


REPUBLIC OF KENYA



Enhancing Accountability

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 15 MAR 2023	DAY.
REPORT	Hon. Samuel Chepkong'o, MP
BY:	on behalf of Majority leader
CLERK-AT THE-TABLE:	Christine Ndlovu

OF

THE AUDITOR-GENERAL

ON

KENYATTA NATIONAL HOSPITAL

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

KENYATTA NATIONAL HOSPITAL

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

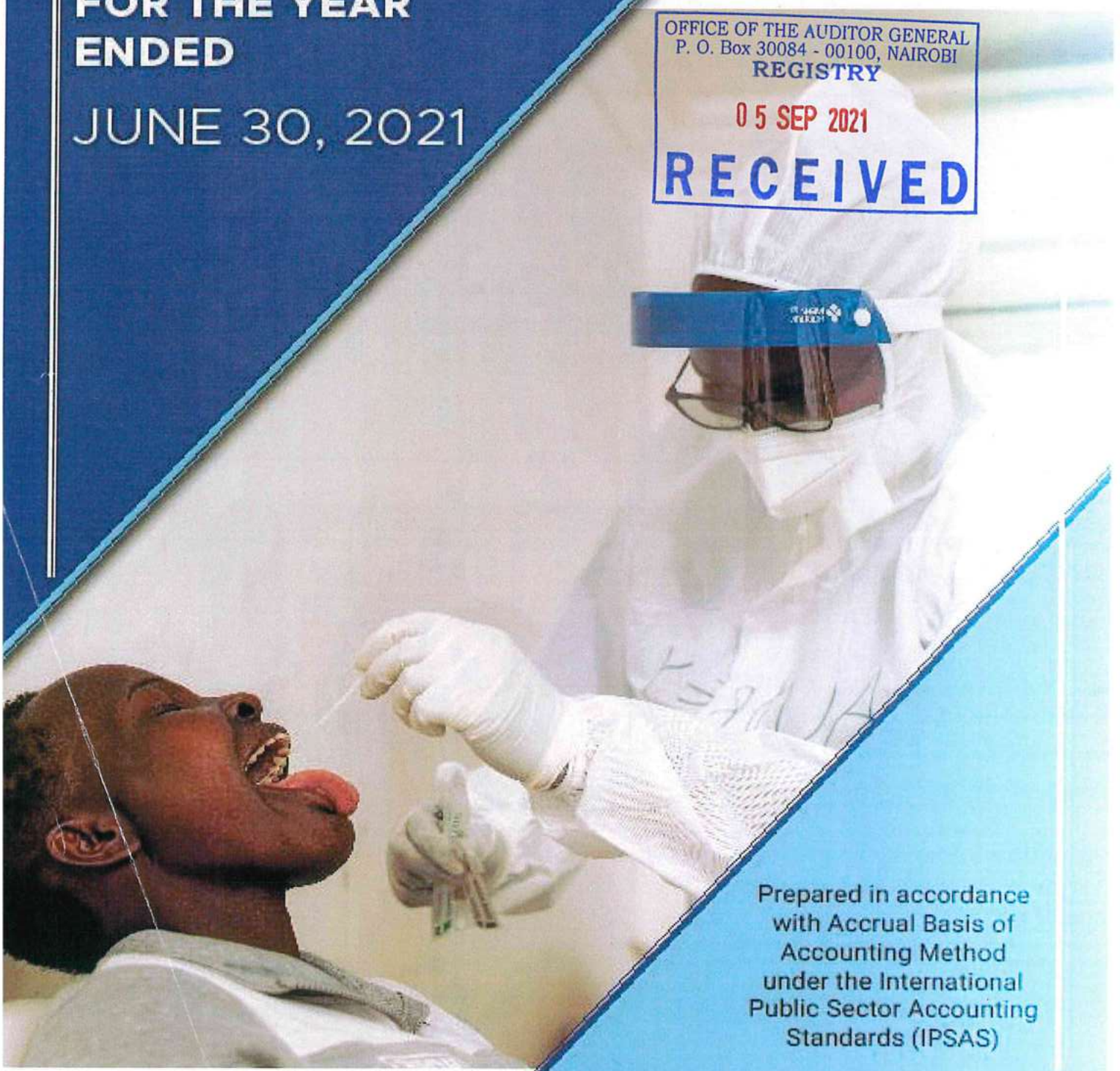
JUNE 30, 2021



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

05 SEP 2021

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

Our Vision

A world-class patient-centered specialized care hospital.

Our Mission

“To optimize patient experience through innovative healthcare; facilitate training and research, and participate in national health policy formulation.”

Our Strategic Direction

A multi-specialty center of excellence offering services that meet international certification standards.

Annual report and Financial Statements for the Year ended June 30, 2021
TABLE OF CONTENTS

ABBREVIATIONS.....	III
ABOUT KNH.....	1
KEY HOSPITAL INFORMATION.....	1
KEY MANAGEMENT	3
FIDUCIARY MANAGEMENT	4
FIDUCIARY OVERSIGHT ARRANGEMENTS	6
OTHER HOSPITAL INFORMATION	7
BOARD OF MANAGEMENT	8
MANAGEMENT TEAM	16
CHAIRMAN’S STATEMENT	27
CHIEF EXECUTIVE OFFICER’S STATEMENT	32
STATEMENT OF PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES.....	37
CORPORATE GOVERNANCE STATEMENT.....	43
MANAGEMENT DISCUSSIONS AND ANALYSIS.....	57
CLINICAL SERVICES PERFORMANCE	57
OUR STRATEGIC DIRECTION	70
KEY HOSPITAL PROJECTS	72
PARTNERSHIPS AND COLLABORATIONS	76
RISK MANAGEMENT FRAMEWORK	79
FINANCIAL HIGHLIGHTS.....	84
MATERIAL ARREARS IN STATUTORY AND OTHER FINANCIAL OBLIGATIONS.....	86
ENVIRONMENTAL AND SUSTAINABILITY REPORT.....	88
ENVIRONMENTAL PERFORMANCE.....	88
HUMAN RESOURCE.....	88
SUPPLY CHAIN.....	90
ENGAGEMENT WITH OUR STAKEHOLDERS	90
OUR RESPONSE TO COVID-19 PANDEMIC	91
OUR CHALLENGES AND MITIGATIONS.....	93
COMMUNITY ENGAGEMENT.....	93
FINANCIAL STATEMENTS	97
REPORT OF THE BOARD OF MANAGEMENT	97
STATEMENT OF BOARD’S RESPONSIBILITIES.....	98
REPORT OF THE AUDITOR-GENERAL ON KENYATTA NATIONAL HOSPITAL.....	99
STATEMENT OF FINANCIAL PERFORMANCE.....	101
STATEMENT OF FINANCIAL POSITION	102
STATEMENT OF CHANGES IN NET ASSETS.....	103
STATEMENT OF CASH FLOW	104
NOTES TO THE FINANCIAL STATEMENT.....	108
APPENDICES.....	145
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	145
APPENDIX II: PROJECTS IMPLEMENTED BY KENYATTA NATIONAL HOSPITAL	163
APPENDIX III: INTER-ENTITY TRANSFERS CONFIRMATION	165

List of Tables

Table 1: Key Management	5
Table 2: Performance targets per strategic pillar	37
Table 3: Board Meeting Attendance	48
Table 4: Demand for Radiological Services	61
Table 5: Key Hospital Projects	72
Table 6: Proposed Capital Projects.....	75
Table 7: Our Partners.....	78
Table 8: Principal Risks and Opportunities	81
Table 9: Employee Overview and Recruitment	89
Table 10: Training and Development	89
Table 11: Our Stakeholders.....	90
Table 12: Covid-19 Response Measures	92
Table 13: Outreaches.....	94

List of Figures

Figure 1: Board Performance Contract Composite Score	39
Figure 2: Outpatient Attendance	57
Figure 3: Inpatient Admissions	58
Figure 4: Mortality	58
Figure 5: Cancer Treatment.....	58
Figure 6: Minimally Invasive Surgery	59
Figure 7: Average Length of Stay	59
Figure 8: Theatre Procedures.....	60
Figure 9: Open Heart Surgeries.....	60
Figure 10: Laboratory Services.....	61
Figure 11: Capacity Building Webinars	69
Figure 12: KNH Strategy House.....	71
Figure 13: KNH Corporate Risk Heat Map.....	83
Figure 14: Performance Results.....	84
Figure 15: Revenue and Expenditure	84
Figure 16: Income Sources FY 2020/21 Figure 17: Utilization of Funds FY 2020/21	85
Figure 18: Capital Expenditure Allocation.....	85
Figure 19: Recurrent grants Vs Employee costs.....	86

ABBREVIATIONS

A&E	Accident & Emergency
AGYW	Adherence among Adolescent Girls and Young Women in Kenya
AIA	Appropriation in Aid
AID	Affiliation and Institutional Development
ALOS	Average Length of Stay
AMR	Colonization & Transmission Routes of Multi Drug-Resistant Bacteria
AMREF	African Medical & Research Foundation
BADEA	Banque Arabe pour le Développement Économique en Afrique
BoM	Board of Management
Bubble CPAP	Feasibility of implementing VAYU Bubble CPAP device for respiratory support among neonates
CAJ	Commission on Administrative Justice
CCU	Critical Care Unit
CEO	Chief Executive Officer
CIC	Corporative Insurance Company
COMESA	Common Market for Eastern & Southern Africa
CPA	Certified Public Accountant
CTC	Cancer Treatment Centre
DC	Defined Contribution
DMU	Debt Management Unit
EMC	Executive Management Committee
ENT	Ear, Nose and Throat
ERP	Enterprise Resource Planning
ETROT	Evaluation of TB Rule out Tests in people living with HIV Infection
FP Plus Study	Integrating PrEP delivery in family planning clinics in Kenya Study
FY	Financial Year
GoK	Government of Kenya
HACCAP	Hazard Analysis & Critical Control Point
HDU	High Dependency Unit
HIV AECI	Evaluation of HIV Testing and care in African Emergency Care for the injured Study
HIV-TB EMORY	The role of antibodies in infants in TB prevention
HMIS	Health Management Information System
IAD	Internal Audit Department
ICPAK	Institute of Public Accountants of Kenya
ICPS	Institute of Certified Public Secretaries
ICS	Institute of Company Secretaries
ICT	Information Communication Technology
ICU	Intensive Care Unit
IHRM	Institute of Human Resource
IPPD	Integrated Payroll and Personnel Database
IPSAS	International Public Sector Accounting Standards
ISO	International Standards Organization
KCV HIV	Chronic Inflammation and Early Risk of Atherosclerosis among HIV infected Adults in Kenya
KEMRI	Kenya Medical Research Institute

Annual report and Financial Statements for the Year ended June 30, 2021

KIM	Kenya Institute of Management
KMTC	Kenya Medical Training College
KNH	Kenyatta National Hospital
KNH HEU	Population Evaluation and Screenin Strategies Hope Study
KPCC	KNH Prime Care Centre
KPI	Key Performance Indicators
KRA	Kenya Revenue Authority
KURA	Kenya Urban Roads Authority
MDR-TB	Multi Drug Resistant Tuberculosis
MITIPS	Mycobacterium Tuberculosis Infections in HIV
MMAP	Development of Global Good for Measurement and Programme Study
MoH	Ministry of Health
MOPC	Medical Out-patient Clinic
MOU	Memorandum of Understanding
Mpact	Health Strategies for the Paediatric to Adult HIV Transition
MTRH	Moi Training & Referral Hospital
Mwach Neo	Mobile Wach Neo: Communication Empowering Mothers and Newborns
Mwach PrEP	An SMS based support Intervention to enhance PrEP adherence during pregnancy and breast feeding Study
NACC	National AIDS Control Council
NBK	National Bank of Kenya
NBTS	National Blood Transfusion Services
NCD's	Non-Communicable Diseases
NCQL	National Quality Control Laboratory
NHIF	National Hospital Insurance Fund
NLC	National Land Commission
NPEP	Non-Invasive Pharmacokinetic Evaluation of PrEP Adherence among
NPHLS	National Public Health Laboratories Services
NSSF	National Social Security Fund
NT	National Treasury
OED	Operation Ear Drop
OPEC	Organization of Petroleum Exporting Countries
OPI	Operation Performance Index
OPT Study	Optimizing repeat HIV testing during Pregnancy and Postpartum Study
OSHE	Occupational Safety & Health Act
PAS	Performance Appraisal System
PEU	Paediatric Emergency Unit
PFM	Public Finance Management
PIC	Public Investment Committee
PPP	Public-Private Partnership
SCAC	State Corporations Advisory Committee
SEKU	South Eastern Kenya University
SPU	Sterile Preparation Unit
SRC	Salaries Regulation Commission
STI's	Sexually Transmitted Infections
PRIMA STUDY	Pre-Exposure Prophylaxis Implementation for Mothers in Antenatal Care
SHARP STUDY	Integrating Assisted Partner Services & Phylogenetic for HIV and HCV

Annual report and Financial Statements for the Year ended June 30, 2021

	Prevention
STEP-UP STUDY	Saliva Testing and Video Information to Expand Uptake of Pediatric HIV Testing
TES-NES EFFICACY	Clinical Evaluation of Nestorone Gel for Male Contraceptive
TIMIZA STUDY	Understudying the roles of schools in supporting HIV treatment outcomes among HIV infected adolescents
UHC	Universal Health Care
UNITID	University of Nairobi Institute of Tropical & Infectious Diseases
UON	University of Nairobi
VAT	Value Added Tax
VCT	Voluntary Counseling & Testing
VVF	Vaginal-Vesical Fistula
WIBA	Work Injury Benefits Act
WARMA	Water Resources Authority
YES STUDY	Kenyan Youth Engaged Self -Testing

ABOUT KNH

Key Hospital Information

KNH was established as a State Corporation in 1987 through Legal Notice No. 109 of April 6, 1987, as amended by the KNH Amendment Order 2021 with the following mandate:

- a) To receive patients on referral from other hospitals or institutions within or outside Kenya for specialized health care;
- b) To provide facilities for medical education for the University of Nairobi and for research either directly or through other co-operating health institutions;
- c) To provide facilities for education and training in nursing and other health and allied institutions;
- d) To participate, as a national referral hospital, in national health planning



Our journey

Kenyatta National Hospital in Nairobi is the oldest hospital in Kenya. The Hospital has commemorated its 34th anniversary since its listing as a State Corporation and turned 120 years since its founding. Established in 1901 with a bed capacity of 40, as the Native Civil hospital, it was renamed King George VI in 1952. At that time the settler community was served by the nearby European Hospital (now Nairobi Hospital). The Hospital was renamed Kenyatta National Hospital — after Jomo Kenyatta, First President of the Republic Kenya — following independence from the British.

Specialized Services

KNH offers specialized healthcare to patients from the Great Lakes Region, Southern, and Central Africa. These services include Open-heart Surgery, Neurosurgery, Orthopedics Surgery, Reconstructive Surgery, Burns Management, Critical Care Services, New Born Services, Ophthalmology (Cornea Transplant), Liver Resections, oncology, palliative care, and Renal Services (including Kidney Transplantation), among others.

Hospital Capacity

The Hospital has a bed capacity of 2,400 beds and attends to at least 949,000 inpatients and 800,009 outpatients annually.

The Hospital also has 50 wards, 24 out-patient clinics, 26 theatres, 82 ICU beds.



Key Management

KNH day to day management is under the following key organs:

i) Chief Executive Officer

The CEO takes overall responsibility in the day-to-day running of the Hospital on behalf of the Board of Management. The CEO is charged with the following key responsibilities;

- a) Ensure the Hospital mandate and policies are implemented fully and effectively in line with the strategic plan;
- b) Formulate strategies, business plans, and leading teams for high performance and innovation;
- c) Ensure prudent management of resources for the achievement of the Hospital's mandate and strategic objectives;
- d) Overseeing and directing the development and implementation of the Hospital's strategic initiatives and capacity building in line with goals and aspirations of Kenya's Vision 2030 and the National Health Sector Strategic Plans and ensure they are implemented on time;
- e) Initiate, establish, strengthen, and overseeing inter-institutional collaborations and strategic partnerships for the realization of the Hospital's mandate and strategic objectives;
- f) Ensure the Hospital's staff remain motivated to discharge their responsibilities effectively and efficiently, and in compliance with human resource management policies and practices;
- g) Establish and sustain effective relationships with the Board of Management, the Government, the parent ministry, and other stakeholders;
- h) Promote a culture of compliance with regulations, statutory requirements, good corporate governance principles, and best practices in the Hospital.

ii) Executive Management Committee (EMC)

The team consists of the CEO, Directors, and any other member as directed by the BoM or appointed by the CEO. EMC holds meetings weekly and is responsible for:

- a) Support to Board of Management for effective oversight;
- b) Evaluate the Hospitals long term healthcare service effectiveness;
- c) Review and recommend appropriate actions for strategic operational plans and policies;
- d) Review performance improvement activities and patient's safety efforts;
- e) Identify, evaluate and implement the scope of service, practice, and governance of the Hospital;
- f) Prudent management of resources;

iii) Hospital Senior Management Committee

The committee is chaired by the Senior Director, Clinical Services. Members of this committee include Senior Directors, Directors, Heads of Departments and Heads of Units, and any other member as directed by the Committee. The committee responsibilities include;

- a) To spearhead, provide leadership and guidance in service provision affecting health care delivery.
- b) To implement issues arising from Executive Management Committee and provide feedback.
- c) Receive and act upon weekend coverage reports, OPI, ISO, and departmental performance for

efficient service delivery.

- d) Initiate surveys and research to enhance and ascertain gaps in service delivery and take appropriate action.
- e) To receive reports on the implementation of the Hospital Budget and procurement plans (Quarterly).
- f) To discuss Human Resource staff welfare issues.
- g) To discuss Hospital strategic issues and progress of implementation of Board Performance.
- h) To receive and discuss Hospital briefs on Hospital upcoming activities from the Marketing & Communications department.

iv) Budget Implementation Committee

The team is chaired by the Senior Director, Corporate Services, and consists of Senior Directors, Directors, and HoDs. The committee meets monthly and has specific terms of reference which include to:

- a) Review and consider cash flow plans for the Hospital and ensure that approval of any changes to the initial cash flow plan is communicated to the Ministry of Health.
- b) Review the utilization of cash limits and consider any changes as may be required.
- c) Review the utilization of Donor funds allocated to KNH and recommend corrective action.
- d) Advise the Chief Executive officer on any challenges related to the Budget implementation with recommendations on ways of mitigating the challenges.
- e) Review and recommend reallocation of expenditures.
- f) Review and approve submission of expenditure returns, IPPD, pending bills, and A-I-A returns for KNH and recommend action to be taken.
- g) Facilitate participation of KNH in the Health Sector Working Group.
- h) Oversee preparation of the Hospital budget and ensure timely submission to The National Treasury.
- i) Review periodic circulars from the Government in relation to the Budget and ensure Hospital Compliance.

v) Performance Steering and Coordination Committee

The team is chaired by the Senior Director, Corporate Services, and consists of Senior Directors, Directors, and HoDs. The Committee meets every quarter and has specific terms of reference which include:

- a) Coordinate the development of annual Board Performance Contract;
- b) Coordinate the cascading of performance targets to divisional, departmental and individual staff levels;
- c) Prepare evidence in support of the annual board performance contract for evaluation;
- d) Facilitate and coordinate the mid-year and end-year staff appraisal exercise;
- e) Identify staff performance gaps within the Hospital and come up with mitigating measures and recommendations;
- f) Recommend staff for rewards or sanctions or other interventions to the Chief Executive Officer.

Fiduciary Management

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

Table 1: Key Management

No.	Name	Position Held
1.	Dr. Evanson N. Kamuri, EBS	Chief Executive Officer
2.	Dr. Irene Inwani	Senior Director, Clinical Services
3.	CPA Carylus Odiango	Senior Director, Corporate Services
4.	CS Calvin Nyachoti	Corporation Secretary & Director Legal Services
5.	Dr. John Ngugi	Senior Director, KNH Prime Care Centre
6.	Mrs. Judith Mugambi	Director, Nursing Services
7.	Raheli Mukhwana	Ag. Director, Nursing Services
8.	Dr. Kennedy Ondede	Director, Surgical Services
9.	Dr. Rose Nyabanda	Director, Diagnostics Services & Health Information
10.	Dr. Alfred Birichi	Director, Pharmaceutical Services
11.	Dr. Tom Menge	Director, Affiliation and Institutional Development
12.	Dr. William Sigilai	Director, Medical Services
13.	Eng. Richard Binga	Director, Facilities and Services
14.	CHRP Winnie Mwangi	Director, Human Resource
15.	Mr. Job Makanga	Director, Planning and Strategy
16.	Mrs. Rose Njoroge	Director, Supply Chain Management
17.	John Miring'u	Ag. Director, Supply Chain Management
18.	CPA Michael Kihuga	Director, Finance
19.	Dr. Peter Muiruri	Ag. Senior Director, KNH Othaya
20.	Dr. Lydia Okutoyi	Director, Health Care Quality
21.	Mr. Dave Opiyo	Chief Manager, Marketing and Communication
22.	CPA Erick Otieno Omondi	Director, Risk & Audit

Fiduciary Oversight Arrangements

The overall oversight responsibility of the Hospital rests with the Board of Management which has four standing committees as below:

- a) Clinical Research and Standards Committee
- b) Human Capital, Finance and Administration Committee
- c) Corporate Strategy and Enterprise committee
- d) Risk and Audit Committee

Other Hospital Information

a) KNH Address

Kenyatta National Hospital
P. O. Box 20723 – 00202,
Hospital Road, off Ngong Road,
Nairobi, Kenya.

b) KNH Contacts

Tel: +254 20 2726300,
+254 20 2726550,
+2540730643000, +2540709854000,
Fax: +254 20 2725272,
Email: knhadmin@knh.or.ke,
Website: www.knh.or.ke

c) Independent Auditors

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

d) Principal Legal Adviser

The Attorney General, State law office,
Harambee Avenue,
P. O. Box 40112 - 00200,
Nairobi, Kenya.

e) KNH Bankers

National Bank of Kenya Limited
Hospital Branch,
P. O. Box 30763 – 00100,
Nairobi, Kenya.

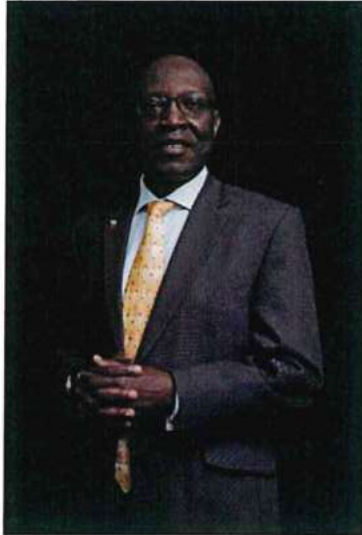
Kenya Commercial Bank Limited,
Moi Avenue Branch,
P. O. Box 30081 - 00100,
Nairobi, Kenya.

Equity Bank Limited,
Equity Centre Branch,
P.O. Box 75104–00200,
Nairobi, Kenya

BOARD OF MANAGEMENT

Mr. George O. Ooko

Chairman of the board



Mr. George Ooko, the Chairman of the KNH Board of Management appointed on April 21, 2020. He also spearheads the Managed Equipment Services (MES) Review Committee at the Ministry of Health and is the Team Leader of the Technical Experts Cluster 9 Western Region, COVID-19 & UHC Systems Strengthening. He is a member of the KNH Board of Trustees DB Scheme.

He has more than 20 years' experience in strategic leadership having led teams through change, dynamic industry challenges and embracing excellence in modern standards of operations.

Mr. Ooko has served in various senior positions including Commission Secretary & CEO of the Commission on Revenue Allocation, a position he held from 2011 to February 2020; Chief Executive & Managing Trustee of the Coffee Development Fund; Project Manager & Consultant for Silverpool Ltd; Head of Personal Banking at NIC Bank Limited; Regional Retail Director for Absa Bank Kenya Plc, formerly Barclays Bank Kenya Limited; Regional Marketing Services Manager for Coca-Cola Africa Limited and Product Manager for Gillette

Interproducts (K) Limited.

He holds a Master's in Business Administration and Bachelor of Commerce from the University of Nairobi. He equally has undertaken several Management courses from the Harvard Business School.

Dr. Evanson N. Kamuri, EBS

Chief executive officer

Dr. Evanson Kamuri, is the Chief Executive Officer of Kenyatta National Hospital, a position he has held since 15th October 2019.

Dr. Kamuri has served in Hospital for more than 20 years having joined in 1998. Prior to his appointment, he was the Director in charge the KNH Prime Care Centre. He also has served as the Director in charge of Affiliation and Institutional Development. Professionally, Dr. Kamuri is a Chief Medical Specialist in the field Dermatology and Venerology. He is also the President, African Society of Dermatology and Venereology and the Chairman of the Kenya Association of Dermatologists.

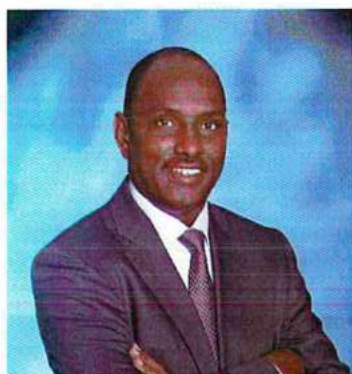
He holds a Master of Science in Clinical Dermatology, Masters in Business Administration (Strategic Management), and Bachelor of Medicine and Surgery.

Dr. Kamuri was honoured by H.E. the President of the Republic of Kenya with the Presidential Order of Service Award, Uzalendo Award, for his contribution in efforts to contain the spread of coronavirus in the country.



HON. AMB. Ukur Y. Kanacho, EGH

Cabinet Secretary, The National Treasury



Hon. Amb. Ukur Yatani, EGH is the Cabinet Secretary of the National Treasury. He has over 27-year experience in public administration, politics, diplomacy and governance in public sector. Before his appointment as Cabinet Secretary for the National Treasury, he served as the Cabinet Secretary for Labour and Social Protection since January 2018. Between the years 2006 - 2007 while Member of Parliament for North Horr constituency, he also served as an Assistant minister for science and technology. At the height of his career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya.

Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others.

He holds a Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005; and Bachelor of Arts in Economics, Egerton University, Kenya, 1991.

Susan Mochache, CBS

Principal Secretary, Ministry of Health

MS. Susan N. Mochache is the Principal Secretary (PS), Ministry of Health. Her key assignment presently, together with the leadership at the Ministry is delivering Universal Health Coverage (UHC), which is among the Big Four Agenda of the Government of Kenya. She has previously served in the same capacity in the State Department for Co-operatives, Ministry of Environment and Forestry and State Department for Social Protection.

Her career spans over 26 years at management level in both private and public sectors. She holds a Master's of Science degree in Communications Management from the University of Strathclyde in the United Kingdom and a Bachelor of Science in International Business from the United States International University. She is a Chevening Scholar and Fellow of Commonwealth Scholarship Commission (2012) and a certified Practitioner in Prince 2, Project Management and MSP Programme Management.



She has undertaken leadership and management programs both locally and internationally including Negotiations Program at Harvard University, Change Management at RIPA International in London, Strategy in Action at Strathmore University, PPP Strategies Methods and Project Structuring Techniques from The Institute of Public Private Partnership, USA and the Fast Forward Leadership Program among others.

Dr. Richard T. Kamau, HSC



Dr. Richard Kamau is an Independent and Non-Executive Director and the Chairman of the Clinical Governance Research and Standard Board Committee. He is also a member of the KNH Board of Trustees DC Scheme.

An established healthcare entrepreneur, Dr. Kamau is a trained and experienced corporate governance practitioner, (Commonwealth Association of Corporate Governance, (CACG, 2004) and Centre for Corporate Governance (CCG, 2015). He is a trained and Certified Pension Scheme Trustee (College of Insurance of Kenya and Humbur University of Canada).

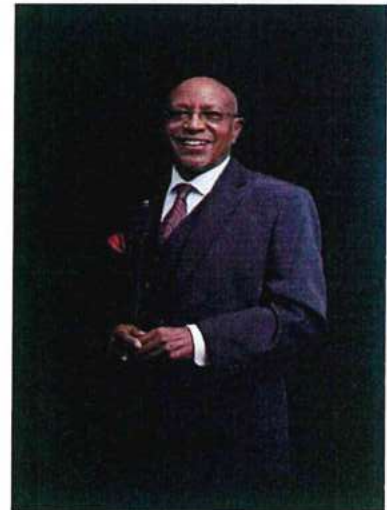
Dr. Kamau has over the years consulted in various committees on reforms in the pharmaceutical sector in Kenya and has served as Lead Consultant in World Bank Funded Projects and played a key consultancy role in the introduction of ARVs (2004) in the public and mission hospitals in Kenya.

He has in the past served as a Board Director of Kenya Medical Supplies Agency (KEMSA) and as Board Chairman of Ruiru and Juja Water and Sewerage Company (RUJWASCO).

Dr. Kamau is a member of the Pharmaceutical Society of Kenya (PSK), Institute of Directors (IOD) of Kenya, and Society for Quality Healthcare of Kenya (SQHK). He holds a Master's degree in Public Health (MPH) a Bachelor degree in Pharmacy (BPharm) and a Diploma in Business Management.

Dr.(h.c.) Nelson C. Kuria, OGW, MBS, FMLO

Dr. Nelson Kuria is an Independent and Non-Executive Director and the Chairman of the Human Capital Finance and Administration Board Committee. He is also the Chairman of SmeP Microfinance Bank, Chairman of Enwealth Financial Services, and Chairman of the Governing Council of Africa International University (AIU).



Dr. Kuria has over 36 years' experience in the financial services sector, notably in development finance and insurance. He retired as Group MD/CEO of CIC insurance Group in February 2015. In the past, he has served as Chairman of the Association of Kenya Insurance, Deputy Chairman of Federation of Kenya Employers, Co-operative University and board member of many organizations both locally and internationally, notably; Kenya Reinsurance Corporation, Takaful Insurance of Africa, College of Insurance and the International Co-operative & Mutual Insurance Federation. He has also served as a member of a number of United Nations Expert Group meetings on co-operatives. In 2013, he served as a member of the Presidential Task Force on Parastatal Reforms.

Dr Kuria is a regular speaker/trainer in both local and international conferences and seminars in insurance, co-operatives, leadership, governance and retirement planning. He holds a Master of Art degree in Leadership Studies; Bachelor of Arts (Economics); Doctoral Honoris Causa in Leadership; and Certificate in Corporate Governance and has extensive training in Strategic Management.

Mrs. Peris B. Onsarigo



Mrs. Peris Onsarigo is an Independent and Non-Executive Director and the Chairman of the Corporate Strategy and Enterprise Board Committee.

Mrs. Onsarigo has extensive experience in public sector administration having served in the Ministry of Immigration and Registration of Persons for a period of 20 years, where she rose through the ranks to the position of Chief Registration Officer. She is the immediate former member of the County Executive Committee, Kisii County, in charge of Administration, Corporate Services and Stakeholder Management. She has also worked with the Teachers Service Commission between 1991 and 1992.

Mrs. Onsarigo has attended several courses on leadership, public policy management, financial management, strategic leadership, and corporate governance. She is a member of the Women on Board Network.

She holds a Master of Science in Organizational Development and a Bachelor of Arts (Sociology and History).

Dr. Stanley K. Maina, HSC

Dr. Stanley Maina is an Independent and Non-Executive Director and the Chairman of the Audit Board Committee.

Dr. Maina is the Founder & Executive Director, Ahadi Kenya Trust, an organization dedicated to the eradication of jiggers in Kenya and beyond. He is also the Managing Director for Agra Enterprises a property and real estate company.

Dr, Maina services as Chairman of Riders Auction Group since 2000 and is an Advisor for Beyond Zero, an initiative by H.E. the First Lady of Republic of Kenya in the promotion of healthy lives and well-being of women, children and adolescents.

Dr. Maina is a recipient of various awards including the Marketing Society Warrior award 2011; International African Achievers Award 2011; Ambassador for Peace Award 2011; Humanitarian of the Year Award 2009; and Global Leadership and Management Award 2009. He is the author of the book 'A Jiggered Mind'.

He holds a Bachelor of Commerce (Accounts and Auditing) and Doctor of Philosophy, and has attended several courses on leadership, board audit committee training, high performance management, and corporate governance.



Mrs. Margaret C. Koech



Mrs. Margaret Koech is an Independent and Non-Executive Director. She is the Managing Director of Eliora Energy Limited a position she's held since 2014.

Mrs. Koech has previously worked as Head of Administration and Conference Services at the Multimedia University; Senior Catering and Housekeeping Officer and later as a Marketing Officer at the Kenya College of Communication Technology; and Marketing Officer, Conferencing and Customer Care.

Ms. Koech has attended several courses on leadership, public policy management, board audit committee training and leadership at various institutions both locally and abroad. She is also a member of the Women on Board Network.

She holds a Master of Science in International Hotel Management and a Bachelor of Education (Home Economics).

Prof. James M. M'imunya

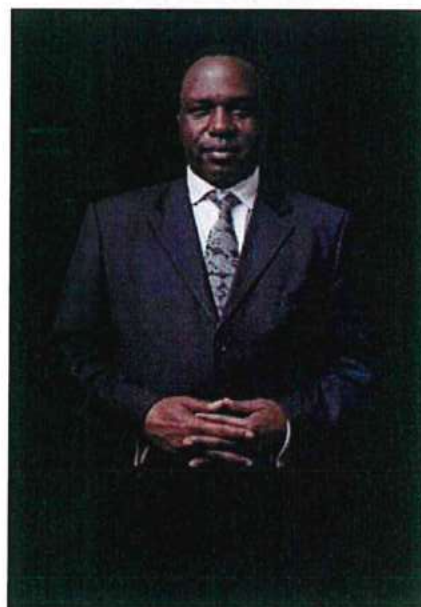
Principal, College Of Health Sciences

Prof. Machoki M'Imunya is the Principal for the College of Health Science, University of Nairobi since 2nd June 2018. He is also an Associate Professor in the Department of Obstetrics & Gynaecology, University of Nairobi; Honorary Consultant Obstetrician and Gynaecologist, Kenyatta National Hospital; and the Principal Coordinator, Centre for Research, Innovation and Grants Advancement (CERIGA).

Prior to his appointment, he served as the Deputy Director, University of Nairobi Institute of Tropical and Infectious Diseases (UNITID) in-charge of Research, Training and Community Service Programmes.

Prof. M'Imunya was instrumental in the development of Guidelines for HIV Counselling and Testing in Clinical Settings. The guidelines were adopted by the Ministry of Health and are being used nationally and internationally. He has 17 publications in the field of medicine and has carried out over 23 researches. He has a wide experience in training and teaching skills; including curriculum development and review; programs evaluation; and training materials development.

Prof. M'Imunya holds a Ph.D. in Medicine and Surgery; Master of Medicine (Obstetrics & Gynaecology); Fellow in Medical Anthropology; Bachelor of Medicine & Bachelor of Surgery; Certificate in Advanced Research Methodology; Certificate in Reproductive Endocrinology/IVF-ET and Andrology; and Master Trainer in Curriculum Development and Review.



Prof. Michael K. Kiptoo

Chief Executive Officer, Kenya Medical Training College



Prof. Michael Kiptoo is the Chief Executive Officer, of the Kenya Medical Training College, having been appointed on 1st March 2018. He is also a Lecturer at the South Eastern Kenya University (SEKU) School of Health Sciences and a Research Scientist at the Kenya Medical Research Institute.

An experienced immunologist, Prof. Kiptoo has more than 20 years' experience in training, research and consultancy in health, management, trade negotiations and delivery of excellent service. He is a strategic and transformative leader in the health industry, skilled in business strategies with ability to drive organizations mission and vision.

Prof. Kiptoo is knowledgeable both in public and private health programs with understanding of middle level Health Training, and University Education.

He holds a Doctorate in Immunology; Master of Science (MSc) in Immunology; Bachelor of Science; and is a member of the Kenya Society of Immunology

Mr. Alfred M. Kagika, EBS

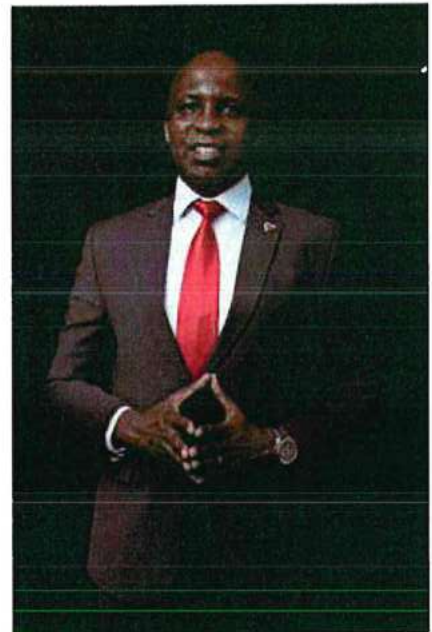
Alternate Director To The Cabinet Secretary, The National Treasury

Mr. Alfred Kagika is the Alternate Director to the Cabinet Secretary, the National Treasury. He is also the Pensions Secretary & Director of Pension at The National Treasury.

Mr. Kagika has over 28 years' experience in the Public Sector and having previously served as CEO/Secretary of the Power of Mercy Advisory Committee, Social Administrator at both State House and the Cabinet Office.

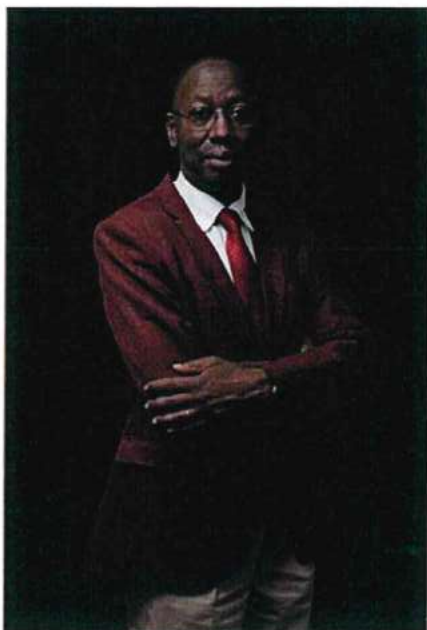
Other positions held include District Commissioner, Provincial Administration & Internal Security; Assistant Secretary, State House; Assistant Secretary, Ministry of Roads & Public Works; and Chief Executive Officer of the Rent Tribunal and District Commissioner

He holds both a Masters and Bachelor degree in Public Health Administration and a Certified Public Accountant.



Dr. Julius Ogato

Alternate Director To Principal Secretary, Ministry Of Health



Dr. Julius Ogato is the Alternate Director to the Principal Secretary, Ministry of Health. He is also the Senior Deputy Director of Medical Services at the Ministry of Health; the Head of National Health Systems Strengthening; and is a member the National Multi Agency Command Centre for Covid-19.

Dr. Ogato has over 30 years' experience in health sector has previously worked as the Medical Superintendent at Mathari National Teaching & Referral Hospital and Mama Lucy Kibaki Hospital.

He holds a Master of Medicine in Diagnostics Radiology; Bachelor of Medicine & Bachelor of Surgery degree; and Certificate in Radiology (Ultrasound) from Tel Avivi University.

Dr. Lucy M. Waweru

Alternate Director To Chief Executive Officer, Kenya Medical Training College

Dr. Lucy Waweru is the Alternate Director to the Chief Executive Officer, Kenya Medical Training College. She is also the Academic Registrar Office at the Kenya Medical Training College since January 2016.

Prior to her appointment, Dr. Waweru was the Deputy Registrar Curriculum at KMTC for 6 years and Principal Lecturer at KMTC for over 10 years. She is also a National Trainer on Kenya Expanded Programme of Immunization, and Member of the Nursing Council Board.

Dr. Waweru has several publications on nursing procedures and has made contribution to the Review of the Kenya Registered Community Health Nurse curriculum and training manuals.

