Diagnostic Services</b></p>





**Mr. Thomas Ngetich**  
**MBA(MU), MBA-Health Leadership and Management**  
**(USIU), BA-Economics (UON), CPA(K)**

**Manager, Finance**



**Mr. Bill Saina**  
**MBA, B. COM**

**Manager, Supply Chain**



**Ms. Sylvia Nyariki**  
**LLB**

**Head of Legal services**

The long term sustainability of MTRH operations will be determined by its continued ability to improve profitability and generate cashflow, and I am pleased to report that the MTRH continues to implement sound financial management policies and efficient utilization of funds, which ultimately enables the accomplishment of this objective.

### **Partnerships and Collaborations**

MTRH values both internal and external partners and linkages across the World. The Hospital undertook community outreaches and health promotions aimed at creating awareness in different health issues, which are paramount to improving healthcare delivery. Our partnership with the neighbouring counties and working with the communities continues to position MTRH as a Multi-Speciality Hospital of its kind. Besides routine patient care and management, the Hospital successfully conducted medical camps in the region in order to utilize highly skilled expertise from visiting doctors from collaborating institutions.

### **Appreciation**

I take this opportunity to acknowledge the support of The Government of Kenya, and Development partners. Many thanks go to the Chairman and Members of the Board of Management for their strategic guidance and support, our supplier's for supplying the goods and services required for patient care and the entire staff for their commitment to providing excellent services to our clients.

Finally, we are extremely grateful to the Hospital Board, Management and Staff Members who worked tirelessly to make the achievement for the FY 2018/19 possible.

*Done 26/06/2020*  
**DR. WILSON K. ARUASA, MBS**  
**CHIEF EXECUTIVE OFFICER**



## **VI. CORPORATE GOVERNANCE**

### **MTRH Board Charter**

The MTRH Board of Management has a Board Charter that describes Board Members' responsibilities, the Board's functions & structures and ethical conduct. In addition to this, the Mwongozo Code of Governance for State Corporations governs Board operations.

#### **1. Appointment and Induction of new Board Members**

Appointment of Board members is as prescribed under the State Corporations Act CAP 446 vide Legal Notice No 78 of 1998 and 56 of 2002. The President appoints the Board Chair and the CEO. The Cabinet Secretary for Health appoints Four (4) Independent Board Members while six (6) Board Members are appointed in representative capacity for the Principal Secretary Ministry of Health, Principal Secretary Ministry of Higher Education Science and Technology, Principal Secretary the National Treasury, Director of Medical Services, Chair Moi University Council, and Vice Chancellor Moi University. The appointing authorities take into considerations skills mix in selection of Board Members to ensure persons with key specializations such as Finance, Legal, Health, etc are included in the Board.

The Cabinet Secretary for Health appointed a new Board Member on a three-year term with effect from 1<sup>st</sup> May 2019.

##### **(i) Dr. Mary Wangai- Alt. Principal Secretary- Ministry of Health**

#### **2) Training of Board Members**

The Board Chair attended the following training during the year.

<b>Committee</b>	<b>Training</b>	<b>Date</b>	<b>Attendance</b>	<b>Venue</b>
Board Chair	Corporate Governance	22-26 <sup>th</sup> October 2018	Hon. Godana Doyo	Sarova White Sands Hotel Mombasa.

#### **3) Board Performance Evaluation:**

The Inspectorate of State Corporations (SCAC) conducts the MTRH Board evaluation on annual basis. The Board conducted the negotiation and signing of the Board Performance Contract for FY 2018/19 with the Cabinet Secretary, Ministry of Health.

#### **4) Conflict of Interest:**

Declaration of Conflict of Interest is a standing agenda in all meetings of the Board and its Committees. A register is maintained by the Institution to record all declarations made by board members.



### 5) Board Remuneration:

Remuneration of Board Members is as prescribed by the State Corporations Advisory Committee. Additionally, Medical and Accident Insurance Cover is provided to Independent Board Members only. Benefits and allowances payable to Members of the Board are as outlined below;

Type of payment	Chairman	Member
Honoraria (per month)	Ksh. 80,000	-
Sitting allowance	Ksh. 20,000 (Gross)	Ksh. 20,000 (Gross)
Telephone allowance	Ksh. 7,000	-
Transport allowance/ mileage	AA rates	AA rates
Taxi Allowance (as necessary, per meeting)	Ksh. 4,000	Ksh. 4,000
Lunch allowance (in lieu)	Ksh. 2,000	Ksh. 2,000
Accommodation (as necessary, per meeting)	Ksh. 18,200	Ksh. 18,200

### 6) Board Meetings Attendance.

In the FY 2018/19, Board meetings held were strictly as per the Board Almanac for Committees and full Board. There were no Special Meetings.

### 7) Board Committees

The board had four standing committees during the year, which met regularly under the terms of reference set out by the board.

#### Finance and Strategy Committee

The Finance and Strategy committee is responsible for the Financial policies of the Hospital and also reviews the Hospital Annual Budget. The committee met regularly as per the board almanac and the members were;

- |                            |   |             |
|----------------------------|---|-------------|
| 1. Mrs. Constantine Kandie | - | Chairperson |
| 2. Samuel Nthenge          | - | Member      |
| 3. Dr. Mary Wangai         | - | Member      |
| 4. Dr. Wilson Aruasa       | - | CEO         |

#### People Management Committee

The people management committee is responsible for reviewing Human resources requirements for the Hospital and formulating human resource policies. The committee met regularly as per the board almanac and the members were;

- |                        |   |             |
|------------------------|---|-------------|
| 1. Dr. Dorah Malla     | - | Chairperson |
| 2. Dr. Janet Muriuki   | - | Member      |
| 3. Dr. Mary Wangai     | - | Member      |
| 4. Prof. Simion Mining | - | Member      |
| 5. Mr. Mark Lugwisa    | - | Member      |
| 6. Dr. Wilson Aruasa   | - | CEO         |

### **Audit, Risk and Compliance Committee**

The committee is responsible for compliance with relevant laws, procedures and standards, quality of financial reporting, oversight in internal control systems and reviewing audit reports. The committee met regularly as per the board almanac and the members were;

- |                     |   |             |
|---------------------|---|-------------|
| 1. Mr. Idle Mohamud | - | Chairperson |
| 2. Dr. Dorah Malla  | - | Member      |
| 3. Mr. Mark Lugwisa | - | Member      |
| 4. Mr. Eliud Cheres | - | Secretary   |

### **Hospital Operations and Standards Committee.**

The Hospital Operations and Standards committee is responsible for reviewing Hospital operations and Standards, oversight the implementation of the strategic plans and quality standards of the Hospital. The committee met regularly as per the Board almanac and the members were;

- |                       |   |             |
|-----------------------|---|-------------|
| 1. Dr. Janet Muriuki  | - | Chairperson |
| 2. Mr. Idle Mohamud   | - | Member      |
| 3. Constantine Kandie | - | Member      |
| 4. Mr. Samuel Nthenge | - | Member      |
| 5. Prof. Simon Mining | - | Member      |
| 6. Dr. Wilson Aruasa  | - | CEO         |

### **8) Governance and Legal Audits**

MTRH scheduled and conducted legal audit in the FY 2018 /2019 FY. The recommendations from the legal audit are being implemented with a view to improve on compliance in all the legal aspects of the Hospital.

## **VII. MANAGEMENT DISCUSSIONS AND ANALYSIS**

### **A) CLINICAL PERFORMANCE**

The Hospital attended to **404,138** outpatients during the year compared **334,572** in FY 2017/18, representing a **20.8%** increase while inpatients increased by 7.9% to **46,536** from **43,144** in the FY 2017/18.

Maternal deliveries rose to **13,185** from **12,772** in the FY 2017/18.

#### **1. Out Patient Department**

The total number of outpatient clients for the year under review stood at 404,138 compared with 335,327 for FY 2017/18. The increase attributed to improved efficiency on service delivery as well as use of NHIF outpatient cover.

#### **2. In-Patient Services**

- Bed occupancy stood at 99.1% on average during the year, compared with 100.9% during the FY 2017/18. This is attributed to efficiencies in service delivery, especially the Theatres, and consistent Supplies.
- Average length of stay dropped by 4.9% to 7.73 days compared to 8.13 days in the FY 2017/18. This is due to improved efficiency and adoption of new strategies in patient care. Among the strategies deployed are;
  - Implementing the decongestion strategy.
  - Rapid Result Initiatives (RRI) adopted across the Hospital.
  - Effective Performance measurement and monitoring for improvement
  - Compliance with ISO standards.
  - Adherence to patient referral protocols.
  - Adopting of the 24hrs Theatre operations.
  - Enhanced billing system and 24hrs patient discharge process.
  - Availing adequate drugs and supplies.

##### **2.1 Reproductive Health**

A total of 13,185 deliveries were conducted compared to 12,772 in FY 2017/18, translating to 3.2% growth. This is attributed mainly to increased referrals from counties, in need of specialized maternity services and the support from the Government of Kenya through the Linda Mama Scheme, which has allowed mothers to deliver at MTRH without having to personally incur any cost.

##### **2.2 Theatre Department**

There was a general increase in theatre operations in the period attributed to huge capital investment in acquiring new and modernizing equipment at the Theatres and the 24-Hr theatre operations conducted at the Hospital.



## **2.3 Highly specialized services**

MTRH has introduced highly specialized surgeries in the last few years. In the year under review, the following specialized surgeries were conducted;

### **a) Open Heart Surgeries.**

A total of 35 Open Heart Surgeries were done in the period because of hospitals efforts to build staff capacity as well as capital investments done towards making MTRH a multi-speciality Hospital.

### **b) Kidney Transplants.**

During the year under review MTRH managed to carry out 19 successful kidney Transplants.

### **c) Cornea Transplants.**

MTRH conducted eleven (11) Cornea Transplants in the period.

## **B) CURRENT TRENDS IN THE HEALTH SECTOR**

### **1. Full scale up of universal health care in Kenya (UHC)**

- The Constitution of Kenya (COK), 2010 through the Bill of Rights recognizes health as a primary right and tasks the health sector with the responsibility to realize this right. Vision 2030 and the Kenya Health Policy 2015 – 2030 that aim to provide equitable and affordable health care of the highest standards to Kenyans are other key instruments that signal the government's commitment to ensure that Kenyans have access to quality, affordable health care.
- Universal Healthcare (UHC) is one of the key pillars of the current government to ensure that all people and communities in Kenya can access quality and effective health services they need, despite ability to pay.
- MTRH has mainstreamed the government commitment through the MTRH 2017 – 2022 Strategy by addressing the three (3) key issues of UHC; Population Coverage, Access to Quality Healthcare Services and Cost (Financial) Protection.
  - On coverage, MTRH has established Medical Camps and Community Outreaches, Partnerships and Collaborations with counties and other stakeholders, Developed and Implemented a Referral Strategy and modernised infrastructure.
  - On access to quality health care services, MTRH provides specialised patient-centred services through ensuring optimum availability of specialized healthcare personnel in all disciplines and provision of training for healthcare personnel for basic and post-basic courses. Performance Management, Standards and Quality Assurance are considered key in achievement of positive health outcomes.
  - On cost and financial protection, User Fees prices have been set considering affordability and collaborating with NHIF in promoting uptake of healthcare insurance.