She holds a Doctorate in Nursing Education; Master in Public Health and Epidemiology; Advanced Diploma in Nursing; Higher Diploma in Community Health; and Diploma in Registered Midwifery.



Cs Calvin Nyachoti

Corporation Secretary & Director For Legal Services



CS Calvin Nyachoti is the Corporation Secretary and Director for Legal Services. He has more than 10 years' experience as an Advocate of the High Court, a certified Corporate Secretary and a practicing Arbitrator/Mediator and Trainer.

Mr. Nyachoti is a member of various professional bodies among them: Chartered Institute of Arbitrators (CI Arb.); Institute of Certified Public Secretaries of Kenya (ICPSK); Law Society of Kenya (LSK); East Africa Law Society (EALS); International Law Association (ILA); UK Institute of Management of Information Systems (IMIS) and is a registered Environmental Impact Assessment/Audit Expert.

CS Nyachoti holds a Master in Business Administration (Strategic Management), Masters degree in Law (International Environmental Law), Bachelor of Laws degree, and Post-graduate Diploma in Law, and various studies in governance, team skills, retirement benefits amongst others.

MANAGEMENT TEAM

Dr. Evanson N. Kamuri, EBS

Chief Executive Officer, Kenyatta National Hospital



Dr. Evanson Kamuri has served the Hospital for more than 20 years, having joined in 1998 as a Medical Officer.

Before he was appointed Chief Executive on October 15, 2019, the Chief Medical Specialist in the field of Dermatology and Venerology was the Director in charge of the KNH Prime Care Centre. He also has served as the Deputy Director in charge of Affiliation and Institutional Development.

He is the current President, African Society of Dermatology and Venereology as well as the Chairman of the Kenya Association of Dermatologists.

Dr. Kamuri holds a Master of Science degree in Clinical Dermatology, Masters in Business Administration (Strategic Management), and a Bachelor of Medicine and Surgery.

On June 1, 2020, Dr. Kamuri was honored by H.E. the President of the Republic of Kenya Uhuru Kenyatta, with the Presidential Order of Service Award, Uzalendo Award, for his contribution in efforts to contain the spread of coronavirus in the country.

Responsibilities:

Providing strategic leadership; drawing and execution of plans for implementation of the Hospital's mandate and overall implementation of the Board's decisions.

Dr. Irene Inwani

Senior Director, Clinical Services

Dr. Irene Inwani is a Chief Medical Specialist with more than 24 years of experience in the areas of Paediatrics, Child health, Research Regulation, Program Implementation, Coordination, Monitoring, and Evaluation.

She contributes to capacity building in the form of structured training and mentorship in paediatric care for in-service and pre-service health care workers, as well as conducting research and research bioethics.

She has an honorary faculty from The University of Nairobi, Global Health Equity Scholars (GHES), and Fogarty Global Health training program. She is trained in the area of Paediatric and Maternal Health, HIV/AIDS Care, and Public Health.

She is a researcher with a methodological focus on Epidemiology, International Health, and implementation science and health research. She is also a long-serving member of the KNH/UON Ethics and Research committee.



Responsibilities:

Her major responsibilities include overseeing the effective implementation of clinical services, facilitate training and research in the Hospital, coordinating and overseeing the provision of surgical, medical, diagnostic, health information, nursing, rehabilitative, and pharmaceutical services in the Hospital.

CPA Carylus Odiango

Senior Director, Corporate Services



CPA Odiango has more than 30 years of working experience in financial management, audit, consultancy, and general management attained after working in audit, consultancy, and commercial, not-for-profit, and state corporation sectors.

He holds an Executive master's in Business Administration (Leadership and International Business Development) from Inoorero University in Collaboration with Copenhagen Business School (CBS/SIMI), Masters in Business Administration (Strategic Management) from Kenyatta University, and a Bachelor of Commerce (Accounting) from The University of Nairobi.

CPA Odiango is a Member of the Institute of Certified Secretaries of Kenya, the Institute of Directors of Kenya, and the Institute of Certified Public Accountants.

Responsibilities:

Providing administrative support, ensure effective execution of Hospital mandate, ensure optimal utilization of resources and provide overall leadership to Finance, Facilities & Services, Planning & Strategy, Human Resources, Administration, Marketing & Communication, and Security & Safety functions in the Hospital.

CS Calvin Mogute Nyachoti

Corporation Secretary & Director for Legal Services

CS Calvin Nyachoti is the Corporation Secretary and Director for Legal Services. He has more than 10 years of experience as an Advocate of the High Court, a certified Corporate Secretary, and a practicing Arbitrator/Mediator and Trainer.

Mr. Nyachoti is a member of various Professional bodies among them: Chartered Institute of Arbitrators (CIArb.); Institute of Certified Public Secretaries of Kenya (ICPSK); Law Society of Kenya (LSK); East Africa Law Society (EALS); International Law Association (ILA); UK Institute of Management of Information Systems (IMIS) and is a registered Environmental Impact Assessment/Audit Expert.

CS Nyachoti holds a Master in Business Administration (Strategic Management), Master's degree in Law (International Environmental Law), Bachelor of Laws Degree, and a postgraduate Diploma in Law and various studies in governance, team skills, retirement benefits amongst others.



Responsibilities:

Providing secretarial services to the Board of Management; providing in-house legal advisory services; handling corporate governance arrangements; provision of dispute resolution services; participating in formulation and review of legal policies and procedures amongst others.

Dr. John Ngigi
Senior Director, KNH Prime Care Centre



Dr. Ngigi is a medical practitioner with 24 years of experience and is a senior medical specialist in Nephrology. He is also the Head of the Renal department at Kenyatta National Hospital.

He is a holder of MBChB and a Masters of Medicine in Internal Medicine from the University of Nairobi. He is a Fellow of the International Society of Nephrology (ISN) from the University of Stellenbosch and Tygerberg Academic Hospital (Cape Town) and is a pioneer student in MBA (Healthcare Management) at Strathmore Business School.

He serves on various boards of companies and societies and is a member of the ASN and the ISN fellowship committee.

Responsibilities:

Providing strategic leadership at the KPCC in a direction aligned to the Hospital vision; setting up prudent clinical governance; leading a well-sourced out team to ensure good performance management.

Ms. Raheli Mukhwana
Ag. Director Nursing Services

Ms. Raheli Mukhwana has more than 24 years of experience in Nursing and Midwifery working at Kenyatta National Hospital. She holds of Bachelor of Science in Nursing (UEAB), Masters in Public Health (MPH) Reproductive Health (Kenyatta University) Diploma Sexual Reproductive Health and Rights (Lund University Sweden).

She is the treasurer of Africa Midwives Research Network Kenya Chapter (AMRN), a member of the Midwives Association of Kenya (MAK) and the National Nurses Association of Kenya (NNAK).

She has participated in National guidelines and policy formulation; The Saving Mothers Lives, Confidential Enquiry into Maternal Deaths in Kenya, Review of the National Guidelines for Quality Obstetrics and Perinatal Care, Development of Maternal Neonatal and Child health Essential Equipment List and Emergency Obstetric and Newborn care Training package.

Raheli is also a researcher and has several publications in peer-reviewed journals.



Responsibilities

Formulation, review, and interpretation of KNH health care policies relating to nursing services; ensuring compliance to Nursing Statutory and regulatory requirements; facilitating development and review of training programs for nurses in the Hospital.

Mrs. Judith Mugambi
Director, Nursing Services



Ms. Mugambi has served as a professional nurse for 32 years. She was appointed Director of Nursing Services in March 2019. Before her appointment, she was the Head nurse in the Specialized Surgery department and has served in several capacities in nursing management.

She has also served as a lecturer at the KNH School of Nursing. Ms. Mugambi holds a Master of Science degree in Critical Care Nursing & Health Systems management; Postgraduate diploma in Health care management & Project management among others. She is currently pursuing a Ph.D. in Organization Leadership.

Responsibilities:

Formulation, review, and interpretation of KNH health care policies relating to nursing services; ensuring compliance to Nursing Statutory and regulatory requirements; facilitating development and review of training programs for

nurses in the Hospital.

Dr. Kennedy Ondede
Director, Surgical Services

Dr. Ondede has more than 18 years of experience as a Medical Specialist. He is a Consultant General Surgeon and has been the head of Theatres for three years before his appointment as Director, Surgical Services.

He is a holder of MBChB, MMED Surgery (UON), Dip Laparoscopy (DELHI), Cert. Endoscopy (CAIRO CTC), Cert. Liver Transplant (DELHI).

He is also a member of the International Hepatobiliopancreatic Association, Europe; Africa Hepatobiliopancreatic Association; Surgical Society of Kenya; Gastro Society of Kenya, and World Association for Laparoscopic Surgeons.

Responsibilities:

His major responsibilities include management of Surgical Services, overseeing the planning, scheduling, coordination of surgical care, promote research, innovation, and technology transfer in the provision of surgical services in the Hospital.



Dr. Rose Nyabanda

Director, Diagnostic Services & Health Information



Dr. Nyabanda is a Chief Medical specialist in Radiology. She is a holder of MBChB (UoN), Mmed Rad (UoN), and Fellowship CT/MRI (Massachusetts General Hospital, Harvard Medical School) USA, a Certificate in Chest Radiology and Chest Interventional Radiology at The University of Manchester (UK).

She spearheaded the AFROSAFE campaign in Africa on radiation protection and the safe use of ionizing radiation in medicine. Dr. Nyabanda is a member of the Kenya Society of Radiology (KAR), Africa Society of Radiology (ASR), and Kenya Medical Women Association (KMWA), and a member of the KNH/UON Ethics and Research committee.

Responsibilities:

Develop, implement and review policies, procedures, and strategies in Diagnostics Services and Health Information. Promote research, innovation, and technology transfer in the provision of Diagnostics Services and Health Information. Establish strategic partnerships, and

collaborate with stakeholders in support of the development of Diagnostics services and Health Information as well as formulating professional standards and ethics governing medical practice.

Dr. Alfred Birichi

Director, Pharmaceutical Services

Dr. Birichi joined KNH in May 2005 and was appointed Deputy Director, Pharmaceutical Services in 2019. He holds a B. Pharm, M. Pharm (Clinical Pharmacy), and a Post Graduate Diploma in Marketing Management.

He is the Management Representative (MR) and Lead Auditor in Quality Management Systems (QMS). He is a former board member at the Pharmacy and Poison Board and a member of the Pharmaceutical Society of Kenya.

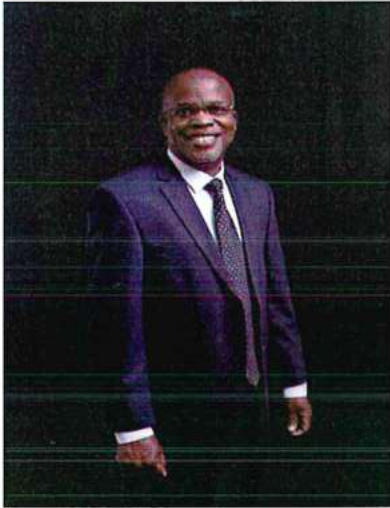
Responsibilities:

Coordinating pharmaceutical services; providing leadership and professional guidance on pharmaceutical policies, laws, regulations, standards, and guidelines; monitoring and evaluation of pharmaceutical research, projects, programs, and ensuring quality management systems are established and maintained.



Dr. Tom Menge

Director, Affiliations and Institutional Development



Dr. Menge Joined Kenyatta National Hospital in August 1995 and was appointed Director, Affiliation, and Institutional Development in 2020. He holds a B. Pharm and MSc (Pharmacology and Toxicology) from the University of Nairobi.

He has been Chair of the Hospital Pharmacists Association of Kenya (HOPAK) and a member of the Governing Council of the Pharmaceutical Society of Kenya.

Responsibilities:

His main responsibilities include coordinating partnerships and resource mobilization for the Hospital in its endeavor to be self-sustainable. He is also charged with coordinating, planning, and implementing infrastructure development for the Hospital projects.

Dr. William Kiprono Sigilai

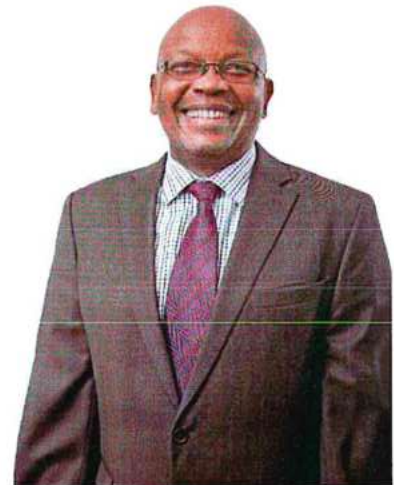
Director, Medical Services

Dr. Sigilai is a Senior Medical Specialist with 22 years of experience in Diabetes and Endocrinology. He is a holder of MBChB, MMed (Internal Medicine) from the UON; Chairman of the KNH Medicines and Therapeutics Committee, Kenya Association of Physicians, and Kenya Diabetes Study Group.

He has dedicated a lot of his time to providing care to diabetes patients over the years.

Responsibilities:

His main responsibilities include formulating, implementing, and reviewing health policies, regulations, standards, guidelines, and protocols providing clinical care, general/community diagnosis, and treatment as well as rehabilitation of patients. He is also charged with undertaking medical examinations, conduct disease prevention, surveillance, and control, and provide emergency response and clinical care services during disasters.



**Eng. Richard Binga;
Director, Facilities, and Services**



Eng. Binga holds a Bachelor of Science Mechanical Engineering and Postgraduate Diploma in Project Planning and Management from the University of Nairobi.

He wears many hats. This includes a registered Consulting Mechanical Engineer with the Engineers Board of Kenya as well as a corporate member of the Institution of Engineers of Kenya (IEK). He is also a Certified Measurement and Verifications Professional (CMVP), a member of the Association of Energy Engineers (AEE, USA); and a Class 'A' Licensed Energy Auditor by Energy and Petroleum Regulatory Authority (EPRA).

Responsibilities:

His main responsibilities include reviewing and implementing maintenance & replacement policies for infrastructure, plant, and equipment ensuring safe and efficient operation and execution of infrastructure development projects.

**CHRP Winnie Mwangi
Director, Human Resource**

Mrs. Winnie Mwangi has more than sixteen (16) years of experience in Human Resource Management. She holds an MBA in Human Resource Management (University of Nairobi); a postgraduate Diploma in Human Resource Management (Kenya Institute of Management [KIM]); and a Bachelor of Education Science (Egerton University).

She is a member of the Institute of Human Resource Management and a Certified Human Resource Practitioner (CHRP).

Responsibilities:

Her main responsibilities include formulating, implementing, and evaluating human resource management policies, strategies, guidelines, and procedures, providing guidance and support in all matters relating to human resources, managing human capital, handle staff welfare, employee and industrial relation matters establish performance as well as develop and ensure implementation of remuneration compensation policies and strategies to attract, motivate and retain employees.



Mr. Job Makanga,
Director, Planning, and Strategy



Mr. Makanga has more than 17 years of work experience gained across various organizations in the private and public sectors. He holds an MBA (Strategic Management) and a Bachelor of Science (Hospitality and Institutional Management).

He is also a Certified Balance Score Card Master Professional and Project Management Specialist (University of Washington, USA), certified monitoring and evaluation professional (Kenya Institute of Management), Trainer of Trainers in Change Management (Africa Institute of Management) as well as Certified policy analyst (Strathmore University).

He is a member of the Kenya Institute Planners, Kenya Institute of Management, Institute of Economic Affairs (IEA), Institute of Internal Auditors, and the Association for Strategic Planning (Global).

Responsibilities:

Provide technical guidance on the formulation and implementation of strategies & policies. This involves the provision of high-quality expert advice to enable strategic thinking and optimize the strategic planning processes for the Hospital, direct the alignment of corporate reporting systems, identification of key performance indicators and high-level targets, communication, and promotional strategies and processes for review and evaluation, to facilitate identification of variations from the plan and necessary remedial actions.

CPA Michael Kihuga,
Director, Finance

Mr. Kihuga has more than 20 years of experience in Finance. He worked in Oserian Development Company as Management Accountant and in Moi Teaching and Referral Hospital as a Chief Accountant.

He holds an MBA (Finance), Bachelor of Education Economics, and Mathematics. He is a Certified Public Accountant and a Certified Public Secretary.

Responsibilities:

Organize and coordinate financial management functions; Ensure optimal utilization of financial resources, Ensure compliance with statutory requirements; Financial reporting to management and regulatory bodies.



**Mrs. Rose Njoroge,
Director, Supply Chain Management**



Mrs. Njoroge has more than 20 years of result-oriented experience in Strategic Supply Chain Management gained across organizations in the Private Sector and Non-Governmental Organizations.

She holds an MBA (Strategic Management); Bachelor of Science; Graduate Diploma in Purchasing and Supplies (CIPS – UK) foundation stage; Certificate in Corporate Governance; Certificate in Strategic Leadership Development Program (SLDP) and Performance Measure Process (PuMPR) Certification.

She is a member of the Chartered Institute of Supplies Management (MCIPS) as well as a licensed member of the Kenya Institute of Supplies Management (MKISM).

Responsibilities:

Her main responsibilities facilitating the procurement of goods works, and services, inventory management, and disposal per the Public Procurement Asset Disposal Act (PPADA), 2015.

**Dr. Peter Muiruri,
Ag. Senior Director – KNH Othaya**

Dr. Muiruri is a senior Medical Specialist with more than 20 years of experience in managing HIV/AIDS, Tuberculosis & other infectious diseases.

He is the former Head of Comprehensive Care Centre at Kenyatta National Hospital and Project Director of the KNH-CDC supported University of Nairobi Centre of Excellence in HIV Medicine (COEHM) Program.

He is a holder of MBChB and a Masters of Tropical Health from the University of Queensland (Australia). He is also a Fellow of HIV Disease Research at Harvard University and a pioneer scholar of advanced training in HIV Management and Treatment at New York University (NYU). He is a member of the National ART Technical Working Group, HIV Drug Resistance, and Mentorship TWG, and KNH-UoN Ethics Review Committee.



Responsibilities.

He oversees the implementation of the strategy and operational decisions of the directorate and is responsible for ensuring the Hospital meets its statutory obligations.

Dr. Lydia Okutoyi
Director, Health Care Quality



Dr. Lydia Okutoyi is a senior medical Specialist with 17 years of experience in Obstetrics and Gynecology.

She is a holder of MBChB, Masters in Obstetrics and Gynecology (MMed) from the university of Nairobi, Masters in Public health (MPH) from the university of Roehampton UK, Training in Safety, Quality, Informatics and Leadership (SQIL) from the Harvard Medical School, Postgraduate Diploma in Hospital Management at Strathmore University and a fellow with the International Society of Health Care (FISQua).

Lydia is a Green belt in Lean Six Sigma.

Responsibilities

She provides an oversight role on the quality of care that patients receive at Kenyatta National Hospital. Her other roles include enhancing clinical governance, facilitate patient engagement in planning, implementation, and continuity of care, participate in the Hospital and national health care quality and safety policy and strategic planning.

CPA Erick Omondi Otieno;
Director, Internal Audit

CPA Omondi brings to the table more than 15 years of experience in auditing, He previously worked with AMACO as Head of Internal Audit. CPA Omondi holds an MBA (Corporate Management) and B.com (Accounting option).

He is a Member of the Institute Certified Public Accountants of Kenya (K), a Member of the Institute of Internal Auditors, Kenya, Member of the Information Systems Audit and Control Association (ISACA), Association of Chartered Fraud Examiners as well as a member of the Institute of Certified Secretary of Kenya (ICS).

Responsibilities

Key responsibilities include; strategy development and planning of the department, implementation of departmental and Hospital policies, review and approve risk matrix and how they are being managed, ensure proper communication, and promote team spirit in the department.



Mr. Dave Opiyo

Chief Manager, Marketing and Communication



Mr. Opiyo has more than 15 years in Communication and Journalism. He holds a Master of Arts degree in Digital Journalism from Graduate School of Media and Communications – Aga Khan University and a Bachelor of Arts degree in Communication and Media Technology from Maseno University.

He previously worked at Nation Media Group’s Daily Nation Newspaper where he was assigned various roles. They include Assistant News Editor and Assignments Editor. He was also the Regional Editor (Bureau Chief) for the company’s Kisii, Kisumu, and Eldoret’s regional offices.

He is a former fellow with the United Nations Framework Convention on Climate Change media group.

In November 2016, Mr. Opiyo was part of a team of journalists, who scooped at the inaugural Kenya Open Data Awards, which recognized people and institutions who have made an impact using open data, which is information that the Government has made freely available to the public. He is a member of the Editor’s Guild.

Responsibilities

His main responsibilities include developing, reviewing, and implementing communications strategies to support the Hospital’s objectives, develop and implement corporate communications plans to enhance the visibility of the Hospital, manage the Hospital’s corporate image, coordinate branding activities, media management as well as coordinating the marketing of Hospital services.

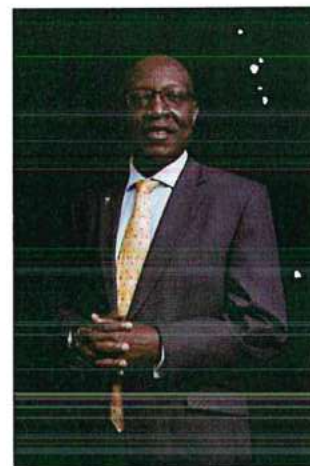
CHAIRMAN'S STATEMENT

"120 years of resilience: Our appetite for better services remains big"

Our History

During the year, Kenyatta National Hospital turned 120 years, making it one of the oldest Hospitals in the country. This is indeed a remarkable achievement. The Hospital was founded in 1901 with a bed capacity of 40, as the Native Civil Hospital. It was then renamed King George VI in 1952.

At that time the settler community was served by the nearby European Hospital (now Nairobi Hospital). It was then renamed Kenyatta National Hospital after former President the late Jomo Kenyatta following independence from the British. KNH, which became a State Corporation in 1987 with a Board of Management, is currently the largest Teaching and Referral Hospital in the country.



"During the year, the Hospital was recertified (ISO 9001: 2015) by Kenya Bureau of Standards (KEBS)"

Towards Realization of UHC

Kenyatta National Hospital is at the apex of the national referral system. It is mandated to provide specialized health services, facilitate training and research and participate in national health planning. KNH's commitment towards the provision of patient-centered care is in line with the national agenda of Universal Health Coverage (UHC) aspirations.

We are at the forefront in enhancing accessibility, affordability, and quality of care for all citizens. To this end, we conducted several outreaches to communities, full operationalization of KNH-Othaya, and is currently rethinking the strategies aimed at ensuring seamless service delivery.

COVID-19 Re-engineering and Recovery

The adverse effects brought about by the COVID-19 pandemic, have created havoc and unprecedented effects on our operations. We have, however, remained resilient in our operations and discharging our mandate effectively. During the year, the Hospital attended to 100,000+ cases through vaccination, testing, treatment, and management. Further, the Hospital provided all health care workers with PPEs that are vital in their operations. The operationalization of healthcare workers' treatment and isolation center at Day-Care center provided enough space to manage and prevent any further infections within the facility.

Innovations and Research

Innovations and research play a vital role in improving health status and reduction in economic shocks. We have made huge milestones towards health research. This will increase the types of scientific investigations aimed at testing ideas, answering questions, improving treatment options, and increasing knowledge about human health. Further, through research and innovations, the Hospital is in a position to improve clinical outcomes.

During the year, KNH conducted 30+ pieces of research with a major focus on HIV, Oncology, and NCDs. We have collaborated with national and international organizations to conduct COVID-19 related researches and capacity building to 47 counties on prevention, management, and treatment of various diseases through conducting over 100 webinars.

In a bid to institutionalized evidence-based decisions, while anchoring innovation in our operations, we continued to reward innovations through participation in the Africa Innovations Day. We have developed a Hospital-wide database to spur continuous learning and development.

Value to Stakeholders

During the year, we created various institutional linkages within the Health sector and other development partners to improve the Health sector value chain. The promotion of institutional linkages within the health sector will lead to improvements in the technical capability of health workers through capacity building.

Improved availability of equipment and medical supplies, improved research and innovations, and promote mutual collaborative agreements. These linkages are a powerful sustainer of industrial agglomerations and serve to propel economic growth and increase production with improved health care services.

In addition, KNH continued to provide training and practicum grounds for the Kenyatta Medical Training College and the University of Nairobi.

During the year, over 3000 students benefitted from our internship programs ranging from clinical to administrative specialties. Training of not only the KMTC and UoN students but also other training institutions have gone a long way to producing competent and well-trained workers ready to offer services.

Review of Plans and Policies

The Hospital reviewed its Strategic Plan 2018-2023 by aligning it to the Government 's Big Four Plan, the third Medium Term Plan of the Kenya Vision 2030, Post COVID-19 Economic Recovery Strategy (PC-ERS), Health Sector Policy 2014 -2030, and the Health Sector Strategic Plan 2018 -2023.

The reviewed Strategic Plan has a clear roadmap on achieving Universal Health Coverage and improving clinical outcomes among other key Hospital priorities. In addition, various policies, operational and business level strategies were developed and aligned to changes in the operating environment.

Building a Resilient Health System

During the year, the Hospital fully operationalized KNH-Othaya and KNH-Mbagathi. Further with the introduction of medical fellowships and observership, the healthcare system has been strengthened to meet the rising demand for specialized care.

In the year under review, KNH participated in various national projects aimed at developing health policies, strategies, and guidelines. These include participation in the formulation of NCI strategy, health budget, performance contract guidelines, mental health taskforce, COVID-19 response team, national research among others. To reposition KNH as a purely specialized facility, the Hospital participated in the national health transformation agenda aimed at streamlining healthcare care services.

Institutional Sustainability

In the year, the Board of Management approved HR instruments comprising of HR policy and manual; career guidelines, organization, and grading structure. In addition, the Hospital has continued to provide insurance and medical cover for all staff.

The staff who have retired have also been considered for the medical cover in recognition of their long service to the Hospital. On environmental conservation, the Hospital through the Occupational Health and Safety Committee has put measures in place to ensure a safe and clean work environment.

The Board confirms that the Hospital has adequate resources to continue in business for the foreseeable future. For this reason, it continues to adopt the going concern basis when preparing financial statements with a lot more focus on generating its revenues through the expanded mandate with KNH-Othaya Annex and Kenyatta Prime Care Centre.

Strategic Focus

The Hospital has put in place mechanisms geared towards the achievement of its organizational strategy. These include plans and actions that work towards the KNH Vision of a world-class patient-centered specialized care Hospital.

The vision will be fully realized when KNH becomes a multispecialty center of excellence in the provision of specialized healthcare services that meets international certification standards. To achieve this, the Hospital will continue focusing on five themes; modernization of infrastructure, creation of centers of excellence, accommodation, training and shopping complex, development of ICT infrastructure and upgrade medical equipment.

Business Growth

We have maintained our status as a preferred Hospital brand of choice and continue to receive patients seeking specialized medical care from Kenya and across borders. The increase in demand for specialized healthcare services in the region has prompted KNH to develop mechanisms to manage the surging numbers. The Hospital has put in place initiatives aimed at expanding its specialized services. These include centers of excellence in Reproductive Health, Renal, Cancer Treatment Centre, Critical Care as well as the construction of the Paediatric and Burns Emergency Centre.

We have also increased the number of Critical Care beds from 65 to 82, which is expected to improve the quality of clinical outcomes. Furthermore, the take-up of the KNH-Othaya Annex will have a tremendous contribution to the development of business through increased bed capacity, reduction of distance, and access to treatment and management of Non-Communicable Diseases.

To create a sustainable competitive advantage whilst ensuring seamless service delivery, KNH has identified capabilities such as business process agility, strategic intent, technological advancements, human resources, operations, and management capabilities geared towards positioning the Hospital to attain its vision.

Non-Communicable Diseases (NCDS) have become a major challenge to the livelihoods of most Kenyans. In response to this, the Hospital organized various outreach activities aimed at sensitization, training, capacity building for Health Care Workers, screening, and treatment at no cost. During the last year, the Hospital carried forty-three (43) multidisciplinary specialized medical and surgical camps targeting twenty-seven (27) counties..

Preparing for the Future

The Hospital has put in place mechanisms aimed at enhancing accessibility, affordability, and improved quality of care. These include the introduction of new specialized services such as Bone Marrow Transplant, IVF, Corneal Transplant, and Gastroenterology. Further, the Hospital has streamlined the referral coordination office for seamless services. This will in turn make KNH a purely specialized referral Hospital.

Appreciation

On behalf of the Board of Management, my appreciation and acknowledgment go to the KNH staff for the good work and all our stakeholders. It is through your commitment and tireless effort that we have achieved seamless delivery of specialized healthcare services. As the Board of Management, we have put in place measures to ensure the availability of resources, infrastructure, and expertise with a deliberate effort to enhance capacity in the Hospital. As ever, we would like to thank the CEO and the entire management team for their dedication to service during the year. We look forward to another prosperous year together. Thank you and God bless you all.



Mr. George Ooko

CHAIRMAN, BOARD OF MANAGEMENT

CHIEF EXECUTIVE OFFICER'S STATEMENT



“KNH remains focused on the noble mandate to offer specialized referral services in a safe and secure environment aimed at optimizing patient experience through innovative, evidence-based specialized healthcare; facilitate training and development and participate in national health policy formulation.”

KNH's historical and future success is grounded in our collective commitment to our core values. These values are Customer Focus; Transparency and Accountability; Equity and Equality; Professionalism and Integrity; Security & Safety; and Teamwork & Team Spirit. At the foundation of these values is total, unyielding integrity. We are committed as an organization to the highest ethical standards and putting efforts towards the attainment of a world-class patient-centered specialized care Hospital.

“During the year, the Management re-engineered structures and processes that revolve around the patients' needs”

This report highlights the Hospital annual report and financial statements for the year 2020/21. It entails the operational and financial performance of the Hospital in line with its strategic priorities as set out in the revised Hospital Strategic Plan 2018-2023. The Hospital has redirected her efforts on the aims to achieve among others the following:

Journey to Seamless Operations

The Hospital has made huge strides towards ensuring an effective, and timely service delivery and efficient utilization of resources. During the year, the Hospital continued in its investments in process improvement, maintenance of quality standards, and system availability.

During the 18th Internal Quality Audit, the Hospital significantly reduced the number of non-conformities, an indication of adherence to the set standards. As a result of this, the Hospital qualified for ISO 9001:2015 standards Re-certification. Further, ICT system availability and network uptime from 91.2% to 92.3%. Similarly, the Hospital increased its internet bandwidth from 130Mbps to 200Mbps to facilitate high levels of connectivity and communication.

Clinical Milestones

We have continued to be the leading Hospital in the provision of specialized healthcare services. In the year, the Hospital carried out 9 major Liver Resections, being the first public health institution in East and Central Africa to perform the procedure. In addition, the centers of excellence in Nephrology, Gastroenterology, and Endocrinology were fully operationalized.

Similarly, the introduction of new specialized services in Cornea, Liver, and Bone marrow transplantation has commenced, with respective specialized teams already established. During the year, we recorded an increase in the number of radiological procedures, laboratory investigations, and specialized surgeries which have been discussed in detail in this report. We also take pride in the clinical milestones achieved during the year.

System Automation

The use of ICT is a priority for KNH as reflected in Kenya's ICT Master Plan i.e the need to automate systems to enhance quality in service delivery. KNH has embarked on a journey of improving its ICT technologies to respond to the current market demands. Towards this, the Hospital is implementing an Enterprise Resource Planning (ERP) system aimed at process and system integration. This comprises financial, supply chain, human resource, patient registration, and billing modules. Full implementation of the modules is expected to generate high-level efficiencies and controls. On the patient care front, we have established a Diagnostic and Reporting Centre, which incorporates a medical teleconferencing facility, and an Artificial Intelligence teleradiology center, which enables the relay of radiological images from referring Hospitals. In turn, the images are read, interpreted, and reported back timely for clinical decision making.

Getting Everyone Involved

The patient and patient relatives are our primary stakeholders in service delivery. To spur stakeholder relations, the Hospital has put in place a customer feedback management system that aids in the resolution of customer complaints. The model is the strongest and the most efficient approach in maintaining and creating relationships with stakeholders. It further, ideates a strong personal bonding within people. Through building a personal and emotional linkage, KNH can identify the actual needs of stakeholders and help them to serve them in a better way.

Our Team

Employees are the most important resource. It is essential that they are kept happy, engaged, and informed to enable them to reach their full potential. Employees touch the hearts of patients and relatives leaving an indelible mark of hope and a future. In order, to enhance service delivery whilst meeting the employee needs, the Board and Executive Management teams have created a positive working environment and better remuneration packages aimed at inspiring staff.

To gauge performance and implement performance-based rewards, the Hospital has institutionalized a performance management system. Over the years, staff performance levels have been on an upward trend as reported from the financial year 2015/16 to 2018/19. During the year, 97.01% (n=4,551) of the staff who met the set criteria were appraised with an average score of 95.9%. In addition, the Hospital has conducted a training needs assessment and commenced its implementation, succession management, and culture change initiatives. This is aimed at anchoring a performance-based culture and building a cohesive team.

Infrastructure

Kenyatta National Hospital has rolled out multi-billion-shilling expansion projects to meet the current and expected growth in demand for quality healthcare services as the country's middle-class population grows.

As a Hospital of choice, we equally invested heavily in the acquisition of modern state-of-the-art equipment as well as streamlining outpatient specialized clinics. These equipment include a heart machine, lung machine, laparoscopic towers, cath lab, linac, autoclaves, microwave incinerator, CCU beds, CT Scan, and MRI machines.

The identified focus areas in line with our strategy include Reproductive Health, Renal, Cancer Treatment Centre, Critical Care, Paediatric, and Burns Emergency center. While we are yet to fully reap these significant outlays, the Hospital remains well-positioned to remain very competitive and the preferred Hospital in the region.

COVID-19 Management

In response to the COVID-19 pandemic, the Hospital set up facilities towards management of Covid-19 patients. These include 82 Critical care beds, 72 beds in KNH-Othaya, 120 beds in the Infectious Disease Unit in Mbagathi and a Healthcare workers isolation centre.

To date, the Hospital through its National Isolation, Testing, and Treatment center at Mbagathi, has attended to more than 30,000 cases. We are proud to have received and successfully managed the first COVID-19 confirmed case in the country. To further, scale up the COVID-19 disease management, the Hospital put in place a contingent of measures that include but are not limited to; establishment of a national COVID-19 customer care help desk, health care workers' isolation, and treatment center, and national COVID-19 vaccination center.

In a bid to build capacity and create awareness on COVID-19 management and control measures, KNH has provided technical support to counties through training, medical camps, outreach programs, and community-based support groups. As we continue to provide this care, I wish to state that all our healthcare providers have been protected appropriately. Personal Protective Equipment has been procured and distributed to all staff. The Hospital has further developed and is implementing guidelines on COVID-19 management at the workplace.

Going Forward

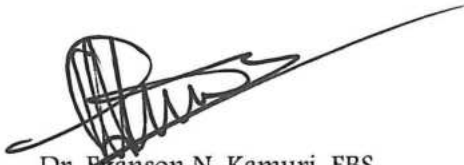
As we move through 2021, the Hospital's focus will be on transforming specialized healthcare service delivery towards Universal Health Coverage. Further, robust governance structures and practices, staff motivation and development, disciplined cost containment models, and prioritization of capital investments are top on the agenda.

These investments include Cancer Treatment Centre, commissioning of Enterprise Resource Planning (ERP) system, Healthcare Management Information System (HMIS) with its attendant plug-ins of Laboratory Information Management System (LIMS) and Picture Archiving and Communication System (PACS) Burns and Paediatric Emergency Centre as well as full operationalization Day Care Centre.

We will execute the 2018-2023 strategy in earnest and endeavor to get back on track even as we mitigate the impact of COVID-19. Further, we will refresh and enhance relations with key stakeholder groups including our staff, industry partners among others. Success in these areas will drive quality patient care, which continues to be the pillar of the Hospital.

Appreciation

I take this opportunity to acknowledge the contribution of the Board of Management, Management, staff, and partners who worked tirelessly and closely. Specifically, I'd like to thank the Chairman and members of the Board of Management for their guidance and support; members of the staff for their continued collegial support and their enduring commitment to provide excellent services to our clients; our partners for their timely responses that allow continuity of quality patient care.



Dr. Evanson N. Kamuri, EBS
CHIEF EXECUTIVE OFFICER

STATEMENT OF PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES

During the year, the Hospital achieved the set performance targets per strategic pillar as indicated below.

Table 2: Performance targets per strategic pillar

<p>Customer: Aimed at customer and stakeholder satisfaction.</p> <ul style="list-style-type: none"> • Theatre utilization at 97%. • Operationalized level 9 theatre • Turnaround time improved to 11.6 hours. • Developed an Admission & Discharge policy. • Established Bone Marrow and Corneal transplantation specialized team. • Expansion of Neurosurgery • Refurbishment of the maternity wing • Introduction of new specialized services at the KPCC (Dental, Dialysis, Chemotherapy, and Gynecology) • Commenced rollout of LIMS and PACS • Developed patient/donor evaluation protocols 	<p>Internal Processes: concerned with the processes that create and deliver the customer value proposition</p> <ul style="list-style-type: none"> • The average length of stay improved from 9.0 to 8.8 days. • The mortality rate reduced from 10.1% to 9.3%. • Mobilized Kshs. 111M • Installed 70 CCTV cameras • Established a security Communication center • Acquired 36 security communication radios • Reduced Hospital Acquired Infection (HAIs) from 18.3% to 9.7% • Increases system availability from 89.7% to 95.5% • Increased network uptime from 77.8% to 93.4% • Conducted 16 new pieces of research • Developed and disseminated 3 policy briefs • Increased capacity of knowledge repository from 37.6 GB to 61GB • Incubated 10 innovations.
<p>Organizational capacity: the level of an organization's capability to deliver services that not only satisfy present customer expectations, but continually anticipate future opportunities</p> <ul style="list-style-type: none"> • Increased staff performance appraisal score from 82.9% to 91.6% • Commenced the implementation of culture change strategy initiatives. • Acquired 3 laparoscopic towers and 2 operating tables • Developed three concept notes (Liver transplant Bone Marrow Interventional radiology) • Developed succession plan and talent management policy • Increased number of staff trained from 1,297 to 1,893. 	<p>Financial: indicate whether the hospital strategy, implementation, and execution are contributing to bottom-line improvement</p> <ul style="list-style-type: none"> • Revenue increased by 12.5% from 5.691 Billion to 6.4 Billion. • Established Malipo center. • Increased KPCC bed occupancy from 85% to 92.4%

Board Performance Contract

Kenyatta National Hospital cascades its strategic plan from tier-one down to tier three to ensure effective execution and measuring the progress of implementation. In light of the above, the cascaded plan forms a basis for the formulation of a Board Performance Contract in line with the Government's agenda of performance-based management.

To this end, the Performance Contract is a performance management tool aimed at improving efficiency and effectiveness in the management of the public service. This is a freely negotiated agreement between the Government and the management of a public entity.



Signing of the Board PC 2020/21 between the CS-MoH Sen. Mutahi Kagwe and the Chairman, KNH BOM Mr. George Ooko and witnessed by the PS. Ms. Susan Mochache, KNH-CEO Dr. Evanson Kamuri, Dr. Patrick Amoth-DMS, Independent BoM Member Ms. Peris Onsarigo, and Director Planning & Strategy Mr. Job Makanga (Left to right)

Cascading of performance targets

The Hospital has developed a cascading framework for strategy implementation at all levels (Directorates, Divisions, Departments, Units, and individuals). Further, a robust appraisal system has been institutionalized within the Hospital functions for ease of target setting, monitoring, and evaluating performance. For ease of strategy execution, annual performance contracts for the BoM, EMC, and other functional heads are developed and monitored periodically. Performance review is held on a bi-annual

basis to create a platform for shared understanding, gauge performance, document lessons learned and chart a way forward towards the realization of desired goals.