## **2. Focus on Non-communicable diseases**

- MTRH has established the Cancer and Chronic Diseases Management Centre to help focus on the increasing trend of non-communicable diseases.
- MTRH is also in the process of acquiring Radiation Therapy equipment for Cancer cases as well as setting up a 4000-bed Multi-Speciality Hospital.
- In addition, through the Academic Model Providing Access to Healthcare, MTRH has established Primary Healthcare services in which community outreaches are conducted throughout the Hospital's catchment area for early diagnosis and treatment of non-communicable diseases.

## **3. Role of ICT in Health Care**

- MTRH has adopted use of Telemedicine not only to support service provision within the Hospital, but also to establish linkages and collaboration with advanced international Hospitals abroad.
- MTRH has also embraced use of Integrated Health Management Information System (I-HMIS), use of Mobile money (M-PESA) and Agency Banking as a mode of settlement and keeping track of client's deposits. Mobile money has not only enhanced security and efficiency of money transfer but has also improved Revenue collection.

## **4. Devolution of Healthcare**

- Under the Constitution of Kenya (COK) 2010, Primary health care is a devolved function to the counties. MTRH as a referral facility plays a big role in the referral mechanisms that ensures an effective referral system.
- The policy document on referrals is disseminated during Outreaches in order to streamline upward and downward referrals which will contribute towards decongestion and hence effective health care.
- MTRH also collaborates with counties within the North Rift and has signed MOUs with Uasin Gishu, Elgeyo Marakwet and Nandi counties for capacity building and for both upward and downward referrals. The Hospital however continues to receive more patients, some of whom could have been attended at the county hospitals.

## **C) CHALLENGES AND OPPORTUNITIES**

### **a) Physical infrastructure and Equipment**

The current bed capacity of the Hospital is overstretched while most of the medical equipment used in the Hospital are ageing and of obsolete technology. There is need for continuous investment to improve the physical infrastructure and modernization of equipment.



#### **b) Health Care Insurance Cover**

Most Kenyans have no form of health insurance cover and hence find it difficult to access health care when needed due to inability to pay. MTRH cannot deny medical care to Kenyans due to finances hence finds itself often waiving bills due. This affects hospital ability to offer optimal services. There's therefore need to scale up awareness to increase the uptake of health insurance especially NHIF cover among Kenyan citizens.

#### **c) Linda Mama Programme**

The Government implemented Free Maternity programme with effect from May 2013, where a package of Ksh. 17,500 is reimbursed per maternal delivery. Often the costs incurred in MTRH for this service exceed the reimbursable amount because most referred cases mostly have related complications that require specialized treatment including Intensive Care Unit (ICU) both for Mothers and Neonates. It is therefore necessary to reimburse ICU admissions at cost.

#### **D) FINANCIAL PERFORMANCE**

MTRH achieved a surplus of **Kshs. 475 Million** in the year under review out of which **Ksh.200 Million** was ploughed back to support capital investment. This resulted from a growth in cost sharing income by 25% compared to previous financial year.

All Government grants for the period were disbursed i.e. both recurrent and development grants. However, the long outstanding salary grants of **Kshs.444 Million (Ksh.350 Million** for June 2016 and **Ksh.94 Million** for June 2018) is still pending disbursement.

## **E) CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

### **Clinical Outreaches**

#### **Clinical Outreaches during the period**

As a way of creating awareness on health seeking behavior and encourage early diagnosis and treatment, MTRH conducts clinical outreaches in the community within its catchment area of 22 Counties. It offers screening and free medical services during these outreaches. It is also an opportunity to provide mentorship to partnering county health facilities. MTRH conducted thirty nine outreaches, screened and offered medical services to over 7,000 members of public during the period under review as summarized below;

<b>PERIOD</b>	<b>ACTIVITY</b>	<b>LOCATION</b>
23rd -30th July,2018	Baringo North (SAIMO & SAIMO SOI) Medical Camp	Baringo County
5th July, 2018	MTRH staff trained on Ostomy Care	MTRH
8th July 2018	MTRH Launches Support Group for Patients with Rheumatic Heart Disease	MTRH
12th July 2018	MTRH Lab Staff Engage Stakeholders	MTRH
24th July 2018	MTRH recognized for supporting Blood bank	UasinGishu County
26th July 2018	Hospital Chaplains asked to Support Patients Recovering from Addiction and Drugs	UasinGishu County
7th August 2018	The National Council for Persons with Disabilities (NCPWD) has rated Moi Teaching and Referral Hospital (MTRH) as Disability-friendly	UasinGishu County
11th August,2018	Chebusie Medical Camp (ElgeiyoMarakwet County)	ElgeiyoMarakwet County
21st-24th August, 2018	Nursing Now Exhibition at KICC, Nairobi	Nairobi County
9th September 2018	MTRH Performs Seven Open Heart Surgeries	MTRH
12th September 2018	Moi Teaching and Referral Hospital today joined the world in celebrating International Housekeeping Week	MTRH
25th September 2018	MTRH marks World Pharmacist Day	MTRH
27th September 2018	Moi Teaching and Referral Hospital (MTRH) held its inaugural HIV/AIDS	MTRH



*Moi Teaching and Referral Hospital, Annual Report and  
Financial Statements for the period ended 30<sup>th</sup> June 2019*

<b>PERIOD</b>	<b>ACTIVITY</b>	<b>LOCATION</b>
	Exposed Infants (HEI) graduation	
29th September 2018	Hospital celebrates World Heart Day	UasinGishu County
21st September, 2018	St. Paul Kaptuli Medical Camp-UasinGishu (Issued drugs)	UasinGishu County
21st September, 2018	KMPDU Medical Camp in Siaya – (Issued drugs)	Siaya County
16th -21st September, 2018	Baringo Medical Camp – Tiaty	Baringo County
1st-5th October 2018	CAJ holds a five-day workshop for MTRH Staff	MTRH
13th October 2018	MTRH observes World Sight Day	MTRH
13th October 2018	Hospital marks World Thrombosis Day	MTRH
16th October 2018	Hospital celebrates Mental Health Day	MTRH
14th October 2018	Isaiah F. Kiplagat Memorial-NdalatGaa Cross Country	UasinGishu County
22nd -23rd November 2018	Dental Outreach Kocholwa	ElegeyoMarakwet County
23rd November 2018	Hospital hosts Fourth MTRH- Counties' Forum	MTRH
23rd-30th November 2018	Children Service Week	MTRH
1st December 2018	Ziwa Farmers Road Race	UasinGishu County
1st December 2018	MTRH marks World AIDS Day	MTRH
22nd December 2018	The County Government of UasinGishu hosts early Christmas for Pediatric Patients in MTRH	UasinGishu County
21-25th January 2019	Open Heart Surgery Camp 3	MTRH
28th January 2019	World Cancer Day	MTRH
14th-15th February 2019	Medical Camp	St. Brigitta Yamumbi/UasinGishu County/
4th-5th February 2019	Pediatrics Neurosurgery Camp	MTRH
14th March 2019	World Kidney Day	MTRH
20th March 2019	World Oral Health Day Celebration Outreach Event	Moi University/Flax Dispensary

*Moi Teaching and Referral Hospital, Annual Report and  
Financial Statements for the period ended 30<sup>th</sup> June 2019*

<b>PERIOD</b>	<b>ACTIVITY</b>	<b>LOCATION</b>
22nd March 2019	Eye Screening camp	ElegeyoMarakwet County
28th March 2019	Eye Surgery Camp	MTRH
25th April 2019	Eye Surgery Camp	MTRH
14th May 2019	MTRH marks World Blood Donor day	MTRH
26th June 2019	MTRH Observes International Day Against Drug Abuse and Illicit Substance Trafficking	MTRH

**Notes;**

From the above outreaches conducted during the period, MTRH has realized the following positive outcomes in service provision;

- i) Early diagnosis, hence early treatment interventions to the patients thus reduction in the disease burden to the public.
- ii) Increased awareness to the general public on the services offered at MTRH
- iii) Capacity building and mentorship to the County Staff, and therefore reduction in the referrals.
- iv) Increased uptake on NHIF cover, hence reduced waivers for indigent patients
- v) Increased partnerships with the Counties, hence improved interventions on referrals protocols.

## F) REPORT OF THE DIRECTORS

The Directors submit this report together with the financial statements for the year ended 30<sup>th</sup> June 2019, which show the state of the Hospital's affairs.

### Principal activities

The principal activities of the Hospital include;

- i) Receive patients on Referral from other Hospitals or Institutions within or outside Kenya for specialized health care;
- ii) Provide facilities for Medical education for the Moi University, and for research either directly or through other co-operating health institutions;
- iii) Provide facilities for education and training in Nursing and other health and allied professions;
- iv) Participate as a National Referral Hospital in National Health Planning.

### Results

The results of the Hospital for the year ended 30<sup>th</sup> June 2019 are set out on page 1 to page 32.

### Directors

The members of the Board of Directors who served during the year are shown on page (v) to page (viii) of this report. During the year, one (1) director retired and 1 was appointed with effect from 1<sup>st</sup> May 2019.

### Auditors

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

By Order of the Board

*June 26/06/2020*  
DR. WILSON K. ARUASA, **MBS**  
CHIEF EXECUTIVE OFFICER/SECRETARY TO THE BOARD  
MOI TEACHING AND REFERRAL HOSPITAL  
P.O. BOX 3 - 30100  
ELDORET  
DATE:.....

MOI TEACHING AND REFERRAL HOSPITAL  
CEO  
APPROVED  
26 JUN 2020  
SIGN.....  
P. O. Box 3 - 30100, ELDORET



## **G) STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Directors are responsible for the preparation and presentation of the Hospital's financial statements, which give a true and fair view of the state of affairs of the Hospital for and as at the end of the financial year (period) ended on 30<sup>th</sup> June 2019. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Hospital;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the Hospital;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Hospital's financial statements, which have been prepared using appropriate accounting policies, supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Hospital's financial statements give a true and fair view of the state of Hospital's transactions during the financial year ended 30<sup>th</sup> June 2019, and of the Hospital's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Hospital, which have been relied upon in the preparation of the Hospital's financial statements as well as the adequacy of the systems of internal financial control.