Figure 1: Board Performance Contract Composite Score



The composite score is an aggregate rating that takes into consideration the PC parameters which include; financial, service delivery, core mandate, implementation of presidential directives, promotion of local content, and cross-cutting. The score ranges from 1.00 (excellent) to 5.00 (Poor). Performance in the FY 2020/21 was majorly affected by exogenous factors such as suspension of elective surgeries, COVID-19 infections to critical staff, lack of essential supplies (PPEs, masks, and testing kits), and rising cases of Non-Communicable Diseases.

Board Performance Contract Parameters

During the period under review, the Board of Management on behalf of KNH signed a Performance Contract for the FY 2020/21 with the Government of Kenya, through the Ministry of Health. Below are the highlights of performance for the year.

Service Delivery

The Hospital has continued to offer services to citizens in line with the KNH commitments as stipulated in the corporate service delivery charter. To ensure seamless services as well as meet customer needs and expectations, the Hospital established the Information Centre, referral coordination office and toll-free telephone numbers (020 2737390) to addresses stakeholder inquiries. Through the KNH information center and the COVID-19 customer care desk, the Hospital has been able to attend to several queries

touching on referrals, admissions, outpatient clinic confirmations, and other general inquiries. The Hospital has continued to resolve public complaints that were directed to us or raised indirectly through the Commission on Administrative Justice.

Core Mandate

The Hospital continued with the implementation of Universal Health Coverage aspirations with a major focus addressing the human resources for health, enhancing accessibility and affordable care through the provision of various sub-specialized services. Additionally, the implementation of Vision 2030 flagship projects is ongoing to ensure improved quality of care.

These projects include the construction and equipping of Burns and Paediatric Centre, Cancer Treatment Centre, expansion of Kitchen at KNH-Othaya, Oxygen plant at KNH-Othaya, Mortuary of KNH-Othaya. These projects are in line with the Big Four Agenda aspirations.

The Hospital is also implementing various programs aligned to sector standards. During the period, 1,019 case fatalities amongst admitted Infants were reported against 7,313 infant admissions, 1,126 case fatalities amongst admitted Under-fives registered against a total of 8,797 admissions, and 663 case fatalities amongst admitted Neonates against a total of 5,458 neonatal admissions. To reduce case fatalities, the Hospitals conducted monthly mortality and morbidity audits amongst infants, under-fives, and neonates, implemented a register for multi-disciplinary consultations. Paediatric Emergency Unit and sensitized 300 mothers on Kangaroo Nursing Care.

In a bid to reduce facility maternal mortality, the Hospital registered a total of 141 facility maternal mortality rates against a total of 12,810 live births. Maternal mortality was attributed to countrywide healthcare workers strike and the effects of COVID-19 that has led to low antenatal clinical attendance and mothers seeking maternity services when it's too late for intervention in complicated cases.

Towards increasing minimally invasive surgeries, the Hospital conducted 5,252 minimally invasive surgeries and 30,451 other specialized surgeries. The Hospital average length of stay is 8.8 days with an OBD reported as 686,956 while discharges and deaths at 77,797. To reduce ALOS, the Hospital established a trauma surgery specialized team and operationalized the trauma unit into a 24-hour system. The Hospital conducted 9 Liver Resections, established a Bone Marrow specialized team, a corneal transplant, and the attendant treatment protocols, guidelines, and work instructions. Further, theatre utilization increased from 95% to 97% compared to the same period last year with 16 pieces of research conducted and implementation of the findings commenced. The Hospital maintained the availability of essential pharmaceuticals at 99.7% throughout the year.

Implementation of Presidential Directives

During the reporting period, KNH was directed to operationalize Othaya Level 6 Hospital. At the end of the period under review, the Hospital has been fully operationalized and has been able to attend to 29,138 inpatients and 36,291 outpatient cases.

Access to Government Procurement Opportunities and Promotion of Local Content in Procurement

In line with the GoK aspirations of facilitating the youth, women, and persons with disability-owned enterprises to participate in Government procurement, KNH has been at the forefront in implementing the initiative. To promote inclusivity and protection of the special groups, the Hospital awarded Youth, Women, and Persons With Disability (PWD), procurement opportunities worth Kshs. 445.9 Million.

The Hospital continuously registers the disadvantaged groups of suppliers, sensitized the Special Groups on procurement opportunities. KNH also promoted local content in procurement aimed at promoting consumption of locally produced goods and services that will contribute to among other things, employment creation and growth of local industries. During the period, the Hospital procured goods worth over Kshs. 5 billion from local suppliers.

Cross-Cutting Initiatives

The Hospital implemented various cross-cutting initiatives to promote effectiveness and efficiency throughout the KNH value chain system and maximize taxpayers' value.

During the year, the Hospital offered internships, industrial attachments, and apprenticeship opportunities to 1,731 youth through a rigorous and progressive skills transfer. The Hospital developed career progression guidelines, skills gap analysis, training needs assessment, knowledge management initiatives, and performance appraisal and implemented various initiatives that include operationalization of the disability mainstreaming committee, increasing equal and easy access of services to PWDS: maintained tactile lifts, six (6) parking slots to persons with disabilities and disability-friendly washrooms and submitted the Disability Mainstreaming Policy and the annual work plan to NCPWD.

The Hospital undertook various gender mainstreaming initiatives including allocation of an annual budget for gender mainstreaming, the establishment of a gender mainstreaming committee, development of a gender mainstreaming policy, disaggregation of data on all employees as guided in the reporting tool including recruitment and promotions and disaggregation of data on Board members as guided. Further, the Hospital undertook a Baseline Survey on Alcohol and Drug Abuse (ADA), established an ADA control

committee, developed an ADA Workplace Prevention Policy using the national ADA Workplace Prevention Guidelines and established support mechanisms for employees with substance use disorders monitoring of the impact. The Hospital undertook various HIV/AIDS prevention measures which included the introduction of a health screening package for HIV, cancer, blood pressure, blood sugar, and BMI, sensitization on conflict and stress management, sensitization to persons on Non-Communicable Diseases (NCDs) including cancer (breast, cervical and prostate), diabetes, hypertension, stress management and rollout of a sensitization package on HIV prevention.

To promote a value-driven corporate culture, KNH inculcated the national cohesion and values aimed at making them a central rallying ingredient and theme in the planning and execution of national policies, programs, projects, and activities for effective service delivery as envisaged in Sessional Paper No.8 of 2013 on National Values and Principles of Governance. In addition, the Hospital has incorporated Article 10 and 232 of the Constitution governance guidelines in all policies and guidelines. Corruption risk mitigation plans were implemented in line with the Hospital's commitment to combat and prevent corruption, unethical practices and promote best practices in governance as per the Ethics and Anti-Corruption Act No. 22 of 2011, the Leadership and Integrity Act of 2012, and the Constitution of Kenya, 2010.



Dr. Evanson N. Kamuri, EBS
CHIEF EXECUTIVE OFFICER

CORPORATE GOVERNANCE STATEMENT

The KNH Board of Management is committed to ensuring that a strong governance framework operates throughout the Hospital and its satellite facilities. The Board of Directors recognize that the process of identifying, developing and maintaining high standards of corporate governance suitable for the KNH is ongoing and dynamic to reflect changes in the Hospital and its business, the composition of the Board, and developments in corporate governance.

Statement of Compliance

The Hospital conducts its business affairs in full compliance with all applicable laws, rules and regulations. The Board adheres to the principles of good governance as stipulated in Mwongozo: The Code of Governance for State Corporations. KNH has attained ISO 9001:2015 certification in Quality Management System. This shows a determination for pursuit of excellence in the organization. KNH complies with the Acts and Regulations which include:-



Board Composition

The State Corporations Act, Cap.446 of the Laws of Kenya vests the governance of the Hospital in the Board of Management. The Kenyatta National Hospital Board Order, 1987 established the Board which consist of:

- (a) an independent and non-executive Chairman; the Chief Executive Officer, KNH;
- (b) the Cabinet Secretary, The National Treasury or his representative designated in writing;
- (c) the Principal Secretary, Ministry of Health or his representative designated in writing;
- (d) the Principal-University of Nairobi College of Health Sciences;
- (e) the Chief Executive Officer, Kenya Medical Training College; and
- (f) five (5) independent non-executive Directors, not being public officers.

Effective 1st March 2021, the Kenyatta National Hospital Board (Amendment) Order, 2021, reconstituted the composition as follows:

- (a) an independent and non-executive Chairman;
- (b) the Chief Executive Officer, KNH;
- (c) the Cabinet Secretary, The National Treasury or his representative designated in writing;
- (d) the Principal Secretary, Ministry of Health or his representative designated in writing;
- (e) the Attorney General or his representative designated in writing;
- (f) the Principal-University of Nairobi College of Health Sciences; and
- (g) three (3) independent non-executive Directors, not being public officers.

The Chairman of the Board is appointed by H.E. the President while the independent non-executive Directors are appointment by the Cabinet Secretary, Ministry of Health. They each serve for a maximum of two terms of three (3) years. Names of all members and changes thereto are published in the Kenya Gazette. As at the date of this Annual Report the composition of the Board is as set out in this report.

Role of the Board

The Board's role is to set strategic direction and policy for the Hospital. The Board's key responsibilities are set out in the Board Charter and include: -

- i. approving the Hospital's strategic direction and key policies;
- ii. setting goals for and monitoring Hospital performance;

- iii. approving the Hospital's interim and annual financial statements.
- iv. assessing the impact of the Hospital's business operations on the environment;
- v. ensuring ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, corporate policies, corporate procedures and the code of ethics;
- vi. overseeing IT governance and cybersecurity;
- vii. overseeing the implementation of the Hospital's risk management systems;
- viii. defining levels of materiality, reserving specific powers to the Board, delegating and instituting effective mechanisms that monitor the performance of the management team; and
- ix. committing to the principles of good governance as stipulated in the Mwongozo, the Code of Governance for State Corporations.

Board Directors' Responsibilities

The Board Directors are bound by their fiduciary duties to act in good faith and in the best interest of the Hospital. Each Board Director commits to: -

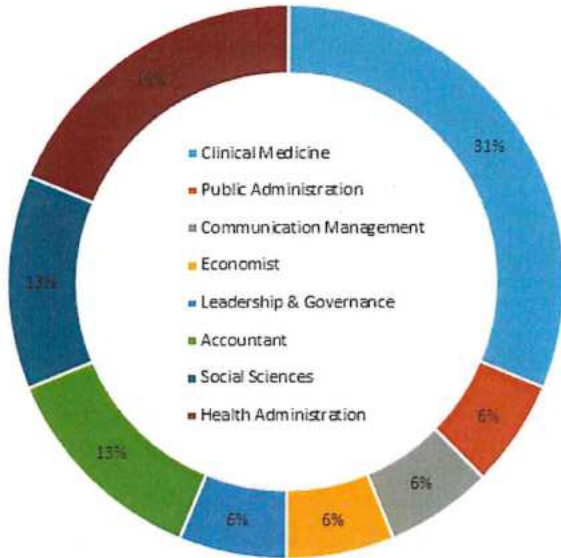
- i. exercise the highest degree of care, skill and diligence in discharging their duties;
- ii. exercise independent judgment at all times;
- iii. devote sufficient time to carry out their responsibilities;
- iv. promote and protect the image of the Hospital;
- v. regularly update their knowledge and enhance their skills;
- vi. promote transparency and accountability at Board level;
- vii. be fully aware that they are individually and collectively responsible for deciding the Hospital's vision, mission and values and its strategic objectives;
- viii. act honestly at all times and not place themselves in a situation where their personal interests conflict with those of the Hospital; and
- ix. not accept benefits from third parties that would influence their independent decision-making

The Corporation Secretary

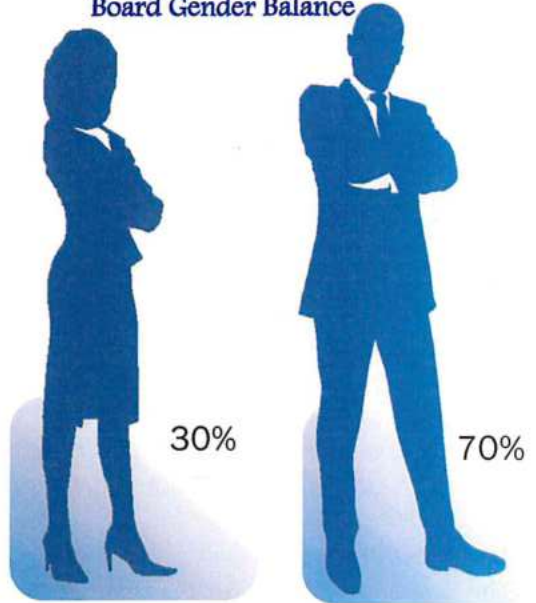
The Corporation Secretary is appointed by the Board and is responsible for providing guidance to the Board on their duties and responsibilities, on matters of governance and compliance. The Corporation Secretary facilitates the flow of information within the Board and its Committees and the Management.

Board Effectiveness

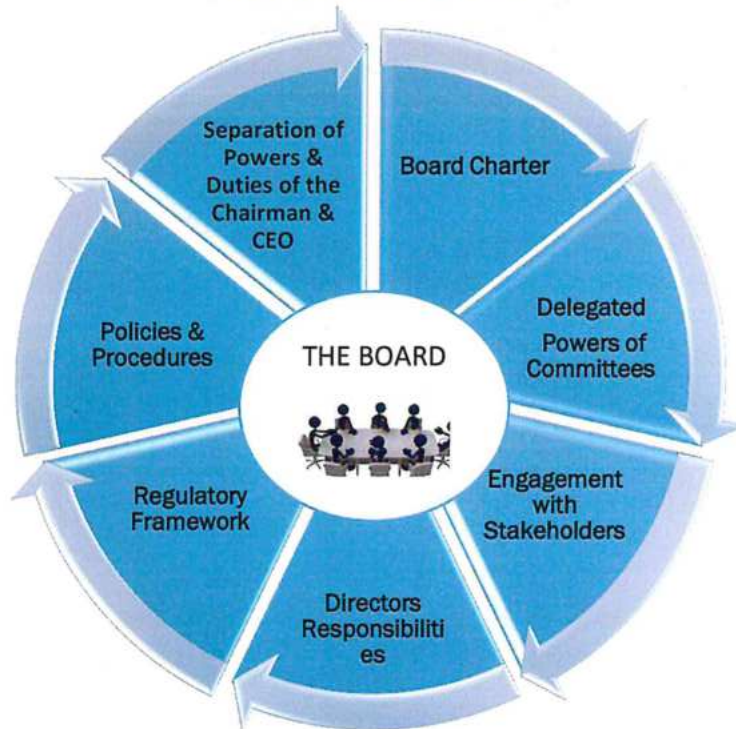
Board Skills Diversity



Board Gender Balance



How the Board Operates



Division of Responsibilities

The Board operates within a clearly defined governance framework which provides for delegated authority and clear lines of responsibility. The Chairman is a Non-Executive Director whose primary role is to direct the business of the Board and ensure its effectiveness. The Chief Executive Officer is responsible for the day-to-day running of the Hospital and

The Chairman is responsible for leadership of the Board, for ensuring its effectiveness and for facilitating the productive contribution of all Board Directors. The Chairman sets the agenda for Board meetings in consultation with the Chief Executive Officer and the Corporation Secretary.

The Chief Executive Officer is responsible for the day-to-day management of the Hospital and execution of the objectives and strategies agreed by the Board. The Chief Executive Officer is supported in this role by the Executive Committee.

The Executive Committee, led by the Chief Executive Officer, is responsible for overseeing the implementation of the strategy and policies set by the Board, and for creating the framework for their successful day-to-day operation. Their profiles are set out in this Annual Report.

The Board Work Plan

The Board's work plan for the ensuing year is approved by the Board typically at the last meeting of the year. The work plan is designed to enable the Board to drive the strategic agenda forward across all the elements of the Hospital's business model. The key Board activities during the year are set out in this report.

Board Information

The Board receives high-quality, up to date information for review in good time ahead of each meeting. The Corporation Secretary ensures timely information dissemination within the Board and its Committees and between the Board and Senior Management as appropriate. The challenges and uncertainties presented by the Covid-19 pandemic during the year, necessitated additional oversight and direction from the Board, which was achieved as a result of consistent intermittent updates from Management.

Attendance at Board Meetings

Members of the Board are expected to devote such of their time, attention and abilities as may be necessary to fulfill the duties of their appointments. This includes attendance at Board meetings which are held at least quarterly and other meetings if called, in addition to Board Committee meetings as appropriate.

During the period under review, all Board meeting were held virtually due to the far-reaching implications of the Covid-19 pandemic which necessitated promulgation by the Government of the Public Health Covid-19 Rules to curb the spread of Covid-19 disease and in line with Executive Office of the President Circular ref. OB/CAB.9/1A of 3rd April 20202, Board attendance for the period under review was as follows: -

Table 3: Board Meeting Attendance

Name of Director	Board Position	Appointment	Meetings (12)
Mr. George O. Ooko	Chairman	21/4/2020	12/12
Hon. Amb.Ukur Kanacho, EGH	CS, The National Treasury	1/7/2019	-
Ms. Susan Mochache, CBS	PS, Ministry of Health	1/3/2019	-
Dr. Nelson C. Kuria	Non-Executive Member	30/8/2018	9/12
Mrs. Margaret C. Koech	Non-Executive Member	30/8/2018	12/12
Dr. Stanley K. Maina, HSC	Non-Executive Member	30/8/2018	12/12
Mrs. Peris B. Onsarigo	Non-Executive Member	3/5/2019	9/12
Dr. Richard T. Kamau	Non-Executive Member	3/5/2019	12/12
Mr. Alfred M. Kagika, EBS	Alt. to CS, National Treasury	30/9/2019	11/12
Dr. Julius Ogato	Alt. to PS, Ministry of Health	13/6/2019	11/12
Prof. James M. M'Imunya	Principal, UoN-CHS	1/6/2018	6/12
Prof. Michael K. Kiptoo	CEO, KMTC	1/3/2018	2/12
Dr. Lucy Waweru	Alternate to CEO, KMTC	7/3/2017	5/12
Dr. Evanson N. Kamuri	CEO, KNH	15/10/2019	12/12

Board Induction

On appointment to the Board all Directors ordinarily receive induction which is tailored to the new Director's individual requirements. The induction schedule is designed to quickly provide the new Director with an understanding of how the Hospital works and the key issues that it faces. The induction typically consists of a full programme of briefings on all areas of the business including but not limited to the following:

- (a) Introduction to the Board;
- (b) Introductions to Senior Management;
- (c) Presentations on the overview of the Hospital's operations;
- (d) Sessions with the Board Chairman, Board Committee Chairmen, the Chief Executive Officer, and the Corporation Secretary as appropriate; and
- (e) A Hospital Tour.

Upon completion of the induction programme the Director should have sufficient knowledge and understanding of his or her roles and responsibilities as a Director to the Board, the nature of the business, and the opportunities and challenges facing KNH to enable them to effectively contribute to strategic discussions and oversight of the Hospital. No appointments were made to the Board during the FY2020/2021.

Board Continuous Skills Development

In order to continue to contribute effectively to Board and Board Committee meetings, Directors are encouraged to continually update their skills and knowledge of the business. The Directors are also provided with the opportunity to take part in training and development. As part of the annual one-on-one performance review with the Chairman, any particular development needs that can be met are discussed.

The Corporation Secretary organizes a training schedule for the year which includes both formal training and functional presentations or topic specific briefings which training schedule is approved by the Board. Despite the challenges presented by the pandemic to physical trainings and activities, during the FY2020/2021, trainings received by individual Directors included but were not limited to the following topics: -

- African Women Leadership Program
- Board Audit Committee Master Class
- Virtual Equine Leadership Immersion Programme
- Induction Workshop for Board Members

Board Performance Evaluation

The Board conducts a critical evaluation of its effectiveness and that of its Committees, the Individual Directors, Chairman, and the Chief Executive Officer. The evaluation is conducted by each Director completing a Board Effectiveness Evaluation Form. This information is thereafter collated by the State Corporation Advisory Committee and presented to the full Board with a view to acknowledging the Boards strengths and most importantly identifying and recommending areas for improvement which, if thought fit are approved.

The evaluation for FY2020/2021 was not conducted by the Board due to the reconstitution of the composition of the Board by virtue of the Kenyatta National Hospital Board (Amendment) Order, 2021.

Conflict of Interest

The Board has formal procedures for managing conflict of interest in accordance with the Board Charter. Any conflict of interest or apparent conflict of interest between the Hospital and its Directors is avoided. Directors are required to declare any potential or actual conflicts of interest that could interfere with their ability to act in the best interests of the Hospital. Any circumstances which may give rise to actual or potential conflicts of interest are disclosed to the Board upon appointment and subsequent changes highlighted as they arise. A Conflict of Interest Register is maintained for that purpose. Directors are also given the opportunity, at the start of every Board meeting, to declare any actual or potential conflict of interest with their role as Directors. During the course of FY2020/2021 no conflict of interest was declared by any Director.

Board Remuneration

Mwongozo, the Code of Governance for State Corporations, provides that the relevant Authority should establish a formal and transparent remuneration policy linked to performance and remunerate Board Members fairly, ethically and responsibly.

The Board's remuneration is guided within the government set limits for state corporations as outlined in circular OP/CAB.9/21/2A/41/43 of 23/11/2004. The Chairman receives a monthly honorarium. Directors' fees are not payable. During the year, there were no Directors' loans. Details of Directors remuneration during the year are shown in note 15 to the financial statements.

Strategic Board Activities in FY 2020/2021

Strategic Board activities conducted in FY2020/2021 include the following: -

- i) Provided policy direction to the National Government of management of Covid-19 diseases.
- ii) Provided assistance to County Governments in terms of capacity building in management of Covid-19 disease.
- iii) Conducted public webinars on management of Covid-19 disease and to dispel misconceptions, false information and half-truth on Covid-19 and the vaccine.
- iv) Introduced new service on continuous renal replacement therapy.
- v) Equipped the Hospital Laboratory with three (3) state of art advanced diagnostics machines for HIV and TB, which has enabled the Hospital serve as a reference Laboratory seven (7) counties - Nairobi, Kiambu, Nyandarua, Muranga, Embu, Kirinyaga and Nyeri.
- vi) Operationalized the trauma unit into a 24-hour system.
- vii) Reviewed the Hospital's Strategic Plan 2018-2023 to ensure to the incorporate new opportunities and realization of the intended results at the end strategic period.
- viii) Developed Standard Operating Procedures related to Covid-19 management.
- ix) Developed the Antimicrobial Stewardship Policy.
- x) Developed the Admissions, Transfer and Discharge of Patient Policy and Guidelines.
- xi) Developed Prescribing Policy and Guidelines for Pharmaceutical Products.
- xii) Developed a Strategic Plan for KNH-Othaya for the period 2020-2023.
- xiii) Developed a Culture Change Strategy.
- xiv) Revised the Credit Policy and Procedure Manual.
- xv) Developed the Information Security Policy and Procedure Manual.
- xvi) Revised the user fees charges for the General Hospital.
- xvii) Commenced infrastructural development at KNH-Othaya, i.e. construction of a kitchen facility, mortuary facility, laundry facility, oxygen plant, water reticulation and access roads.
- xviii) Revised the Hospital's Human Resource Instruments.
- xix) Secured funds amounting to KES.627 million from the Sports Fund for replacement of obsolete equipment and procurement of medical equipment for the Daycare Surgical Centre.

- xx) Refurbished the New Born Unit and conducted a Tree Planting exercise at KNH-Othaya
- xxi) Hosted the international day to end of obstetric fistula.

Board Committees

The Board has established and maintains four (4) principal Board Committees, to which it has delegated some of its responsibilities namely, the Clinical Governance Research & Standards Committee, the Human Capital Finance & Administration Committee, the Corporate Strategy & Enterprise Committee and the Audit Committee.

REPORT FROM THE CHAIRMAN OF THE CLINICAL GOVERNANCE RESEARCH AND STANDARDS COMMITTEE



Dr. Richard Kamau
Chairman

Mandate

- i. Ensure that the Hospital has policy guidelines, procedures and regulations governing standards, quality assurance and research activities in the Hospital;
- ii. Provide guidance on development, monitoring, evaluation and support to the Hospital on issues related to standard, quality assurance and research in the Hospital;
- iii. Review any changes on policy issues on standard, quality assurance and research in the Hospital; and
- iv. Review reports of the Medical Advisory Committee.

Current Members and Attendance at meetings in the FY 2020/2021

The Committee held three (3) meetings which were attended as follows: -

	Name	31/8/20	19/11/20	17/3/21
1	Dr. Richard Kamau	✓	✓	✓
2	Prof. James M'Imunya	✓	×	✓
3	Dr. Julius Ogato	✓	✓	✓
4	Dr. Evanson Kamuri	✓	✓	✓
5	Dr. Irene Inwani*	✓	✓	✓
6	Mr. Calvin Nyachoti*	✓	✓	✓
7	Dr. Peter Muiruri*	✓	✓	✓
8	Prof. Anastasia Guantai*	✓	✓	✓
9	Dr. John Kinuthia*	✓	✓	✓
10	Dr. Lydia Okutoyi*	✓	✓	✓

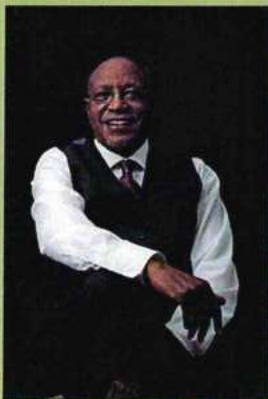
**Dr. Irene Inwani (Senior Director Clinical Services), Mr. Calvin Nyachoti (Corporation Secretary), Dr. Peter Muiruri (Director KNH-Othaya), Prof. Anastasia Guantai (Chairperson, KNH-UoN Ethics Research Committee), Dr. John Kinuthia (Head of Medical Research) and Dr. Lydia Okutoyi (Director Quality Healthcare) attended as Permanent Invitees*

Standing items of business considered by the Committee in the FY2020/2021

- (a) Status on Covid-19 infections in the main Hospital and its satellite facilities;
- (b) Status on the clinical performance of the main Hospital and its satellite facilities;
- (c) Status on implementation of the Board Performance Contract by various clinical departments;

- (d) Report of the activities of the KNH-UoN Ethics Research Committee;
- (e) Report on research and programs in the main Hospital and its satellite facilities; and
- (f) Reports on patient safety and quality clinical care standards, policies and procedures, and regulation and accreditation standards; and
- (g) Review of clinical audits.

REPORT FROM THE CHAIRMAN OF THE HUMAN CAPITAL FINANCE AND ADMINISTRATION COMMITTEE



Dr. Nelson Kuria
Chairman

Mandate

- i. Review of the financial performance of the main Hospital and its satellite facilities;
- ii. Review of the procurement systems, procurement procedures, budget alignments and procurement structures to ensure compliance with all laws and regulations;
- iii. Oversee the operationalization of a procurement plan and institutionalization of the procurement cycle.
- iv. Review of the organizational structure, core functions & and optimum establishment;
- v. Review of policies and procedures on staff recruitment and selection, training and development;
- vi. Review of the staff performance and reward system;
- vii. Review of the terms and conditions of service in line with the organization's strategy;
- viii. Remuneration structure for the staff; and
- ix. Succession planning.

Current Members and Attendance at meetings in the FY 2020/2021

The Committee held three (3) meetings which were attended as follows: -

	Name	26/8/20	17/11/20	9/3/21
1	Dr. Nelson Kuria	✓	✓	✓
2	Mrs. Peris Onsarigo	✓	✓	✓
3	Mr. Alfred Kagika	✓	✓	✓
4	Dr. Evanson Kamuri	✓	✓	✓
5	Mr. Carlyus Odiango*	✓	✓	✓
6	Mr. Calvin Nyachoti*	✓	✓	✓
7	Mr. Michael Kihuga*	✓	✓	✓
8	Mr. John Miringu*	✓	✓	✓
9	Mrs. Winnie Mwangi*	✓	✓	✓

**Mr. Carlyus Odiango (Senior Director Corporate Services), Mr. Calvin Nyachoti (Corporation Secretary), Mr. Michael Kihuga (Director Finance), Mr. John Miringu (acting Director Supply Chain Management) and Mrs. Winnie Mwangi (Director Human Resource) attended as Permanent Invitees*

Standing items of business considered by the Committee during FY 2020/2021

- (a) Report on the financial performance of the Hospital and its satellite facilities;
- (b) Reports on the implementation of the annual procurement plan;
- (c) Reports on the implementation human resource activities;
- (d) Review of employees remuneration;
- (e) Filling of vacancies of managerial positions;
- (f) Review of staff disciplinary cases of appeal; and
- (a) Report on legal matters.

REPORT FROM THE CHAIRPERSON OF THE CORPORATE STRATEGY AND ENTERPRISE COMMITTEE



Mrs. Peris Onsarigo
Chairperson

Mandate

- (a) Review the Hospital's Strategy and investment policies and making appropriate recommendations;
- (b) Review, evaluate and approve investment projects and new ventures;
- (c) Review the progress of resource mobilization activities;
- (d) Forge strategic partnerships and linkages; and
- (e) Oversee the government performance contracting regime of the Hospital.

Current Members and Attendance at meetings in the FY 2020/2021

The Committee held three (3) meetings which were attended as follows: -

Name	24/8/20	21/11/20	25/3/21
1 Mrs. Peris Onsarigo	✓	✓	✓
2 Ms. Margaret Koech	✓	✓	✓
3 Dr. Nelson Kuria	✓	✓	✓
4 Dr. Evanson Kamuri	✓	✓	✓
5 Mr. Carlyus Odiango*	✓	✓	✓
6 Mr. Calvin Nyachoti*	✓	✓	✓
7 Dr. Tom Menge*	✓	✓	✓
8 Mr. Job Makanga*	✓	✓	✓

**Mr. Carlyus Odiango (Senior Director Corporate Services), Mr. Calvin Nyachoti (Corporation Secretary), Dr. Tom Menge (Director Affiliation & Institutional Development), and Mr. Job Makanga (Director Planning & Strategy) attended as Permanent Invitees*

Standing items of business considered by the Committee during FY 2020/2021

- (f) Progress on key capital projects and resource mobilization activities;
- (g) Progress on implementation of the Enterprise Resource Management (ERP) system;
- (h) Status on the implementation of the Board Performance Contract FY2020/2019;
- (i) Status on the implementation of the Strategic Plan 2018-2023;
- (j) Status on the on implementation of the KPCC Strategic Plan 2017-2022;
- (k) Status on the implementation of the ICT Strategy 2017-2022;and
- (l) Status on the implementation of the Security & Safety Strategy 2017-2022.

REPORT FROM THE CHAIRMAN OF THE AUDIT COMMITTEE



Dr. Stanley Maina
Chairperson

Mandate

- i. Monitor the integrity of the financial statements and any formal announcements relating to the Hospital's performance;
- ii. Consider any significant issues and judgements reflected in financial statements and performance reports;
- iii. Review the consistency of the accounting policies applied by the Hospital;
- iv. Review the effectiveness of the accounting, internal control and business risk systems of the Hospital and, when appropriate, makes recommendations to the Board on business risks, internal controls and compliance; and
- v. Oversight over the work undertaken by the internal auditor and the external auditor (Auditor General).

Current Members and Attendance at meetings in the FY 2020/2021

The Committee held three (3) meetings which were attended as follows: -

	Name	18/8/20	25/11/20	17/3/21
1	Dr. Stanley Maina	✓	✓	✓
2	Ms. Margaret Koech	✓	✓	✓
3	Mr. Alfred Kagika/Mr.	✗	✓	✓
4	Prof. Michael Kiptoo/ Dr. Lucy Waweru	✓	✗	✗
5	Mr. Eric Omondi (Director Risk & Audit)	✓	✓	✓

Standing items of business considered by the Committee during FY 2020/2021

- (a) Periodic reports on process audits, the management responses and action plans being put in place to address any concerns raised;
- (b) Updates on key risks facing the business and mitigating steps put in place with deep dives into specific risk topics;
- (c) The external auditors' reports and interim management statements;
- (d) Quarterly reports on internal controls and compliance; and
- (e) Quarterly reports on security risks, frauds and losses.

Internal Controls and Risk Management

The Board is responsible for reviewing and confirming the effectiveness of the hospital's risk management and material internal controls, including those relating to the financial reporting process. Although the responsibility for evaluating the hospital's risk management procedures, assessing the effectiveness of internal controls and monitoring reporting integrity has been delegated to the Audit Committee, the Board maintains a strong and regular oversight of the outcomes of the Committee's work.

Governance Policies

The Board Charter

The Charter is a critical corporate governance tool of the Board which documents the composition, roles and responsibilities of the Board. This ensures effectiveness of each Director's contribution in the governance of the Hospital by facilitating independent judgement, decision making and professional competencies.

Code of Conduct and Ethics

KNH has a Code of Conduct relating to lawful and ethical conduct of business which is supported by the Hospital's core values of integrity, professionalism, team spirit and emphasis on safety culture. The code of conduct provides fundamental principles and guidelines that govern the ethical and legal obligations of all employees at all levels. All employees are bound by the provisions of the Public Officers Ethics Act 2003, the Hospital Code of Conduct and any other statutory regulations issued from time to time. The Board, Management and employees are required to observe the code and high standards of integrity. These standards are applied in all dealings with customers, suppliers, and other stakeholders.

Whistle Blower Policy

The Hospital has a Whistle Blower Policy which enables staff, in confidence, to raise concerns and to report incidents they consider to be against our established code of conduct without fear of reprisal. No whistleblowing incidents were reported during the FY2020/2021.

Supply Chain Manual

The Hospital has a Supply Chain Manual that governs the procurement of goods and services. The policy and the related procedures are addressed particularly to those persons who deal directly with suppliers, ordering parties/ contractors, and other business partners. The policy establishes principles for business conduct and for avoiding conflicts of interest that must be adhered to by each employee. It ensures that the most appropriate and effective controls are applied in the purchase of goods and services for the Hospital's needs.

Information Technology Policy

KNH information technology (IT) systems are covered under an Information Security Policy and Procedure Manual. The policy aims to protect the Hospital's investment in information technology infrastructure, IT equipment and mobile facilities, data/telecommunications networks and software, maintain the highest standards of cyber security, while protecting the Hospital's confidential and sensitive information.

Communication Policy

Effective communication with stakeholders is fundamental in maintaining KNH's corporate reputation as a trusted and respected provider of healthcare services and positioning itself as a world class patient centered healthcare service provider. The Hospital has in place a Communication and Marketing Policy. Further, a wide variety of communication vehicles are used to engage with stakeholders, which serve as an impact assessment to assess stakeholders' needs and to effectively respond thereto. Stakeholders' legitimate expectations have been taken into account in setting the Hospital's key sustainability priorities, as reported on throughout this report. The Hospital continually looks for ways to improve its use of online channels to communicate with its stakeholders through the corporate website.

Stakeholder Management

The reputation of the Hospital is a key focus for the Board. The Communications and Marketing department plays a key role in how the public (stakeholders, customers, suppliers, and the general public), as well as staff, perceive the Hospital. The department manages the organization's reputation and ensures that the demands of the ever-changing business and regulatory environments are taken into consideration in decision-making.

The Board is responsible for guiding the strategic direction for communication strategies across the Hospital and the department is responsible for implementing these. An engagement strategy targeting key stakeholders including media and internal staff to improve the public's appreciation and to increase confidence in Kenyatta National Hospital has been developed. Underpinning this strategy is the building of internal capacity for content development, and alignment of existing digital communication solutions and processes, enabling greater control of the Hospital's reputation.

Going Concern

The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Hospital's position through the Annual Report. It is appropriate to treat this business as a going concern as there is sufficient existing financing available to meet expected requirements in the foreseeable future.

Other Disclosures

Material Litigation

In the reporting period, the Hospital was not involved in any material litigation or arbitration proceedings, nor were the directors aware of any pending or threatened legal issues which may have a material impact on the Hospital's financial position.

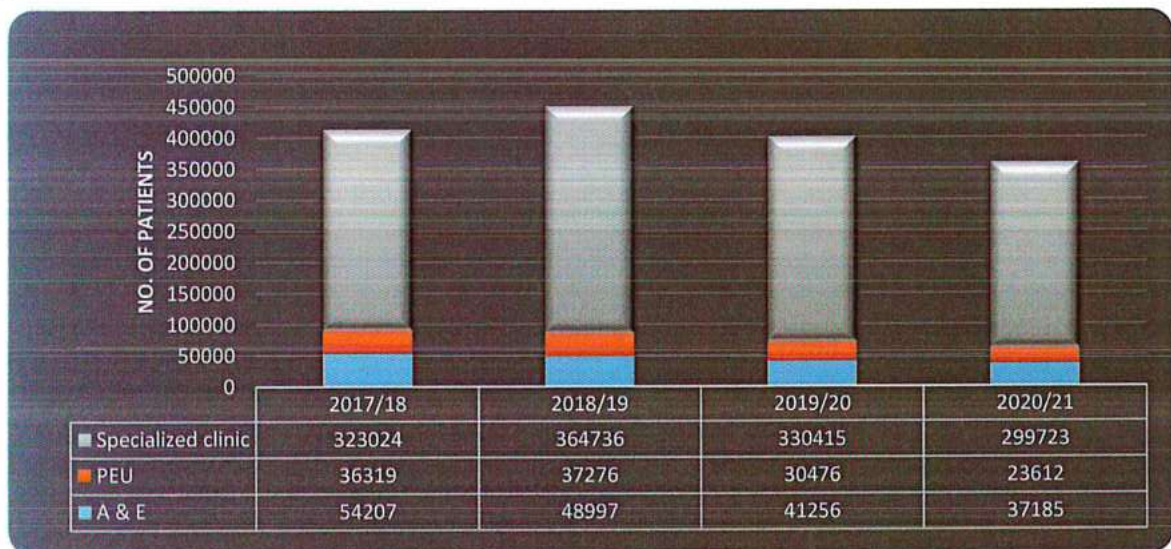
MANAGEMENT DISCUSSIONS AND ANALYSIS

CLINICAL SERVICES PERFORMANCE

Outpatient attendance

The Hospital runs several outpatient clinics that include Paediatric Emergency Unit (PEU), Accident & Emergency and specialized clinics, which run daily in seven medical disciplines; (Pediatrics, Gynaecology, Ear, Nose & Throat, Surgery, Medicine, Orthopedics, and Ophthalmology). A&E and PEU provide emergency services while specialized clinics provide services in various fields such as Cardiology, Oncology, Urology, and Infertility. More than 300,000 patients are seen in the specialized clinics annually as shown on the graph below.

Figure 2: Outpatient Attendance

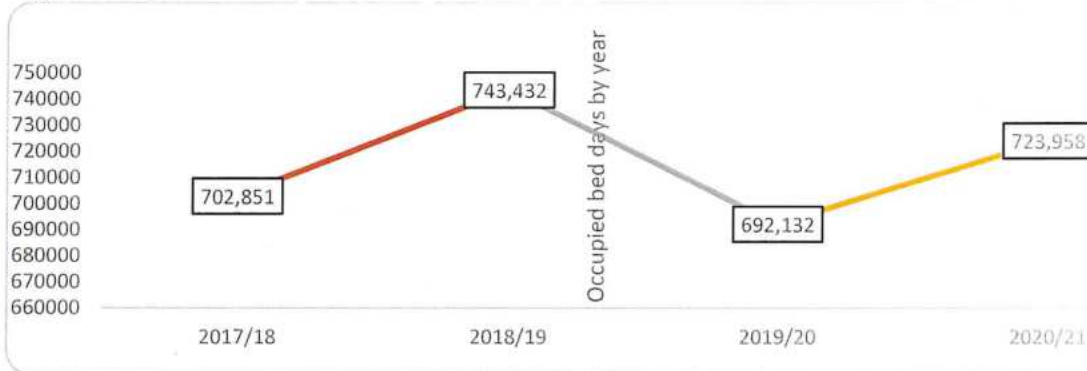


In FY 2020/21, there was a slight drop in the number of outpatients because of the implementation of COVID-19 pandemic containment measures such as reducing number of patients bookings to ensure physical distancing, lockdowns restricting movements and fear of COVID 19 that deterred some patients from traveling to Hospital.