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

### **Approval of the financial statements**

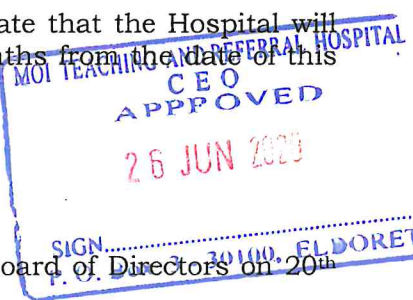
The Hospital's financial statements were approved by the Board of Directors on 20<sup>th</sup> September 2019 and signed on its behalf by;

  
HON. JOSEPH K. LAGAT  
BOARD CHAIRMAN

  
DR. WILSON K. ARUASA, **MBS**  
CHIEF EXECUTIVE OFFICER

DATE.....26/06/2020

DATE.....26/06/2020





# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON MOI TEACHING AND REFERRAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Adverse Opinion**

I have audited the accompanying financial statements of Moi Teaching and Referral Hospital set out on pages 1 to 32, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, the statement of changes in net assets, the 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do present fairly, in all material respects, the financial position of the Moi Teaching and Referral Hospital as at 30 June, 2019, 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 do not comply with the Moi Teaching and Referral Hospital Board Order, 1998 and the Public Finance Management Act, 2012.

#### **Basis for Adverse Opinion**

##### **1.0 Presentation and Disclosure**

The financial statements presented for audit contained the following errors: -

##### **1.1 Erroneous Classification of NHIF Loan**

The statement of financial position and as disclosed in Note 7.4 to the financial statements reflects Kshs.51,327,493 under current assets in respect of National Hospital Insurance Fund Loan. The Ministry of Health received a grant from International Atomic Energy Agency (IAEA) towards IAEA KEN/6/020 project for procurement of radiotherapy equipment for Moi Teaching and Referral Hospital. The grant was offered on a cost sharing basis with IAEA contributing 25% of cost and the Kenyan Government 75%. Further, the Hospital requested the National Hospital Insurance Fund for funding to the



tune of EURO.2,632,500 equivalent to 75% of the total cost for the radiotherapy equipment as directed by Ministry of Health.

However, the loan repayment of Kshs.51,327,493 was recognized as a current asset in the statement of financial position. Consequently, the current assets amount of Kshs.1,933,185,211 was overstated by the NHIF Loan amount.

## **1.2 Inaccuracies in Trade and Other Receivables**

The statement of financial position and as disclosed in Note 7.2 to the financial statements reflects debtors of Kshs.1,117,305,819. Included in this amount, is an amount of Kshs.522,046,162 proposed for write off which was erroneously classified as a debtor instead of a proposed provision for write off.

Consequently, the debtors amount of Kshs.1,117,305,819 was overstated by the proposed for write off amount of Kshs.522,046,162.

## **1.3 Inaccuracies in Accumulated Provision Amount**

The statement of financial position and as disclosed in Note 7.2 of the financial statements reflects debtors of Kshs.1,117,305,819. The amount was arrived at after deducting the accumulated provision of Kshs.856,055,919. However, the accumulated provision was erroneously calculated from the total trade and other receivables instead of corporate clients and individual clients amount of Kshs.412,002,391.

Consequently, the accumulated provision amount was overstated by Kshs.444,053,528.

## **1.4 Undisclosed Long-Term Liabilities**

The statement of financial position as at 30 June, 2019, did not reflect long term loan liabilities. However, financial statements of National Hospital Insurance Fund for the year ended 30 June, 2019, reflected an investment of a loan advanced to the Hospital amount of Kshs.381,470,109 and an accrued interest of Kshs.10,395,817, a loan recovery of Kshs.51,411,350 and a loan balance of Kshs.340,454,576 as at 30 June, 2019. This was at variance with the financial statements of MTRH which reflected NHIF loan of Kshs.51,327,493 which was been treated as a current asset without full disclosure of outstanding loan due to NHIF.

Consequently, the accuracy and completeness of the long-term liabilities could not be confirmed.

## **2.0 Trade and Other Receivables**

### **2.1 Inaccurate Corporate Clients Receivable Balance**

The statement of financial position and as disclosed in Note 7.2 of the financial statements reflects trade and other receivables balance of Kshs.1,117,305,819 as at 30 June, 2019. Included in this amount is corporate client debtors amounting to Kshs.297,887,395 out of which Kshs.251,345,267 relates to financial year 2017/2018 and prior years. However,



the corporate client's total debt as per the listing provided for audit review amounted to Kshs.342,069,039 while the financial statements reflected an amount of Kshs.297,887,395 resulting in an unreconciled difference of Kshs.44,181,644 which the Management explained was a proposed debt write off. However, no breakdown of the debts proposed for write off or evidence of authority for write off was provided for audit confirmation.

Consequently, the accuracy of corporate debts balance of Kshs.297,887,395 as at 30 June, 2019 could not be confirmed.

## **2.2 Unsupported Academic Model Providing Access to Healthcare (AMPATH) Receivables**

The statement of financial position and as disclosed in Note 7.2 to the financial statements reflects trade and other receivables balance of Kshs.1,117,305,819. Included in the amount is Kshs.69,810,780 in respect of AMPATH receivables which reflects an unexplained additional amount of Kshs.6,164,415 from previous year's balance of Kshs.63,646,365. However, audited AMPATH financial statements for the year ended 30 June, 2019 were not provided for audit verification. Further, included in the AMPATH receivables is an amount of Kshs.20,212,266 relating to salaries due to the Hospital dating back to the year 2013. However, no documentation was provided for audit verification.

In the circumstances, the accuracy and completeness of the AMPATH receivables balance of Kshs.69,810,780 as at 30 June, 2019 could not be confirmed.

## **2.3 Unaccounted for Student Debtors Balance**

The statement of financial position and as disclosed in Note 7.2 to the financial statements reflects trade and other receivables balance of Kshs.1,117,305,819. Included in the amount is students' debtors amount of Kshs.10,870,123 which had an unexplained and unreconciled credit amount of Kshs.7,657,885.

Consequently, the validity and accuracy of the students' debtors of Kshs.10,870,122 as at 30 June, 2019 could not be confirmed.

## **2.4 Misstatement of Ministry of Health Grants**

The statement of financial performance and as disclosed in Note 4.1 to the financial statements reflects government grants of Kshs.6,773,344,144. However, Ministry of Health grants receivable schedule provided in support of this amount totaled to Kshs.6,803,680,571 resulting in an unexplained and unreconciled difference of Kshs.30,336,427.

Consequently, the accuracy and completeness of the grants receivable from the Government amounting to Kshs.6,773,344,144 for the year ended 30 June, 2019 could not be confirmed.

### **3.0 Property, Plant and Equipment**

#### **3.1 Disputed Land Ownership**

The statement of financial position and as disclosed in Note 3.1 reflects property, plant and equipment balance of Kshs.2,235,404,667. Included in the amount is Uasin Gishu Memorial Hospital land valued at Kshs.71,037,687 with unquantified value of development. However, the land is subject to a court case between the hospital and the former directors of the hospital. The hospital management explained that the Court ruled in favour of the Hospital. The former Directors appealed against the judgement in the Court of Appeal which issued judgement in favour of Uasin Gishu Memorial Hospital Ltd. The Hospital Management filed an appeal at the Supreme Court which was ruled in their favour on 28 May, 2019 and the matter was remitted to the Environment and Land Court for determination.

Under the circumstances, until the case is heard and determined, the ownership status of the land valued at Kshs.71,037,687 and the unquantified value of development thereon included in the property, plant and equipment balance of Kshs.2,235,404,667 as at 30 June, 2019 could not be confirmed.

#### **3.2 Encroachment of Land**

Records provided for audit indicated that the original plan for the hospital land referenced as F/R No.176/12 was revised in 2004. The revised plan of 2004 indicated that the land was 29.67 hectares. However, review of the plans revealed that the original boundaries were changed and excluded sections of land referenced F/R No.315/128(532 and 533), F/R No.316/129 (534 and 535), F/R No.166/149 (180 and 192) and of F/R No.166/62 which were originally in the revised plan for 2004. Inspection of the land revealed that, there are permanent structures built on the encroached land.

Consequently, the accuracy, completeness, ownership and valuation of the land included in the financial statements as at 30 June, 2019 could not be confirmed.

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

#### **Key Audit Matters**

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

## 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

#### 1.0 Non-Compliance with Law on Ethnic Composition

The Hospital had a staff establishment of three thousand, six hundred and ninety-eight (3,698) hospital employees as at 30 June, 2019. Analysis of the human resource data revealed that the dominant community consisted of 68.9% of all the hospital employees. During the year under review, the hospital recruited fifty-seven (57) employees. Analysis of the newly recruited staff revealed the dominant community consisted of 50.9% of the new appointments. This is contrary to Section 7 of the National Cohesion and Integration Act, 2008 which requires that all public establishments seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment shall have more than one third of its staff from the same ethnic community.

Consequently, the Management was in breach of the Law.

#### 2.0 Non-Compliance with the One Third of Basic Salary Rule

During the year ended 30 June, 2019, a number of staff earned net salaries of less than a third (1/3) of the basic salary as detailed below:

Month	Total Affected Staff	Total Actual Net Pay	Total of a Third of Basic (Expected Minimum) Pay	Difference
July - 2018	396	4,457,140.83	5,921,346.89	(1,464,206.06)
August - 2018	245	3,359,573.92	4,277,709.55	(918,135.63)
September - 2018	288	3,634,257.92	4,897,405.04	(1,263,147.12)
October - 2018	381	4,966,409.70	6,595,943.00	(1,629,533.30)
November - 2018	388	4,923,029.42	6,610,376.67	(1,687,347.25)
December - 2018	543	6,931,296.56	9,130,117.83	(2,198,821.27)
January - 2019	17	191,336.51	285,752.17	(94,415.66)
February -2019	507	6,548,738.58	8,685,451.06	(2,136,712.48)
March - 2019	532	6,966,395.97	9,128,060.92	(2,161,664.95)
April - 2019	0	-	-	-
May - 2019	460	6,140,040.31	7,946,648.90	(1,806,608.59)
June - 2019	527	7,257,837.48	9,445,916.10	(2,188,078.62)
<b>Total</b>		<b>55,376,057.20</b>	<b>72,924,728.13</b>	<b>(17,548,670.93)</b>



This was contrary to Section 3 of the Employment Act, 2007 which requires that the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

Consequently, the Management was in breach of the Law.

### **3.0 Proposed Construction of Multi-Specialty Hospital**

The Hospital Management proposed to construct a multi-specialty 2000 bed Moi Teaching and Referral Hospital in Kiplombe area within Eldoret Municipality on land measuring 80.94 hectares. The land was acquired from the Ministry of Interior under the Prisons department. The Hospital Management spent an amount of Kshs.10,845,965 on due diligence trip to China as part of procurement process for the project an amount of Kshs.1,226,760 being cost of acquisition of certificate of lease for the land. However, although the above costs amounting to Kshs.12,072,725 have been included in property plant and equipment, the construction is yet to begin as the signing of commercial contract and negotiation with the proposed financier for the project was yet to be done.