Inpatient Admissions

The Hospital has more than six hundred thousand occupied bed days in the various specialized units annually.

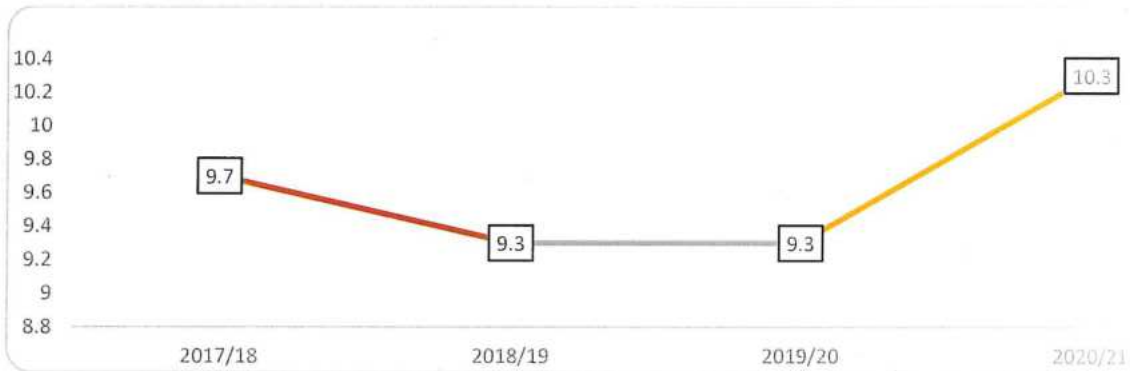
Figure 3: Inpatient Admissions



Mortality

The general mortality rate of the Hospital declined from 9.7% in 2017/18 to 9.3% in 2018/19 and increased slightly in 2020/21 due to the COVID-19 pandemic.

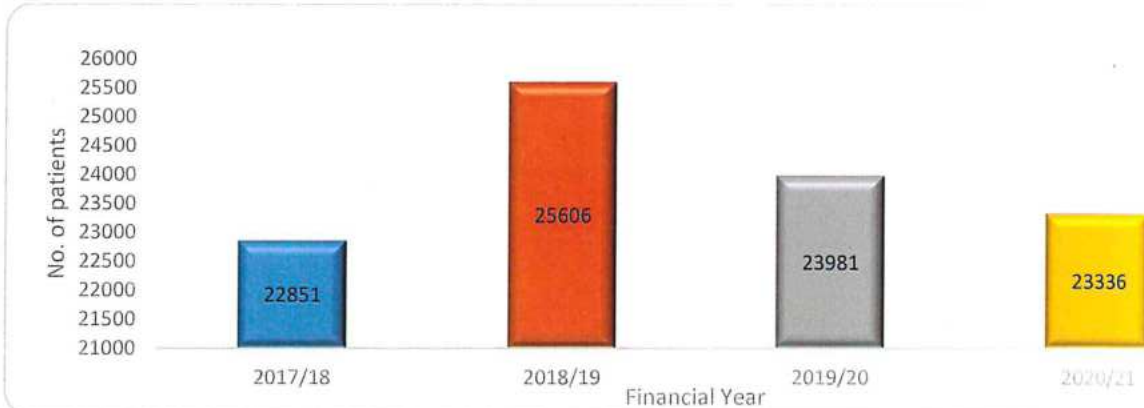
Figure 4: Mortality



Cancer Treatment

Cancer treatment is one of the major functions of the clinical area at KNH. Some of the leading causes of cancers at KNH include that of the Retina, Cervix, Breast, Esophagus, and Leukemia.

Figure 5: Cancer Treatment



Minimally Invasive Surgery

Minimally Invasive Surgeries utilize small incisions and are associated with less pain, less blood loss, quicker recovery, shorter Hospital stay, and less scarring. The number of minimally invasive surgeries performed annually in the hospital has increased substantially from 1,865 in FY 2017/18 to 13,540 in FY 2020/21.

Figure 6: Minimally Invasive Surgery



Average Length of Stay (ALOS)

The Average length of Stay improved from 9.7 in 2018/19 to 8.8 days in 2020/21. This reduction was brought about by improvement of health care services, increased diagnostic services, timely discharge process, increased NHIF covers, and patient/social services interventions.

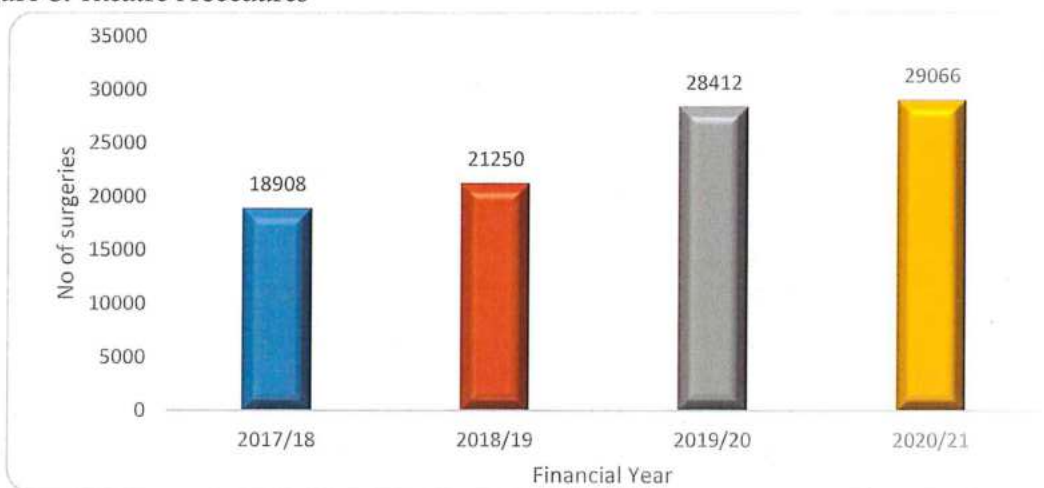
Figure 7: Average Length of Stay



Theatre Procedures

In the last four years theatre procedures have increased. The increase is attributed to enhancement of surgical space and time, increased theatre schedules, reduced theatre cancellations and close monitoring of operations.

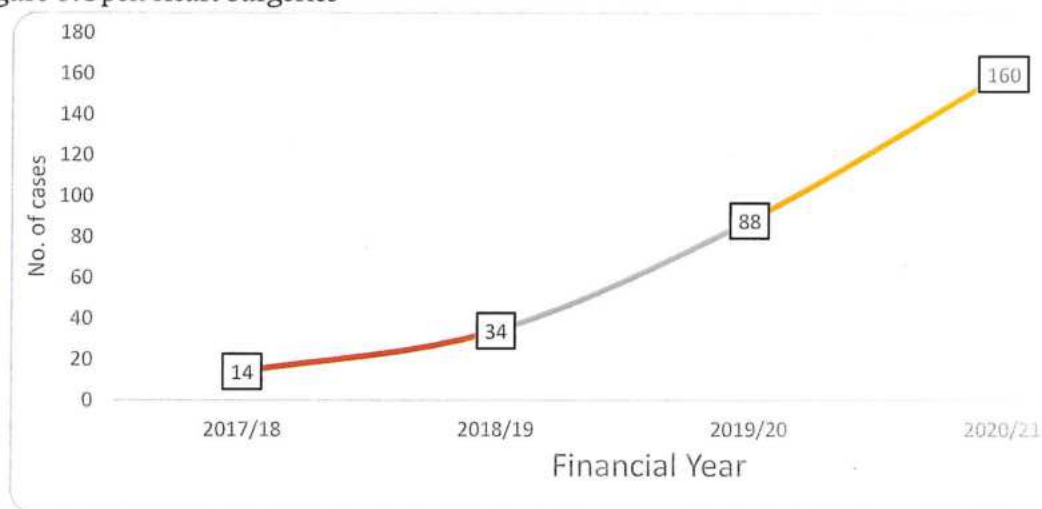
Figure 8: Theatre Procedures



Open Heart Surgeries

Heart surgeries performed at KNH has increased within the last three years. The cumulative open heart surgeries performed over the last four years are as shown below.

Figure 9: Open Heart Surgeries



Laboratory Services

There has been an increase in demand for laboratory services.

Figure 10: Laboratory Services



Radiological Services

The demand for radiological services has been on an upward trajectory as tabulated below.

Table 4: Demand for Radiological Services

Procedure	2017/2018	2018/19	2019/20	2020/21
CT - Scan	13,296	12,601	15,597	18,510
MRI	215		1,414	3556
Mammogram	457	608	611	539
Intervention Radiology	280	409	990	1,282
Endoscopy (Colonoscopy & OGD)	1762	1991	2,293	2,327
General Radiological procedures	45,960	50,813	54,688	58,222

Clinical Milestones

KNH specialists reattach the hand of a seven-year-old boy severed by a chaff cutter

Specialists at KNH conduct the fifth successful hand reattachment surgery for seven-year-old Benevolence Itachi. The boy was received at KNH within two hours of a chaff-cutter accident and was immediately taken to the theatre.

The KNH multi-disciplinary team of specialists led by Dr. Nangóle, a plastic surgeon, and Dr. Kamau Njoroge, an Orthopaedic Surgeon embarked on the surgery to reclaim the young boy's hand in

an intricate procedure that lasted 10 hours. According to Dr. Benjamin Wabwire the head of Plastic and Reconstructive Surgery, KNH is now home to these complex surgeries and a center for excellence.



Mending Hearts, Transforming lives



KNH cardiology specialists performed a ground-breaking non-invasive procedure on a patient with a hole in the heart.

According to Dr. Gachara, the process involved a highly delicate pin-hole procedure, where the surgeon accessed the heart from the leg and made a way through the major blood vessels using an X-ray to insert a device right across the heart to close the PDA.

Management of Retinoblastoma

A team of specialists from KNH and UoN performed an intricate intra-arterial chemotherapy procedure on a six-year-old girl with retinoblastoma. This marks clinical milestone.

The procedure brought together Interventional radiologists, ophthalmologists, Paediatric Oncologists, and nursing teams to save the remaining eye of Baby Tiffany Jepkorir.

Tiffany had already lost one eye to retinoblastoma when all other therapies used to



treat the disease failed. By this time cancer had already spread to her second eye, and for the multidisciplinary team taking care of her, it was a fight to prevent losing her sight entirely.

KNH Prime Care Centre (KPCC) Critical Care Unit

KPCC set up a five-bed Critical Care Unit (CCU) which was launched during the year by the CEO Dr. Evanson Kamuri. The facility will enhance care giving for critically ill patients.

KNH- Othaya at a Glance

Kenyatta National Hospital - Othaya is a level six Teaching and Referral Hospital located in Othaya Sub-County, Nyeri County. The Hospital sits on 7.9 acres of land of the 25 acres which is shared with the Othaya Level 4 Hospital. During the Financial year 2019/20, KNH was directed to take over management of the former Othaya Teaching and Referral Hospital and operate the facility as an annex of KNH. Following the directive, KNH was to ensure full operationalization of the facility to offer specialized services to the Mount Kenya region and its environs.

Presently, KNH-Othaya is fully operational and offers a wide range of services and specialized care including Surgical Outpatient Clinic (SOPC), General Outpatient Clinic (GOPC), Dermatology, Ophthalmology, Psychiatry, Endocrinology and Ear, Nose & Throat (ENT). The number of patients seeking services at the facility has increased over time. 75% of the patient treated at the Hospital are from Nyeri County with the rest coming from the County Government s of Embu, Nyandarua, Laikipia, Tharaka Nithi, Meru, Isiolo, Samburu, Kirinyaga, Muranga, and Marsabit. Free medical outreaches for specialized services have been conducted in the county health facilities to build the capacity of health workers and create awareness about services offered at the Hospital.





Renovation of NBU and Maternal HDU in KNH-Othaya

Maternal & Newborn care is one of the key priorities at KNH - Othaya and in support of this, the Hospital partnered with Safaricom Foundation to renovate and equip the New Born Unit and Maternal HDU to a state-of-the-art facility.

The renovated facility accommodates 16 Newborn babies and four (4) mothers who may require HDU care at any given time.

Installation & Commissioning of Bulk Oxygen Plant

Through the joint support of the AMREF Health Africa and the Rockefeller Foundation, KNH-Othaya installed a 2800 liters bulk liquid oxygen tank. This has led to the smooth running and operation of the Intensive Care Unit and New Born Unit.



Tracheostomy Insertion Surgery at KNH-Othaya



During the year, the first tracheostomy insertion surgery was performed. A tracheostomy is a medical procedure – either temporary or permanent that involves the creation of an opening in the neck to place a tube into a person’s windpipe. Breathing is then done through the tube, bypassing the mouth nose, and throat.

Gender-Based Violence Centre Services

A Gender-Based Violence Center has been set up in KNH-Othaya to treat and offer psychological support to victims of sexual assault, physical assault, and other gender-based violence cases. The clinic is strategically located in the Accident and Emergency department. KNH-Othaya is committed to restoring meaning to the lives of survivors & their families.

Maternal and Child Clinic in KNH Othaya

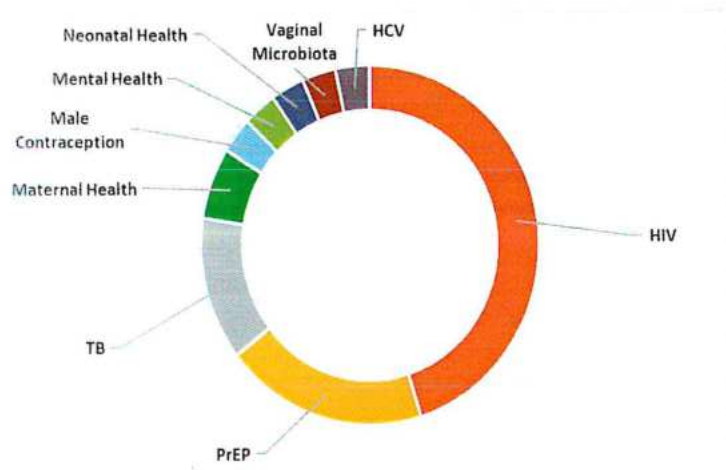
In pursuit of preventive & promotive maternal and child health services, KNH-Othaya has introduced Antenatal, Child Welfare Clinic, PMTCT, and Immunization Services. This is a milestone towards the achievement of Sustainable Development Goal # 3



Tree for every Child

The management and staff of KNH-Othaya take cognizance of the importance of environmental conservation. Through this, the Hospital has introduced an initiative branded “A tree for every child,” which is focused on ensuring that every child born in the facility is given a seedling on discharge. The Hospital has started a tree planting nursery to ensure this is sustained.

Medical Research



Internally Funded Studies

Kenyatta National Hospital recognizes the importance of research as a strategy towards realization of its vision. Consequently, the hospital has set aside funds to support staff to conduct studies with potential to improve quality of medical care. In 2020/21, twenty- four staff members were awarded research funding and 11 of the studies were completed within the year and results disseminated to the respective departments.

Externally Funded Studies

The Hospital conducted 31 externally funded collaborative studies in 2020/21. Most studies focused on HIV including use of PrEP to prevent infections, HIV self-testing, care of people living with HIV, outcomes of HIV exposed infants and viral load testing. Studies on pre-exposure prophylaxis are accessing models of delivery, use of mHealth technologies to promote adherence and infant outcomes.

KNH is the only African site for the multi-country study evaluating a hormonal gel for male contraception.

Most of the studies were conducted in collaboration with investigators from University of Washington, USA.

Policy Briefs

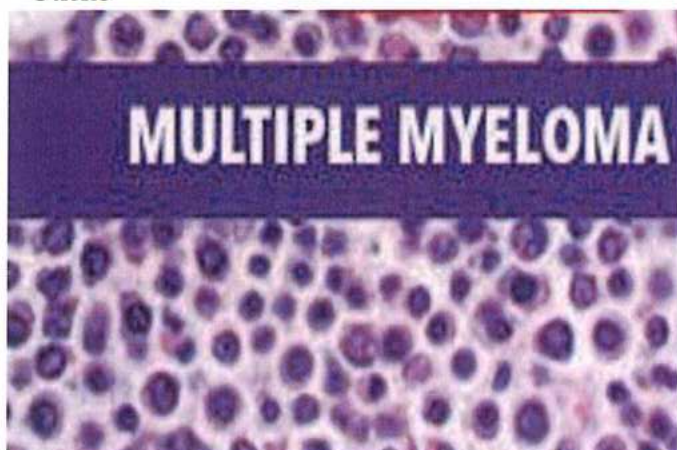
The Hospital developed two policy briefs in 2020/21;

Monitoring of blood sugar and weight among patients on DTG based antiretroviral therapy regimen based on study Prevalence of Dolutegravir Associated Hyperglycemia and its Covariates among People Living with HIV on Treatment at Kenyatta National Hospital conducted by Judith A. Odenyo, George Mugendi, David Nyamu, and Andrew Okiko.



Introduction of Dolutegravir (DTG) based antiretroviral therapy has provided a potent treatment option for persons living with HIV. However, there is growing evidence from clinical settings that use of DTG can result in significant hyperglycemia. This, if neither noticed nor controlled, patients on DTG can develop diabetes mellitus and its complications, increasing their risk of morbidity and mortality. Study found that 55.9% of individuals on DTG had high blood sugar and age, overweight and obesity were risk factors for development of high blood sugar. To minimize risk of adverse outcomes, patients on DTG should have blood sugar monitoring and regular assessment of weight to monitor body mass index.

Setting up of a national Multiple Myeloma Registry at Kenyatta National Hospital based on a study "Clinico-pathological profile and treatment of multiple myeloma at Kenyatta National Hospital" conducted by Wanjiku Gichuru, Dr Matilda Ong'ondi, Andrew Odhiambo, N. A. Othieno-Abinya, C. F. Otiemo



Multiple Myeloma (MM) is a cancer of one of the white cell types, plasma cells, found in the bone marrow. The disease can reduce the production of blood cells that provide oxygen to body cells and can cause damage to the kidneys and bones. Because of this, the symptoms of MM are easy to overlook or misdiagnose in early and even late disease. It is not a common cancer, but due to the many complications as well as the lack of effective treatment, many of the patients die within a year of being diagnosed.

In this study, the most common complaint was of lower back pain that had not responded to pain medication. Sixty percent of them had a bone marrow report and/or a serum electrophoresis report and only 9% had more specialized tests. Multiple Myeloma is a rare but deadly disease. However, effective treatment options with potential to prolong survival of patients are currently available. The number of MM patients seen at KNH is increasing likely due to better diagnosis at county and referral

level. The standard of care recommended by the 2019 Kenya National Cancer Treatment Guidelines should be accessible to each patient. Myeloma registries in Sweden and USA have contributed greatly to advances in care provided for MM. MM registry in Kenya would enable better follow-up, consolidate procurement and provision of newer drugs and ensure high quality standard of care to each MM patient.

Clinical audits, mortality and turnaround time surveys



To ensure high quality of service is provided, the Hospital undertakes clinical audits assessing management of various conditions among patients in the departments of Obstetrics & Gynaecology, Medicine, Paediatrics and Surgery. The audits provide opportunity to identify gaps in provision of care and thereby develop intervention to ensure provision of high quality care.

In addition, the Hospital conducted 43 surveys assessing management surveys or customer satisfaction and 7 turnaround time surveys to identify and address any bottlenecks in timeliness of care provider to patients seeking services.

Clinical audits, mortality and turnaround time surveys



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Medicines Utilization Research in Africa conference:

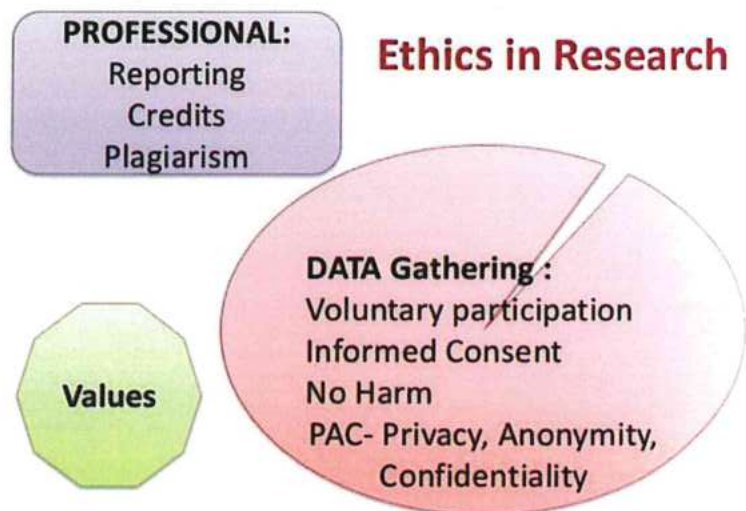


The webinar platform was used to host the Medicines Utilization Research in Africa (MURIA) conference. The two day international conference organized in collaboration with University of Nairobi, University of Namibia, Nelson Mandela University, Karolinska Institute, University of Botswana, North-West University, International Society of Pharmacoepidemiology and Drug utilization Research Unit. The conference was attended 570 participants from Kenya, Ghana, Zambia, South Africa, Britain, Nigeria, and Australia attended. Themes covered were: COVID-19 related research, AMR, HIV/TB/Malaria, NCDs (Hypertension, DM), Pharmacovigilance, other topics in drug utilization research.

The Hospital received a donation of a webinar platform, the ECHO System and LG Air conditioner from the ECHO institute, USA in collaboration with MERCK foundation.

The KNH-UoN Ethics and Research Committee is mandated to regulate research and ensure adherence to ethical principles in order to help safeguard the dignity, rights, safety and well-being of all actual or potential research participants by vetting proposals and overseeing conduct of research

The committee draws membership from KNH, UoN, and KEMRI and has a Lay member. ERC meets monthly to review research proposals and study modification requests, approve sample shipments and grant annual renewals of approved ongoing studies. In 2020/21, the committee reviewed 898 research protocols and approved 140 study modifications.

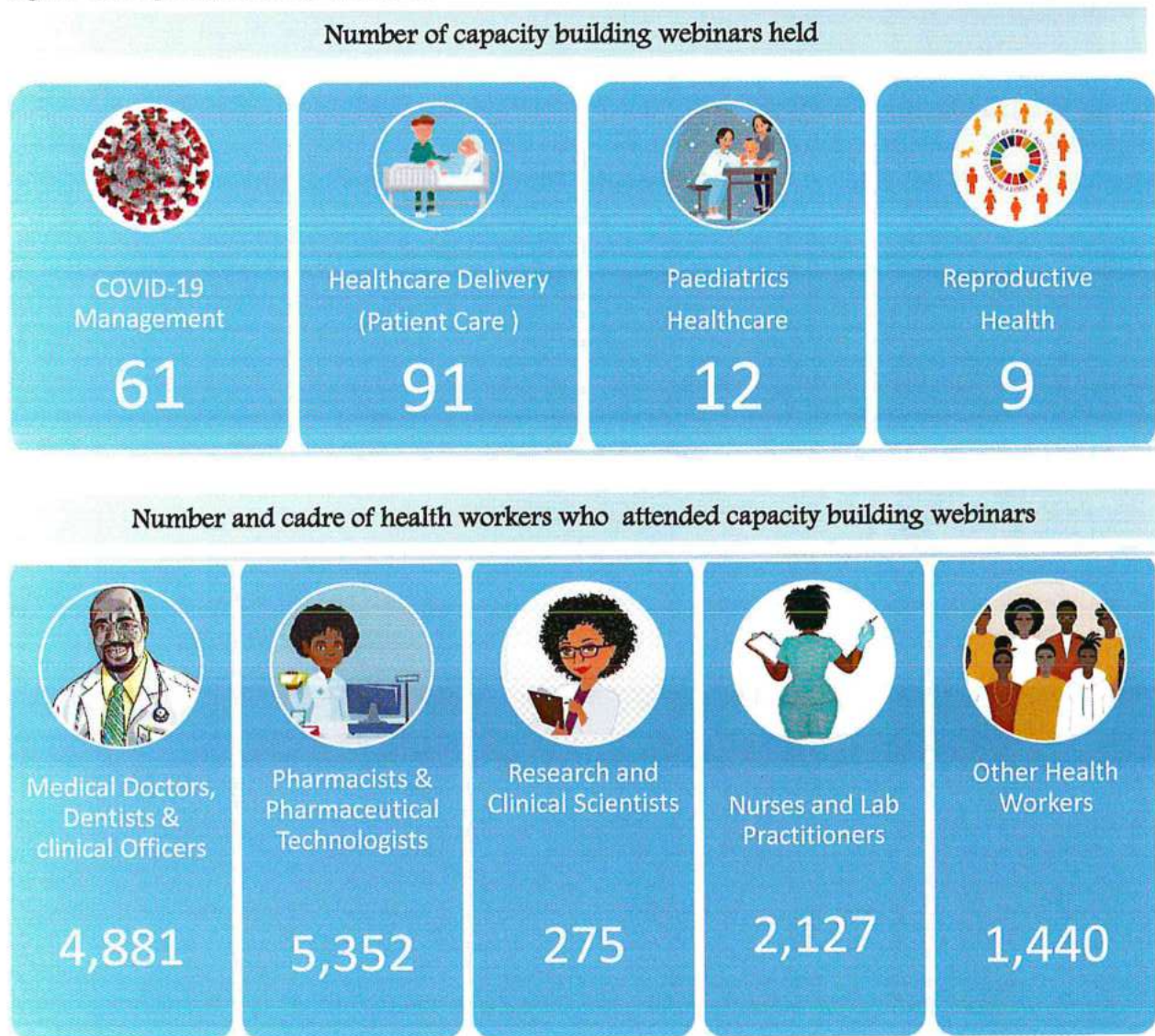


Capacity Building towards Universal Healthcare

Kenyatta National Hospital identified 27 counties to partner with in driving the Universal Health Coverage agenda. The partnership includes exporting specialized services to these counties through mentorship and capacity building.

During the COVID-19 pandemic, the Hospital also partnered with Isiolo and Machakos counties through the establishment of a Telemedicine platform. We also conducted 173 webinars in collaboration with the University of Nairobi to focus on capacity-building activities for Healthcare workers through the zoom Platform. There are 13,378 Health Providers registered on this platform and an average of 600 participants attended each training. The capacity building webinars held during the year under review are tabulated below.

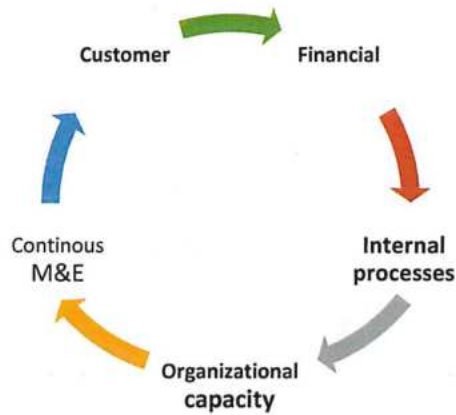
Figure 11: Capacity Building Webinars



OUR STRATEGIC DIRECTION

The Kenyatta National Hospital Strategic Plan FY 2018/2023 focuses on repositioning the Hospital to regain its position as the facility of choice in the provision of specialized referral services.

To attain sustainable competitive advantage whilst focusing on meeting customer needs, the Hospital focuses on four dimensions that aid in linking short and long-term goals. Successful strategy execution will enable the Hospital to achieve its mission and vision. The guiding strategic dimensions are as follows:

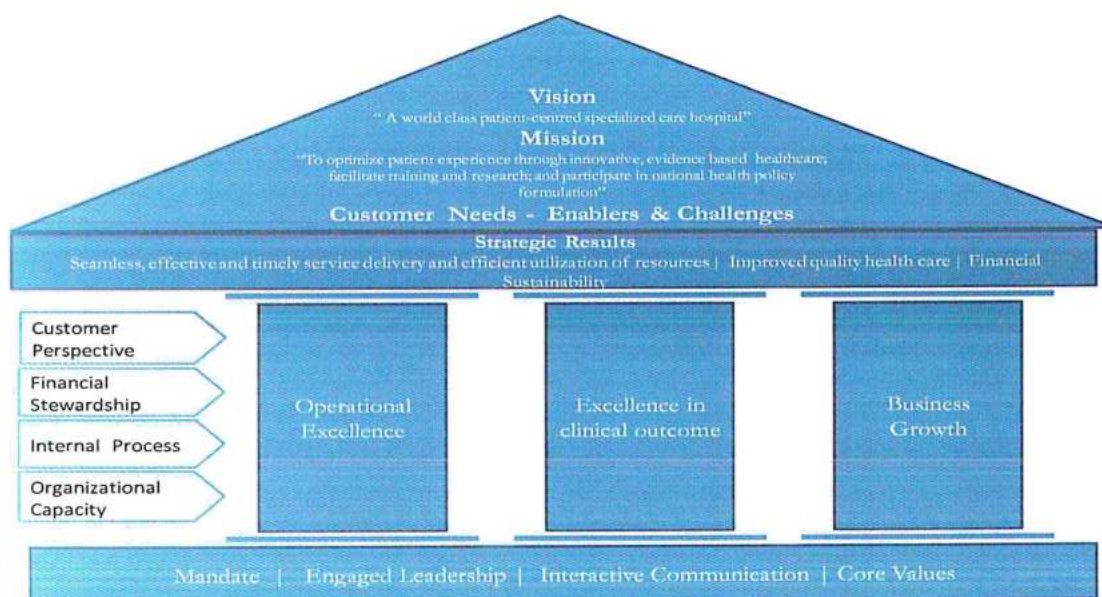


KNH-Integrated Strategic Planning Tool

For ease of implementation, the dimensions have been broken down into twelve (12) strategic objectives which are linked to activities, results, and/or outcomes. The objectives focus on improvements necessary for the Hospital to create and deliver value to its customers and stakeholders. They are action-oriented and give an outline of what the Hospital will be doing to attain a competitive advantage and succeed in discharging her mandate.

Key Performance Indicators (KPI's) were identified for each of the objectives to enable the Hospital to monitor the implementation of this Plan as enshrined in the KNH-Integrated strategic planning tool. The Hospital has aligned its Mission, Vision, and Strategy for purposes of strategy execution.

Figure 12: KNH Strategy House



Value Re-engineering

The Hospital has made significant progress in the implementation of the ICT Strategy 2017-2022. Following the conclusion of the Business Process Re-engineering (BPR) in 2017, the Hospital has removed the identified process inefficiencies and created a platform for the automation process. The Hospital commenced the implementation of Systems Applications and Products (SAP) which is a leading, global and robust Enterprise Resource Planning (ERP) system covering: Human Capital Management; Finance and Accounting management; Patient Registration and Billing; Supply Chain Management; and Queue Management.

Monitoring and Evaluation

For the effective implementation of the KNH project portfolio: strategic plan, projects, and programs, a Monitoring and Evaluation System that comprises of a Logic Model/ Logical Framework and an M&E plan has been institutionalized at KNH.

A well-designed M&E plan has been developed and implemented to: facilitate efficient and effective allocation of resources; build consensus; promote evidence-based decision-making; help programs satisfy reporting requirements and facilitate dissemination of findings.

KEY HOSPITAL PROJECTS

Kenyatta National Hospital has several projects that are at various stages of implementation. Completion of these projects and improvement of existing infrastructure will enable the Hospital to improve efficiency in delivering quality health care.

Table 5: Key Hospital Projects

Project	Estimated Cost Kshs. Million	% Completion as at June 30, 2021
Operationalization of KNH – Othaya NCDs Centre of Excellence (Phase1)	293	80%
KNH Cancer Treatment Centre (Phase 1)	250	90%
KNH Burns and Paediatrics Emergency Center	2,959.5	53%
Replacement of Obsolete Equipment& Equipping Day care Center	125	80%

Operationalization of KNH – Othaya NCD Centre of Excellence

In November 2019, Kenyatta National Hospital embarked on a program to set up KNH Othaya as a Non-Communicable Disease (NCD) Centre of excellence in response to the epidemiological and healthcare needs of the region. The Hospital prioritized several infrastructural and capital equipment requirements which include the establishment of an oxygen plant, construction of access roads, construction and equipping a laundry, kitchen, and mortuary at an estimated cost of Kshs. 250 Million.



Construction of reinforcement cages and stub Columns for the Water Storage tank at KNH Othaya



Construction of the KNH-Othaya laundry at KNH



Construction of the KNH-Othaya Mortuary



Construction of the KNH-Othaya Kitchen



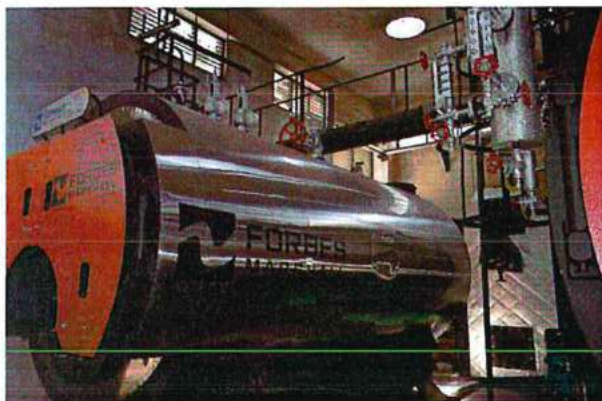
Construction of the KNH-Othaya Oxygen Plants



Construction of the KNH-Othaya access and service roads

Replacement of Obsolete Equipment and Procurement of Daycare Center Equipment.

This project involves installation of a steam boiler and an economizer to improve the efficiency of the boilers. The project is being financed by the Sports, Art, and Social Development Fund (SASDF) through the Ministry of Health at a total cost of Kshs. 627,075,000.



Installation of a steam boiler and an economizer



The Construction Cancer Treatment Centre

The purpose of this project is to cater for the increased demand for oncology services, improve the quality and efficiency of services offered and promote medical tourism.



The Architectural design of the Proposed KNH Hope Hostel

Construction of KNH Hope Hostel

This project aims to prevent interruptions to cancer treatment due to transport and accommodation challenges experienced by patients.

Burns Management Centre and Paediatric Emergency Centre

The facility will provide expanded capacity for Paediatric Emergency and Burns Management services at the Hospital. The project is jointly financed by the Government of Kenya, The Arab Bank for Economic Development in Africa (BADEA), Saudi Fund for Development (SFD), and the OPEC Fund for International Development (OFID).



Implementation status of the proposed KNH Burns Management and Paediatric Emergency Centre

Proposed Capital Projects

Table 6: Proposed Capital Projects

Project	Estimated total cost Kshs. Million	Expected completion date
1. Cancer Treatment Centre Phase 1 & II	2,000	April 2023
2. Equipping of Mother and Child- Austrian Project	1,580	June 2022
3. Construction and Equipping of Hope Hostel	494	June 2025
4. Construction and Equipping of KNH Training Centre	1,546	June 2026
5. Automation of clinical processes and ICT infrastructure upgrade	820	June 2025
6. Equipping of Mother And Child- Austrian Project	1,580	June 2022
7. Construction and equipping of the KNH beyond zero Mother and Child Hospital	2,500	June 2024
8. Construction and equipping of the Liver Transplant Unit	450	June 2023
9. Establishment and equipping Bone Marrow Transplant Unit	125	June 2022
10. Establishment and equipping Interventional Radiology	125	June 2022
11. Establishment and Equipping of Eye Bank	150	June 2022
12. Construction of the Parking Silo	500	June 2024
13. Solar installation system	150	June 2022
14. Construction, Supply, and Installation Of Oxygen Generating Plant At KNH	434	Dec 2022

PARTNERSHIPS AND COLLABORATIONS

KNH recognizes that effective and efficient service delivery requires a multi-disciplinary and multi-agency approach. The Hospital has established partners and linkages that continually drive excellence in service delivery. Collaborations both locally and internationally have provided an opportunity for skills transfer, resource mobilization, infrastructural improvements and research.

During the financial year 2020/2021, the Hospital received support from various partners. The focus of these partnerships included improving patient care, expanding diagnostic capacity in healthcare, and increasing the Hospital networks by enhancing good relationships with our stakeholders.



Donation 90,000 3ply disposable face masks from Absa Bank in July 2020



KNH CEO receiving PPE from Equity Bank CEO, in July 2020



On July 2, KNH CEO receiving PPE from the USA Ambassador to Kenya



Director AID and Director surgical Services Receiving a VacStation from Savemore Dental



Hotpoint donating electronic appliances to KNH in support of the patient and staff welfare. July 29



August 18, 2020, National Biosafety Authority donates padded chairs for use at the CTC waiting bay.



KNH CEO receiving donations for electronics from Carrefour country manager Mr. Frank Moreau in support of frontline workers



September 15, 2020, KNH CEO Dr. Evanson Kamuri received hand and skin-care products for its staff from Beiersdorf East Africa.



KNH-Othaya receiving laboratory equipment through the clinical laboratory & radiology improvement services project supported by the Belgium Government

Kenyatta National Hospital Appreciates the commitment and effort of partners who contributed towards assistance in ensuring

delivery of quality healthcare during the year. The partners who collaborated with KNH during the year under review are listed below.

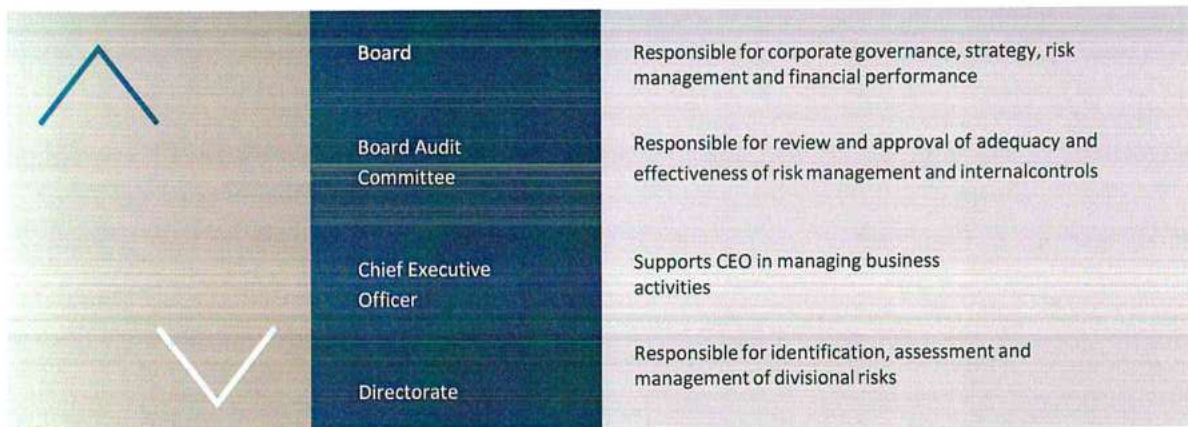
Table 7: Our Partners

1	ABSA Bank	
2	Adam Mugi	
3	Alpha grain Millers Ltd	
4	Angelica Medical Supplies Ltd	
5	AstraZeneca Pharmaceuticals Limited	
6	AVAYA	
7	Beiersdorf East Africa	
8	Boniface Muthoni	
9	Brian and Friends	
10	Carrefour	
11	Center for public Health & Development	
12	Center for Public Health and development. Hewa Tele (Steve Adudance)	
13	Chris Kirubi	
14	Colombia Global Center	
15	Credit Bank Koinange Branch	
16	DHL	
17	Donate a wig & symbol of Kenya	
18	Equity Bank	
19	Equity Foundation	
20	Evans Kuria	
21	Fuji Film corporation	
22	Gadama Rose	
23	Hot Point Appliances	
24	Huawei Technologies (K) Co. Ltd	
25	IAEA international Atomic Energy Agency IBER	
26	International Health Operations Patient Education and Empowerment (IHOPEE)	
27	Jane Kamango	
28	Jiphiego	
29	Key Wave logistics	
30	KNH League of Friends	
31	Lohana youth league	
32	MedHerz e.V.	
33	Ministry Of Health (Clinical Laboratory & Radiology Improvement Services Project Supported By The Belgium Government	
34	Mombasa Maize Millers Nrb	
35	Mpesa Foundation	
36	Nairobi xray Supplies Ltd	
37	National boi safety Authorities	
38	Ndinda Malinda	
39	Our Lady of Guadalupe Catholic Church	
		Path Kenya Centry-Total Hospital Solutions Ltd, MFI
40	PCEA Milimani North Presbytery and PCEA St. Andrew's parish	
41	Pharmken LTD	
42	Pipe Manufacturers Ltd	
43	Respiratory Society of Kenya	
44	Safaricom	
45	Savemore Dental Supply Ltd	
46	Sight and Sound Computers Ltd.	
47	Sino-Saido Construction Company	
48	Suntory Beverage & Food Kenya Limited	
49	Surgipharm Limited	
50	The Church of Jesus Christ of Latter-Day Saints	
51	The Lions Club of Dagoretti (Dr. Balprett Matharu)	
52	Tradco Service Limited	
53	Travotech Agencies Limited	
54	UNDP	
55	UNICEF	
56	University of Nairobi (Republic of Slovenia and Hungary)	
57	US Embersy	
58	USAID	
59	Uungwana Institute	

RISK MANAGEMENT FRAMEWORK

Accountability

The board is responsible for the Hospital’s risk management processes and internal control system and for establishing its risk appetite. It receives regular updates on the current and emerging risks facing the Hospital and considers the impact these risks may have on key stakeholders and the achievement of the Hospital strategic objectives. The Board Audit Committee supports the board in the management of risk and is responsible for reviewing the effectiveness of the risk management and internal control processes during the year.



The Hospital has a comprehensive risk management and internal control system designed to identify and appropriately mitigate the emerging and principal risks faced by the business and ensure the accuracy and reliability of the Hospital’s financial reporting while facilitating the delivery and sustainability of the Hospital’s strategic goals.

Fraud and Corruption

The Hospital adopts zero tolerance to unethical business conduct, in particular fraud and corruption, which is addressed in the Ethics and Anti-Corruption Policy. The Hospital has a Corruption Prevention Committee chaired by the CEO and each department has an Anti-corruption committee and also integrity and assurance officers. The Hospital has also an ethics hotline to report any suspected cases of corruption or theft.

Information Communication Technology Guidelines

The Hospital has an extensive ICT environment that acts as an enabler of business strategies and operations. The core business information systems cover clinical processes, revenue cycle management, and patient administration. The SAP enterprise resource planning back-office systems support, inter alia, the Finance, Accounting, HR, and Procurement functions.

An enterprise data warehouse enables advanced analytics and supports decision-making by providing, sourcing, and enriching the required data sets. An extensive office automation environment enables both on-premise and remote working, as well as collaboration and communication within and across divisions.

ICT governance is done in the context of the Hospital's overall governance, in general, and of the Hospital's risk management structures and processes, specifically. The Hospital's risk management system is used to capture and track all ICT risks, audit findings, mitigating actions, and responsibilities.

To ensure business continuity, the Hospital employs a wide range of technological capabilities to safeguard its ICT installation, users, and connections to external ICT systems. Information security and data protection policies and controls are in place throughout the Hospital regulating, inter alia, the processing, use, and protection of own, personal, and third-party information. This is further entrenched through continuous user training, security awareness programs, and certification courses in information security. There were no material information security incidents during the year under review.

KNH Risks Management Framework

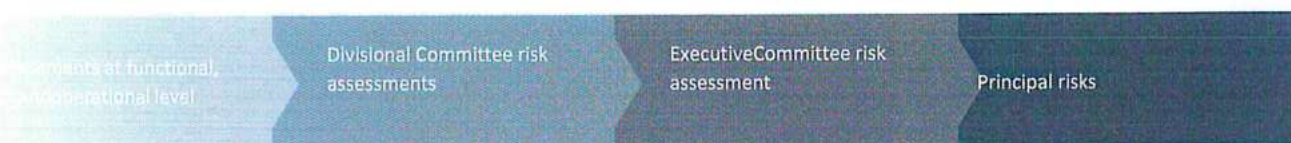
The Hospital's ERM policy follows the ISO31000:2018 integrated framework and is reviewed annually. The policy defines the risk management objectives, methodology, risk appetite, risk identification, assessment and treatment processes, and the responsibilities of the various risk management role players in the Hospital.

Through risk management, an integrated and effective framework is established which seeks to identify, assess and manage important and emerging risks, which could impact the Hospital's ability to achieve strategic, financial, and operational goals and regulatory compliance. The risk management process is fully integrated into the strategic planning process and supports the achievement of the Hospital strategy.

Principal Risks and Opportunities

The Hospital risk landscape is reviewed regularly by the Board of Management. Political, economic, social, technological, environmental, and legal developments which may impact the Hospital operations and business model viability in the short, medium, or long term are reviewed to identify emerging risks (i.e. technological shifts or disease patterns).

Principal risks are an outcome of the risk assessment performed at a functional level, divisional level, as well as executive committee level. COVID-19 poses an ongoing risk to the Hospital and affects other principal risks.



The Hospital's operational activities were affected by further waves and mutations of the COVID-19 virus leading to suspension and postponement of elective procedures and consequently an impact on financial performance.

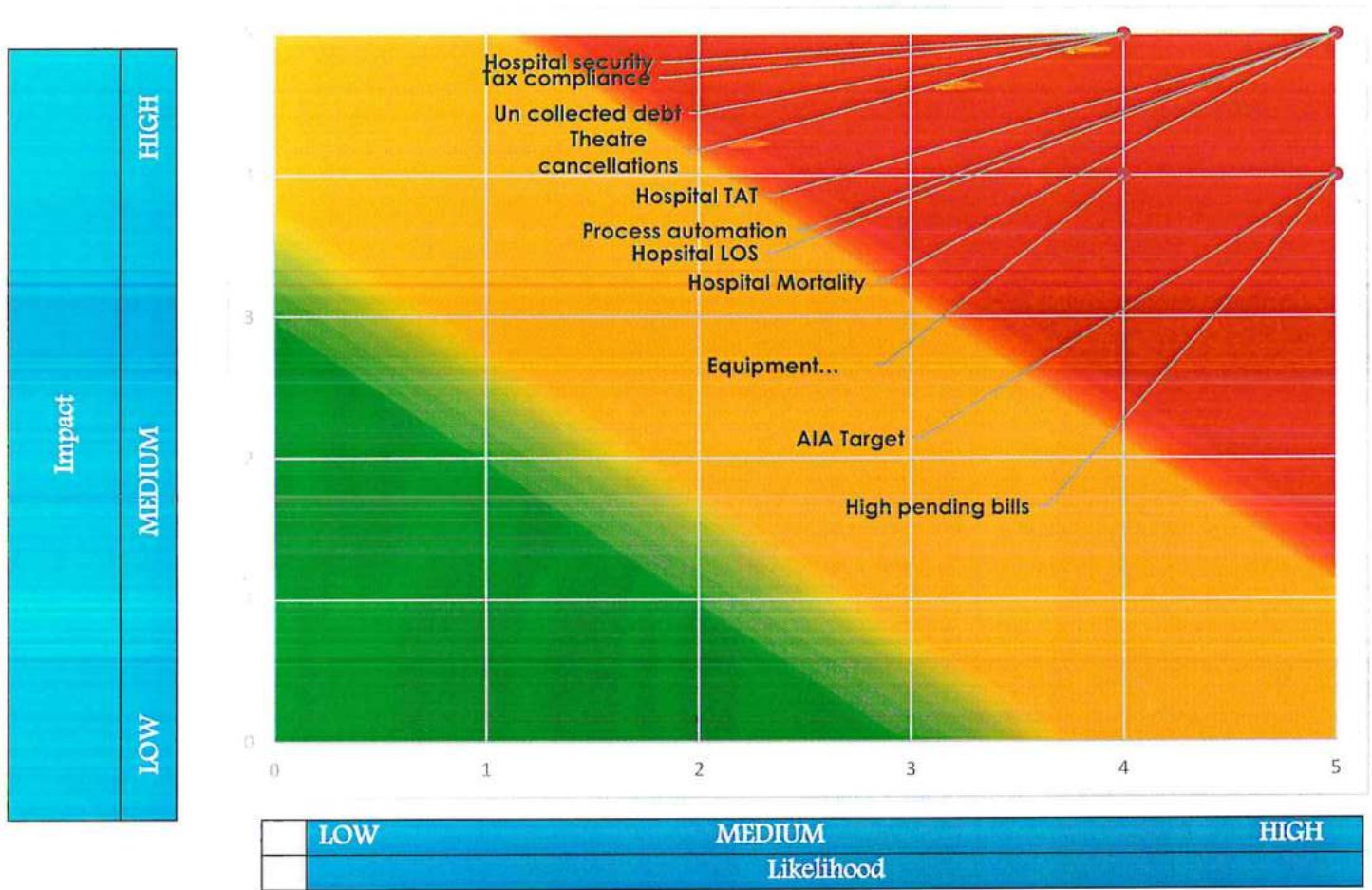
The following are the principal risks identified during the FY/ 2020/21 review.

Table 8: Principal Risks and Opportunities

Type of Risk/Principal	Risk Rating	Key stakeholders	Key Mitigation	Link To Strategy	Opportunities
A. Clinical and patient safety risk					
Long turnaround time in clinical areas.	Critical	<ul style="list-style-type: none"> Patients Medical Practitioners KNH employees Relatives 	<ul style="list-style-type: none"> Process flow improvement in lab and radiology Scheduling of patients to specific doctor and time 	Objective 1, 5, 6,7, 9, 11	An automated queuing system
High mortality rate	Critical	<ul style="list-style-type: none"> Patients Medical practitioners 	<ul style="list-style-type: none"> Review mortality audit tool Conduct Biannual Mortality audits and implement recommendations Hold Monthly Mortality review meetings 	1, 6,7	Introduction of more specialized services
3.Long Hospital stay	Critical	<ul style="list-style-type: none"> Patients 	<ul style="list-style-type: none"> Admit patients with clear management plans. Admit patients fully investigated. Adhere to the pre-admission checklist. 	6, 7	-Socio-economic assessment of patients promptly on admission -Effective planning on patient management
4. Increased Theatre cancellations	High	<ul style="list-style-type: none"> Patients Medical practitioners Employees 	<ul style="list-style-type: none"> Effective planning on theatre utilization 	6, 7, 9,11	Expansion of theatre space
5. Increase equipment availability	High	<ul style="list-style-type: none"> GOK Suppliers Donors / partners 	<ul style="list-style-type: none"> Seek for donors/ partners Re-direct more funds to acquire 	6, 12	- Seek for donors/ partners

Type of Risk/Principal	Risk Rating	Key stakeholders	Key Mitigation	Link To Strategy	Opportunities
		<ul style="list-style-type: none"> Employees 	more equipment		
B. Technological risk					
1. Manual Hospital operations	Critical	<ul style="list-style-type: none"> Patients KNH Employees Suppliers Visitors/ relatives 	<ul style="list-style-type: none"> ERP implementation 	6,10	<ul style="list-style-type: none"> System integration
2. Innovation on visitor management system	High	<ul style="list-style-type: none"> Patients Knh Employees Visitors/ relatives 	<ul style="list-style-type: none"> Introduction of a customer relations office 	6, 8,10	Implementation of visitors pass
C. Financial risk					
1. Pending bills	High	<ul style="list-style-type: none"> Suppliers Knh employees GOK 	<ul style="list-style-type: none"> Enforce implementation of the pending bills monitoring tool and resolve outstanding pending bills issues. 	1, 6	<ul style="list-style-type: none"> Automation
2. Unachieved Appropriation in Aid target.	High	<ul style="list-style-type: none"> GoK Suppliers Hospital staff 	<ul style="list-style-type: none"> Monthly analysis of revenue generation against the budget Review of user fee 	1,6	<ul style="list-style-type: none"> Implementation of ERP
Collection/Recovery of doubtful debts (DMU)	High	<ul style="list-style-type: none"> Gok KNH employees Debtors 	<ul style="list-style-type: none"> Follow-up on debts of more than 100 days Assessment of creditworthiness of debtors 	1,6, 9	<ul style="list-style-type: none"> Review of better credit terms with institutional debtors
D. Compliance & Regulatory risk					
Hospital Tax Compliance	High	<ul style="list-style-type: none"> KRA GoK Knh employees suppliers 	<ul style="list-style-type: none"> File Hospital tax returns Apply for a tax exemption certificate Reconcile KNH/KRA portal 	6	<ul style="list-style-type: none"> Training and sensitization in tax matters Create a tax consultancy Unit

Figure 13: KNH Corporate Risk Heat Map



FINANCIAL HIGHLIGHTS

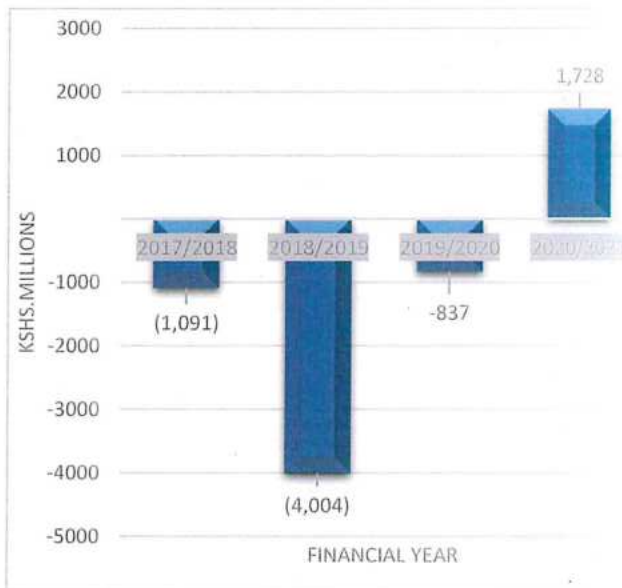
Performance Results

The Hospital recorded a surplus of Kshs. 1,728 million during the year under review which is an improvement from the previous year's deficit of Kshs. 837million. The current surplus has been occasioned by the changes made by the actuary that caused amendment in the net defined benefit liability as follows:

- a. Previously, the actuary was allowing for pension increases at 3% per annum (p.a.) for pensioners. For the final valuation as at June 30 2021, service has been split such that accrued pension prior to 1998 is grown at 3% p.a. Whereas post 1998 is at 0% p.a. in line with the trust deed.
- b. Previously, for pensioners who retired between 2018 to 2021, the actuary had

taken the higher of the actuarial reserve before they retire vs their pension reserve. For most, their actuarial reserve before retirement was higher because it still included the reserve for commutable portion of their pension. This has therefore been corrected in the final valuation report showing a net actuarial gain included in the financial performance under other (gains)/losses of kshs.2,297 million. The performance result is as depicted in figure 14.

Figure 14: Performance Results



Revenue and Expenditure

The hospital's sources of income during the year under review include recurrent grant from GoK and internally generated revenue from fees charged for services rendered. The funds were utilized to meet employee, operation and maintenance costs. The revenue and expenditure trend is shown below;

Figure 15: Revenue and Expenditure

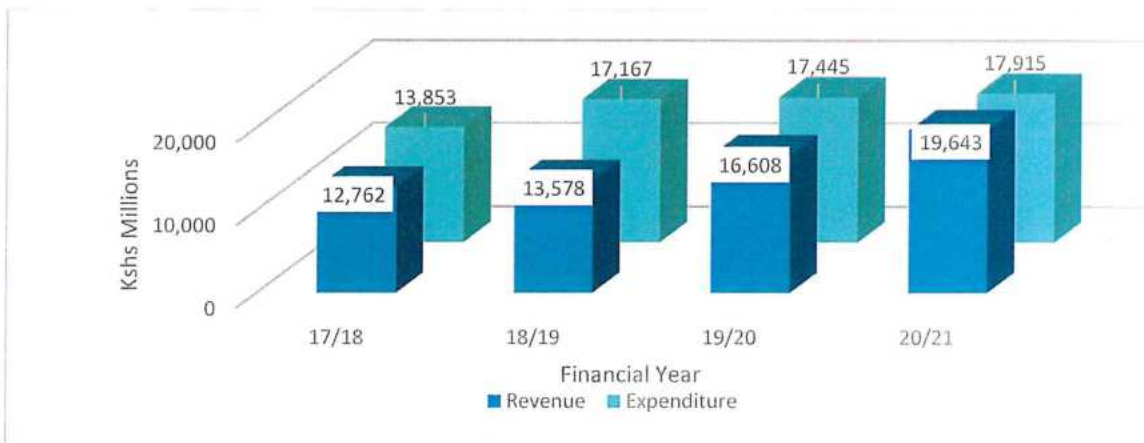


Figure 16: Income Sources FY 2020/21

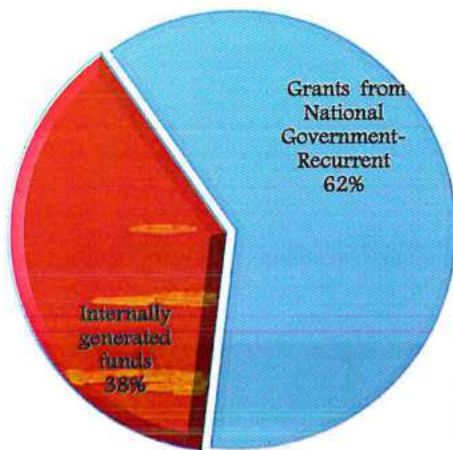
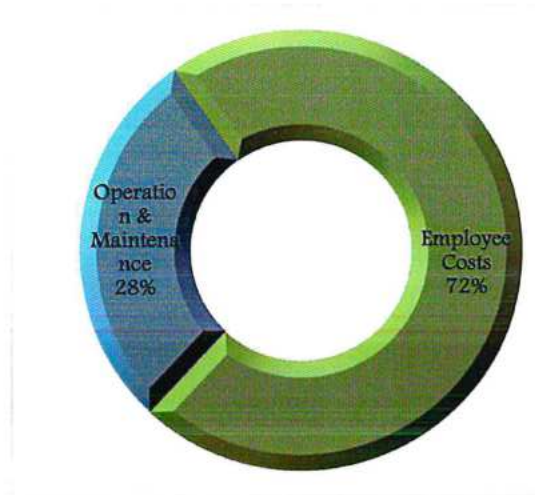


Figure 17: Utilization of Funds FY 2020/21



Capital and Recurrent Expenditure Allocation

The Hospital receives allocation from the National Government for capital expenditure to cater for development projects. In addition, the Hospital receives allocation for recurrent expenditure to cater for employee costs. The annual allocation for capital and recurrent expenditure is as shown below;

Figure 18: Capital Expenditure Allocation

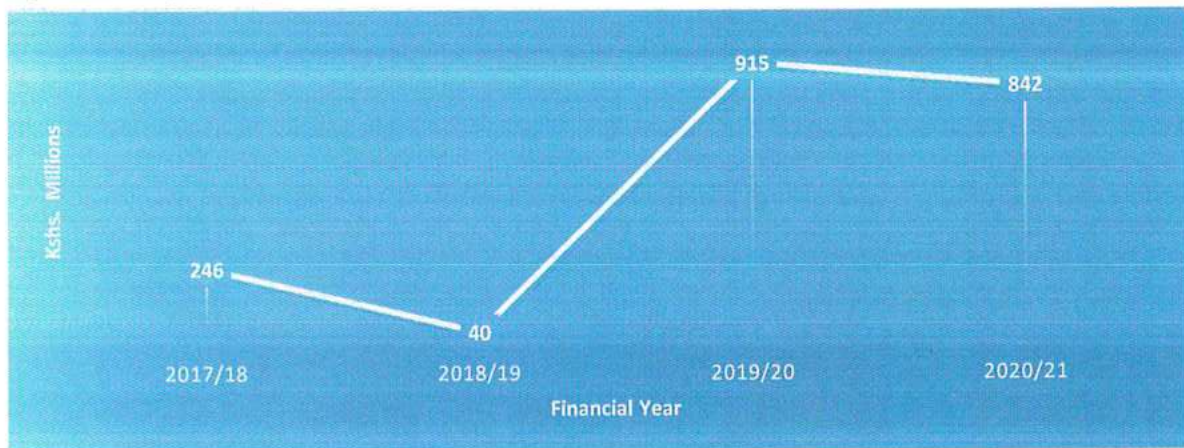
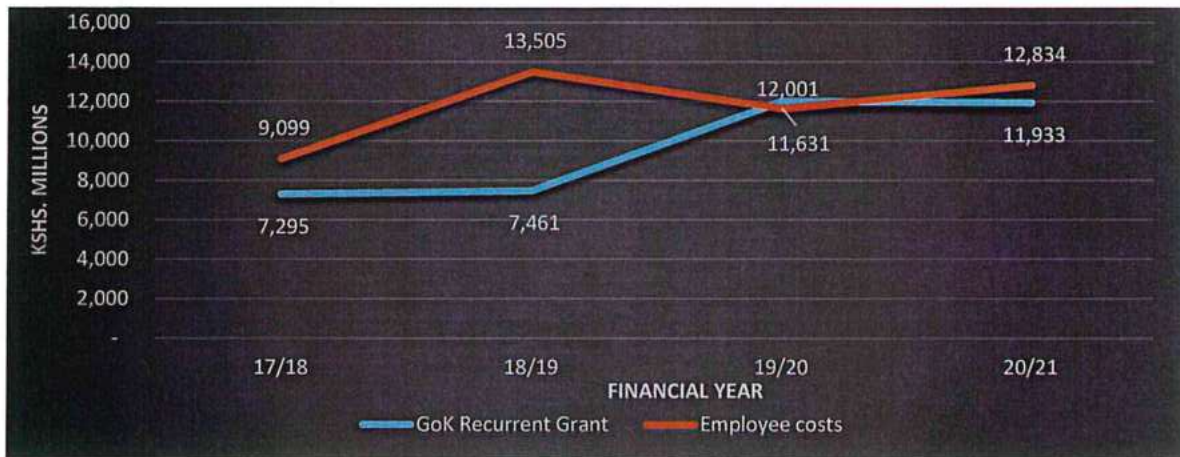


Figure 19: Recurrent grants Vs Employee costs



Material Arrears in Statutory and Other Financial Obligations

Tax Liability

Kenya Revenue Authority (KRA) conducted an in-depth audit on KNH and issued an assessment on July 1, 2014, of the tax liability of Kshs. 592,860,909 relating to the period January 2010 to March 2014. KNH objected to the findings and on June 5, 2015, KRA issued a confirmed assessment amounting to Kshs. 545,693,303. On February 7, 2017, the Hospital paid Kshs. 18,022,978 representing the tax not under dispute in relation to withholding tax and VAT.

The Hospital engaged KRA through the office of the Attorney General on the disputed assessment. Following a mediation meeting held on June 23, 2017, at the Attorney General Chambers, KRA issued a revised assessment dated July 19, 2017, of Kshs. 170,590,114 comprising of principal tax of Kshs. 90,056,488, a penalty of Kshs. 22,514,122 and interest of Kshs. 58,019,505. The Hospital paid the principal tax liability in the year 2017/18 and submitted an appeal for the penalty and interest totaling Kshs. 80,533,626 which is still outstanding as of June 30, 2021. The Hospital is waiting for KRA's response on the appeal made.

National Social Security Fund Arrears

The outstanding amount relates to contribution arrears for the period April 2001 to November 2009 when KNH had sought an exemption on complying with the NSSF Act from the Ministry of Labour and Human Resource Development given the Hospital had a better Pension Scheme.

The Ministry declined the request for exemption in the year 2011 on the basis that NSSF was a universal social security pillar and was thus mandatory. The Hospital had by then accumulated arrears totaling to Kshs. 311 million excluding penalties. The Hospital has been including this amount

in the budget for funding to offset the arrears as all personnel-related expenses are funded through the Government of Kenya recurrent grant. This amount has, however, not been funded and has thus remained outstanding.

Since FY 2016/17, the Hospital has been paying Kshs. 24 million each year towards the arrears awaiting Ministry of Health intervention. The outstanding amount as of June 30, 2021, is Kshs. 190 Million.

Defined Benefit (DB) Pension Scheme Deficit

The Hospital operates a defined benefit pension scheme in which contribution is at 10% and 5% of pensionable salaries by KNH and employees respectively. The scheme was closed to new members on June 30, 2011, except for members who were over 45 years and above at the time of closure of the DB scheme in compliance with the notice of discontinuance and adoption of the defined contribution pension scheme.

An actuarial valuation to fulfill the financial reporting and disclosure requirements of IPSAS39 was carried out as at 30 June 2021 by Actuarial Services East Africa Limited. On this basis, the present value of the defined benefit obligation showed liabilities of Kshs.14,832,396,229 against the scheme's assets of Kshs.7,485,602,135. The related current service cost and past service cost, were measured using the Projected Unit Credit Method. The deficit is to be paid by KNH as the scheme sponsor.

The Hospital has been requesting for funding the deficit through the budgetary process and in the last six years, from FY 2015/16 to 2020/21, an amount of Kshs.100 million each year has been allocated and subsequently disbursed to the scheme. However, the allocation of Kshs.100 million per year towards the DB scheme deficit is not sufficient and the Hospital has continued to engage the Government on more funding towards this deficit.

Spanish Loan

The Government of Kenya and the Kingdom of Spain signed a loan agreement on July 29, 2005, for a loan of Euros 14 million (Kshs. 1,199,862,823) in form of medical equipment for KNH. Though there was no on-lending agreement executed between the Hospital and the National Treasury, the Hospital recognized the assets (medical equipment) and the Spanish loan in the books.

The Hospital through various correspondences to The National Treasury has since January 2008 expressed its inability to service the loan due to its poor financial performance over the years. The Hospital management has been consistent in their request for the Government to approve the recognition of the loan as a capital grant. The request has not been granted so far and the loan remains outstanding in the Hospital books.

ENVIRONMENTAL AND SUSTAINABILITY REPORT

The Hospital has embraced the process of continuity through the review of its direction, structure, and capabilities to meet the ever-changing needs of its stakeholders. KNH has developed mechanisms to function effectively, to cope with change appropriately, and to grow from within which has resulted to enhanced performance. High-performance culture in the Hospital is achieved through continuous employee engagement (employees willing to go the extra mile), defined behaviors unique to the Hospital's strategy, and a conducive organizational environment to support both employees and strategy.

KNH regards the environment, Human resource and supply chain, stakeholders and community engagement as high impact non-financial material areas for its sustainability.

Environmental Performance

Electricity is the main contributor to the Hospital carbon footprint. The Hospital requires significant energy as medical equipment and air filtration and conditioning units in many functional areas run on a 24/7 basis. The Hospital has put in place measures to reduce electricity consumption. These measures include; improved operational efficiency of technical installations, the introduction of various new energy-efficient and renewable technologies and changes in employee behaviour regarding energy use.

The Hospital has started using LED light fittings, renewal of ICT infrastructure, use of energy-efficient systems and equipment in all functional areas. Solar panels for water heating have been installed in the KNH Prime Care Centre. In addition, regular servicing of air conditioners, refrigerators and also energy-efficient practices have been adopted. Sustainable materials are used wherever possible.

On waste management, the Hospital has put in place a system to identify the type and amount of waste generated. Classification criteria of different waste categories has been developed and implemented. On average the Hospital generates over 1.5 metric tons of different waste categories. A modern solid waste management infrastructure (microwave) has been installed; this is meant to minimize the burning of wastes and to avoid air pollution within and in the surroundings of the Hospital.

Human Resource

Employee Overview & Recruitment

During the year the Hospital advertised several positions to replace employees who had exited either through natural or artificial attrition. The Hospital has a recruitment policy that is domiciled in the human resource procedures manual. Its recruitment approach is reviewed regularly to ensure it anticipates the industry challenges and changes, specifically specialist nurses and clinicians.

During the year, the Hospital had the following number in of staff.

Table 9: Employee Overview and Recruitment

Particulars	2020/21	2019/20	Increase/(Decrease)
Permanent employees	5,252	4,776	9.9%
Employees in managerial roles (at 7% of permanent employees)	375	317	18%
Employees as PWD (at 2 % of permanent employees)	89	96	(7.3%)
Employees gender proportion (Female: Male)	6:4	6:4	N/A

Remuneration, Benefits, Rewards, and Sanctions

The Hospital remunerates employees in a manner that supports its purpose, vision, culture, and strategic goals, while attracting, retaining, and motivating scarce skills. In this, fair, reasonable, and market-related remuneration practices are maintained in line with approved rates by the Salaries and Remuneration Commission. Employees are informed regularly on benefits matters continuously via various communication platforms.

Training and Development.

The Hospital has a standing committee that prioritizes employee training. Every year, the BOM allocates a budget for cross-cutting, professional training courses, and seminars. The following table shows the number of employees trained.

Table 10: Training and Development

Particulars	2020/21	2019/20	Increase
Number of employees trained during the year	2,350	720	226%
No. of employees sponsored for Short training (less than 3 months)	2,245	677	232%
No. of employees sponsored for Long trainings (More than 3 months)	105	43	144%

Labour Relations

The Hospital has Collective Bargaining Agreements with employees' recognition agreement with Employee union bodies. All policies and procedures are in accordance with the Employment Act 2007 and are evaluated regularly to ensure they remain as such. Policies and guidelines which deal with employee matters (i.e. misconduct, disciplinary, and grievance procedures) are shared during the onboarding of new employees in a staff handbook during induction. During the year under review, there were no strikes as several issues were being resolved through dispute resolution procedures.

Performance Management

Kenyatta National Hospital has an established Performance Management System (PMS) that promotes both individual and collective accountability in the performance of work. All Hospital employees' targets are cascaded from the Board Performance Contract and the Corporate Strategic plan. The performance appraisal system aids in the evaluation of both individual and functional areas performance which ultimately forms the basis for rewards and sanctions. This further reinforces performance and guarantees continual improvement.

Employee Engagement

Employees are the most critical assets for seamless service delivery in the Hospital. KNH has put human resource policies and guidelines aimed at defining how employees should discharge their responsibilities describing the compensation and reward system. Towards this, Hospital employees are given attractive remuneration that helps in skills retention and staff motivation of workers. The reward system has continually spurred performance over the years.

Supply Chain





The Hospital develops annual procurement plan that is approved by the BOM in line with the budget. During the year, the Hospital implemented the Government economic empowerment and equitable distribution of opportunities among various special groups through the Access to Government Procurement Opportunities (AGPO) which includes Youth, Women, and Persons with Disabilities (PWD). Procurement of local content was also supported as per the requirement that allocates 40% of the total procurement budget.

Engagement with Our Stakeholders

KNH Recognizes that stakeholders are key to the ultimate sustainability of the Hospital. Our key stakeholders, what they expect from us and the value we create for them is explained in the table below.

Table 11: Our Stakeholders

Stakeholder	What our Stakeholders care about	The value we create
Patients 	<ul style="list-style-type: none"> • Quality treatment • Affordable services • Confidentiality • Respect • Professional care • Timely provision of service 	We strive to improve the quality of our patients' lives and this is achieved by upholding a high standard of healthcare throughout our operations.
Students 	<ul style="list-style-type: none"> • Quality training facilities • Access to facilities • Respect 	We offer opportunities for youth internships and attachments.
The Government 	<ul style="list-style-type: none"> • Compliance with regulations and reporting requirements • Implement policies • Execute mandate • Prudent resource utilization 	We employ skilled healthcare professionals and continue reinforcing partnerships, as well as creating and implementing initiatives that contribute to healthcare systems improvement.

Stakeholder	What our Stakeholders care about	The value we create
Health Insurance providers.	<ul style="list-style-type: none"> • Provide quality services to clients • Timely provision of services • Comply with contractual obligations 	With specific healthcare funders, we have a model in place that minimizes costs and improve tariffs
Training Institutions e.g. KMTC & UON	<ul style="list-style-type: none"> • Quality Training facilities • Access to facilities • Respect 	We carefully and nurture our relationships with training institutions. We ensure we offer training that is of quality and meets the demand of the market
Suppliers 	<ul style="list-style-type: none"> • Timely payment for services • Clear specifications • Fairness • Provide feedback 	We offer competitive opportunities to our suppliers. We ensure that our tender documents have clear specifications to enable our suppliers to provide supplies that meet our requirements
Society 	<ul style="list-style-type: none"> • Information 	We believe that our investments in projects create opportunities to help make lives better. We benefit the communities in which we operate by investing in corporate social investment (CSI) programs focusing on education and healthcare
Security Agencies 	<ul style="list-style-type: none"> • Comply with the law • Share information Collaboration 	We ensure that the safety and security of our entire stakeholders are well taken care of.
Staff 	<ul style="list-style-type: none"> • Conducive work environment • Competitive remuneration • Training 	We offer our employees benefits and opportunities over and above remuneration. This includes our investment in training and development, focusing on scarce skills.

Our Response to COVID-19 Pandemic

The COVID-19 pandemic created an extraordinary situation medically, socially, and economically during the last financial year and had a significant impact on the Hospital.

Isolation facilities were set up to cater for patients and health workers in management of COVID-19 pandemic. For the safety and wellbeing of employees, the Hospital developed a COVID-19 employees'

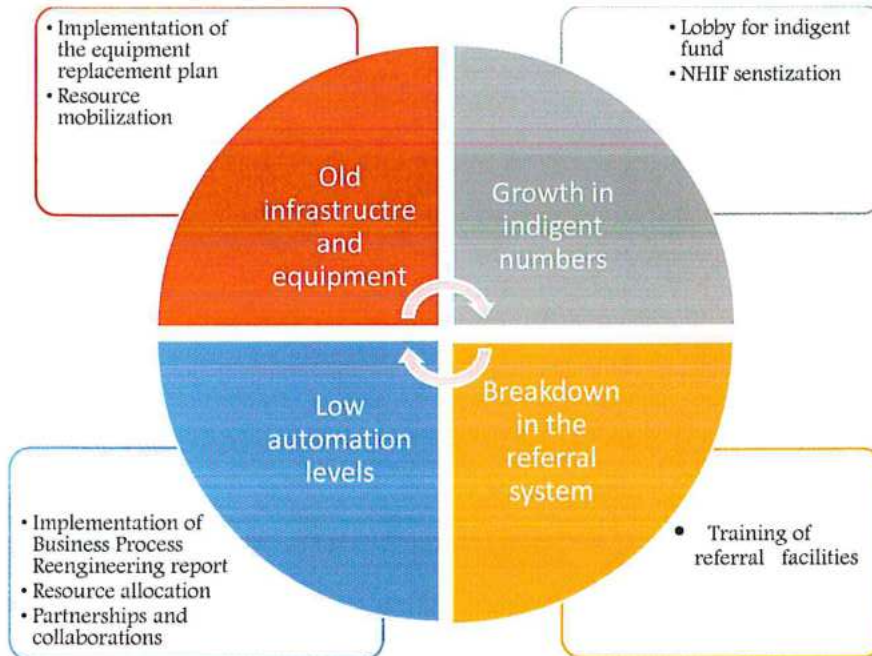
vaccination schedule, which facilitated the vaccination of more than 70% of staff by the end of the financial year. In addition, the Hospital took a multi-faceted approach to deal with risks to the Hospital business and quickly adopted the level of agility required in managing the COVID-19 pandemic. Various protocols and measures were introduced and have now become embedded into the Hospital policies and procedures.

Table 12: Covid-19 Response Measures

Area of Impact	Measures Introduced
Facilities	<ul style="list-style-type: none"> • Expanding ICU capacity • Establishing additional laboratory facilities • Researching and sourcing alternative mechanisms to provide oxygen • Setting up of Isolation facilities
Visitors	<ul style="list-style-type: none"> • New visitation and access control guidelines • Screening at the point of entry • Increased availability of hand sanitizers • Restrictions on the number of persons using the elevators • Mandatory use of masks for patients and visitors • Social distancing enforced in waiting areas
Patients	<ul style="list-style-type: none"> • Mandatory COVID-19 testing before admission for elective procedures • Mandatory COVID-19 testing upon admission for all non-elective admissions
Employees protection and well being	<ul style="list-style-type: none"> • Redeploying suitable employees to support operations • Periodic employee COVID-19 testing as per regulatory guidelines • Employee vaccination programs • COVID-19 and PPE-use training and PPE supply for workplace use • Screening and self-isolation of employees • Vulnerable frontline employees redeployed to lower-risk units • Paid leave for sick and quarantined employees • E-learning and distance learning methods implemented for continuous medical training and education • Mental and physical wellbeing support for employees and affiliated doctors • Regular communication with employees and affiliated doctors
Supplies	<ul style="list-style-type: none"> • Acquiring additional ventilators and other Critical Care Units equipment and related consumable products • Proactively procuring critical PPE and medication

Our Challenges and Mitigations

Kenyatta National Hospital has undertaken various initiatives aimed at ensuring the constant provision of high-quality medical services to all her stakeholders in a bid to realize her mandate and strategic objectives. However, the Hospital has encountered several challenges, which have in turn affected service delivery. The following are some of the key challenges encountered by KNH.



Community Engagement

The Hospital conducted 35 multi-disciplinary outreaches, including Cervical & Breast Cancer Screening, Specialised Surgical camps, Vesicovaginal Fistula (VVF) camp, in which 4,687 patients were reviewed.

In support of Universal Health Coverage in the country as envisioned in Sustainable Development Goals 3, KNH-Othaya partnered with the County Government of Nyeri to host several medical camps/outreaches as shown in the table below.

Table 13: Outreaches

Camp/Outreach	Location	No. of Patients seen
Urology Surgical Camp	KNH – Othaya	49
Ophthalmology Camp	Kiriaini Mission Hospital	110
Covid-19 Sensitization & Testing	Muranga University	50
	Muranga – Nokras Hotel	70
	Tana Water Development Agency	140
	Nyeri Water & Sewerage Co.	273
	Nanyuki Fairmont Hotel	99
Cervical Cancer screening	Othaya Sub – County	170
International Kidney Day	Othaya Sub – County	517
Screening for NCDs & other related conditions	Nyeri County	931



First Lady Margret Kenyatta visits patients and presides over celebrations to mark the International Day to End Obstetric Fistula (IDEOF) at Kenyatta National Hospital in May.