Consequently, value for money has not been realised in the Project.

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

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

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter(s) described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1.0 Information Communication Technology**

Review of the Information and Communication Technology (ICT) of Moi Teaching and Referral Hospital (MTRH) revealed that the Organization did not have a Data Recovery Plan (DRP) and IT Continuity Plan. Such policies are vital in effective and efficient management of the entity's IT resources. In addition, the hospital did not have documented and tested emergency procedures in place, to ensure that the personnel involved are able to manage emergencies as well as ensure business continuity.

## **2.0 Fun-Soft HMIS System**

The Hospital uses Fun-soft HMIS system to bill and invoice patients. Review of the system revealed that it was not fully integrated. The Doctor's consultation and prescriptions were not integrated with the pharmacy, the wards and billings. This was despite the fact that the Hospital had been using the system for over ten years. Further, Management issued manual invoices to the patients instead of printing from Fun-soft HMIS citing the reason that the Fun-soft HMIS invoices were un-reliable yet the system's audit report by the Ministry of ICT in 2017 found the System to be sound and functional.

## **3.0 Long Outstanding Corporate Clients Debt**

The statement of financial position and as disclosed in Note 7.2 of the financial statements reflects trade and other receivables balance of Kshs.1,117,305,819 as at 30 June, 2019. Included in this amount is corporate client debtors amounting to Kshs.297,887,395 out of which Kshs.251,345,267 relates to financial year 2017/2018 and prior years. Further, review of the debtor's movement schedule and the ageing reports for the corporate clients indicated that there were one hundred and twenty-four (124) private wing II corporate clients with an outstanding amount of Kshs.63,614,219 and forty seven (47) amenity wing corporate clients with an outstanding amount of Kshs.67,228,443, who continued to receive services on credit without any payment plan for the outstanding amounts. This is an indication of weaknesses in credit management and recovery by the Management.

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

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

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

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



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

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

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

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships

and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

22 December, 2021

**H) STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

	Notes	2018/2019 KSHS.	2017/2018 KSHS.
<b>Revenue from Non-Exchange Transactions</b>			
Government grant	4.1	6,773,344,144	5,701,350,405
		<b>6,773,344,144</b>	<b>5,701,350,405</b>
<b>Revenue from Exchange Transactions</b>			
Cost Sharing	4.2	2,291,564,868	1,809,177,096
Income Generating Unit	4.3	895,622,148	632,574,416
Other Income	4.4	22,951,161	22,719,205
		<b>3,210,138,177</b>	<b>2,464,470,716</b>
<b>Total Revenue</b>		<b>9,983,482,321</b>	<b>8,165,821,121</b>
<b>Direct costs</b>			
Opening inventories	7.3	270,710,294	208,343,783
Add: Direct costs	5.1	1,076,935,027	984,654,087
Closing inventories	7.3	(329,210,713)	(270,710,294)
<b>Net direct costs</b>		<b>1,018,434,608</b>	<b>922,287,576</b>
<b>Gross revenue</b>		<b>8,965,047,713</b>	<b>7,243,533,545</b>
<b>EXPENDITURE</b>			
Personal Emoluments	6.1	6,762,074,025	5,895,004,840
Depreciation/Amortization	6.2	155,353,497	133,367,795
Administrative cost	6.3	401,239,811	407,238,875
Operational cost	6.4	617,652,768	482,400,775
Board Expenses	6.5	10,675,347	8,840,187
Finance Cost	6.6	-	147,412
Provision for doubtful debts	6.7	187,364,041	72,810,379
Waivers and Exemptions	6.8	354,745,063	208,876,801
Provision for Audit fee	6.9	1,160,000	1,508,000
<b>Total Costs</b>		<b>8,490,264,553</b>	<b>7,210,195,065</b>
<b>Net Surplus/ (Loss)</b>		<b>474,783,160</b>	<b>33,338,481</b>
Revenue reserves b/f		(166,997,087)	(200,335,568)
<b>Revenue reserves c/f</b>		<b>307,786,073</b>	<b>(166,997,087)</b>


The notes set out on pages 8 to 32 form an integral part of the Financial Statements

SIGNED   
HON. JOSEPH K. LAGAT  
BOARD CHAIRMAN

DATE 26/06/2020

  
DR. WILSON K. ARUASA, **MBS**  
CHIEF EXECUTIVE OFFICER

DATE 26/06/2020

  
MATHEWS BIRGEN  
ICPAK NO. 3915  
DIRECTOR, FINANCE

DATE 26/06/2020

1  
MOI TEACHING AND REFERRAL HOSPITAL  
CEO  
APPROVED  
26 JUN 2020  
SIGN.....  
P. O. Box 3 - 30100, ELDORET



*Moi Teaching and Referral Hospital, Annual Report and Financial Statements for the period ended 30<sup>th</sup> June 2019*

**I)**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 30<sup>TH</sup> JUNE 2019**

		2018/2019	2017/2018
	Notes	KSHS.	KSHS.
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	7.1	435,341,186	172,818,649
Debtors	7.2	1,117,305,819	1,239,842,450
Inventories	7.3	329,210,713	270,710,294
NHIF Loan	7.4	51,327,493	-
		<b>1,933,185,211</b>	<b>1,683,371,393</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	3.1	2,235,404,667	2,112,833,999
Project cost	3.2	30,712,237	34,258,705
		<b>2,266,116,904</b>	<b>2,147,092,703</b>
<b>TOTAL ASSETS</b>		<b>4,199,302,115</b>	<b>3,830,464,096</b>
<b>CURRENT LIABILITIES</b>			
Trade and other Payables	8.1	492,438,687	545,532,944
Prepaid fees	8.2	8,455,420	4,604,159
Unremitted Salary Obligations	8.3	447,473,449	532,028,387
Finance Lease	8.4	9,157,756	11,304,956
<b>TOTAL</b>		<b>957,525,313</b>	<b>1,093,470,446</b>
<b>NET ASSETS</b>		<b>3,241,776,802</b>	<b>2,736,993,650</b>
<b>FINANCED BY</b>			
CAPITAL RESERVES	9.1	2,933,990,737	2,903,990,737
REVENUE RESERVES	9.2	307,786,073	(166,997,087)
<b>TOTAL</b>		<b>3,241,776,810</b>	<b>2,736,993,650</b>

**J) STATEMENT OF CHANGES IN NET ASSETS**

	<b>CAPITAL RESERVES</b>	<b>REVENUE RESERVES</b>	<b>TOTAL</b>
<b>BALANCE AS AT 30<sup>TH</sup> JUNE 2017</b>	<b>2,818,990,737</b>	<b>(200,335,571)</b>	<b>2,618,655,166</b>
Capital grants for the period	85,000,000.00	-	85,000,000
Donations	-	-	0
Surplus ( Deficit) for the Period	-	33,338,481	33,338,481
<b>BALANCE AS AT 30<sup>TH</sup> JUNE 2018</b>	<b>2,903,990,737</b>	<b>(166,997,090)</b>	<b>2,736,993,647</b>
<b>BALANCE AS AT 1<sup>ST</sup> JULY 2018</b>	<b>2,903,990,737</b>	<b>(166,997,090)</b>	<b>2,736,993,647</b>
Capital grants for the period	30,000,000.00	-	30,000,000.00
Donations	-	-	-
Surplus ( Deficit) for the Period	-	474,783,160	474,783,160
<b>BALANCE AS AT 30<sup>TH</sup> JUNE 2019</b>	<b>2,933,990,737</b>	<b>307,786,070</b>	<b>3,241,776,807</b>
<b>BALANCE AS AT 30<sup>TH</sup> JUNE 2018</b>	<b>2,903,990,737</b>	<b>(166,997,090)</b>	<b>2,736,993,647</b>

*Moi Teaching and Referral Hospital, Annual Report and  
Financial Statements for the period ended 30<sup>th</sup> June 2019*

**K) STATEMENT OF CASH FLOWS**

<b>1. CASH FLOW FROM OPERATING ACTIVITIES.</b>	<b>NOTE</b>	<b>2018/19 KSHS.</b>	<b>2017/18 KSHS.</b>
<b>Surplus/Deficit</b>	<b>IS</b>	<b>474,783,160</b>	<b>33,338,481</b>
<b>Add:</b>			
Gain on Disposal	4.4	(505,443)	-
Depreciation / Amortization	6.2	155,353,497	133,367,795
		<b>154,848,054</b>	<b>133,367,795</b>
<b>Operating Profit Before Working Capital Changes</b>		<b>629,631,214</b>	<b>166,706,276</b>
<b>Working capital changes:</b>			
Change in Trade and other Receivables	7.2	122,536,631	(36,255,243)
Change in Stock	7.3	(58,500,419)	(62,366,511)
NHIF Loan	7.4	(51,327,493)	-
Change in Trade and other Payables	8.1	(53,094,257)	251,702,708
Long Term Loan		-	(15,377,226)
Prepaid Fees	8.2	3,851,261	3,778,513
Unremitted Salary Obligations	8.3	(84,554,938)	11,859,802
KCB Finance Lease	8.4	(2,147,200)	(2,112,000)
		<b>(123,236,414)</b>	<b>151,230,042</b>
<b>Net Cash In/Outflow from Operating Activities.</b>		<b>506,394,800</b>	<b>317,936,317</b>
<b>2. CASH FLOW FROM INVESTING ACTIVITIES.</b>			
Purchase of Fixed Assets	3.1	(274,407,766)	(255,968,246)
Proceeds from Asset Disposed	3.1	535,511	-
<b>Net Cash used in investing activities</b>		<b>(273,872,255)</b>	<b>(255,968,246)</b>
<b>3.CASH FLOW FROM FINANCING ACTIVITIES</b>			
Government Grants- Capital	9.1	30,000,000	85,000,000
		<b>30,000,000</b>	<b>85,000,000</b>
<b>Change in Cash and Cash Equivalents (ii).</b>		<b>262,522,545</b>	<b>146,968,072</b>
Cash and Cash Equivalent at the beginning of the year (i)	7.1	172,818,647	25,850,575
<b>Cash and Cash Equivalent (ii + i)</b>	<b>7.1</b>	<b>435,341,192</b>	<b>172,818,647</b>