World Blood Donations Day #Ambassador Challenge in June



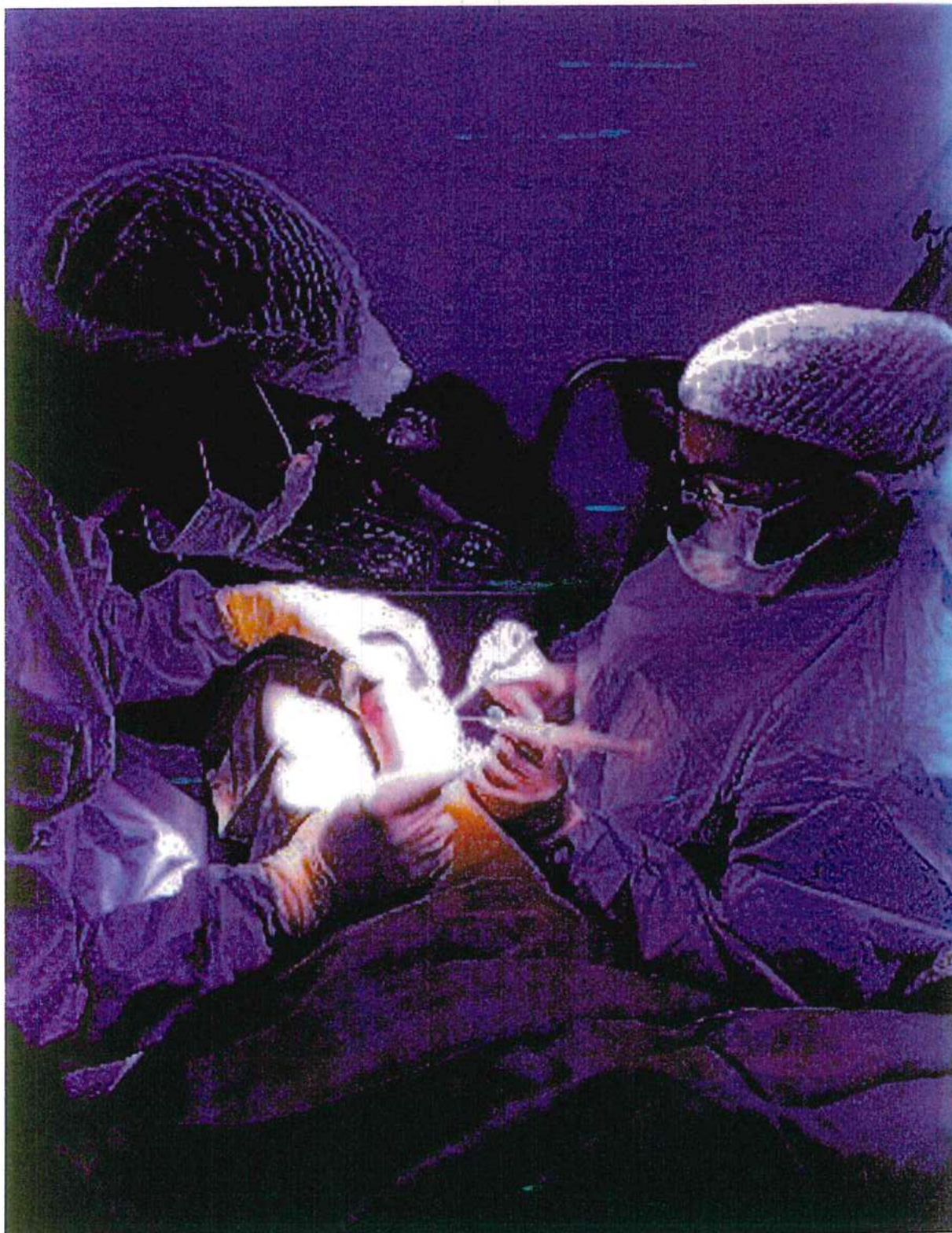
14th – 19th February 2021: KNH staff providing initiates support in Marsabit County



KNH staff held free cancer screening in Igembe South Meru County



In partners with Norvatis KNH held a kidney transplant outreach in Isiolo



June 28, 2021; KNH in partnership with UON and Norvatis conducting a surgical camp

Financial Statements

Report of the Board of Management

The Board of Management submits their report together with the unaudited financial statements for the year ended June 30, 2021, which shows the state of the Hospital affairs.

Principal Activities

The principal activities of the Hospital are:

- a. To receive patients on referral from other Hospitals or institutions within or outside Kenya for specialized health care;
- b. To provide facilities for medical education for the University of Nairobi and research either directly or through other co-operating health institutions;
- c. To provide facilities for education and training in nursing and other health and allied institutions;
- d. To participate, as a national referral Hospital, in national health planning.

Results

The results of the Hospital for the year ended June 30, 2021, are set out on page 101.

Board of Management

The members of the Board of Management who served during the year, those who retired, and new appointments are shown under the corporate governance statement in the annual report.

Auditors

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

By Order of the Board



.....
Dr. Evanson Kamuri, EBS
SECRETARY TO THE BOARD

Date: 02-09-2022

Statement of Board's Responsibilities

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the board to prepare financial statements in respect of the Hospital, which give a true and fair view of the state of affairs of the Hospital at the end of the financial year and the operating results of the Hospital for that year.

The board is also required to ensure that the Hospital keeps proper accounting records that disclose with reasonable accuracy the financial position of the Hospital. The board is also responsible for safeguarding the assets of the Hospital.

The board is 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 ended on June 30, 2021.

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

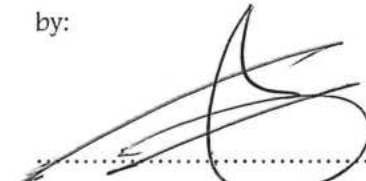
The board accepts responsibility for the Hospital's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standard (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act.

The board believes that the Hospital's financial statements give a true and fair view of the state of the Hospital's transactions during the financial year ended June 30, 2021, and of the Hospital's financial position as at that date. The board further confirms the completeness of the accounting records maintained for the Hospital, which have been relied upon in the preparation of the Hospital's financial statements as well as the adequacy of the systems of internal financial control.

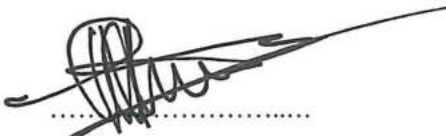
Nothing has come to the attention of the board to indicate that the Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Hospital's financial statements were approved by the board on 24-09-2021 and signed on its behalf by:


.....
Mr. George O. Ooko


.....
Dr. Julius Ogato


.....
Dr. Evanson Kamuri, EBS

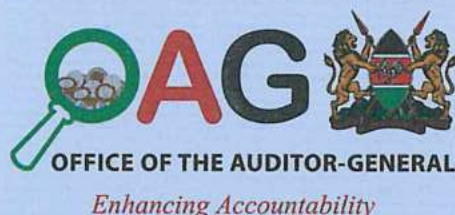
Chairman
Board of Management

Member
Board of Management

CEO/Secretary
Board of Management

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYATTA NATIONAL HOSPITAL FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenyatta National Hospital set out on pages 101 to 162, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenyatta National Hospital as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Legal Notice No.109 of 1987 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Inaccuracy of Bank Balance

The statement of financial position reflects cash and cash equivalents totalling Kshs.1,270,248,000, as further disclosed in Note 25 to the financial statements. Included in the balance is a recurrent account bank balance totalling Kshs.61,047,000. However, the cashbook reflected a balance of Kshs.41,341,000 in respect to the account as at 30 June, 2021 resulting to unexplained variance of Kshs.19,706,000.

In the circumstance, the accuracy of bank balance totalling Kshs.61,047,000 could not be confirmed.

2. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance totalling Kshs.13,251,484,000 as disclosed in Note 29 to the financial statements. The following anomalies were noted in relation to the balance:

2.1 Capital Works-in-Progress

The property plant and equipment balance includes capital work- in-progress balance of Kshs.1,346,987,000. Records on capital work in progress indicated expenditure totalling Kshs.809,869,000 was incurred on construction of Pediatric Emergency Centre and Burns Management Centre. The project was awarded at a cost of Kshs.2,959,511,55 with donors and the Government of Kenya financing Kshs.1,235,724,580 (42%) and Kshs.1,723,786,975 (58%) of the cost respectively. The project's revised completion date was 29 May, 2021. The status report for June, 2021 indicated that the project was at 53% level of completion. Audit verification in February, 2022 revealed that the contractor the contractor had charged interest on delayed payments totalling Kshs.34,364,665 as at 13 January, 2021 but was not at the project site.

In the circumstance, the valuation of capital works-in-progress could not be confirmed.

2.2 Failure to Revalue Assets

Review of asset records indicated that the Hospital had fully depreciated assets with historical book value was Kshs.4,109,806,303 which however, were in use in the year under review. However, contrary to requirements of International Accounting Standard No. 16 - Property Plant and Equipment the assets had not been revalued to determine their expected future benefits and associated obligations. Failure to revalue the assets was, in addition, contrary to Section 8.3.4 of the Hospital's Finance Manual that requires Management to revalue assets after every five (5) years.

In the circumstances, the accuracy and completeness of property, plant and equipment balance totalling Kshs.13,251,484,000 as at 30 June, 2021 could not be confirmed.

3.0 Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions totalling Kshs.2,077,651,000 as further disclosed in Note 27 to the financial statements. The balance includes staff receivables totalling Kshs.14,186,302 out of which Kshs.1,241,975 were staff debtors relating to unpaid bills for discharged patients guaranteed by the Hospital's staff. In addition, the staff debtors include Kshs.873,057 owed by staff who were no longer employees of the Hospital. The guarantees provided to patients by staff were contrary to the provisions of the KNH credit policy and procedures manual. The manual requires patients who are unable to settle their outstanding bills to secure their debt with collateral.

In the circumstances, recoverability of staff guaranteed receivables totalling Kshs.1,241,975, and Kshs.873,057 owed by former staff could not be confirmed.

4.0 Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions totalling Kshs.1,699,759,000 as disclosed in Note 26 to the financial statements. The balance includes Kshs.311,310,000 which further includes Kshs.265,483,505 relating to advance payments for proposed pediatric and emergency center and burns management center. However, the supporting documents reflect advance payments totalling Kshs.270,496,230. The difference of Kshs.5,012,725 between the two sets of records has not been reconciled. Further, the prepayments balance include Kshs.265,483,505 in respect of two (2) firms which were not supported by contracts and payment vouchers.

In the circumstances, the accuracy and completeness of prepayments balance totalling Kshs.311,310,000 could not be confirmed.

5.0 Stock Change Balance

The statement of financial performance reflects clinical costs totalling Kshs.3,669,904,000, as further disclosed in Note 13 to the financial statements. The balance includes stock change of Kshs.108,794,000 whereas the supporting schedules reflect Kshs.111,720,000,979 resulting to unreconciled variance of Kshs.2,926,000.

Further, no analyses were provided to support the movement in the stock change balance.

In the circumstance, the accuracy and propriety of stock change amounting to Kshs.108,794,000 could not be confirmed.

6.0 Deposits

The statement of financial position reflects deposits from patients totalling Kshs.49,126,000, as further disclosed in Note 31 to the financial statements. However, analysis of the deposits schedule was not provided for review. Further, there was no evidence of Management having established means to promptly refund deposits to patients.

In the circumstance, the accuracy and completeness of deposits balance totalling Kshs.49,126,000 could not be confirmed.

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

Emphasis of Matter

1.0 Medical Service Contract Loss

As disclosed in Note 22 to the financial statements, as previously reported, the statement of financial performance includes medical services contracts loss totalling to Kshs.677,829,000. Examination of records on medical services contracts revealed the following anomalies:

1.1 Contracts with National Hospital Insurance Fund (NHIF)

The medical services contract loss totalling Kshs.677,829,000 includes loss totalling Kshs.412,911,000 incurred from services offered to National Hospital Insurance Fund (NHIF) members. The loss is net of rebate received from the NHIF and the total amount the Hospital spends in the treatment of NHIF members. Review of records indicated that the Hospital entered into a two years renewable medical service contract with the Fund on 01 August, 2008 to 31 July, 2010. The contract was renewed on the same terms on 01 August, 2010. The contract provided for continuous engagement between the parties and the Hospital, through several letters in years 2013 and 2014, raised concerns on losses incurred due to terms in the contract it deemed to be skewed.

Management thereafter sought to discontinue the loss-making contract after re-negotiations failed to yield the desired results. The intent to end services to NHIF

members was communicated to the NHIF and the Ministry of Health in the Month of April, 2014. In reply, said it could not increase the rebate due to litigations that delayed planned adjustment of premiums. The Hospital was thereafter on 20 May, 2014 directed by the Ministry of Health to continue offering the services on the same terms in spite of losses incurred.

Although a renegotiated contract signed on 21 March, 2019 has enhanced the number of claimable services and may have had a positive effect on the Hospital's revenues, the loss incurred in the year under review is still significant and further review of the contract terms may be necessary.

1.2 Free Maternity-Linda Mama - Program

The totalling Kshs.677,829,000 includes losses totalling Kshs.264,918,000 incurred on services offered under the free maternity (Linda Mama) program. The services emanated from directive from the Cabinet Secretary, Ministry of Health, which notified Management of the Government to reimburse the Hospital Kshs.17,500 for every mother who gives birth at the Hospital. However, the Hospital, being a referral institution, receives complicated maternal referrals and as a result, the costs incurred under the program are, more often than not, higher than the reimbursable Kshs.17,500. Any additional costs are borne by the Hospital and recorded as losses.

2. Funding Deficit in Defined Benefits Pension Scheme

The statement of financial performance reflects employee costs totalling Kshs.12,833,736,000 as disclosed in Note 14 to financial statements. Included in the expenditure is Kshs.1,064,038,000 on the Hospital's defined benefit scheme. However, Kenyatta National Hospital (KNH) defined benefit scheme actuarial valuation as at 30 June, 2021, reflected defined benefit liabilities totalling Kshs.14,832,396,000 against the scheme's assets totalling Kshs.7,485,602,000 as shown in Note 35(b) resulting to underfunding of Kshs.7,346,794,000 which was to be paid by KNH as the scheme's sponsor. The Hospital requested for funding of the deficit from the National Treasury and received Kshs.100 million through the Ministry of Health during the period under review.

In view of the large deficit, the Hospital's pension scheme may not be sustainable.

3. Unconfirmed Borrowings

The statement of financial position reflects borrowings totalling Kshs.1,199,863,000 as at 30 June, 2021 the book value of a loan amounting to Euro 14,000,000 received from the Kingdom of Spain. The loan was disbursed in form of medical equipment in the financial year 2007/2008. However, no on-lending loan agreement was signed between the Hospital and the The National Treasury. Records at the Hospital indicated that The National Treasury vide letter Ref: DND 4/78 dated 20 March, 2019 confirmed that it has been servicing the loan since 2012 in accordance with the agreement signed with the Spanish Government. The loan balance as at 30 June, 2018 was Euro 4,666,668 out of the principal loan amount of Euro 14,000,000. However, the of the outstanding balance as at 30 June, 2021 was not provided for audit review. In absence the certificate, the

accuracy and completeness of borrowings of Kshs.1,199,823,000 as at 30 June, 2021 could not be confirmed.

Management has indicated that The National Treasury had in November, 2021 approved a request by the Hospital to convert the loan into a grant and arrangements were ongoing to prepare a grant subsidiary agreement on the loan balance.

4. Un-refunded Prepayments for Supply Contracts

As similarly reported in the previous year, the statement of financial position reflects receivable from exchange transactions totalling Kshs.1,702,193,000 (2020 – Kshs.1,477,994,000, as further disclosed in Note 26 to the financial statements. The balance includes prepayments totalling to Kshs.352,355,000 out of which Kshs.31,734,000 relates to supply contracts awarded to three firms at Kshs.15,793,000, Kshs.2,213,000 and Kshs.13,728,000 respectively. Management indicated that the first prepayment was in dispute while the second one was under investigation. The third prepayment relates to micro filming project at the Hospital which had not been completed as at 30 June, 2020. Although the issue has been discussed by the Public Investment Committee, no action has been taken on the recommendation of the Committee that the three companies be investigated, prosecuted and the Chief Executive Officer then be held accountable for the loss and be surcharged.

My opinions is not qualified in respect to these matters.

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.

Prior Year Issues

The audit report for the financial year ended 30 June, highlighted several issues relating to the financial statements, lawfulness and effectiveness in use of resources and effectiveness of internal control, risk management and governance. Management has, in the report on follow up on Auditor's recommendation appended to the financial statements for the year under review, indicated that some of the issues had been resolved and efforts to resolve the rest were ongoing as at 30 June, 2021. The actual status of the issues shall be confirmed after they are discussed by Parliament.

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. Unauthorized Reallocation of Budget

Review of the Minutes of the Budget Implementation Committee (BIC) dated 15 June, 2021 revealed that the Board approved reallocation of Kshs.1,285,100 from the personnel emolument vote - staff training to patient foods. The reallocation was contrary to the provisions of Section 48(1)d of the Public Finance Management Act, 2012, which prohibits reallocation of wages to non-wage expenditure.

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

2. Deduction of Salaries Below One-Third of Basic Pay Rule

Examination of personnel emoluments records indicated that seventy two (72) employees earned a net salary of less than one-third (1/3) of their respective basic salaries. This was contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016. Management did not provide a satisfactory explanation for the failure to comply with the policy.

In the circumstance, Management was in breach of the law and may have exposed the staff to pecuniary embarrassment.

3. Irregular Extension of Contract

Examination of records on clinical costs indicated that Kshs.11,428,600 was spent on annual payment for the operating lease for laboratory equipment and clinical chemistry analyzers . The respective contract had lapsed on 03 June, 2020 but was extended by one (1) year to 04 June, 2021. The extension contravened Section 88 of the Public Procurement Regulations, 2020 which requires extensions of procurement contracts to be restricted to not more than thirty days, done once.

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

4. Unauthorized Closure of Bank Accounts

Review of financial records indicated that Management through a Board resolution approved closure of four (4) bank accounts operated by the Hospital. However, authority of The National Treasury to close the accounts was not provided for audit. Section 28(1) of the Public Finance Management Act, 2012, requires all National Government entities to obtain permission from the National Treasury before opening, operating and closing of bank accounts.

In the circumstance, the Hospital Management may have acted against the law.

5. Unremitted Taxes

Examination of records on the Hospital's rental properties indicated income totalling Kshs.131,451,000 earned from both residential and commercial properties. However, the

Hospital did not pay rental tax totalling Kshs.1,314,510. Other records reflected unpaid taxes totalling Kshs.80,534,000 owed to the Kenya Revenue Authority for taxes arising between January, 2010 and March, 2014.

Failure to comply with taxation laws may result in punitive sanctions which may include but not to be limited to penalties and interest on outstanding amounts.

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

6. Non-Compliance with Law on Procurement

Examination of procurement records revealed payables totalling Kshs.44,762,808 incurred on purchase of various goods and services. However, interim or completion certificates issued, and Inspection and Acceptance Committee reports issued were not provided for audit. Further, individual committee members carried out inspection of goods on different dates by signing and stamping on delivery Notes. This was contrary to Regulation 35(6) of the Public Procurement and Asset Disposal Regulations, 2020 which provides that on completion of the inspection and acceptance certificate the Inspection and Acceptance Committee should prepare and issue a report for submission to the head of procurement function.

In the circumstances, value for money on the expenditure on procurement of goods and services totalling Kshs.44,762,808 could not be confirmed.

7. Overdrawn Bank Account

Review of bank records indicated that the recurrent bank account was overdrawn by Kshs.15,273,826 in the month of October, 2020 contrary to the provisions of Section 28 (4) of the Public Finance Management Act, 2012. The provision prohibits the Accounting Officer of a National Government entity from overdrawing a bank account beyond the limit authorized by The National Treasury, or a Board of a National Government entity, if any.

In the circumstance, the Hospital Management was in breach of the law.

8. Irregular Procurement of Trainers

Expenditure records indicated that Kshs.84,338,000 was incurred on staff training and development which further includes Kshs.3,749,999 paid for training on basic life support and advanced cardiac life support to one-hundred and fifty (150) participants. However, Management used direct procurement method to procure the training services contrary to Section 103 (1) and Section 103(2) of the Public Procurement and Asset Disposal Act, 2015.

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

9. Failure to Remit Statutory Deductions

The statement of financial position reflects trade and other payables totalling Kshs.1,310,584,000 as disclosed in Note 30 to the financial statements. Included in the balance is Kshs.69,761,028 for statutory deductions that were not remitted to various institutions as required by governing laws. Failure to remit the deductions may result in penalties that have not been included in the balance.

In view of the delay, penalties may have accrued on the outstanding balances totalling Kshs.69,761,028 reflected in the financial statements and therefore the balance may not be fairly stated.

10. Outstanding Trade and Other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables totalling Kshs.1,310,584,000 as disclosed in Note 30 to the financial statements. Included in the balance is Kshs.863,034,000 relating to trade payables that were outstanding at the closure of financial year. This was contrary to The National Treasury directive vide circular No. 22/2019 which requires State Corporations to settle their financial obligations to suppliers and service providers within reasonable time.

In the circumstances, delay in settling payables exposes the Hospital to interest penalties and litigations.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Weak Control on Staff Medical Scheme Expenditure

Personnel records indicated that the Hospital spent Kshs.414,023,000 on staff medical expenses in the year under review. However, the staff medical scheme has does not indicate the in-patient and out-patient expenditure limits for the staff members and their dependents.

In the circumstance, there is risk that the benefits offered by the scheme may be misused should the Board not enforce expenditure thresholds set in the Hospital's Human Resource and Policy Manual.

2. Uncollected Rental Income

Revenue records indicated that rent receivables from the Hospital's properties totalled Kshs.38,615,000 as at 30 June, 2021 having increased from Kshs.36,282,000 in 2019/2020 and Kshs.28,300,000 in 2018/2019. The increase in unpaid rent suggested that internal control on the properties was weak.

In the circumstance, failure to collect revenue may result to losses and affect the liquidity position of the Hospital.

3. Obsolete Inventory

The statement of financial position reflects inventory balance totalling Kshs.591,899,000 as disclosed in Note 28 to the financial statements. Review of records relating to Inventory indicated that inventory balance included obsolete stock totalling Kshs.4,743,160.

In the circumstance, holding of Obsolete stock may be indicative of weak inventory management system.

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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Directors

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are

in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

I also provide 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
16 September, 2022

Annual Report and Financial Statements for the Year Ended June 30, 2021

Statement of Financial Performance

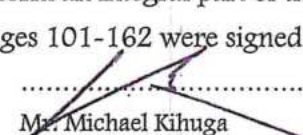
For the Year Ended June 30, 2021

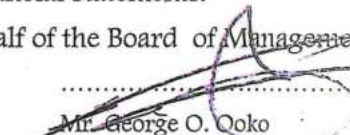
	Note	2021 Kshs. '000'	2020 Kshs. '000'
Revenue			
Revenue from non-Exchange transactions			
Grants from National Government	6	11,932,845	10,263,141
Donor funded projects grants	7	259,896	256,689
Public contributions and donations	8	55,364	9,434
Total Revenue from non-exchange transactions		12,248,105	10,529,264
Revenue from exchange transactions			
Rendering of services	9	7,126,990	5,861,430
Sale of Goods	10	1,529	2,006
Rental revenue from facilities	11	131,451	130,512
Interest income	12	135,002	84,609
Total revenue from exchange transactions		7,394,972	6,078,557
Total revenue		19,643,077	16,607,821
Expenses			
Clinical costs	13	3,669,904	2,293,220
Employee costs	14	12,833,736	11,575,384
Board of management expenses	15	20,676	26,694
Depreciation	16	704,247	692,012
Repairs and maintenance expenses	17	296,187	338,781
Administrative expenses	18	642,229	554,430
Donor funded projects expenses	19	259,896	256,689
Total expenses		18,426,875	15,737,210
Other (gains)/losses			
(Gain)/loss on sale of fixed assets	20	1,125	2,874
Impairment loss	21	1,106,230	872,577
Medical service contracts loss	22	677,829	474,548
Actuarial (Gain)/Loss on Defined Benefit Scheme	23	(2,297,163)	358,383
Foreign exchange transactions (gain)/loss	24	28	(439)
Total Other (gains)/losses		(511,951)	1,707,943
Surplus/(Deficit) for the year		1,728,153	(837,332)

The notes set out on Pages 108 to 162 form an integral part of these Financial Statements.

The Financial Statements set out on pages 101-162 were signed on behalf of the Board of Management by:


Dr. Elizabeth Kamuri
Chief Executive Officer


Mr. Michael Kihuga
Director, Finance


Mr. George O. Ooko
Chairman of the Board

Date.. 02-09-2022

ICPAK No. 3884
Date.. 02-09-2022

Date.. 02-09-2022

Annual Report and Financial Statements for the Year Ended June 30, 2021

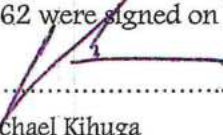
Statement of Financial Position

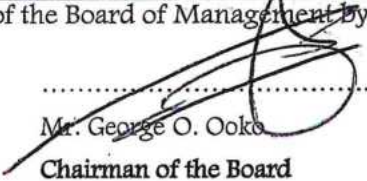
As at June 30, 2021

Assets	Note	2021	2020
		Kshs. '000'	Kshs. '000'
Current assets			
Cash and cash equivalents	25	1,270,248	1,937,317
Receivable from exchange transactions	26	1,699,759	1,477,994
Receivable from non- exchange transactions	27	2,077,651	1,182,597
Inventories	28	591,899	708,362
Total current assets		5,639,557	5,306,270
Non-current assets			
Property, plant and equipment	29	13,251,484	13,029,937
Intangible assets		-	-
Total non-current assets		13,251,484	13,029,937
Total assets		18,891,041	18,336,207
Liabilities			
Current liabilities			
Trade and other payables	30	1,310,584	1,533,408
Deposits from customers	31	49,126	74,480
Provision for leave pay	32	195,655	162,249
Deferred income	33	853,898	1,504,538
Total current liabilities		2,409,263	3,274,675
Non-current liabilities			
NSSF Arrears	34	190,830	214,830
Net Defined Benefit Liability	35	7,346,794	8,771,990
Borrowings	36	1,199,863	1,199,863
Finance Lease Liability	37	8,447	10,237
		8,745,934	10,196,920
Total liabilities		11,155,197	13,471,595
Net assets			
Capital reserve	38	10,510,592	9,367,825
Accumulated fund	39	(11,545,417)	(13,273,882)
Revaluation reserve	40	8,770,669	8,770,669
Total Net assets		7,735,844	4,864,612
Total net assets and liabilities		18,891,041	18,336,207

The Financial Statements set out on pages 101-162 were signed on behalf of the Board of Management by:


 Dr. Evans Kamuri
 Chief Executive Officer


 Mr. Michael Kihuga
 Director, Finance


 Mr. George O. Ooko
 Chairman of the Board

Date... 02-09-2022

ICPAK No. 3884
 Date... 02-09-2022

Date... 02-09-2022

Annual Report and Financial Statements for the Year Ended June 30, 2021

**Statement of Changes in Net Assets
For the Year Ended June 30, 2021**

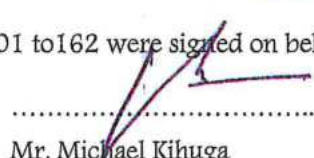
		Capital Reserve	Accumulated Fund	Revaluation Reserve	Total
	Note	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'
Balance as of July 1, 2020		6,661,406	(12,436,550)	8,770,669	2,995,525
Capital grants		2,706,419			2,706,419
Deficit for the year		-	(837,332)		(837,332)
Balance as at June 30, 2020		9,367,825	(13,273,882)	8,770,669	4,864,612
Balance as of July 1, 2020		9,367,825	(13,273,882)	8,770,669	4,864,612
Prior year error adjustment	42	(2,522)	312		(2,210)
Capital grants	38	1,095,289			1,095,289
KNH-Othaya Land	38	50,000			50,000
Surplus for the year	39		1,728,153		1,728,153
Balance as at June 30, 2021		10,510,592	(11,545,417)	8,770,669	7,735,844

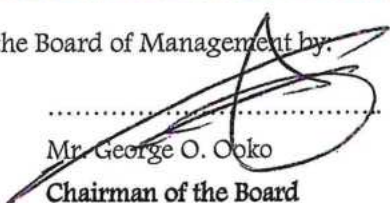
Annual Report and Financial Statements for the Year Ended June 30, 2021
Statement of Cash Flow
For the Year Ended June 30, 2021

	Note	2021 Kshs. '000'	2020 Kshs. '000'
Cash flows from operating activities			
Receipts			
Grants from National Government		8,836,667	10,544,565
Rendering of services		1,251,211	1,132,758
Accounts receivable		3,597,674	3,891,741
GoK Receivable		1,046,795	546,800
Deposits from customers		446,579	344,194
Donor funded projects grants		267,710	261,824
Doctors' fee		224,627	131,177
Total Receipts		15,671,263	16,853,059
Payments			
Employees costs		11,897,581	10,153,059
Goods and services		3,759,721	3,528,289
Tax remittance		119,089	135,650
Board of Management expenses		9,114	14,483
Donor funded projects expenses		258,027	255,412
Refund to donor		299	
Patients deposit refunds		30,809	30,617
Doctors' fee		653,694	579,109
Total payments		16,728,334	14,696,619
Net cash flows from operating activities	41	(1,057,071)	2,156,440
Cash flows from investing activities			
Purchase of property, plant, and equipment		(587,983)	(941,236)
Interest income	12	134,803	84,388
Proceeds from the sale of fixed assets	20	350	480
Net cash flows used in investing activities		(452,830)	(856,418)
Cash flows from financing activities			
Capital grant	6	842,832	350,240
Net cash flow from financing activities		842,832	350,240
Net decrease in cash and cash equivalents			
		(667,069)	1,650,262
Cash and cash equivalents at July 1		1,937,317	287,055
Cash and cash equivalents at June 30		1,270,248	1,937,317

The Financial Statements set out on pages 101 to 162 were signed on behalf of the Board of Management by:


.....
Dr. Evanson Kamuri
Chief Executive Officer


.....
Mr. Michael Kihuga
Director, Finance


.....
Mr. George O. Ooko
Chairman of the Board

Date: 02-09-2022

ICPAK No. 3884
Date: 02.09.2022

Date: 02/09-2022

**Statement of Comparison of Budget and Actual Amounts
For the Year Ended June 30, 2021**

Revenue	Original Budget Kshs. '000'	Adjustment Kshs. '000'	Final Budget Kshs. '000'	Actual Cumulative Kshs. '000'	Performance Variance Kshs. '000'	% Variance	Note
Grants from National Government	9,569,000	3,138,761	12,707,761	11,932,845	774,916	6%	
Donor Funded Projects Grants	152,332	107,959	260,291	259,896	395	0%	
Public contributions & donations				55,364	(55,364)		
Rendering of services	6,727,020	323,453	7,050,473	7,126,990	(76,517)	1%	
Sale of Goods	759	164	923	1,529	(606)	66%	a
Rental revenue from facilities	130,648		130,648	131,451	(803)	1%	
Interest income	14,331	103,973	118,304	135,002	(16,698)	14%	b
Total Income	16,594,089	3,674,312	20,268,400	19,643,077	625,323	3%	
Expenditure							
Clinical Costs	2,580,873	1,263,070	3,843,943	3,669,904	174,039	5%	
Employee Costs	11,772,266	899,431	12,671,697	12,833,736	(162,039)	1%	
Board Expenses	30,060	191	30,251	20,676	9,575	32%	c
Depreciation	578,311	45,406	623,717	704,247	(80,530)	13%	d
Repairs and maintenance	239,140	201,160	440,300	296,187	144,113	33%	e
Administrative expenses	671,878	207,863	879,741	642,229	237,512	27%	f
Donor funded Projects expenses	152,332	107,959	260,291	259,896	395	0%	
Total Recurrent Expenditure	16,024,860	2,725,080	18,749,941	18,426,875	323,065	2%	
Other (gains)/losses							
Loss on Sale of fixed asset				(1,125)	(1,125)		
Impairment Loss	271,282	638,245	909,527	(1,106,230)	(196,703)	22%	g
Medical service contracts Loss	297,946	310,987	608,933	(677,829)	(68,896)	11%	h
Net Actuarial (Gain)/Loss				2,297,163	2,297,163		
Foreign exchange transactions loss				(28)	(28)		
Total Other (gains)/losses	569,228	949,232	1,518,460	511,951	2,030,411		
Surplus/(Deficit) for the period				1,728,153	(1,728,153)		

Explanation of Material Variances of Budget vs. Actual

a) Sale of goods

The favorable variance of 66% against budget is due to increased sales in the stores during the period under review.

b) Interest Income

The favorable variance of 14% in interest income is attributed to the increase in cash held during the year designated for capital projects.

c) Board of Management Expenses

Board expenses for the period were below budget by 32% because the board was not fully constituted in the fourth quarter and therefore some of the planned activities did not take place.

d) Depreciation

The variance of 13% on depreciation is due to plant, machinery and equipment acquired during the year.

e) Repairs and Maintenance

The low absorption is attributed to minimal repairs undertaken for plants and machinery during the period.

f) Administrative Expenses

The variance of 27% is attributed to low activities during the period.

g) Impairment Loss

The unfavorable variance in impairment loss is due to the provision made for recurrent grants allocated to the Hospital and accrued as receivables in FY 2015/2016 (Kshs.9,999,994) and FY 2017/2018 (Kshs.113,600,000) but not disbursed to the hospital as at June 30, 2021.

h) Medical Service Contract Loss

The unfavorable variance of 11% is a result of an increased number of patients who use the NHIF cards as a mode of payment due to the increased awareness of the benefits of the cards and the free maternity services available in the Hospital. The NHIF package is mostly less than the total bill incurred and on a comprehensive cover, the client does not pay the difference to the Hospital hence the loss.

Explanation of changes between original and final budget

The Hospital original budget was revised following allocation of supplementary I and II for additional recurrent grants towards meeting employee costs for the period ended 30th June 2021.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021
(CAPITAL BUDGET)

Projects	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation	Note
	Kshs "000"	Kshs "000"	Kshs "000"	Kshs "000"	Kshs "000"		
	a	b	C=(a+b)	d	e=(c-d)	F=d/c	
Cancer Treatment Centre	91,190	(45,595)	45,595	9,897	35,698	22%	a
Day Care Centre	48,840	(24,420)	24,420	11,672	12,748	48%	b
Burns & Paediatric Centre	250,000	(104,160)	145,840	134,708	11,132	92%	c
Sport fund	-	626,977	626,977	43,320	583,657	7%	d
Total expenditure	390,030	452,802	842,832	199,597	643,235	24%	

Explanation of Material Variances of Budget vs. Actual**a) Cancer Treatment Centre**

The variance is as a result of delay in approval & allocation of funding for additional works. The progress of works is slow progress due to the initial laid out Covid -19 protocols.

b) Day Care Centre

The process of procuring equipments for the Centre is still ongoing.

c) Burns & Paediatric Centre

The loan agreement between the financiers & Treasury lapsed in December, 2020 and therefore communications have been ongoing to revise the agreement resulting in delay of payments.

d) Sport fund

Equipments are being procured through KEMSA and LPOs have been raised awaiting payments after delivery, testing and commissioning of the equipments. Payment of reticulation & boiler installation is in process and the work is still in progress.

Notes to the Financial Statement**1. General Information**

Kenyatta National Hospital is established through legal notice No 109 of April 6, 1987, and derives its authority from State Corporations Act. The Hospital is wholly owned by the Government of Kenya and is domiciled in Kenya.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, and financial instruments at fair value, impaired assets at their estimated recoverable amounts, and actuarially determined liabilities at their present value.

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Hospital's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the notes to these financial statements.

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

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

3. Adoption of New and Revised Standards**i. Relevant new standards and amendments to published standards effective for the year ended June 30, 2021**

Standard	Effective date and impact:
Other improvements to IPSAS	Applicable: 1st January, 2021 There was no amendments to the financial statements for any improvements to IPSAS during the year under review.

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

IPSAS 41: Financial Instruments	Applicable: 1st January, 2023: This standard is relevant to the Hospital and will be applied effective financial ending June 30, 2023. Classification, recognition, and measurement of cash, accounts receivables, accounts payable, and borrowings will change in line with the requirements in the new standard. In addition, the impairment loss on accounts receivables will significantly change given the requirements of this standard.
IPSAS 42:	Applicable: 1st January, 2023:

Social Benefits	The Hospital does not operate any social benefits schemes and therefore this standard is not relevant to the Hospital.
-----------------	--

iii. Early Adoption of Standards

The Hospital did not early – adopt any new or amended standards in the year 2021.

4. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

a) Revenue Recognition

i. Revenue from non-exchange transactions

Grants from National Government

Recurrent grants from the Government are recognized in the statement of financial performance on a systematic basis over the periods in which the grants are intended to compensate. Recurrent grants that are receivable as compensation for expenses or losses already incurred or to give immediate financial support to the Hospital with no future related costs are recognized in the statement of financial performance in the period in which they become receivable.

Development grants whose primary condition is that the Hospital should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to capital reserve on completion/acquisition.

Donor Funded Projects Grants

Grants received for donor-funded projects are recognized in the statement of financial performance on a systematic basis over the periods in which the grants are intended to compensate, only to the extent of expenditure incurred during the year. Grants not utilized are recognized as deferred income in the statement of financial position.

Public Contributions and Donations

Cash donations: Income from endowments, donations, research grants, and other similar services rendered are recognized when received and included only to the extent of expenditure incurred during the year.

Donations in-kind: The revenue from donations in kind is measured at fair value and recognized on obtaining control of the asset (goods, services, and property) if the transfer is free from conditions and it is probable that the economic benefits (including cost saving from the donation) or service potential related to the asset will flow to the Hospital and can be measured reliably. On initial recognition, gifts and donations including goods in-kind (tangible assets) are measured at their fair value as at the date of acquisition, which is ascertained by reference to an active market or by an appraisal by a member of the valuation profession.

ii. Revenue from Exchange Transactions

Rendering of Services

The Hospital recognizes revenue from the rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to the costs that reflect services performed. 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 the Hospital.

Rental Revenue from Facilities

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

Interest Income

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

b) Budget Information

The original budget for the financial year 2020/21 was approved by the Board of Management on 28th January 2020. Subsequent revisions and additional appropriations were made to the approved budget in accordance with specific approvals from the Board of Management and Ministry of Health.

The annual budget is prepared on an accrual basis. All planned costs and income are presented in a single statement to determine the needs of the Hospital. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing, or Hospital differences that would require reconciliation between the actual comparable amounts, and the budget amounts are presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

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, the Hospital recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

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

The Hospital uses a revaluation model for measurement of property, plant, and equipment after initial recognition. The Hospital derecognizes items of property, plant, and equipment, and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use.

Any gain or loss arising on the de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when an asset is de-recognized.

Annual Report and Financial Statements for the Year Ended June 30, 2021

The value of land does not depreciate. Depreciation on other assets is calculated on a straight-line basis to write off the cost of each asset, or the revalued amount, to their residual values over the estimated useful life. The annual rates used for each class of assets are:

Buildings	2.5%	Tractors	37.5%
Plant & Machinery	12.5%	Computers, copiers	33.3%
Furniture and Fittings	12.5%	Medical Equipment	12.5%
Motor Vehicles	25%	Intangible Assets	30%

d) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and benefits incidental to ownership of the leased asset to the Hospital. All other leases are classified as operating leases.

Finance Lease

Assets held under finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Hospital also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance Charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset.

Operating Lease

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

e) 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.

f) Financial Instruments Financial assets

Financial Assets

Initial Recognition and Measurement

Financial assets are classified as financial assets at fair value through surplus or deficit, loans, and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Hospital determines the classification of its financial assets at initial recognition.

Accounts Receivables

Accounts receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at the fair value less impairment. Losses arising from impairment are recognized in the surplus or deficit.

Impairment of Financial Assets

The 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 have 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 that can be reliably estimated.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are measured at fair value through surplus or deficit. The Hospital determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of borrowings, plus directly attributable transaction costs.

Loans and Borrowings

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

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 a nominal cost), the cost of the inventory is its fair value at the date of acquisition. After initial recognition, inventory is measured at the lower 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 cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Hospital.

h) Provisions

Provisions are recognized when the Hospital has a present obligation (legal or constructive) as a result of a past event, an outflow of resources embodying economic benefits or service potential will

Annual Report and Financial Statements for the Year Ended June 30, 2021

probably be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Hospital expects some or all of a provision to be reimbursed, 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.

Contingent Liabilities

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

Contingent Assets

The Hospital does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Hospital in the notes to the financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

i) Nature and Purpose of Reserves

The reserves maintained by the Hospital include;

Capital Reserve

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

Revaluation Reserve

Revaluation reserve arises on revaluation of property, plant, and equipment. When revalued property, plant, and equipment are disposed of, the portion of revaluation reserve that relates to the asset is transferred directly to the revaluation reserve. Movements in the revaluation reserve are shown in the statement of changes in net assets.

Accumulated Fund

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

j) Changes in Accounting Policies and Estimates

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

k) Employee Benefits Retirement Benefit Plans

The Hospital operates the following employee benefits retirement plans:

i. Retirement Benefits

The Hospital operates a defined pension scheme and defined contributions pension scheme.

Payments made by the Hospital to a defined contribution pension scheme are recognized as an expense when employees have rendered service entitling them to the contributions.

In the case of a defined benefit pension scheme, the actuarial valuation of the scheme is carried out at the end of the financial year.

The cost of providing benefits is determined using the projected unit credit method. Re-measurements, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable), and the return on scheme assets (excluding interest), is reflected in the statement of financial position with a charge or credit recognized in the other gains/losses in the period in which they occur.

Re-measurement recognized in other gains/losses is reflected in surplus/deficit.

Past service cost is recognized as surplus or deficit in the financial year of scheme amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense, or income and re-measurement.

The Hospital presents current service cost and past service cost in the statement of financial performance in the line item Pension cost – defined benefit scheme (included in employee costs). Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the statement of financial position represents the actual deficit or surplus in the Hospital's defined benefit scheme. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

ii. National Social Security Fund (NSSF)

This is a statutory defined contribution pension scheme in which the Hospital and employees contribute equal amounts. The Hospital's contribution is expensed in the respective year in which its made.

iii. Other Entitlements

The monetary benefits for employees accrued annual leave entitlement as per the Hospital policy at end of the financial year are recognized as a provision.

l) 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.

m) Borrowing Costs

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

n) Related Parties

The Hospital regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Hospital or vice versa. Members of key management are regarded as related parties and comprise the Hospital Board of Management and the Executive management is made up of the Chief Executive Officer, Senior Directors, and Directors.

o) Cash and Cash Equivalents

Cash and cash equivalents comprise mobile money, 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 an insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and various commercial banks at the end of the financial year.

p) Comparative Figures

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

q) Subsequent Events

There have been no events after the financial year-end with a significant impact on the financial statements for the year ended June 30, 2021.

5. Significant Judgments and Sources of Estimation Uncertainty

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

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 Hospital-based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Hospital. Such changes are reflected in the assumptions when they occur.

ii. Actuarial Valuation of Defined Benefits Scheme

The asset or liability due under the defined benefit scheme is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates, and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

iii. Useful Lives and Residual Values

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

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

iv. Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. Provisions made by the management include:

Provision for Bad Debts

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

Provision for Leave Pay

The provision for leave pay has been calculated based on the leave entitlement due to staff at year-end adjusted for; experience adjustment in relation to the forfeiture of leave and leave taken trends and salary scales applicable at the time of realization of leave by employees.

Annual Report and Financial Statements for the Year Ended June 30, 2021

6	Grant from National Government	2021	2020
	Transfers from the Ministry of Health	Kshs. '000'	Kshs. '000'
	Recurrent Grants		
	Recurrent grants for FY 2020/21 received	8,836,667	10,544,565
	Recurrent grants FY 2020/21 receivable (note 27)	2,064,333	1,046,795
	Recurrent grants utilized from deferred (see note 33)	992,986	
	Sub-Total	11,893,986	11,591,360
	Drawings from KEMSA	402,030	312,522
	Direct payments made by MoH	-	163,827
	Sub-Total	12,296,016	12,067,709
	Recurrent grant for FY 2020/21 deferred (note 33)	(363,171)	(1,239,134)
	Grant utilized for capital items (recognized under capital reserve)		(565,435)
	Recognized in the statement of financial performance	11,932,845	10,263,141
	Capital grants recognized in capital reserve (see note 38)	1,095,289	2,706,419

Recurrent Grants from National Government

The Hospital recurrent grant allocation for the period was Kshs.10,901,000,000 out of which Kshs. 8,836,666,667 was received by June 30, 2021 and Kshs.2,064,333,333 was received in the month July 2021.

Out of kshs.1,239,133,725 recurrent grants that were received and deferred in FY 2019/20, grants totalling to Kshs.992,985,497 were utilized in the year under review and has therefore been recognized in the statement of financial performance.

The Hospital was allocated rights of Kshs.614,259,171 to draw medical supplies from Kenya Medical supplies Authority (KEMSA) for which drawings totalling to Kshs. 402,030,627 were made for the period ended June 30, 2021.

Out of the recurrent grants for FY 2020/21, Kshs. 363,170,641 has been deferred for utilization in FY 2021/22 for payment of staff leave allowance and salaries for contract staff hired for management of COVID-19 pandemic.

Capital grants from National Government

During the FY 2020/21, the Hospital received capital grants totaling Kshs.1,095,289,000 in form of cash, equipment, and buildings as tabulated below;

Annual Report and Financial Statements for the Year Ended June 30, 2021

Purpose	Grant Type	Amount Kshs. '000'
Construction of Cancer Treatment Centre	Cash	45,595
Construction of Paediatrics Emergency and Burns Management Centre	Cash	145,840
Equipment for Surgical Day care Centre	cash	24,420
Replacement of Obsolete Equipment	cash	626,977
Sub total		842,832
Capital Equipment from MOH	KEMSA Drawdown	70,686
Construction of key Infrastructure in KNH - Othaya	Deferred recurrent grant from FY 2019/20 (see note 33)	43,916
GoK Managed Medical equipment services project	Equipment	112,301
Construction of Paediatrics Emergency and Burns Management Centre	Direct payments made by Development Partners (OFID, SFD & BADEA)	25,554
Sub total		252,457
Total GoK Capital Grants		1,095,289

	2021 Kshs. '000'	2020 Kshs. '000'
7 Donor funded projects grants		
AGYW Study	15,100	12,652
AMR Study	-	1,174
aPS-Modified Assisted Partner Study	255	1,193
Breast Cancer Chemo Study	-	352
Bubble Cpap Study	251	
Drip Assist Study	8,025	9,989
ELEWA PROJECT	1,510	
FP Plus Study	9,949	
GIRL study	3,421	4,592
HCV TX Study	1,690	
HIV Cascade Training Program	4,050	1,644
HIV-TB Emory	1,012	
HIV-TB Study	6,968	5,296
HIV Testin & Care in AECI Study	2,990	
Innovations Maker Project		1,316
ITIPS(Microbacterium TB infection	847	2,250
KCVHIV	2,694	5,944
KNH HEU - Hope Project	5,641	
M Health Study	3,085	15,290
Micro biota& Preterm Birth study	4,322	5,946

Annual Report and Financial Statements for the Year Ended June 30, 2021

	2021 Kshs. '000'	2020 Kshs. '000'
MITIPS study unit	3,135	6,670
MMAP STUDY	2,740	
Mobile WACH NEO RCT	23,110	9,032
mPACT Study	5,367	5,042
MwACH-PrEP Study	3,797	
NPEP Study	-	859
Opt study	-	498
PACT-COE project	56,191	67,004
Partners in prevention study	2,832	3,816
Patient navigation programme	17,846	16,946
Prima study	12,796	44,520
Prima-X Study	14,935	2,423
Sharp study	16,470	15,794
Step up study	-	282
TES-NES Efficacy study	18,645	13,188
Timiza Study	9,646	
Vijana smart study	11	906
YES Study	565	2,071
Total Donor funded projects grants	259,896	256,689

Conditional grants reconciliation (note 47)

Balance unspent at beginning of the year	84,282	79,147
Refund to donor	(299)	
Current year receipts	267,710	261,824
Conditions met- transferred to revenue	(259,896)	(256,689)
Conditions not met (deferred)	91,797	84,282

8 Public contributions and donations

Donations in kind	14,406	9,434
General Donations	40,739	
Specific Donations	219	
Total Public contributions and donations	55,364	9,434

The amount recognized in the statement of financial performance for donations in kind is the amortized value for fixed assets received as donations in the hospital. The net book value is deferred to be recognized over the life of the fixed assets (see note 33).

Specific donations are contributions received from the public in form of cash for specific purpose.

General Donations are contributions received in the Hospital in form of medical consumables from the public and were expensed in the year under review.

9 Rendering of services

a) Medical services revenue

Accident and Emergency services fee	44,718	70,099
Anesthesia services fee	27,500	24,444
Burns unit services fee	18,543	20,508

Annual Report and Financial Statements for the Year Ended June 30, 2021

	2021 Kshs. '000'	2020 Kshs. '000'
Cancer Centre Services fee	153,868	190,843
Cardiology services fee	133,453	131,089
Comprehensive Care Center fee	3,326	1,110
Corporate outpatient consultation fee	61,052	32,077
Critical care unit services fee	81,525	71,393
Dental services fees	43,207	54,306
Ear nose & throat services fee	48,261	70,697
Farewell home services fee	112,894	99,330
General surgery services fee	188,260	161,020
Health Information Services charges	62,614	57,575
Laboratory services fee	811,745	517,062
Medical gases income	132,059	120,195
Medicine services fee	479,416	288,098
Nursing procedures and consumables fee	440,444	208,752
Nutrition services fee	108,708	71,223
Occupational therapy services fee	41,937	33,764
Ophthalmology services fee	30,746	32,156
Orthopedics services fee	270,652	249,945
Orthopedic technology services fee	11,517	4,543
Outpatient Consultations - Othaya	1,800	2,419
Paediatrics services fee	395,243	382,105
Pharmaceutical services fee	1,107,193	914,910
Physiotherapy services Fee	69,218	69,025
Plastic surgery services fee	31,491	61,876
Prime Care Centre in-patient fee	392,721	272,416
Radiology services Fee	472,524	365,844
Renal unit services fee	72,322	94,925
Reproductive health services fee	310,037	373,369
Sale of theatre services consumables	442,663	320,779
Theatre services fee	231,285	219,205
TSSU/ CSSD services fee	65,921	57,442
Other medical services fee	41,482	43,939
Total medical services revenue	6,940,345	5,688,483
b) Administrative services revenue		
Administration charges	133,041	120,606
Nursing School fee	29,828	29,028
Seminars and training	9,426	14,415
Parking Fee	14,350	8,898
Total administrative services revenue	186,645	172,947
Total rendering of services revenue	7,126,990	5,861,430

Annual Report and Financial Statements for the Year Ended June 30, 2021

Other medical services fee includes: Endoscopy fees, Palliative Care fees, Mental Health Services fees, Catering Services fees, Respiratory Infectious diseases services fees and Public Health services fees.

	2021 Kshs. '000'	2020 Kshs. '000'
10 Sale of goods		
Sale of stores	1,048	1,477
Tender documents	35	61
Pigs will	446	468
Total sale of goods revenue	1,529	2,006
11 Rental revenue from facilities		
Residential properties	98,700	99,522
Commercial properties	32,751	30,990
Total rental revenue	131,451	130,512
12 Interest income		
Bank interest	134,803	84,388
Interest on short term deposits	199	221
Total interest income	135,002	84,609
13 Clinical costs		
Cardiology materials	44,671	37,690
Cardiothoracic Consumables	11,116	
Cleansing materials	92,320	37,673
COVID-19 Patient Bills	341,012	35,296
Dental materials	5,115	3,971
Dressing & Appliances	116,983	96,173
Enteral and nutrition feed	70,453	32,955
Health information stationery	10,516	4,265
ICU Materials	37,353	39,156
Laboratory chemicals and reagents	330,088	203,577
Medical gases	313,315	209,279
Orthopedics materials	65,616	16,078
Patients food	235,048	226,229
Patients uniform and clothing	50,211	41,358
Pharmaceutical supplies	825,692	655,013
Radiology material and chemicals	64,368	65,078
Renal materials	54,998	56,389
Reproductive Health Consumables	1,198	1,087
Stock change	108,794	(120,601)
Surgical consumables	478,439	283,039
Sutures	239,468	236,334
UHC Patients Bills	51,876	64,802
Waste disposal expenses	2,420	5,929
Other clinical costs	118,834	62,450
Total Clinical Costs	3,669,904	2,293,220

Annual Report and Financial Statements for the Year Ended June 30, 2021

Other clinical costs include: AIDS Control unit expenses; Clinical Outreaches expenses; purchase of crockery & cutlery; Disaster Management expenses; ENT consumables; Farewell home consumables, Infection control consumables; insecticide & rodenticides; laundry detergents expenses; medicine Materials; occupational therapy materials; ophthalmology materials; technology materials; Patient affairs expenses; physiotherapy materials; radiotherapy materials; SPU materials tailoring materials.

14 **Employee costs**

	2021 Kshs. '000'	2020 Kshs. '000'
Contribution to NSSF	15,395	13,535
Insurance premiums	77,241	95,051
Pension administrative costs	-	8,868
Pension Cost - DB Scheme	1,064,038	1,202,406
Pension Cost - DC Scheme	391,707	224,236
Provision for leave pay (see note 32)	33,406	39,497
Salaries and wages	10,673,819	9,543,344
Service Gratuity	28,316	
Staff medical expenses	414,023	345,083
Staff training and development	84,338	69,104
Staff welfare expenses	4,773	7,729
Travelling and accommodation	46,680	26,531
Total Employee costs	12,833,736	11,575,384

15 **Board of Management expenses**

Sitting allowance	4,860	6,380
Accommodation allowance	1,622	2,675
Chairman honoraria	960	960
Chief Executive Officer salary	11,191	9,955
Mileage	396	2,236
Airtime	84	84
Insurance	325	823
Training	1,238	3,581
Total Board of Management expenses	20,676	26,694

16 **Depreciation**

Freehold Buildings	224,903	224,264
Plant, Machinery & Medical Equipment	431,524	426,365
Motor Vehicle	5,407	
Furniture & Fittings	3,462	8,373
Computers, Copiers & Faxes	38,951	33,010
Total depreciation	704,247	692,012

Annual Report and Financial Statements for the Year Ended June 30, 2021

	2021 Kshs. '000'	2020 Kshs. '000'
17 Repair and maintenance expenses		
Buildings	124,435	194,568
Medical equipment	89,068	67,222
Motor vehicle running expenses	23,751	11,709
Office equipment	10,096	10,005
Plant and machinery	48,837	55,277
Total repair and maintenance expenses	296,187	338,781
18 Administrative expenses		
Audit Fees	4,600	4,600
Bank Charges	6,499	6,965
Boiler Fuel expenses	102,593	100,481
Cleaning Services	35,795	36,296
Clearing and Forwarding Expenses	273	1,204
Computer Consumables	26,237	32,334
Electricity Expenses	151,103	139,240
Ethics & Research expenses	964	1,560
General Insurance Premiums	6,704	7,008
Interest on Finance Lease	1,227	696
Legal Expenses	18,354	5,468
Marketing and Communication	18,463	13,431
Outsourced Security	61,978	39,104
Quality Assurance Expenses	6,086	1,596
Medical Research Expenses	6,526	9,478
Security Investigation Expenses		7
Sports Activities expenses	1,753	8,631
Staff Uniform expenses	8,674	5,396
Stationery expenses	11,678	13,614
Tax Expenses	18,952	8,995
Telephone Expenses	10,602	9,473
Water and Conservancy Expenses	81,318	80,950
Other Administrative Expenses	61,850	27,903
Total administrative expenses	642,229	554,430

Other administrative expenses include: Purchase of Accountable documents ; budget preparation expenses; chaplaincy materials; Corporate Affairs expenses; corruption prevention committee expenses; Debt Collection expenses; fire & safety expenses; gardening implements; internet services expenses; School of Nursing expenses; Mbagathi IDU Outsourced services; preparation of financial statements expenses and supply chain management expenses.

Annual Report and Financial Statements for the Year Ended June 30, 2021

	2021 Kshs. '000'	2020 Kshs. '000'
19 Donor funded Projects expenses		
AGYW Study	15,100	12,652
AMR Study		1,174
aPS-Modified Assisted Partner Study	255	1,193
Breast Cancer Chemo Study		352
Bubble Cpap Study	251	
Drip Assist Study	8,025	9,989
ELEWA PROJECT	1,510	
FP Plus Study	9,949	
GIRL study	3,421	4,592
HCV TX Study	1,690	
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HIV-TB Emory	1,012	
HIV-TB Study	6,968	5,296
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MwACH-PrEP Study	3,797	
NPEP Study		859
Opt study		498
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Patient navigation programme	17,846	16,946
Prima study	12,796	44,520
Prima-X Study	14,935	2,423
Sharp study	16,470	15,794
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Timiza Study	9,646	
Vijana smart study	11	906
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Total Donor funded projects grants	259,896	256,689

Annual Report and Financial Statements for the Year Ended June 30, 2021

	2021 Kshs. '000'	2020 Kshs. '000'
20 Loss on sale of fixed assets		
Cost of fixed assets disposed	103,368	9,015
Accumulated depreciation	(101,893)	(5,561)
Net book value of assets disposed	1,475	3,454
Less: Sale proceeds on fixed assets disposal	(350)	(580)
Loss on sale of fixed assets	1,125	2,874
21 Impairment loss		
Receivables from Exchange transactions	982,630	872,577
Receivables from Non-Exchange transactions	123,600	
Total Impairment loss	1,106,230	872,577

The impairment loss for receivables from exchange transactions relates to provision for bad and doubtful debts on accounts receivables. Some of the patients who are referred for specialized health care are underprivileged and upon clinical discharge are unable to settle their medical bills. These patients are released from the Hospital on unsecured credit based on a commitment to settle their bills in the future. However, efforts to collect the due receivables from this category of patients are largely fruitless. Further, deceased patients whose bodies are not claimed by relatives are disposed off in accordance with the Public Health Act. Consequently, a provision for bad and doubtful debts has been made for the impaired receivables relating to indigent patients bills and unclaimed bodies bills (see note 26).

The impairment loss for non exchange transactions relates to provision for recurrent grants allocated to the Hospital and accrued as receivables in FY 2015/2016 (Kshs.9,999,994) and FY 2017/2018 (Kshs.113,600,000) but not disbursed to the hospital as at June 30, 2021 (see note 27).

	2021 Kshs. '000'	2020 Kshs. '000'
22 Medical services contracts loss		
Contracts with NHIF	412,911	313,268
Linda Mama program	264,918	161,280
Total medical service contracts loss	677,829	474,548

Contracts with NHIF

A contract exists between the Hospital and NHIF (Fund) whereby the Hospital provides medical services to the Fund members and in return, the Fund compensates the Hospital according to the applicable package as listed below:

- a) Inpatient daily rebate of Kshs. 4,000 (comprehensive cover).
- b) Reimbursement for surgical procedures is based on pre-determined comprehensive packages for which pre-authorization by the Fund is given before a procedure is done.
- c) Radiology services i.e. C.T Scan and M.R.I. at Kshs. 8,000 and Kshs. 15,000 respectively.
- d) Renal dialysis at Kshs. 9,500

- e) Chemotherapy and radiotherapy services reimbursed at the pre-determined package upon prior approval by the Fund.

The NHIF loss arises where the medical cost incurred on a patient who is a contributor to the Fund is greater than the rebate reimbursed by the Fund based on the existing medical service contracts.

Linda Mama Program loss

This loss has been occasioned by free maternity services offered by the Hospital under the Presidential directive in June 2013, which was aimed at ensuring that all mothers deliver in a health facility under the care of a skilled health worker.

Under this plan, the Government reimburses the Hospital Kshs. 17,500 per delivery. KNH being a referral Hospital, however, receives complicated maternal referrals for specialized care services such as renal dialysis, critical care services, and neonatal care the medical cost of which is way above Kshs. 100,000.

With effect from July 2017, the Government transferred the Free Maternity programme to NHIF under Linda Mama Programme. While Linda Mama programme still reimburses the Hospital Kshs. 17,500 per delivery, the package has now been enhanced so that in case of complication the Hospital is allowed to claim a normal rebate rate of Kshs. 4,000 per day in addition to the Kshs. 17,500.

	2021 Kshs. '000'	2020 Kshs. '000'
23 Actuarial (Gain)/Loss on Defined Benefit Scheme		
Net actuarial losses/(gains) and experience adjustments arising from participants experience	(2,124,412)	160,988
Actual return on assets less implied return included in net interest costs	(172,751)	197,395
Actuarial (Gain)/Loss on Defined Benefit Scheme	(2,297,163)	358,383
24 Foreign Exchange Transactions (gain)/loss		
(Gain)/loss on exchange rate on a dollar bank account	28	(439)

The loss on foreign exchange transactions relates to the difference in US dollar exchange rate as a result of the ruling rate on June 30, 2021 for the dollar bank account.

Annual Report and Financial Statements for the Year Ended June 30, 2021

	2021 Kshs. '000'	2020 Kshs. '000'
25 Cash and cash equivalents		
Current accounts	1,262,204	1,926,696
On-call deposits	366	346
Staff mortgage deposit	7,431	9,896
Cash at Hand		3
M-pesa Account	247	376
Total cash and cash equivalents	1,270,248	1,937,317
a) Current accounts		
National Bank of Kenya	1,222,751	1,885,957
Equity Bank	4,411	17,086
Kenya Commercial Bank	35,042	23,653
Total current accounts	1,262,204	1,926,696
b) On-call deposits		
National Bank of Kenya	366	346
Euro Bank Ltd (in liquidation)	429,661	429,661
Less: Provision for impairment	(429,661)	(429,661)
Total on-call deposits	366	346
c) Staff Mortgage deposit		
Housing Finance Co. of Kenya	7,431	9,896
d) Cash at Hand		3
e) M-pesa Account		
KNH MPESA Refund	247	376
Total cash & cash equivalents	1,270,248	1,937,317

Cash at bank earns interest at a floating rate based on daily bank deposit rates. On-call deposits are made for varying periods, depending on the immediate cash requirements of the Hospital, and earn interest at the respective call deposit rate. The provision for impairment of Kshs. 429,661 million relates to short-term deposits held in Euro bank now in liquidation

(ii) Detailed analysis of cash and cash equivalent

Financial Institution	Account Name	Account Number	2021	2020
			Kshs. '000'	Kshs. '000'
Current Account				
Equity Bank	Day Care & Equipment	810299284461		211
Equity Bank	Equity PDQ	810260741031	4,411	16,875
Kenya Commercial bank	KCB Recurrent	229977210		210
Kenya Commercial bank	KNH Othaya	1135769672	32,972	21,372
Kenya Commercial bank	Hope Hostel	1144842999	2,071	2,071
National Bank of Kenya	Development 1	1003058005300	316,825	181,005
National Bank of Kenya	Development 2	1003058005301		905
National Bank of Kenya	Heart Fund	1003058005700	92,143	79,736
National Bank of Kenya	Pact-Coe	1003086493600	7,644	6,972
National Bank of Kenya	Payroll & Administration	1003058005000	176,066	17,280
National Bank of Kenya	Recurrent	1003058004900	61,047	23,876
National Bank of Kenya	Revenue	1003058005200	110,493	1,323,264
National Bank of Kenya	US Dollar Account	2003058005200	-	11,108
National Bank of Kenya	VCT	1003058137700	306	307
National Bank of Kenya	Private Wing	1003058005800	458,226	241,504
Total Current Account			1,262,204	1,926,696
On-call deposits				
National Bank of Kenya	KNH & M/S Guserwa & Co. Adv	1403058066000	366	346
Kenya Commercial bank				
Euro Bank			429,661	429,661
Provision for impairment			(429,661)	(429,661)
Total on-call deposits			366	346
Staff mortgage deposit				
Housing Finance Co. of Kenya	Mortgage Scheme Deposit Account	2000027328-0	7,431	9,896
Cash at hand				3
Safaricom PLC	KNH MPESA Refund	333700997	247	376
Total cash & cash equivalents			1,270,248	1,937,317

Annual Report and Financial Statements for the Year Ended June 30, 2021

	2021 Kshs. '000'	2020 Kshs. '000'
26 Receivable from exchange transactions		
Medical services receivables	10,159,549	8,921,102
Rental receivables	38,615	36,282
School of Nursing receivables	824	2,422
Insurance compensation receivables	23,684	23,684
Subtotal	10,222,672	8,983,490
Prepayments	311,310	352,355
Legal fees Deposit	11,257	4,999
Subtotal	10,545,239	9,340,844
Less: Impairment allowance	(8,845,480)	(7,862,850)
Total Receivable from exchange transactions	1,699,759	1,477,994

As at June 30, 2021, trade receivables of Kshs. 8,845 million (2020: Kshs. 7,863 million) were impaired and fully provided for.

Reconciliation of allowance for impairment of receivables from exchange transactions

Beginning of year	7,862,850	6,990,128
Charge for the year	982,630	872,722
End of year	8,845,480	7,862,850

27 Receivable from non-exchange transactions

Grants from National Government	2,332,501	1,314,963
Staff receivables	14,186	13,070
Subtotal	2,346,687	1,328,033
Less: Impairment allowance on GoK recurrent grant	(268,168)	(144,568)
Less: Impairment allowance on Staff receivables	(868)	(1,013)
Paid during the year	-	145
Total Receivable from non-exchange transactions	2,077,651	1,182,597

The grants from national government receivable relates to recurrent grants not disbursed to the Hospital by MOH as per allocation in the FY 2009/10 (Kshs. 145 million), 2014/15 (Kshs. 113 million), 2017/18 (Kshs. 10 million), and for 2020/2021 (Kshs.,2,064 million) as at June 30, 2021.

Reconciliation of allowance for impairment of receivables from non-exchange transactions

Beginning of year	145,436	145,436
Charge for the year	123,600	
End of year	269,036	145,436

Annual Report and Financial Statements for the Year Ended June 30, 2021

	2021 Kshs. '000'	2020 Kshs. '000'
28 Inventories		
Pharmaceutical supplies	357,766	358,423
Maintenance supplies	38,409	47,761
Food supplies	17,904	3,400
Linen and clothing	38,530	24,768
General stores	144,033	283,277
	596,642	717,629
Less: obsolete stock	(4,743)	(9,267)
Total Inventories	591,899	708,362

29. Property plant and equipment

Description	Freehold Land Kshs '000'	Freehold Building Kshs '000'	Plant, Machinery & Medical Equipment Kshs '000'	Motor vehicles Kshs '000'	Furniture and fittings Kshs '000'	Computers, copiers and faxes Kshs '000'	Capital work in progress Kshs '000'	Total Kshs '000'
Rate of Depreciation	-	2.50%	12.50%	25% & 37.5%	25%	33%		
COST OR VALUATION	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'
As at 30th June 2019	3,577,314	7,403,652	5,723,367	86,947	273,270	290,528	696,663	18,051,741
As at 1st July, 2019	3,577,314	7,403,652	5,723,367	86,947	273,270	290,528	696,663	18,051,741
Additions	1,158,111	1,158,111	890,039		17,121	5,885	512,211	2,583,367
Transfers from WIP	412,400	412,400					(412,400)	
Disposals	(3,600)	(3,600)	(12,121)	(1,300)				(17,021)
As at 30th June 2020	3,577,314	8,970,563	6,601,285	85,647	290,391	296,413	796,474	20,618,087
As at 1st July, 2020	3,577,314	8,970,563	6,601,285	85,647	290,391	296,413	796,474	20,618,087
Prior year Adjustment			(2,500)					(2,500)
Additions	50,000	1	218,961	21,628	1,199	33,452	604,215	929,456
Transfers from WIP		25,560	28,142				(53,702)	
Disposals			(103,344)		(24)			(103,368)
As at 30th June 2021	3,627,314	8,996,124	6,742,544	107,275	291,566	329,865	1,346,987	21,441,675
Depreciation								
As at 1st July, 2019		2,212,852	4,110,213	86,912	263,648	233,638		6,907,263
Charge for the year		224,264	426,365		8,373	33,010		692,012
Disposal		(1,010)	(8,851)	(1,265)				(11,125)
As at 30th June 2020		2,436,106	4,527,727	85,647	272,021	266,648		7,588,150
As at 1st July, 2020		2,436,106	4,527,727	85,647	272,021	266,648		7,588,150
Prior year Adjustment			(313)					(313)
Charge for the year		224,903	431,524	5,407	3,462	38,951		704,247
Disposal			(101,869)		(24)			(101,893)
As at 30th June 2021		2,661,009	4,857,069	91,054	275,459	305,599		8,190,191
NET BOOK VALUE								
As at 30th June 2021	3,627,314	6,335,115	1,885,475	16,221	16,107	24,266	1,346,987	13,251,484
As at 30th June 2020	3,577,314	6,534,457	2,073,558		18,370	29,765	796,474	13,029,937

29 Property, Plant & Equipment (continued)

a) Fully Depreciated Assets (Nil Net Book Value)

Included in the PPE, are Motor Vehicles, Plant Machinery and Medical equipment and Furniture and Fittings whose net book value is nil balance. This has been occasioned by use of straight line method of depreciation. The management in recognition that these fixed assets that have been fully depreciated and still in use, the revaluation process has been initiated to determine the economic value.

b) Land

i. Land Reference No. 209/25138, 209/11460 and 209/12822

During the FY 2018/19, adjustment was made to remove proportions of land that were compulsorily acquired for construction of the Hospital Road – Mbagathi Way Link Road. The Hospital has not received compensation for the excised land. The parcels of land and the respective book values that was excised for road construction is as tabulated below:

No.	Land Reference No.	Portion Excised for Road Construction	
		Area in Hectares	Book Value 'Kshs.'
1.	LRN 209/25138	2.1695	160,844,735
2.	LRN 209/11460	0.2173	15,816,139
3.	LRN 209/12822	0.0308	2,270,270
	Total	2.4176	178,931,144

ii. Land Reference No. 209/25138

Included in land, is a parcel of land (LRN 209/25138) measuring 45.01 hectares valued at Kshs.3,337 million. A portion of this land measuring 1.35 hectares with a book value of Kshs. 100,087,758 is owned by National Quality Control Laboratories(NQCL) for which the process of excision is on-going. The value of land recognized in the financial statements in relation to LRN 209/25138 excludes the portion owned by NQCL.

iii. Land Reference No 209/13978

Included in land is a parcel of land LRN 209/13978 measuring 2.544 hectares that is jointly owned by Kenyatta National Hospital, University of Nairobi and Kenya Medical Training College. The total value of this parcel of land is Kshs. 220 million. The value of this land that is recognized in the Hospital financial statements in a third proportion at Kshs.73,333,333.

iv. KNH-Othaya Land

Included in land is a parcel of land measuring 7.9 Acres and valued at Kshs. 50,000,000 for KNH-Othaya.

c) Capital Work in Progress

The composition of capital work in progress included in the property, plant, and equipment as at June 30, 2021 is tabulated below:

Description	Amount
	Kshs.'000'
Construction of Paediatrics Emergency Centre and Burns Management Centre	809,868
Construction of Cancer Treatment Centre	235,470
Implementation of ERP	177,292
Construction of a Laundry building for KNH-Othaya	29,031
Construction of Mortuary for KNH-Othaya	15,446

Description	Amount Kshs.'000'
Construction of Steam Boilers	43,320
Construction of Kitchen for KNH-Othaya	17,326
Construction of Access Roads and Parking for KNH-Othaya	1,684
Construction Of Borehole & Water Tank for KNH-Othaya	4,010
Construction Of Oxygen Plant for KNH-Othaya	13,540
Total	1,346,987

30 Trade and other payables

	2021 Kshs. '000'	2020 Kshs. '000'
Trade payables	863,034	834,361
Retention money	104,976	95,282
Remittances	69,761	37,108
Doctors' fees	190,791	329,028
Tax liability	80,534	80,534
Other payables	1,488	157,095
Total trade and other payables	1,310,584	1,533,408

Other payables include unpaid salaries and over recovery from staff.

Tax Liability

Kenya Revenue Authority (KRA) conducted an in-depth audit on KNH and issued an assessment on July 1, 2014, of the tax liability of Kshs. 592,860,909 relating to the period January 2010 to March 2014. KNH objected to the findings of KRA and on June 5, 2015, KRA issued a confirmed assessment amounting to Kshs. 545,693,303. On February 7, 2017, the Hospital paid Kshs. 18,022,978 being the tax not under dispute in relation to withholding tax and VAT.

The Hospital engaged KRA through the office of the Attorney General on the disputed assessment. Following a mediation meeting held on June 23, 2017, at the Attorney General Chambers, KRA issued a revised assessment dated July 19, 2017, of Kshs. 170,590,114 comprising of principal tax of Kshs. 90,056,488, a penalty of Kshs. 22,514,122 and interest of Kshs. 58,019,505.

The Hospital paid the principal tax liability in the FY 2017/18 and submitted an appeal for waiver of the penalty and interest totaling Kshs. 80,533,626 which is still outstanding as of June 30, 2021. The Hospital is awaiting KRA's response on the appeal made.

31 Deposit from customers

Admission deposit	16,875	47,530
Advance receipts	14,798	10,472
Caution Money	951	640
Institutional deposit	14,720	14,720
Medical Report Deposit	1,585	712
Rent Deposit	197	406
Total deposit from customers	49,126	74,480

	2021	2020
	Kshs. '000'	Kshs. '000'
32 Provision for leave pay		
Balance at the beginning of the year	162,249	122,752
Additional provision raised	33,406	39,497
Provision utilized		
Balance as of June 30	195,655	162,249

The provision was calculated based on the leave entitlement due to staff at year-end adjusted for; experience adjustment in relation to the forfeiture of leave and leave taken trends and Salary scales applicable at the time of realization of leave by employees.

33 Deferred income		
Donor funded projects grants	91,797	84,282
Donations in kind (fixed assets)	185,979	177,601
Specific donations	2,419	2,782
GoK Recurrent Grant	565,426	1,239,134
Nursing school pre-paid fees	8,277	739
Total deferred income	853,898	1,504,538

Deferred Income Movement schedule

Details	Donor funded projects grants	Donations in kind (fixed assets)	Specific donation	Recurrent Grants from National Government	School of Nursing pre-paid fees	Total
	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs.'000'	Kshs.'000'
Balance B/fwd	84,282	177,601	2,782	1,239,134	739	1,504,538
Refund / Pay out	(299)		(144)			(443)
Receipts	267,710	20,417		363,171	22,534	673,832
Recognized in SOFP	(259,896)	(12,039)	(219)	(992,986)	(14,996)	(1,280,136)
Transferred from Capital reserves				23		23
Transferred to Capital reserves				(43,916)		(43,916)
Deferred income	91,797	185,979	2,419	565,426	8,277	853,898

Donor funded grants deferred relates to grants received from donors for utilization beyond the period June 30,2021 (see note 47).

Donations in kind deferred relates to the net book value of fixed assets received as donations for which income realized is recognized over the useful life of respective assets.

Specific donations deferred of Kshs. 2,419,050 relate to cash donated towards the construction of Hope Hostel.

Recurrent grants from National Government deferred relates to grants that will be utilized in FY 2021/2022. The deferred grants are composed of Kshs. 8,900,000 (launching of KNH-Othaya), Kshs.80,135,814 (Employees salary adjustment), Kshs.113,219,294 for recurrent expenditure on Management of COVID-19 pandemic, Kshs.123,170,641 (salaries for staff hired for management of COVID-19 pandemic) and Kshs.150,000,000 (payment of staff leave allowance).

School of Nursing pre-paid fees of Kshs. 8,277,580 relates to fees paid by students for semesters running beyond June 30, 2021.

34 National Social Security Arrears

This is a statutory defined contribution pension scheme in which the employer and employee contribute equal amounts. The Hospital's contribution during the year under review has been charged to the statement of financial performance.

The outstanding amount relates to contribution arrears for the period April 2001 to November 2009 when KNH had sought an exemption on complying with the NSSF Act from the Ministry of Labour and Human Resource Development given the Hospital had a better Pension Scheme. The Ministry declined the request for exemption in the year 2011 on the basis that NSSF was a universal social security pillar and was thus mandatory. The Hospital had by then accumulated arrears totaling to Kshs. 311 million excluding penalties.

The Hospital has been including this amount in the budget for funding to offset the arrears as all personnel-related expenses are funded through the Government of Kenya recurrent grant. This amount has however not been funded and has thus remained outstanding. Since FY 2016/17 to 2020/21 the Hospital has been paying Kshs. 24 million each year awaiting Ministry of Health intervention.

	2021	2020
	Kshs. '000'	Kshs. '000'
National Social Security Fund arrears	190,830	214,830

35 Retirement Benefits Obligation

The Hospital operates a defined benefits pension scheme (KNH Staff Superannuation Scheme) and a defined contribution pension scheme (KNH Staff Retirement Benefits Scheme).

i) Defined Contribution (DC) Pension Scheme

The KNH Staff Retirement Benefits Scheme assets are managed by fund managers on behalf of the Fund trustees. The current fund managers are Sanlam Investments East Africa Ltd and GenAfrica Asset Managements. The Hospital's contribution to KNH Staff Retirement Benefits Scheme is at 10% while employees contribute at 5% of basic salary. The Hospital's obligation is limited to any unpaid contribution. Contribution to the scheme during the year under review has been charged to the statement of financial performance.

ii) Defined Benefit (DB) Pension Scheme

The Hospital operates a funded defined benefit scheme (KNH Staff Superannuation Scheme) for its employees that is established under irrevocable trust. The scheme was closed to new members with effect from 30th June 2011 (closure date) and future accrual of benefits on March 31, 2012. Members aged 45 and above as of the closure date were given the option to remain in the scheme and continue to accrue benefits.

Members aged below 45 years as at closure date are entitled to benefits accrued under the scheme up to March 31, 2012, and benefits from April 1, 2012, would accrue in the new defined contribution (DC) scheme. Their benefits in the closed scheme are based on the lower of member's basic salary at the date of leaving service or annual basic salary as at closure date valued at 7% p.a. to date of leaving service, retirement, or death in service.

The DB scheme assets are managed by fund managers on behalf of the scheme trustees. The current fund managers are British American Insurance Company (K) Ltd and GenAfrica Asset Management. The Hospital contributes to the DB scheme in respect of those members who opted to remain in the scheme. The Hospital's contribution to the DB scheme is at 10% while employees contribute at 5% of basic salary.

Valuation of the DB scheme assets and the present value of the defined benefit obligation was carried out as at June 30, 2021, by Actuarial Services (E.A) Ltd to fulfill the financial reporting and disclosure requirements of IPSAS 39. The present value of the defined benefit obligation and the related current cost was measured using the projected unit credit method.

The principal assumptions used for purposes of the actuarial valuations were as follows:

Details	2021	2020
Discount rate (% p.a.)	10%	10%
Future salary increases (% p.a.)	7%	7%
Future pension increases (% p.a.):		
- Service before July 1998	3%	3%
- Service after June 1998	0%	0%
Mortality - males	A1949/52	A1945/52
Mortality - females	A1949/52	A1945/52
The weighted average duration of the defined benefit obligation	7.0	8.2

a) Amount recognized in the statement of financial performance

The amount recognized in the statement of financial performance in respect of the defined benefit scheme is as shown below:

Details	2021	2020
	Kshs.'000'	Kshs.'000'
Current service cost net of employee's contributions	187,089	444,603
Interest on net liability	876,949	757,803
Total included in Employee costs in respect to the DB scheme	1,064,038	1,202,406

Net actuarial losses/(gains) in net liability recognized in the year

Details	2021	2020
	Kshs. '000'	Kshs.'000'
Net actuarial losses/(gains) and experience adjustments arising from participants experience	(2,124,412)	160,988
Actual return on assets less implied return included in net interest costs	(172,751)	197,395
Total included in other losses/(gains) in respect of the scheme	(2,297,163)	358,383

b) Amount recognized in the statement of financial position

The amount included in the statement of the financial position arising from the Hospital's obligation in respect of the defined benefit scheme is as follows:

Details	2021	2020
	Kshs'000'	Kshs'000'
Present value of funded obligations	(14,832,396)	(16,004,502)
Fair value of Scheme assets	7,485,602	7,232,512
Net liability (deficit)	(7,346,794)	(8,771,990)

36 Borrowings

Spanish Loan

	2021	2020
	Kshs. '000'	Kshs. '000'
	1,199,863	1,199,863

The Government of the Republic of Kenya and the Kingdom of Spain signed a loan agreement on July 29, 2005, for a loan of Euros 14 million (Kshs. 1,199,862,823) in form of medical equipment for KNH. Though there was no on-lending agreement executed between the Hospital and the National Treasury, the Hospital recognized the assets (medical equipment) and the Spanish loan in the books.

The Hospital management has been consistent in their request for the Government to take over the loan and convert it into a grant. The National Treasury (TNT) approved KNH's request to convert Spanish loan of Euro 14million from an On-lend to an On-grant as communicated by Ministry of Health vide letter Ref:- MOH/FIN/1/AVOL III (576) dated 3rd November 2021.

To actualize the on-granting arrangements, The National Treasury prepared a draft grant subsidiary grant agreement between the Government of Kenya and the Hospital on the Spanish Loan- Euro 14 million and forwarded the draft for review by the Hospital Management. The hospital reviewed it and incorporated its input and forwarded to the Ministry of Health for onward transmission to The National Treasury vide letter Ref: KNH/FIN/278/VOL.1 (40) dated 6th December 2021. The Hospital is still awaiting response from The National Treasury.