## I. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Code	Expenditure Item	Original Budget 2018/19	Adjustment	Final Budget 2018/19	Actual Vote Book	Financial Statements	Budget Performance Difference	%
	<b>Revenue</b>							
	<b>GoK</b>							
1	Recurrent	6,016,344,144	757,000,000	6,773,344,144	6,773,344,144	6,773,344,144	-	100%
2	Capital	30,000,000	-	30,000,000	30,000,000	30,000,000	-	100%
	<b>Sub-Total</b>	<b>6,046,344,144</b>	<b>757,000,000</b>	<b>6,803,344,144</b>	<b>6,803,344,144</b>	<b>6,803,680,571</b>	-	100%
	<b>A.I.A</b>						-	
3	Cost Sharing	2,551,453,123	100,000,000	2,651,453,123	3,190,142,718	3,190,142,718	538,689,595	120%
4	Other Income	23,150,557	-	23,150,557	22,951,161	22,951,161	(199,396)	99%
	<b>Sub-Total</b>	<b>2,574,603,680</b>	<b>100,000,000</b>	<b>2,674,603,680</b>	<b>3,213,093,878</b>	<b>3,213,093,878</b>	<b>538,490,198</b>	120%
	<b>Grand Total</b>	<b>8,620,947,824</b>	<b>857,000,000</b>	<b>9,477,947,824</b>	<b>10,016,438,022</b>	<b>10,016,774,449</b>	<b>538,490,198</b>	106%
	<b>Expenditure</b>							
10	Personnel Emoluments	5,986,344,144	757,000,000	6,743,344,144	6,762,074,025	6,762,074,025	(18,729,881)	100%
20	Purchase of Drugs	603,301,691	72,500,180	675,801,871	734,958,531	538,116,279	(59,156,660)	92%
35	Disaster/ Emergency Response	30,000,000	-	30,000,000	15,966,616	16,778,014	14,033,384	188%
40	Dressings/theatre supplies	228,884,116	15,550,155	244,434,271	265,833,026	165,624,762	(21,398,755)	92%
45	Dental Supplies	11,126,000	-	11,126,000	8,237,900	6,113,975	2,888,100	135%
50	Food & Ration	140,122,996	20,150,375	160,273,371	157,637,469	131,327,367	2,635,902	102%
60	Doctors' Fees	197,810,334	50,450,280	248,260,614	248,059,715	248,137,520	200,899	100%
70	Lab reagents/chemicals	122,933,605	(11,000,000)	111,933,605	116,820,103	106,874,648	(4,886,498)	96%
90	Cleansing materials	50,681,531	(7,000,000)	43,681,531	43,625,908	36,610,670	55,623	100%
95	Admission Packs	10,359,276	(2,000,000)	8,359,276	7,119,000	6,428,000	1,240,276	117%
100	Hospital Linen	13,622,548	-	13,622,548	13,619,750	9,564,750	2,798	100%
110	X-ray/ Radiology supplies	41,154,265	11,000,000	52,154,265	47,890,675	40,878,593	4,263,590	109%
120	Oxygen	80,600,000	(35,000,000)	45,600,000	42,211,592	43,334,471	3,388,408	108%
130	Supplies for Production	9,281,774	-	9,281,774	8,123,945	14,064,141	1,157,829	114%
140	Fuel & Gas	17,169,869	(2,000,000)	15,169,869	10,376,142	6,906,210	4,793,727	146%
150	Uniforms for patients	9,101,734	(1,300,000)	7,801,734	7,190,685	4,088,500	611,049	108%
160	Materials for Specialized units	21,372,574	(4,300,000)	17,072,574	14,017,883	9,683,037	3,054,691	122%
170	Mortuary supplies	2,531,294	-	2,531,294	2,475,165	1,593,811	56,129	102%
180	Course Administration and subscription fees	10,158,460	-	10,158,460	10,211,793	11,793,021	(53,333)	99%
190	Cafeteria supplies	6,000,000	1,600,000	7,600,000	7,912,107	5,989,733	(312,107)	96%
200	Library services	5,145,582	(2,000,000)	3,145,582	1,673,042	1,889,984	1,472,540	188%
210	Maintenance of building & station	50,130,680	(2,500,000)	47,630,680	47,305,083	37,607,443	325,597	101%
220	Maintenance plant & equipment	33,119,843	1,000,000	34,119,843	34,207,474	33,376,064	(87,631)	100%

*Moi Teaching and Referral Hospital, Annual Report and  
Financial Statements for the period ended 30<sup>th</sup> June 2019*

Code	Expenditure Item	Original Budget 2018/19	Adjustment	Final Budget 2018/19	Actual Vote Book	Financial Statements	Budget Performance Difference	%
230	Electricity Expenses	64,273,807	5,152,510	69,426,317	68,902,615	68,873,034	523,702	101%
240	Stationery	15,187,645	1,000,000	16,187,645	16,105,054	16,942,807	82,591	101%
250	Water & Conservancy	37,626,725	10,500,000	48,126,725	49,998,160	49,998,317	(1,871,435)	96%
260	Transport Operating Expenses	12,245,364	(4,000,000)	8,245,364	7,757,641	7,354,458	487,723	106%
270	Printing of Accountable documents, Medical Records and HRIS and stationery	23,796,348	(5,854,000)	17,942,348	17,174,035	8,519,015	768,313	104%
280	Telephone expenses	6,668,254	1,250,500	7,918,754	8,586,583	8,090,531	(667,829)	92%
290	Plant and Equipment Insurance policy	6,600,000	(6,600,000)	-	-	-	-	
300	Rents & Rates	2,188,887	-	2,188,887	1,211,284	1,218,492	977,603	181%
310	Bank charges	8,554,963	(4,000,000)	4,554,963	3,836,763	3,836,764	718,200	119%
320	Postal Charges	1,024,933	-	1,024,933	916,932	939,441	108,001	112%
330	Motor Vehicle Insurance	3,151,500	-	3,151,500	1,819,486	2,058,491	1,332,014	173%
340	Patient Traveling Expenses	121,000	-	121,000	53,650	50,650	67,350	226%
345	Issue Based Committees	2,650,000	(1,000,000)	1,650,000	904,490	948,054	745,510	182%
350	Staff uniforms & protective gear	6,870,380	(1,900,000)	4,970,380	3,552,220	4,182,115	1,418,160	140%
355	Occupational Health Safety	8,826,586	1,500,000	10,326,586	8,534,962	7,326,937	1,791,624	121%
360	Traveling and Accommodation	51,267,596	-	51,267,596	52,491,634	52,491,634	(1,224,038)	98%
370	Board Expenses	20,909,015	(4,000,000)	16,909,015	9,930,652	10,675,347	6,978,363	170%
380	Computerization	110,145,365	(74,000,000)	36,145,365	36,044,354	31,406,829	101,011	100%
390	Comprehensive Group Personal accident cover	8,000,000	5,500,000	13,500,000	13,183,022	13,183,022	316,978	102%
395	Group Life Insurance Cover	20,000,000	6,500,000	26,500,000	26,106,999	26,106,999	393,001	102%
400	Staff development & training	47,075,937	-	47,075,937	48,844,765	48,844,766	(1,768,828)	96%
401	Medical Officers Post-Graduate Training	15,000,000	-	15,000,000	15,017,882	15,700,391	(17,882)	100%
405	Health Research, Development & Innovation	12,000,000	(6,000,000)	6,000,000	2,701,348	2,205,215	3,298,652	222%
410	Advertising & Publicity	11,705,636	-	11,705,636	11,502,990	11,589,359	202,646	102%
415	Hospital Security services	4,416,410	-	4,416,410	3,434,913	4,512,656	981,497	129%
420	Contracted Professional Services	30,805,487	(8,000,000)	22,805,487	22,852,954	21,422,848	(47,467)	100%
430	ISO	8,832,159	(1,500,000)	7,332,159	5,845,785	5,385,355	1,486,374	125%
440	Office Equipment	15,061,386	3,100,000	18,161,386	14,417,996	17,266,545	3,743,390	126%
460	External Traveling & Allowance	16,215,256	(6,600,000)	9,615,256	7,693,993	7,693,996	1,921,263	125%
470	Internet Expenses	6,173,564	1,000,000	7,173,564	7,180,424	3,943,800	(6,860)	100%
480	Staff Medical Scheme	187,535,914	1,000,000	188,535,914	188,806,358	183,622,609	(270,444)	100%
490	Corporate Social Responsibility	2,200,000	2,000,000	4,200,000	3,294,820	3,288,867	905,180	127%

**Moi Teaching and Referral Hospital, Annual Report and  
Financial Statements for the period ended 30<sup>th</sup> June 2019**

Code	Expenditure Item	Original Budget 2018/19	Adjustment	Final Budget 2018/19	Actual Vote Book	Financial Statements	Budget Performance Difference	%
500	IREC	1,000,000	-	1,000,000	1,000,000	1,000,000	-	100%
510	Cash in transit insurance	-	-	-	-	-	-	
520	Continuous Professional Development	770,000	(200,000)	570,000	-	-	570,000	0%
530	Contribution	120,000,000	80,000,000	200,000,000	196,369,352	184,697,213	3,630,648	102%
545	Purchase of Medical Appliances	20,000,000	-	20,000,000	18,783,763	18,783,763	1,216,237	106%
550	C. A.R.E.	1,095,391	-	1,095,391	875,650	874,700	219,741	125%
560	Capital Expenditure	30,000,000	-	30,000,000	29,789,721	29,789,721	210,279	101%
	<b>TOTALS</b>	<b>8,620,947,824</b>	<b>857,000,000</b>	<b>9,477,947,824</b>	<b>9,513,070,879</b>	<b>9,113,679,759</b>	<b>(35,123,055)</b>	<b>100%</b>



## **L) NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

Moi Teaching and Referral Hospital was established under Legal Notice No.78 of 12<sup>th</sup> June 1998 of the State Corporations Act (Cap 446). MTRH is wholly owned by the Government of Kenya and is domiciled in Kenya.

#### **Principal activities**

The Hospital mandate is to:

- Receive patients on Referral from other Hospitals or Institutions within or outside Kenya for specialized health care;
- Provide facilities for Medical education for the Moi University, and for research either directly or through other co-operating health institutions;
- Provide facilities for education and training in Nursing and other health and allied professions;
- Participate as a National Referral Hospital in National Health Planning.

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

Moi Teaching and Referral Hospital financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of Moi Teaching and Referral Hospital. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared based on historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

#### **A. ADOPTION OF NEW AND REVISED STANDARDS**

##### **i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017**

<b>Standard</b>	<b>Impact</b>
<b>IPSAS 33:</b> First time adoption of Accrual Basis IPSAS	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.</p> <p><i>Moi Teaching and Referral Hospital adopted IPSAS in the year</i></p>

<b>Standard</b>	<b>Impact</b>
	<i>ended 30<sup>th</sup> June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the Moi Teaching and Referral Hospital.</i>
<b>IPSAS 34:</b> Separate Financial Statements	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when Moi Teaching and Referral Hospital prepares separate financial statements.</p> <p><i>Moi Teaching and Referral Hospital does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i></p>
<b>IPSAS 35:</b> Consolidated Financial Statements	<p><b>Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements.</p> <p><i>The Moi Teaching and Referral Hospital does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i></p>
<b>IPSAS 36:</b> Investments in Associates and Joint Ventures	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p><i>Moi Teaching and Referral Hospital does not have investments in associates or joint ventures.</i></p>
<b>IPSAS 37: Joint Arrangements</b>	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.</p> <p><i>Moi Teaching and Referral Hospital does not have an interest</i></p>

Standard	Impact
	<i>in a joint arrangement and therefore the standard does not apply.</i>
<b>IPSAS 38:</b> Disclosure of Interests in Other Entities	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires Moi Teaching and Referral Hospital to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.</p> <p><i>Moi Teaching and Referral Hospital does not have an interests in other entities and therefore the standard does not apply</i></p>

## **B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **a) Revenue recognition**

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

##### **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 Moi Teaching and Referral Hospital and can be measured reliably.

#### **ii) Revenue from exchange transactions**

##### **Rendering of services**

Moi Teaching and Referral Hospital recognizes revenue from rendering of services by reference to the stage of service provision when the outcome of the transaction can be estimated reliably. The stage of provision of service is measured by cost of supplies incurred to date as a percentage of total estimated costs incurred.

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

##### **Sale of goods**

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



**b) Budget information**

The original budget for FY 2018-2019 was approved by the Board of Management in June 2018. 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 Moi Teaching and Referral Hospital upon receiving the respective approvals in order to conclude the final budget. Accordingly, Moi Teaching and Referral Hospital recorded additional appropriations of **Kshs.857 Million** on the 2018-2019 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented on page 5 of these financial statements.

**c) Property, Plant and Equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, Moi Teaching and Referral 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.

**d) 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.

#### **e) Research and Development Costs**

Moi Teaching and Referral Hospital expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when Moi Teaching and Referral Hospital can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- 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.

#### **f) Financial Instruments**

##### **Impairment of Financial Assets**

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

- The debtors or a Moi Teaching and Referral Hospital of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization

- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

#### **g) Inventories**

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

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor 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 Moi Teaching and Referral Hospital.

#### **h) Provisions for Expenditure**

Provisions are recognized when the Moi Teaching and Referral 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 Moi Teaching and Referral Hospital expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

#### **i) Provision for Bad Debts**

Bad debts include trade and other receivables value the organisation is not certain that the debt holder will meet its obligations when it falls due. From past experience, the Hospital has realised that the debt secured by National Identification Cards and Commitment Letters are not paid by the debtors hence 100% provisions on balances. The Hospital has also realized debt



secured by Tittles Deeds and Motor Vehicle Log Books are not recoverable by 50% of all current debts and 100% on debt over six years (6).

The Hospital has therefore made cumulative provisions of **Kshs. 856 million** on all categories of debts.

**j) Provision for write off**

Bad Debt Write-offs is debt the organisation has realized the debtor will not be able to pay in future for various reasons. The Hospital has analysed this category and will submit a proposal to the Cabinet Secretary of the National Treasury and Planning for write-off of bad debtors totalling to **Kshs.522,046,162** accumulated since the inception of the Hospital as follows;

- 100% write off of debts secured with Identity Cards – Kshs. 280,386,289
- 100% Write-off of debts secured with commitment letters – Kshs. 126,270,093
- Write-off of debts secured with Title Deeds that is older than 6 years – Kshs.33,529,535
- Write-off of debts secured with Logbooks that is older than 6 years – Kshs.4,692,834
- Write-off of Corporate Debts aged over six (6) years amounting to Kshs. 59,410,944
- Write-off in financial year 2008/2009 of Kshs. 17,756,467

**k) Contingent Liabilities**

Moi Teaching and Referral 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.

**l) Contingent Assets**

Moi Teaching and Referral 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 Moi Teaching and Referral 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.

**m) Nature and Purpose of Reserves**

Moi Teaching and Referral Hospital creates and maintains reserves in terms of specific requirements.

**n) Changes in Accounting Policies and Estimates**

Moi Teaching and Referral 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.

**o) Employee Benefits**

**Retirement Benefit Plans**

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

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

**p) 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.

**q) 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 Kenya Commercial 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**r) Accounting for Leases IPSAS 13**

IPSAS 13 prescribes the policies and procedures on accounting for leases. Accounting for leases is based on lease agreement whereby the lessor and the lessee, in return for a payment or series of payments give the right to use an asset for an agreed period of time. Assets held for leases is presented in the statement of financial position according to the nature of the asset.

**s) Accounting for Donated Assets IPSAS 23**

PSAS 23 prescribes the policies and procedures on accounting for donations, in which asset received from donors recognized at its fair market value, which can be determined through an appraisal, the market rate on similar assets, or the net present value of the expected future cash flows generated by the asset.

**t) Comparative Figures**

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

**C. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

Periods State all judgements, estimates and assumptions made: e.g

**I. Estimates and Assumptions**

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



## II. Useful Lives and Residual Values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal. The condition of the asset based on the assessment of experts employed by the Moi Teaching and Referral Hospital, The nature of the asset, its susceptibility and adaptability to changes in technology and processes, The nature of the processes in which the asset is deployed, Availability of funding to replace the asset and Changes in the market in relation to the asset

## III. Provision

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

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

## IV. Cash and Cash Equivalents

### Detailed Analysis of the Cash and Cash Equivalents

		2018/2019	2017/2018
Financial Institution	Account number	Kshs	Kshs
<b>Current account</b>			
Kenya Commercial bank	1103464329	373,721,929	150,813,277
Kenya Commercial bank	1103464396	54,061,318	14,118,591
Kenya Commercial bank	1171307322	-	1,016,828
Kenya Commercial bank	1103031457	554,364	3,300,663
Kenya Commercial bank	1151682268	6,408,536	3,568,275
Safaricom Mpesa	175599	40,502	-
Safaricom Mpesa	951251	254,538	-
Petty Cash		300,000	1,015
<b>Totals</b>		<b>435,341,186</b>	<b>172,818,649</b>

## V. Receivables from Exchange Transactions

Description	2018/2019	2017/2018
	Kshs	Kshs
<b>Current receivables</b>		
Trade Debtors	660,195,818	795,232,449
<b>Total current receivables</b>	<b>660,195,818</b>	<b>795,232,449</b>

## **VI. Receivables from Non-Exchange Contracts**

<b>Description</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Current receivables</b>		
MOH Grant	457,110,001	444,610,002
<b>Total current receivables</b>	<b>457,110,001</b>	<b>444,610,002</b>

## **Transfers from Ministries, Departments and Agencies**

<b>Name of the Entity sending the grant</b>	<b>Amount recognized to Statement of Comprehensive Income Kshs</b>	<b>Amount deferred under deferred income Kshs</b>	<b>Amount recognised in capital fund.</b>	<b>Total grant income during the year</b>	<b>2017/2018</b>
			<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Ministry of Health	6,773,344,144	-	30,000,000	6,803,344,144	5,786,350,405
<b>Total</b>	<b>6,773,344,144</b>	<b>-</b>	<b>30,000,000</b>	<b>6,803,344,144</b>	<b>5,786,350,405</b>

## **VII. Inventories**

<b>Inventories</b>	<b>2018/19</b>	<b>2017/18</b>
Drugs	146,241,332	141,042,115
Dressings and Theatre Supplies	143,120,300	75,492,914
Lab Reagents and X-Ray Supplies	14,830,407	23,021,355
Food and Ration	2,435,901	3,366,126
Cleansing Materials	1,583,500	3,470,829
Hospital Linen	10,009,970	15,223,045
Maintenance Materials	7,830,258	4,503,352
O & M Stores	1,262,700	2,109,700
Stationery	1,896,645	2,480,858
<b>Total</b>	<b>329,210,713</b>	<b>270,710,294</b>

## **VIII. Trade and Other Payables from Exchange Transactions**

	<b>2018/2019</b>	<b>2017/18</b>
Trade Creditors	491,278,687	544,372,944
Office of the Auditor General	1,160,000	1,160,000
<b>Total</b>	<b><u>492,438,687</u></b>	<b><u>545,532,944</u></b>

## IX. LONG TERM LOAN

	2018/2019	2017/2018
Opening Balance		15,377,226
Payments		<u>(15,377,226)</u>
Closing Balance	<u>-</u>	<u>-</u>

No.	Project	Total project cost (Kshs.)	Progress	Completion %	Budget Commitment	Partner
1.	Fun soft	15,902,631	ERP (Complete pending Commissioning)	100%	Yes	-
2.	Asset tagging, E-notice board and queue	14,809,605	ERP	50%	Yes	-

## X. PROJECT IMPLEMENTATION REPORT

### XI. Related Party Balances

#### a. Nature of related party relationships

Entities and other parties related to Moi Teaching and Referral 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.

Moi Teaching and Referral Hospital is related to

- i) The National Government; -National Treasury
- ii) The Parent Ministry- Ministry of Health
- iii) Board of directors;
- iv) Key management;

#### b. Related Party Transactions

Transfers from related parties'

	2018/2019	2017/2018
Government grant	6,803,344,144	5,786,350,405

#### a. Due from Related Parties

	2018/19	2017/18
MOH Grant	457,110,001	444,610,002



## **XII. Events after the Reporting Period**

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

## **XIII. Ultimate and Holding Entity**

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

## **XIV. Currency**

The financial statements presented in Kenya Shillings (Kshs)

## **XV. Major Risks Facing the Hospital**

The Board is ultimately accountable for the MTRH risk management process and system of internal control. The Board mandated Audit, Risk and Compliance Committee of the Board to monitor the risk management process and systems of internal control of MTRH. The Board oversees the activities of the Audit, Risk and compliance Committee, the MTRH internal and external auditors

The objective of risk management in MTRH is to establish an integrated and effective risk management framework where important risks are identified, quantified and managed. The MTRH priority risk items, together with key measures taken to mitigate these risks, are listed in the below.

### **I. Confidentiality Risks.**

Un-authorized access and sharing of confidential Hospital information.

#### **Mitigation of Risk**

Policies and procedures are in place

### **II. Compliance Risks**

Failure to comply with laws and regulations may result in fines, prosecution or damage to reputation.

#### **Mitigation of Risk**

Hospital secretarial and legal department in different operating platforms support operational management and monitor regulatory developments and where necessary, obtain legal expert advice for the effective implementation of compliance initiatives. Compliance risks are identified and assessed as part of departmental risk registers.

### **III. Credit Risks**

Availability and cost of capital and financing and liquidity risk

#### **Mitigation of Risk**

Long-term planning of capital requirements and cash flow forecasting. monitoring of cash-generating capacity within the Hospital, proactive and long-term agreements with Ministry of Health and Treasury and other funders on funding facilities.

Monitoring of compliance with the requirements of debt covenants.

#### **IV. Economic and Business Environment Risk**

The downturn in the general economic and business environment, including all those factors that affect Hospital's operations, customers, competitors, stakeholders, suppliers and industry trends.

##### **Mitigation of Risk**

MTRH has implemented systems to monitor developments in the economic and business environment of trends and early warning indicators.

#### **V. Human Resources Risks**

Availability, recruitment and retention of skilled human resources – To mitigate the shortage of skilled labour particularly doctors and nursing staff.

##### **Mitigation of Risk**

The employment, recruitment and retention strategies are in place, extensive training and skills development programme.

#### **VI. Regulatory Risk**

The risk of a change in laws and regulations applicable to the Hospital.

##### **Mitigation of Risk**

MTRH has implemented proactive engagement strategies with stakeholders.

#### **VII. Market Risk**

Competition risk relating to the uncertainty created by the existence of competitors or the emergence of new competitors with their own strategies. The risk relating to the impact on tariffs and fees Resulting from the shift of the relative negotiating power towards funders away from service providers in the healthcare industries.

##### **Mitigation of Risk**

Proactive monitoring of new market entrance.

*Moi Teaching and Referral Hospital, Annual Report and  
Financial Statements for the period ended 30<sup>th</sup> June 2019*

### 3.1 Property, Plant and Equipment Movement Schedule

Assets	Land	Buildings	Plant, Equipment's, Furniture & Fittings	Computers, Telephones & TV's	Motor Vehicles	TOTAL
	0.00%	2.50%	12.50%	30.00%	25.00%	
Cost/Valuation	kshs	kshs	kshs	kshs	kshs	kshs
<b>As at 1<sup>st</sup> July 2017</b>	101,577,820	1,690,045,643	880,930,032	169,272,055	67,096,290	<b>2,908,921,840</b>
Additions:	-	82,253,984	142,804,919	11,422,489	15,940,386	<b>252,421,778</b>
Disposal			-		-	-
Donations	-		-	-	-	-
Project Cost Capitalized	-	9,585,588	40,171,387	-	-	<b>(49,756,975)</b>
<b>As at 30<sup>th</sup> June 2018</b>	<b>101,577,820</b>	<b>1,781,885,216</b>	<b>1,063,906,338</b>	<b>180,694,544</b>	<b>83,036,676</b>	<b>3,164,890,086</b>
As at 1 <sup>st</sup> July 2018	101,577,820	1,781,885,216	1,063,906,338	180,694,544	83,036,676	<b>3,164,890,086</b>
Additions:		12,515,274	226,108,968	23,870,523	11,913,000	<b>274,407,766</b>
Disposal					(4,000,000)	<b>(4,000,000)</b>
Donations						-
Project Cost Capitalized		3,546,468				<b>3,546,468</b>
<b>As at 30<sup>th</sup> June 2019</b>	<b>101,577,820</b>	<b>1,797,946,958</b>	<b>1,290,015,306</b>	<b>204,565,067</b>	<b>90,949,676</b>	<b>3,438,844,320</b>
<b>Depreciation/ Amortization:</b>						
As at 1 <sup>st</sup> July 2017	-	298,757,488	490,771,021	129,545,445	45,824,846	<b>964,898,800</b>
Charge for the period	-	37,078,193	71,641,915	15,344,730	9,302,958	<b>133,367,796</b>
Disposal					(3,969,932)	<b>(3,969,932)</b>
<b>As at 30<sup>th</sup> June 2018</b>	<b>-</b>	<b>335,835,681</b>	<b>562,412,936</b>	<b>144,890,175</b>	<b>51,157,872</b>	<b>1,094,296,664</b>
As at 1 <sup>st</sup> July 2018	-	335,835,681	562,412,936	144,890,175	51,157,872	<b>1,094,296,664</b>
Charge for the period	-	36,552,782	90,950,296	17,902,468	9,947,951	<b>155,353,497</b>
Disposal						-
<b>As at 30<sup>th</sup> June 2019</b>	<b>-</b>	<b>372,388,463</b>	<b>653,363,232</b>	<b>162,792,643</b>	<b>61,105,823</b>	<b>1,249,650,161</b>
<b>NBV As at 30<sup>th</sup> June 2019</b>	<b>101,577,820</b>	<b>1,425,558,495</b>	<b>636,652,074</b>	<b>41,772,425</b>	<b>29,843,853</b>	<b>2,235,404,667</b>
<b>NBV As at 30<sup>th</sup> June 2018</b>	<b>101,577,820</b>	<b>1,446,049,535</b>	<b>501,493,402</b>	<b>35,804,369</b>	<b>27,908,873</b>	<b>2,112,833,999</b>



## **Disclosures**

- a) The Hospital Assets include banking hall building under operating leases with KCB. The cost of the building Kshs. 26,413,433.73.
- b) The Hospital Land, includes;
  - i. Memorial Land which has unresolved court dispute with its former directors.
  - ii. Main Hospital Land, in which some encroachments have been made on its original boundaries, according to its 1928 plan.

Management has written to National Land Commission on the two matters for their intervention.

- c) The Hospital received donations of Assets in the year, Donation which the Hospital could ascertain the market value or income to be earn from the use of the assets is included in the asset register with values of each assets and assets which the market value is not available in the market or revenue to be generated cannot be ascertain is recorded in the assets register without values. Management shall obtain the services of a Valuer to ascertain the true value of these donations.

**NOTES TO ACCOUNT CONTINUED**

	2018/2019	2017/2018
<b>3.2 Project Cost</b>		
Funsoft HMIS	15,902,631	15,902,631
Asset Tagging, E-Noticeboard	14,809,605	14,809,605
Road to Microwave Plant	-	3,546,468
<b>TOTAL</b>	<b>30,712,237</b>	<b>34,258,705</b>
<b>4.0 INCOME</b>		
<b>4.1 GoK Grants</b>		
Recurrent Grants	6,773,344,144	5,701,350,405
<b>Total</b>	<b>6,773,344,144</b>	<b>5,701,350,405</b>
<b>4.2 Cost Sharing</b>		
Out Patient Department	82,300,722	123,898,414
Surgical Wards	351,921,119	408,436,800
Medical Wards	917,456,005	402,080,649
Laboratory Services	170,285,275	141,461,039
Pharmacy Department	515,652,594	574,016,911
Radiology and Imaging Department	230,141,875	126,942,385
Dental Department	23,782,844	13,178,197
Cafeteria Department	24,435	19,162,700
<b>Total</b>	<b>2,291,564,868</b>	<b>1,809,177,096</b>
<b>4.3 Income Generating Unit</b>		
Farewell Home	64,475,264	65,996,190
Amenity Wing	258,807,630	167,070,524
Memorial Wing	489,278,513	327,620,904
MTRH College of Health Sciences	83,060,741	71,886,797
<b>Total</b>	<b>895,622,148</b>	<b>632,574,416</b>
<b>4.4 Other Income</b>		
Training Levy	334,545	920,514
Surcharge	474,890	586,089
Small Business Unit	1,347,113	1,205,457
Rental Income	9,256,020	9,055,970
Transport Services	-	114,450
Salary Recovery	1,103,307	5,729,851
Administrative fees	9,385,058	4,407,013
Tender Fees	116,055	419,761

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Library Service	-	100
Service Bond	428,730	280,000
Gain on Disposal	505,443	-
<b>Total</b>	<b>22,951,161</b>	<b>22,719,205</b>
<b>5.0 Purchases</b>		
<b>5.1 Direct costs</b>		
Drugs	538,116,279	483,014,900
Food and Ration	131,327,367	93,538,644
Fuel and Gas	6,906,210	4,564,438
Lab Reagents	106,874,648	98,551,544
Dressings and Theatre Supplies	165,624,762	179,726,472
Materials for Specialized Units	9,683,037	13,290,420
Farewell Home Supplies	1,593,811	2,282,862
Cafeteria Supplies	5,989,733	12,672,058
Dental Supplies	6,113,975	6,171,608
Supplies for Production	14,064,141	5,249,503
Radiology and Imaging/X-Ray Supplies	40,878,593	37,691,099
Oxygen	43,334,471	39,223,470
Admission Packs	6,428,000	8,677,068
<b>Total</b>	<b>1,076,935,027</b>	<b>984,654,086</b>
<b>6.0 Expenditures</b>		
<b>6.1 Personnel Emoluments</b>		
Basic Pay	2,737,861,058	2,312,098,755
House Allowance	705,258,139	666,342,044
Call Allowance	161,751,200	149,494,534
Risk Allowance	161,710,339	146,459,074
Private Wing Executive Committee	10,691,760	10,249,856
Private Wing Administrative Committee	845,680	1,021,108
Training Centre Allowance	14,344,925	10,668,569
RCO Call Allowance	19,129,000	18,135,001
Health Workers Service Allowance	305,509,500	294,241,916
Non Practice Allowance	97,356,700	90,436,464
Extraneous Allowance	859,674,672	833,058,933
Mortuary Allowance	22,583,518	30,469,013
Locum Allowance	127,971,316	73,500,972
Uniform Allowance	18,460,000	18,400,000



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Taskforce Allowance	8,951,867	2,728,533
Responsibility Allowance	3,339,371	3,145,862
Interview Allowances	-	-
Entertainment Allowance	3,394,050	3,257,800
Acting Allowance	5,000,944	2,394,972
Telephone Allowance	204,000	226,567
Special Duty Allowance	20,144,257	20,819,997
Medical Board Allowance	800,624	343,781
Remunerative Allowance	720,000	720,000
Security Allowance	55,692	55,692
IREC Allowance	65,000	395,555
Commuter Allowance	282,135,343	268,067,398
Amenity Allowance	16,326,587	13,950,885
Memorial Allowance	44,612,933	38,027,582
Salary Arrears	290,631,686	139,199,169
Nursing Service Allowances	246,521,525	207,910,333
Annual Leave Allowance	201,139,831	191,448,374
NSSF company	8,884,200	8,800,957
Pension Company	372,330,138	337,513,585
Gratuity	13,668,171	1,421,561
<b>Total</b>	<b>6,762,074,025</b>	<b>5,895,004,840</b>
<b>6.2 Depreciation/ Amortization</b>	<b>155,353,497</b>	<b>133,367,795</b>
<b>6.3 Administrative Costs</b>		
Transport Operating Expenses	7,354,458	10,772,988
Patient Travelling Expenses	50,650	32,405
Advertising and Publicity	11,589,359	8,720,716
Staff Development	48,844,766	57,757,518
Travelling and Accommodation	52,491,634	49,240,996
External Travelling	7,693,996	21,632,071
Centre for Assault Recovery of Eldoret	874,700	624,038
Corporate Social Responsibility	3,288,867	1,716,694
Group Personal Accident Cover	13,183,022	17,361,245
Comprehensive Group Life Insurance Cover	26,106,999	312,368
Cafeteria Meals	-	17,158,060
Comprehensive Staff Medical Scheme	183,622,609	184,304,103
ISO Secretariat	5,385,355	6,990,164
Issue Based Committees	948,054	1,354,818
Occupational Health and Safety	7,326,937	5,735,835

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Disaster and Emergency Response	16,778,014	9,754,617
Medical Officers Post Graduate Training	15,700,391	13,155,903
Disability Mainstreaming	-	614,336
<b>Total</b>	<b>401,239,811</b>	<b>407,238,875</b>

#### 6.4 Operational Costs

Maintenance of Building & Stations	37,607,443	20,056,196
Cleansing Materials	36,610,670	35,917,801
Stationery	16,942,807	11,736,199
Telephone Expenses	8,090,531	8,569,745
Electricity	68,873,034	64,044,960
Medical Records and Accountable Documents	8,519,015	13,239,283
Water and Conservancy	49,998,317	36,793,219
Computerization	7,536,306	33,258,210
Internet Expenses	3,943,800	5,155,400
Postal and Telegram	939,441	288,773
Library Services	1,889,984	3,037,163
Doctors Fees	248,137,520	159,977,731
Patient Refunds/ Deposit Refunds	29,304,984	11,263,174
Course Admin & Subscription Fee	11,793,021	7,291,763
Maintenance of Plant & Equipment	33,376,064	20,628,660
Rent and Rates	1,218,492	764,280
Staff Uniforms	4,182,115	5,111,137
Hospital Linen	9,564,750	15,968,012
Cash in Transit	-	50,267
Contracted Professional Services	21,422,848	14,616,187
Patients Uniforms	4,088,500	2,710,500
Hospital Security services	4,512,656	3,300
Health Research and Innovation	2,205,215	1,970,750
Institutional Research Expenses	1,000,000	1,000,000
Motor Vehicle Insurance Expenses	2,058,491	1,184,599
Bank Charges	3,763,593	7,763,466
Taxes	73,171	-
<b>Total</b>	<b>617,652,768</b>	<b>482,400,775</b>

#### 6.5 Board Expenses

Board Sitting Allowances	10,164,903	8,840,187
Honoraria	510,444	-
<b>Total</b>	<b>10,675,347</b>	<b>8,840,187</b>

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**6.6 Finance Cost**

Loan for Medical Gas Piping System	-	147,412
<b>Total</b>	-	<b>147,412</b>

**6.7 Provision for Doubtful Debts**

Accumulated Provision B/F	668,691,879	595,881,500
Accumulated Provision C/F	856,055,919	668,691,879
<b>Increase / Decrease in provision</b>	<b>187,364,041</b>	<b>72,810,379</b>

**6.8 Waivers and Exemptions**

Waivers	354,745,063	208,876,801
<b>Total</b>	<b>354,745,063</b>	<b>208,876,801</b>

**6.9 Provision for Audit fees**

Under provision 2016/2017	-	348,000
Provisions	1,160,000	1,160,000
	<b>1,160,000</b>	<b>1,508,000</b>

**7.0 CURRENT ASSETS**

**7.1 Cash in Hand and Bank**

**Cash in Hand**

Main account	-	-
Private wing Account	-	-
M-Pesa Paybill Number 951253	254,538	
M-Pesa Till Number 175599	40,502	
Petty cash	300,000	1,015
<b>Total</b>	<b>595,040</b>	<b>1,015</b>

**Cash in Bank**

Mortuary account	554,364	3,300,663
Private wing	54,061,318	14,118,591
Main account	373,721,929	150,813,277
Training Centre	6,408,536	3,568,275
Commercial Pharmacy	-	1,016,828
<b>Total</b>	<b>434,746,146</b>	<b>172,817,634</b>
<b>Grand Total</b>	<b>435,341,186</b>	<b>172,818,649</b>



## 7.2 Trade and Other Receivables

### Institutions

NHIF	477,795,511	275,176,534
Corporate Clients	297,887,395	459,549,918
AMPATH	69,810,780	63,646,365
MOH Grant	457,110,001	444,610,002

### Sub Totals

<b>1,302,603,686</b>	<b>1,242,982,818</b>
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### Individuals

Individual Clients	114,114,996	112,632,845
Student Fees (MTRH College of Health Sciences)	10,870,122	7,250,229
Staff Guarantors	2,532,235	1,945,020
Salary advance	4,351,399	2,247,951
Imprests	6,308,938	9,710,708
Cafeteria	-	14,035
Farewell Home	548,642	667,042
Rent	7,417,869	7,469,829
Prepayments	2,567,689	1,567,689
Proposed for write-off	522,046,162	522,046,162

### Sub Total

<b>670,758,052</b>	<b>665,551,511</b>
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### Grand Total

<b>1,973,361,738</b>	<b>1,908,534,329</b>
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Less; Accumulated provision

856,055,919	668,691,879
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### Net Debtors

<b>1,117,305,819</b>	<b>1,239,842,450</b>
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## 7.3 Inventories

Drugs	146,241,032	141,042,115
Dressings and Theatre Supplies	143,120,300	75,492,914
Lab Reagents	8,274,791	7,235,371
X-Ray Supplies	6,555,616	15,785,984
Food and Ration	2,435,901	3,366,126
Cleansing Materials	1,583,500	3,470,829
Hospital Linen	10,009,970	15,223,045
Maintenance Materials	7,830,258	4,503,352
Operational and Maintenance Stores	1,262,700	2,109,700
Stationery	1,896,645	2,480,858
<b>Total</b>	<b>329,210,713</b>	<b>270,710,294</b>

## 7.4 Long Term Loan

NHIF Loan

51,327,493	-
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**8.0 CURRENT LIABILITIES**

**8.1 Trade and other payables**

Trade Creditors	491,278,687	544,372,944
Office of the Auditor General	1,160,000	1,160,000
<b>Total</b>	<b>492,438,687</b>	<b>545,532,944</b>

**8.2 Training Centre Prepaid fees** **8,455,420** **4,604,159**

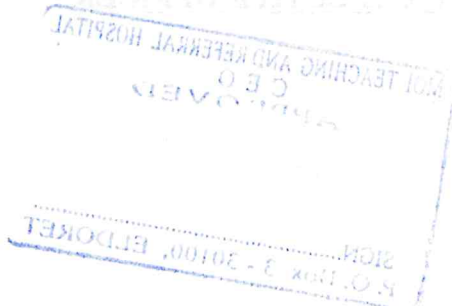
**8.3 Unremitted Salary Obligations**

PAYE	123,123,426	96,721,402
NSSF	1,481,900	1,452,600
NHIF	5,802,250	5,518,600
SACCOs	21,416,304	20,024,210
Nancy Kaari Samuel	3,500	3,500
Hospital-Wide Benevolent Fund	-	1,896,329
MTRH Pension Scheme	132,635,888	123,934,949
Flomena J. Choge	11,624	23,248
Moi University School Fees/pension	-	100,000
Union Dues	664,614	880,861
MADES Welfare	1,058,570	1,112,447
Laboratory Staff S.H. Group	858,750	357,506
Sub Staff Welfare	174,360	323,735
Health Records Information System Welfare	1,140,582	59,228
Security Self Help Group	320,027	150,354
Nutrition Welfare	373,020	169,566
Supplies Welfare	526,266	324,202
Radiology Welfare	79,020	41,130
Nurses Welfare	914,714	716,224
Occupational Therapy Welfare	169,613	116,826
Medical Social Work Welfare	399,240	202,360
ELD. Clinical Officers Welfare	387,336	321,208
Central Services Welfare	63,600	47,300
Catering Welfare	209,377	266,759
Secretaries Welfare	62,175	36,300
Transport Welfare	84,990	116,910
Pharmacy Welfare	432,290	328,594
Dental Welfare	176,869	133,812
Physiotherapy Welfare	26,000	115,800
SANPRE Welfare	244,159	170,583
ICT Welfare	643,543	272,989



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MTRH Administrators Welfare	22,000	51,000
MTRH Benevolent Fund	180,276	335,560
HELB Loan	303,119	453,871
Save as You Earn	10,000	9,501
Senior Principle Magistrate Kabarnet	3,000	3,000
Barclay Bank Loan	3,629,625	4,289,238
Rose Keino	32,982	32,982
KCB Loan	100,397,162	83,621,244
CFC Bank Loan	17,255	91,094
Platinum Credit Loan	1,716,069	420,889
Family Finance Loan	632,093	895,553
NBK LOAN	400,235	1,191,515
Equity Bank Loan	213,585	432,322
Standard Bank Loan	10,901,877	11,737,558
Insurance	5,015,515	4,060,864
Hire Purchase	1,155,535	2,595,699
NACOA	46,500	15,000
Equatorial Bank Loan	95,353	190,706
Faulu Bank Loan	5,237,546	3,924,406
Bank of Africa Loan	347,008	1,139,210
Cooperative Bank Loan	23,534,206	27,825,960
Old Mutual	95,000	380,000
MTRH Self Help Group	3,500	18,000
Net Pay	0	132,373,684
	<b>447,473,449</b>	<b>532,028,387</b>
<b>8.4 Finance Lease</b>		
KCB Building	<b>9,157,756</b>	<b>11,304,956</b>
<b>9.0 Reserves</b>		
<b>9.1 Capital Reserves</b>		
Opening Balances	2,903,990,737	2,818,990,737
Capital Grants	30,000,000	85,000,000
Balance Carried Forward	<b>2,933,990,737</b>	<b>2,903,990,737</b>
<b>9.2 Revenue Reserves</b>		
Opening Balance	(166,997,090)	(200,335,571)
Surplus/ Deficit for the period	474,783,160	33,338,481
Balance Carried Forward	<b>307,786,070</b>	<b>(166,997,090)</b>





### M) PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Ref.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Land	MTRH is in active pursuit on this matter evidenced by litigation correspondences between Hospital lawyers have been availed to show that the Hospital is in active and constant pursuit of this matter to conclusion. The case is still pending in the court of appeal and the hearing took place in December 2016. This has also been forwarded to National Land Commission.(NLC)	Head of Legal Services	Not Resolved. The case is pending in the Supreme Court.	MTRH filed an appeal at the Supreme Court of Kenya against the judgement of the Court of Appeal in Nairobi Civil Appeal No. 184 of 2012.
1.2	Encroachment of Land	The legal notice establishing the Hospital encompasses the Moi University School of Medicine and Kenya Medical Training College hence encroachment by government institution is legal. The Hospital have written to National Land Commission for the change of the road.	Head of Legal Services	Not Resolved. Awaiting resolution by NLC following a request by MTRH	2020/2021 Financial Year.
1.3	Trade and Other Receivables	The Hospital has made provisions for bad debts for irrecoverable debts and in the processes for writing off from the financial report.	Director, Finance	Not Resolved. Awaiting approval of The National Treasury	2020/2021 Financial Year

HON. JOSEPH K. LAGAT

SIGN.....

DATE.....26/06/2020

**BOARD CHAIRMAN**

DR. WILSON K. ARUASA, MBS

SIGN.....

DATE.....26/06/2020

**CHIEF EXECUTIVE OFFICER**