The request has not been granted so far and the loan remains outstanding in the books.

37 Finance Lease Liability

The Hospital leased an Automated car parking system with effect from December 14, 2019 for five years under a finance lease as outlined below:

Description	2021	2020
	Kshs.'000'	Kshs.'000'
Finance lease liability at the beginning of period	10,237	11,049
Less: Repayment during the year	1,790	812
Finance lease liability as of June 30	8,447	10,237

Maturity Analysis:

Period	Amount
Year 2019/20	811,937.47
Year 2020/21	1,790,173.62
Year 2021/22	2,037,274.03
Year 2022/23	2,318,482.05
Year 2023/24	4,091,342.69
Total	11,049,209.86

38 Capital Reserve

As at July 1
Capital Grants received during the year (see note 6)
KNH-Othaya Land (see note 29)
Prior Year Adjustment (See Note 42)
As at June 30

	2021	2020
	Kshs. '000'	Kshs. '000'
As at July 1	9,367,825	6,661,406
Capital Grants received during the year (see note 6)	1,095,289	2,706,419
KNH-Othaya Land (see note 29)	50,000	
Prior Year Adjustment (See Note 42)	(2,522)	
As at June 30	10,510,592	9,367,825

39 Accumulated fund

As of July 1
Deficit for the year
Prior Year Adjustment (See Note 42)
As at June 30

	2021	2020
As of July 1	(13,273,882)	(12,436,550)
Deficit for the year	1,728,153	(837,332)
Prior Year Adjustment (See Note 42)	312	
As at June 30	(11,545,417)	(13,273,882)

40 Revaluation reserve

As at July 1
Adjustment on land
As at June 30

	2021	2020
As at July 1	8,770,669	8,957,247
Adjustment on land		(186,578)
As at June 30	8,770,669	8,770,669

	2021 Kshs. '000'	2020 Kshs. '000'
41 Cash generated from operations		
Surplus/(Deficit) for the year	1,728,153	(837,332)
Adjusted for: -		
Depreciation and amortization	704,247	692,012
(Gain)/ Loss on disposal of fixed asset	1,125	2,874
Non-cash grants received	(55,364)	(9,434)
Interest income	(135,002)	(84,609)
Foreign exchange (Gain) /Loss	28	(439)
Operating deficit before working capital changes	2,243,187	(236,928)
(Increase) / Decrease in stock	116,463	(246,813)
(Increase) / Decrease in receivables	(1,116,820)	64,612
Increase / (Decrease) in payables	(1,697,073)	1,257,462
Increase / (Decrease) in deferred income	(636,234)	1,278,610
Increase / (Decrease) in provision for leave pay	33,406	39,497
Net cash outflow from operating activities	(1,057,071)	2,156,440

42 Correction of Prior year errors**a) Property, Plant & Equipment**

During the year under review, the hospital realized that there was a double recognition of a Plant & Machinery (Generator) whose cost was Kshs,2,500,000) in the property, plant and equipment in FY 2019/2020. This error has been now been corrected in the current reporting period due to its materiality.

Effect on Opening balance FY 2020-21	Kshs. '000'
Decrease in Property, Plant & Equipment	(2,500)
Decrease in Capital Reserve	2,500

Effect on Opening balance FY 2020-21	Kshs. '000'
Increase in Accumulated Depreciation	312
Increase in Accumulated Deficit	312

b) Capital Reserve

An amount of Kshs. 22,500 which relates to COVID-19 Funds was erroneously transferred to the capital reserves and now corrected in the year under review due to its materiality. The effect of its adjustment is shown below;

Capital Reserve	
Effect on Opening balance FY 2020-21	Kshs. '000'
Decrease in Capital Reserve	(22)
Increase in Deferred income	<u>22</u>

c) Net Assets / Equity

The effect of the correction of errors for the FY 2019-2020 and recognized in the year under review on Net assets is summarized below;

Net Assets / Equity	
Effect on Opening balance FY 2020-21	Kshs. '000'
Increase in accumulated deficit (Capital Reserve)	(2,500)
Increase in accumulated deficit (Accumulated Fund)	312
Increase in accumulated deficit (Capital Reserve)	(22)
Decrease in Net Assets/Equity	<u>(2,210)</u>

43 Financial instruments

Capital risk management

The Hospital manages its capital to ensure it can continue as a going concern while maximizing return. The Hospital's overall strategy remains unchanged from the prior year and is not subject to externally imposed capital requirements. The Hospital capital structure comprises the following funds;

Revaluation Reserve	8,770,669	8,770,669
Accumulated Fund	(11,545,417)	(13,273,882)
Capital Reserve	10,510,592	9,367,825
Total Funds	7,735,844	4,864,612
Borrowings	1,199,863	1,199,863
Finance Lease Liability	8,447	10,237
Net Defined Benefit Liability	7,346,794	8,771,990
NSSF Arrears	190,830	214,830
Total Borrowings	8,745,934	10,196,920
Less: Cash and bank balances	1,270,248	1,937,317
Net debt / (excess cash & cash equivalent)	7,475,686	8,259,603
Gearing ratio: (borrowings to total funds)	113%	210%

Financial risk management objectives

The Hospital is exposed to credit and liquidity risks related to financial instruments. The Hospital does not enter into or trade-in financial instruments and investments in securities, including derivative financial instruments for speculative purposes

Credit risk**Exposure to credit risk**

Financial assets that potentially subject the Hospital to the concentration of credit risk consist principally of cash, short-term deposits, and trade and other receivables. The Hospital's cash equivalents and short-term deposits are placed with financial institutions with a high credit rating. Trade receivables are represented net of the allowance for doubtful receivables.

The carrying amounts of financial assets included in the statement of financial position represent the Hospital's maximum exposure to credit risk in relation to these assets. Between June 30, 2020 and June 30, 2021, the Hospital did consider there to be a significant concentration of credit risk.

	Total Amount	Fully performing	Past due	Impaired
As at June 30, 2021	Kshs.'000"	Kshs.'000"	Kshs.'000"	Kshs.'000"
Receivables from exchange transactions	10,545,239	1,699,759	982,630	7,862,850
Receivables from non-exchange transactions	2,346,688	2,077,651	123,600	145,437
Bank balances	1,699,909	1,270,248		429,661
Total	14,591,836	5,047,658	1,106,230	8,437,948
As at June 30, 2020				
Receivables from exchange transactions	9,340,844	1,477,994	872,577	6,990,273
Receivables from non-exchange transactions	1,328,033	1,182,596		145,437
Bank balances	2,366,978	1,937,317		429,661
Total	13,035,855	4,597,907	872,577	8,437,948

Liquidity risk

The ultimate responsibility for liquidity risk management rests with the Directors of the Hospital, who have built an appropriate liquidity risk management framework for the management of the Hospital's short, medium, and long-term funding and liquidity management requirements. The Hospital manages liquidity risk by maintaining adequate reserves by continuously monitoring the forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is the risk that the Hospital will be unable to meet its funding requirements. The table below summarizes the maturity profile of the Hospital's non-derivative financial liabilities. The contractual maturity of the financial liabilities has been determined based on the remaining period at the end of the reporting period to the contractual repayment date.

The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the liabilities as of June 30, 2021, based on existing contractual repayment arrangements was as follows:

	Less than 1 month Kshs. '000'	Between 1-3 months Kshs. '000'	Over 5 months Kshs. '000'	Total Kshs. '000'
As of June 30, 2021				
Trade payables	585,981	386,502	338,101	1,310,584
NSSF arrears			190,830	190,830
Finance Lease Liability			8,447	8,447
Net Defined Benefit Liability		364,822	6,981,972	7,346,794
Spanish Loan			1,199,863	1,199,863
	585,981	751,324	8,719,213	10,056,518
As at June 30, 2020				
Trade payables	436,428	903,000	193,980	1,533,408
NSSF arrears			214,830	214,830
Finance Lease Liability			10,237	10,237
Net Defined Benefit Liability		1,271,737	7,500,253	8,771,990
Spanish Loan			1,199,863	1,199,863
Total	436,428	2,174,737	9,119,163	11,730,328

44 Related party disclosures

Nature of related party relationships

Kenyatta National Hospital is related to the National Government, Ministry of Health, University of Nairobi, Kenya Medical Training College, the Board of Management, and key management

	2021 Kshs. '000'	2020 Kshs. '000'
i) Transfers from Ministry of Health	8,836,667	10,544,565
ii) Board of Management remuneration		
Sitting Allowance	4,860	6,380
Accommodation Allowance	1,622	2,675
Chairman Honoraria	960	960
CEO Salary	11,191	9,955
Mileage	396	2,236
Total Board of Management remuneration	19,029	22,206
There were 11 members of the Board of Management during the year		
iii) Key management compensation		
Gross Salaries	119,707	111,642
Gratuity		2,478
Total key management compensation	119,707	114,120

22 members of senior management served during the year

	2021 Kshs. '000'	2020 Kshs. '000'
iv) Amount due from Related Parties		
Ministry of Health	2,332,501	1,314,963
	2,332,501	1,314,963

45 Events after the Reporting Period

There were no events after the reporting date.

46 Ultimate and Holding Entity

Kenyatta National Hospital is a state corporation under the Ministry of Health. Its ultimate parent is the Government of Kenya.

47 Currency

The financial statements are presented in Kenya shillings thousands (Kshs. '000')

48 Donor funded projects detailed analysis

Project	Balance as at 01/07/2020	Receipts during the year	Refund to Donor	Recognized as revenue	Balance as at 30/06/2021
	A Kshs.'000'	B Kshs.'000'	C Kshs.'000'	D Kshs.'000'	E=A+B-C-D Kshs.'000'
AGYW Study	2,057	13,867		15,100	824
Aids Care Treatment Services (ACTS)	1,074				1,074
AMR Study	94				94
Aps modified study	318			255	63
Assisted Partners notification services	254				254
Breast Cancer Chemo Study	429				429
Bubble CPAP Study		1,982		251	1,731
Cancer Center Support Grant	513				513
Cord Blood Immune Reper- salary	4				4
Drip assisted study	2,020	6,546		8,025	541
Elewa Project	465	1,221		1,510	176
Etrot Study	189				189
FP Plus Study		11,176		9,949	1,227
GIRL Study	900	4,947		3,421	2,426
HCV TX Study	2,139	1,660		1,690	2,109
HIV Cascade Training Program	270	4,329		4,050	549
HIV TB Emory		1,104		1,012	92
HIV-TB Study	887	6,391		6,968	310
HIV Testing & Care in AECI Study		3,416		2,990	426
Hope Study	810				810
Innovations Maker Project	3,005				3,005

Annual Report and Financial Statements for the Year Ended June 30, 2021

Project	Balance as at 01/07/2020	Receipts during the year	Refund to Donor	Recognized as revenue	Balance as at 30/06/2021
	A Kshs.'000'	B Kshs.'000'	C Kshs.'000'	D Kshs.'000'	E=A+B-C-D Kshs.'000'
ITIPS	(280)	1,147		847	20
KCV-HIV	3,752			2,694	1,058
KNH HEU- Hope Project		6,347		5,641	706
MHealth Study	1,616	2,895		3,085	1,426
Management of Postpartum Haemor	83				83
Microbiota & Preterm Birth stud	1,578	2,623		4,322	(121)
MITIPS STUDY UNIT	1,918	1,642	299	3,135	126
Mobile WACH NEO RCT	1,856	21,485		23,110	231
MMAP Study	0	7,940		2,740	5,200
mPACT Study	206	5,831		5,367	670
Mwach Neo	217				217
Mwach PrEP study		4,610		3,797	813
NPEP Study	9	6			15
OPT Study	90				90
OPT-Home	135				135
Partners in Advanced Care & Treatment - Centre Of Excellence(PACT-COE)	20,781	56,762		56,191	21,352
Partners in Prevention Study	4,904	2,848		2,832	4,920
Patient Navigation Programme	2,984	27,331		17,846	12,469
Peck Study	190				190
PIMA Study		2,609			2,609
Prevention of HIV Transmission	15,566				15,566
Prima Study	7,690	5,594		12,796	488
PriMA-X Study	2,141	13,591		14,935	797
SHARP STUDY	2,933	14,847		16,470	1,310
STEP UP STUDY	1				1
Tes Nes Efficacy Study	372	19,974		18,645	1,701
Timiza Study		12,620		9,646	2,974
VIJANA SMART STUDY	(92)			11	(103)
YES Study	204	369		565	8
Sub Total	84,282	267,710	299	259,896	91,797

APPENDICES

Appendix I: Progress On Follow Up Of Auditor Recommendations

1. Borrowings Borrowings Balance

Issue / Observations from Auditor

As previously reported, the balance of the borrowings of Kshs. 1,199,863,000 reflected in the statement of financial position as of June 30, 2020, relates to a loan received in 2007/2008 from the Kingdom of Spain in form of medical equipment. According to information available, the loan was repayable by the Hospital at an interest rate of 3% per annum on a reducing balance for the first six (6) years and thereafter the interest plus principal for the next nine (9) years with effect from 1 July 2008.

However, records examined indicated that no interest has been paid or accrued in the eleven financial years between 2008/2009 and 2019/2020. Further, the accrued interest, loan repayment, and loan balance confirmation certificate as of June 30, 2020, were not availed for audit review. Although indications are that the management has sought assistance from the Ministry of Health towards the settlement of the loan, the response from the Ministry on the matter was not availed for audit review.

Management Response

The Kingdom of Spain extended a loan facility to the Government of Kenya for Euro 14 million in FY 2007/2008 towards upgrading and equipping KNH. Upon installation and commissioning, the equipment was capitalized in KNH books with the corresponding entry being long-term borrowing using the loan contract documentation between GoK and the Kingdom of Spain.

There was no on-lending loan agreement signed between KNH and The National Treasury.

The Hospital through various correspondences to The National Treasury has since January 2008 been expressing its inability to service the loan and has requested the Government to approve the Hospital to recognize the loan as a capital grant. The most current communication towards this request includes Ref: KNH/FIN/278/VOL.I/37, Ref; MOH/FIN/1/A/VOL.II (479); Ref MOH/FIN/1/A/VOL.III(147) Ref: KNH/FIN/278/Vol.1/37 dated April 29th, 2020, 20th May 2020, 22nd July 2020, 15th April 2021 respectively.

The National Treasury, however, confirmed that the loan was being serviced since 2012 vide letter ref: DND 4/78 Dated 20th March 2019 as per the agreement with the Spanish Government. The loan balance as of June 30, 2018, was Euro 4,666,668 out of the principal loan of Euro 14,000,000.

The National Treasury (TNT) approved KNH's request to convert Spanish loan of Euro 14million from an On-lend to an On-grant as communicated by Ministry of Health vide letter Ref:-MOH/FIN/1/AVOL III (576)) dated 3rd November 2021.

To actualize the on-granting arrangements, The National Treasury prepared a draft grant subsidiary grant agreement between the Government of Kenya and the Hospital on the Spanish Loan- Euro 14 million and forwarded the draft for review by the Hospital Management. The hospital reviewed it and incorporated its input and forwarded to the Ministry of Health for onward transmission to The National Treasury vide letter Ref: KNH/FIN/278/VOL.1 (40) dated 6th December 2021.

The Ministry of Health forwarded the same, with its input and recommendation to The National Treasury vide ref: MOH/FIN/1/A-VOL III (625) dated 23rd December,2021.

The Hospital is still awaiting response from The National Treasury.

Unresolved
June 30, 2021

2. Inaccuracies in Cash and Cash Equivalents

Issue / Observations from Auditor

As disclosed in Note 25 to the financial statements, the statement of financial position reflects cash and cash equivalents balance totaling kshs.1,937,317,000. Review of the bank reconciliation statements reflected receipts in the bank that were not recorded in the cash book totaling to/Kshs.5,247,360 and receipts in the cash book not recorded in the bank statement totaling to Kshs.2,745,590 that were still outstanding as at 30 June 2020.

Further, the payroll and administration cash book include a cheque amounting to Kshs.139,090,912. However, a review of the bank statement reflected an amount of Kshs.156,583,664 for the cheques which were debited in the bank account resulting to an unexplained variance amounting to Kshs.17,492,752.

Consequently, the accuracy, completeness and validity of cash and cash equivalents balance of Kshs.1,937,317,000 reflected in the statement of financial position as at 30 June 2020 could not be confirmed.

Management Response

i. Receipts in Bank not Recorded in Cashbook.

Account	Account Number	Amount (Kshs)
Equity PDQ	008010260741031	18,416
Payroll& Administration	01003058005000	71,409
Recurrent	01003058004900	168,589
Revenue	01003058005200	4,988,946
Total		5,247,360

a) Equity PDQ - Kshs -18,426.75

The amount of Kshs -18,426.75 is the net of Kshs. -19,987.50 and Kshs.1, 560.75. The Kshs. -19,987.50 was a reversal of the PDQ receipt which appeared as a negative on the PDQ detailed daily report and Kshs1,560.75 are receipts paid through Ezzypay from Equity Bank whose descriptions were not clear and have never been claimed.

The Kshs. 19,987.50 was recognized as a negative receipt during bank reconciliation but it has been established that it was bank charges while Kshs 1,560.75 was recognized as miscellaneous income in our books of accounts. The appropriate adjustment has now been made in the adjusted financial statements for FY 2019/20.

Payroll Administration - Kshs. 71,409.15

The amount relates to unapplied payments for Kenindia Assurance and the Ministry of Housing of Kshs. 56,769.15 and Kshs. 14,640 respectively that was credited back in the bank account due to invalid bank details. The appropriate adjustment has now been made to recognize the cash received back and the payable in the adjusted financial statements. The correct banking details have since been obtained and payments made as shown below:

No.	Statement Date	Particulars	Amount Kshs.	Payment Date
1	12/06/2020	Unapplied Payment Kenindia Insurance	56,769.15	02/09/2020
2	25/07/2019	Unapplied payment Ministry of Housing	14,640.00	07/05/2021
		Total	71,409.15	

b) Recurrent General-Kshs168,589.75

The amount relates to unapplied payments that were credited back to the bank account due to invalid bank details. The amount was outstanding in our books of account since correct bank details were not availed as of June 30, 2020. The appropriate adjustment was made to recognize the cash received back and the payable in the adjusted financial statements. The correct banking details were obtained and payments were made as shown below:

No.	Statement Date	Particulars	Amount Kshs.	Payment Date
1	12-Jun-20	Unapplied IFO Daniel Mukora	14,020.00	25/08/2020
2	12-Jun-20	Unapplied IFO Sharon Cindy	32,900.15	25/08/2020
3	12-Jun-20	Unapplied IFO Dennis Juma	9,849.60	25/08/2020
4	17-Jun-20	Unapplied IFO Benshi Enterprises adv 3327	111,820.00	27/07/2020
		Total	168,589.75	

c) Revenue Accounts – Kshs. 4,988,946.46

The receipts in the bank not in cash book amounting to Kshs. 4,988,946.46 relates to direct banking made by clients and institutions as of June 30, 2020, for which descriptions were not clear to enable the Hospital to issue receipts. The Hospital sought assistance from the Bank which took longer than expected. The purposes of these deposits have since been established and receipts issued to respective clients during FY 2020/21.

ii. Receipts in Cashbook not in Bank Statement

Account	Account Number	Amount (Kshs)
Equity PDQ	008010260741031	202,151
Payroll& Administration	01003058005000	1,277,932
Revenue	01003058005200	1,265,507
Total		2,745,590

a) Equity PDQ – Kshs. 202,151.74

The receipts amounting to Kshs. 202,151.74 recorded in the cashbook, not in the bank relates to receipts issued in lieu of payments by clients made through PDQ. Upon swapping the client's debit card and after confirming that the transaction has been approved, clients are issued with KNH receipts to facilitate access to healthcare services.

This is done awaiting the transfer of the funds relating to PDQ transactions to the KNH bank account. The funds totaling to Kshs. 81,110.61 had not been transferred to the KNH bank account as of June 30, 2020. Further, it was established that an error occurred where some PDQ transactions amounting to Kshs. 121,041.13 were receipted twice.

Appropriate adjustments were made in the financial statements for FY 2019/20 to correct the overstatement of cash and cash equivalents.

b) Payroll Administration-Kshs 1,277,932.48

The receipt in the cashbook of Kshs. 1,277,932.48 relates to insurance compensation (GPA) received from Saham Insurance Company for KNH staff member which was established to have been received correctly into a revenue bank account but upon receipt, it was posted in payroll and Administration cashbook in FY 2019/20 since the same had been recognized in FY 2018/19. The error was corrected through an adjustment and effected in the financial statements.

c) Revenue –Kshs 1,265,507.60

The receipts in cash book not in bank relate to direct banking by clients and institutions for which the purpose of these deposits was not established as of June 30, 2020. The purposes of these deposits have since been established and receipts were issued to respective clients. Further, it has been established that an error occurred where some direct banking was receipted twice.

An adjustment of Kshs. 1,265,507.60 was done to correct overstatement in the financial statements.

iii. Unexplained variance - Kshs. 17,492,752.05

The total payment of Kshs. 156,583,664 that cleared in the payroll & administration bank account is the total PAYE remittance for June 2020 (composed of Kshs. 139,090,912.05 for permanent and pensionable staff and Kshs. 17,492,751.95 for projects staff, short term contracts and casuals). PAYE for permanent and pensionable staff is posted into the payroll administration cash book while PAYE for other staff is posted in their respective cashbooks as tabulated below:

Description	Cashbook	Amount (Kshs.)	Amount (Kshs.)
KNH permanent & pensionable	Payroll Account		139,090,912.05
Projects Staff	Heart fund	2,932,825.05	
Project Staff	Pact CoE	599,150.70	
Casuals	Recurrent General	5,941,942.77	
Consultants	Private Wing	8,018,833.43	
Sub-Total		17,492,751.95	17,492,751.95
Total			156,583,664.00

As of 30th June 2020, Kshs. 2,932,825.05 and Kshs. 599,150.70 were posted in the respective cashbooks as stated above and appeared as unrepresented cheques.

The PAYE of Kshs.5,941,942.77 and Kshs.8,018,833.43 stated above were not paid out in the respective cashbooks as of June 30, 2020, but were recognized as a liability (under remittances – Note 31 to the financial statements. The same was posted in the respective cashbooks and remitted to KRA within the statutory deadline in July 2020.

For ease of filing of tax, remittance, and validation of e-slip, one payment was made from the payroll administration bank account totaling Kshs. 156,583,664. Transfers were made from the various cash books to the payroll administration cash book to facilitate the consolidated payment. That is; Kshs. 17,492,751.95 for projects staffs, short-term contracts, and casuals was posted in respective cashbooks(as per the table above) and the equivalent amount was transferred to the payroll administration cash book since i-tax cannot validate e-slip from different bank accounts.

Appropriate adjustments were made in the financial statements for FY 2019/20.

Status: Resolved
Time frame: June 30, 2021

3. Property, Plant, and Equipment

Issue / Observations from Auditor

As disclosed in Note 25 to the financial statements, as previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.13,029,937,000. The balance includes three (3) parcels of land with a total of 0.763 hectares in Nairobi valued at kshs.49,000,000 which were excised and allocated to third parties.

The issue was discussed by the Parliamentary Public Investment Committee (PIC), with recommendations that the National Land commission revoke title deeds irregularly issued to private entities, Ethics Anti-Corruption Commission investigate how the Hospital land was allocated to individuals and that the then Chief Executive Officer be surcharged for any loss that may have been incurred. However, no progress has been made.

Further, as previously reported, the balance includes seven (7) acres of land totaling to Kshs.13,029,937,000 acquired by the Kenya Urban Roads Authority (KURA) in 18 December, 2015 and August 2016 for construction of Hospital Road and Mbagathi Way Link Road. The Hospital's internal valuation amounted to Kshs.4,219,257,210 and the Authority was to pay compensation of Kshs.1,859,297,000 to the Hospital. However, no compensation had been made as at the time of audit in April, 2021 despite commencement of the road construction. Consequently, the validity, accuracy, completeness and ownership of the property, plant and equipment balance totaling Kshs.13,029,937,000 reflected in the statement of financial position as at 30 June 2020 could not be confirmed.

Management Response

3.1. Land-Three Parcels of Land Excised

There has been no loss incurred in respect to the three (3) parcels of land irregularly allocated- LR.No.209/12822; LR.No.209/12767; and LR.No.209/11460. The Hospital took upon itself since the matter came to its attention in the year 2005 to pursue the placement of caveats on the said parcels of land with the relevant authorities so as have the titles revoked. This process commenced in 2006 and has been ongoing to date.

In February 2012, the Ministry of Lands confirmed that caveats had been placed on LR.No.209/12767 on 26th January 2007 and LR.No.209/12822 on 28th February 2000. The caveats are still in place to date.

A civil suit No.599 of 2014 was filed by Chai Developers Limited against NQCL seeking orders to withdraw the caveat placed on LR.No.209/12767. From the Court file, we established that the parties had entered into a consent order to withdraw the caveat. The Hospital requested NLC to place a caveat on LR.No.209/12767, revoke the title and investigate the authenticity of the said title. Further, vide the Management letter 24th September 2019, the Hospital requested the President's Delivery Unit to facilitate the NLC acting in concert with the Chief Lands Registrar to review with a view of revoking these titles which had been irregularly/illegally allocated with the KNH Complex. We await feedback on the same.

On June 4, 2020, EACC wrote to KNH to furnish them with all documents relating to the parcels of land and appoint a competent officer to record a statement. The documents were submitted and the statement was recorded on or about 30th June 2020. EACC has yet to inform the Hospital of the outcome of their investigations.

Further, portions of parcels of land LRN-209/11460 and LRN-209/12822 were compulsorily acquired for the construction of Hospital Road- Mbagathi Way Link Road. The value of the parcels of land after excision is shown below:

No	LRN. No	Initial Land Area in KNH Books before excision Ha	Excised for Mbagathi Way Link Road (Ha)	Land Area in KNH Books after excision (Ha)	Current Land value in KNH Books after excision (Kshs)	Status in KNH Books
1	209/11460	0.316	0.2173	0.0987	7,183,861	0.2173 hectares were excised for construction of Hospital Road- Mbagathi Way Link Road and adjusted in the books in FY 2018/19.
2	209/12767	0.226	0	0.226	17,000,000	Not excised

No	LRN. No	Initial Land Area in KNH Books before excision Ha	Excised for Mbagathi Way Link Road (Ha)	Land Area in KNH Books after excision (Ha)	Current Land value in KNH Books after excision (Kshs)	Status in KNH Books
3	209/12822	0.1221	0.0308	0.0913	6,729,730	0.0308 hectares was excised for construction of Hospital Road- Mbagathi Way Link Road and adjusted in the books in FY 2018/19.
	Total	0.6641	0.1295	0.5346	30,913,591	

Implementation of PIC recommendations

There has been no financial loss incurred in respect to the four (3) parcels of land irregularly allocated since the said parcels of land viz; LR.No.209/12822; LR.No.209/12767; and LR.No.209/11460 have caveats placed on them and the private individuals have no ownership documents.

Status: Resolved
Time frame: June 30, 2021

3.2. Acquisition of KNH Land for Construction of Hospital Road and Mbagathi Way Link Road

Management Response

The Management concurs with the auditors' observation that no compensation was made to KNH for the acquisition of the portion of land compulsorily acquired.

Pursuant to Gazette Notice No.9340 dated December 18, 2015, the National Land Commission (NLC) did gazette its intention to acquire part of KNH land for the construction of the proposed Hospital Road-Mbagathi Way Link Road.

Vide Kenya Gazette Notice No.92 of August 12, 2016, NLC issued a notice of inquiry for hearing of claims for compensation by interested parties in the land required for the construction of the Link Road. The Hospital delivered its memorandum of the claim for compensation on August 29, 2016, to the tune of **Kshs. 4,219,257,210** for the following KNH land affected by the Link Road:

- 209/13982 – 2.1695 Ha
- 209/13319 – 0.0217 Ha
- 209/11460 – 0.2173 Ha
- 209/12822 – 0.0308 Ha

Further, the Hospital engaged a property valuer to conduct a valuation of the approximate 7 acres portion of land acquired for the construction of the Link Road, which was valued at **KES.3,142,000,000**.

During a stakeholders meeting called by Kenya Urban Roads Authority (KURA) on January 31, 2017, and February 8, 2017, respectively, KNH raised the issue of compensation to which KURA responded that the matter should be dealt with by NLC. As a follow up with NLC, the Hospital wrote to the Commission on

February 28, 2017, seeking compensation noting that vide letter dated November 30, 2016, NLC had written to KURA for payment to the tune of **KES.1,859,297,000** for the parcels of land affected by the Link Road. Of this amount, compensation for KNH land amounted to **Kshs.1,759,787,500** as per the attached compensation schedule.

NLC vide letter dated March 9, 2017, responded stating that KNH was not entitled to compensation. The letter posits that compensation would have only followed if there were the demolition of structures and improvements of the specific corridor. The Hospital sought intervention from the Office of the Head of Public Service and the Attorney General. In the interim vide letter dated December 18, 2018, the Hospital wrote to NLC requesting disbursement of the compensation sum owed to the Hospital. A report on the same was submitted to the National Department Committee on Health during their visit to the Hospital on March 20, 2019.

Vide letter dated May 14, 2019, the Management wrote to the Attorney General (AG) seeking intervention and possible guidance as to whether or not KNH was entitled to compensation and why NLC has sought compensation from KURA for the same. The AG responded vide letter dated July 23, 2019, and indicated that: -

- (i) KURA received a request to deposit Kshs.1,877,889.97 with NLC in respect of the KNH Land over the construction of Mbagathi Way Link Road;
- (ii) Upon receipt of the request, KURA approached NLC and was advised that the award was made in error or contrary to the law;
- (iii) KURA did not seek exchequer for the compensation from the National Treasury. However, NLC graciously advised KURA to consider on corporate social responsibility basis to oversee the rehabilitation of roads with the KNH complex and erecting a perimeter wall to help secure KNH property along the Mbagathi Way Link Road. KURA stated that the request was under consideration and could be implemented from savings realized upon the conclusion of the link road project.

During FY 2018/19, an adjustment was made to remove parcels of land excised for the construction of the Mbagathi Way link road which had been approved by the Board of Management.

Status: Resolved
Time frame: June 30, 2021

4. Receivable from Exchange Transactions

As disclosed in Note 26 to the financial statements, the statement of financial position reflects receivable from exchange transactions balance of Kshs.1,477,994,000. However, the following unsatisfactory matters were noted;

4.1 Receivables from National Hospital Insurance Fund (NHIF)

Issue / Observations from Auditor

As previously reported, the medical services receivables balance of Kshs.8,921,102,000 includes an amount of Kshs.903,098,855 due from NHIF while the NHIF financial statements as at 30 June 2020 reflected a balance of Kshs.91,253,834 thus resulting to an un-reconciled variance totaling to Kshs.811,845,021.

Management Response

KNH's financial statement balance as of June 30, 2020, was Kshs. 688,700,859.97 whereas the NHIF statement indicated a balance of Kshs.91, 253,834.

The two institutions reconciled the account as of June 30, 2020, as per the table below;

KNH balance as of 30 th June 2020	688,700,859.97
PAID CLAIMS (cash in transit 30 th June 2020)	(124,571,750)
In Account	(10,681,015.00)
KNH Othaya	(12,907,720)
Outpatient balances	(64,253,341)
Return to Hospital	(94,032,145.60)
To account	(32,559,095.00)
Under Investigation	(32,215,866.30)
Rejected claims	(6,845,753.00)
Claims in transit	(219,380,340)
NHIF Balance as at 30 th June 2020	91,253,834

Among the outstanding balance of Kshs. 688, 700,859.97 as of June 30, 2020, Kshs. 316,633,621 has since been settled by the Fund as of May 20, 2021.

NHIF recognized only Kshs.91, 253,834. as due to KNH as of June 30, 2020, based on their accounting policy that “they only recognize a liability for claims submitted by a healthcare provider only after verification” .

Status: Unresolved
Time frame: June 30, 2021

4.2 Prepayment – Supply Contracts

Issue / Observations from Auditor

The balance includes prepayments totaling to Kshs.352,355,000 out of which and amount of Kshs.31,734,000 related to supply contracts awarded to three firms of Kshs.15,793,000, Kshs.2,213,000 and Kshs.13,728,000. As reported in the previous year, the first prepayment is in dispute while the second one is under investigation. The third pre-payment relates to mirco filming project at the hospital which had not been completed as at 30 June, 2020. Although the issue has been discussed by the Public Investment Committee, no action has been taken on the recommendations that the three companies be investigated, prosecuted and the then Chief Executive Officer be held accountable for the loss and be surcharged.

Management Response

High Voltage Communications Limited – Kshs.15,792,611

The amount was an advance payment made in May 2001 for the supply, delivery, and installation of submersible pumping equipment into helipad borehole and de-fluorination plants for boreholes at helipad and laundry. A dispute arose in the performance of the contract necessitating the parties to refer the matter to arbitration.

An arbitral award was made in favor of the Hospital on 26/11/2012 to the tune of Kshs.14,876,645 but the realization of the award was fruitless since the Registrar of Companies confirmed that the firm’s file

was missing from their electronic database. In the absence of the Company's file and records at the Registry, the Management is unable to pursue any legal recourse for recovery of the advanced sums.

Vide letter dated May 13, 2019, the Hospital wrote to the National Bank of Kenya, Hospital Branch to furnish the Management with details of directors and signatories to the bank account held by High Voltage Communications Limited and names of the person who cashed the cheque that was drawn from the KNH Recurrent Account to enable Management to recover the advance payment. The Bank in its response letter dated May 27, 2019, indicated that they were unable to accede to the request noting the details sought were confidential.

Further, vide letter dated May 13, 2019, the Hospital wrote to the Registrar of Companies requesting for certified copies of the Certificate of Incorporation, Memorandum, and Articles of Association, Statement of Nominal Capital, Notice of Situation of Registered Office and the Particulars of the Directors and Secretaries of High Voltage Communications Limited.

In addition Vide letter dated September 17, 2019, the Hospital wrote to the Ethics and Anti-Corruption Commission (EACC) for an update on the progress of investigations into the conduct of High Voltage Communications Limited and return of the original.

The Registrar of Companies and the EACC are yet to respond.

Glutex Medical Kenya Limited – Kshs. 13,727,655

The amount was an advance payment made in the year 2003 for the supply of nuclear medicine materials. The supplier failed to perform and the Hospital demanded a refund of the amount. It has been established through the Registrar of Companies that the firm is not registered; therefore, it is not possible to institute legal action against a non-existing entity.

Vide letter dated May 13, 2019, the Hospital wrote to the National Bank of Kenya, Hospital Branch to furnish the Management with signatories to the account held by Glutex Medical Kenya Limited and names of the person who cashed the cheque that was drawn from the KNH Recurrent Account to enable Management to recover the advance payment. The Bank in its response letter dated May 27, 2019, indicated that they were unable to accede to the request noting the details sought were confidential.

Further vide letter dated September 17, 2019, the Hospital wrote to the Registrar of Companies requesting for certified copies of the Certificate of Incorporation, Memorandum, and Articles of Association, Statement of Nominal Capital, Notice of Situation of Registered Office and the Particulars of the Directors and Secretaries of Glutex Medical Kenya Limited.

In addition Vide letter dated March 29, 2022, the Hospital wrote to the Ethics and Anti-Corruption Commission (EACC) for an update on the progress of investigations into the conduct of Glutex Medical Kenya and the EACC is yet to respond.

Microtec Office Supplies – Kshs. 2,213,309

The Company was awarded the tender for delivery and installation of microfilm equipment and to microfilm inactive medical records at a contract sum of Kshs. 3,688,849.72 in May 1999. The supplier delivered and installed the requisite microfilm equipment and embarked on the exercise of microfilming inactive files. The supplier was paid an advance payment of 60% of the contract price but only performed 34% of the work.

The Hospital is unable to follow up on the recovery of the amounts advanced since section 4(1) of the Limitation of Actions Act, Cap 22 provides that actions founded on contract may not be brought after the end of six (6) years from the date on which the cause of action accrued.

Vide letter dated May 13, 2019, the Hospital wrote to the National Bank of Kenya, Hospital Branch to furnish the Management with signatories to the account held by Microtec Office Supplies and names of the person who cashed the cheque that was drawn from the KNH Recurrent Account to enable Management to recover the advance payment. The Bank in its response letter dated May 27, 2019, indicated that they were unable to accede to the request noting the details sought were confidential.

Further vide letter dated May 13, 2019 and September 17, 2019, the Hospital wrote to the Registrar of Companies requesting for certified copies of the Certificate of Incorporation, Memorandum, and Articles of Association, Statement of Nominal Capital, Notice of Situation of Registered Office and the Particulars of the Directors and Secretaries of Microtec Office Supplies. The Registrar of Companies is yet to respond.

In addition Vide letter dated March 29, 2022, the Hospital wrote to the Ethics and Anti-Corruption Commission (EACC) for an update on the progress of investigations into the conduct of Microtec Office Supplies and the EACC is yet to respond.

Status: Unresolved
Time frame: June 30, 2021

4.3 Impairment allowance

Issue / Observations from Auditor

The balance is obtained from a gross balance of Kshs.9,340,844,000 less impairment allowance amounting to kshs.7,862,850,000 which includes long outstanding debts totaling to Kshs.6,990,141,202 whose recoverability is doubtful.

Management Response

The impairment allowance of Kshs. 6,990,128,000 has been provided for in line with International Public Sector Accounting Standards (IPSAS) in recognition of the uncertainty of recoverability of debts relating to indigent patients' medical bills.

The Hospital renders services to all patients referred for specialized healthcare without discrimination. Some of the patients who were attended to are indigents and upon clinical discharge are unable to settle their medical bills.

These patients are released from the Hospital on unsecured credit based on a commitment to settle their bills in the future in line with the credit policy. Efforts to collect the due receivables from this category of patients have been unsuccessful. Most demand letters sent to the debtors' last recorded address demanding settlement of debts have been returned to the Hospital. Also included in the impairment allowance are bills relating to unclaimed bodies that are disposed of by the Hospital as per the Public Health Act.

The Hospital management has sought reimbursement of bills incurred by indigent patients from the Ministry of Health. Consideration for this request is awaited. The process of having the impaired debts written off shall be initiated in line with the Public Finance Management Act, 2012.

Status: Unresolved
Time frame: June 30, 2021

4.4 Ministry of Health (MOH) Staff Long Outstanding Debts

Issue / Observations from Auditor

As reported in the previous year, the balance includes MOH staff rent totaling to Kshs.7,477,924 that has been outstanding for more than one year, and which ought to have been deducted from the payroll through the check off system and forwarded to the Hospital.

Under the circumstances, the validity, accuracy, completeness and full recoverability of receivable from exchange transactions balance of Kshs.1,477,994,000 reflected in the statement of financial position as at 30 June 2020 could not be determined.

Management Response

The long outstanding rent receivables relate to rent due from registrar doctors accommodated in the Hospital houses and the recoveries for the rent executed through check off by the Ministry of Health. Although the deductions were being effected, the same was not remitted to the Hospital. Some of these remittances were sent to the Department of Housing, Ministry of Lands. The Hospital is in the process of following up on the remittances.

Further, recovery of rent through a check-off system for tenants who are not KNH employees has been stopped effective February 2019. All registrar doctors are required to pay their rental fees directly to the Hospital.

Status: Unresolved
Time frame: June 30, 2021

Other Matter

1. Budgetary Control and Performance

Issue / Observations from Auditor

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totaling to Kshs.18,543,995,000 and Kshs.16,607,821,000 respectively, resulting to an underfunding amounting to Kshs.1,936,174,000 or 10% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totaling to Kshs.17,095,420,000 and Kshs.15,737,210,000 respectively, resulting to an under performance amounting to Kshs.1,358,210,000 or 8% of the budget.

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

Management Response

Management concurs with the auditor's observation on the need for the Hospital to institute a more vibrant budget implementation follow-up mechanism and feedback process to ensure that all projects and activities are implemented as budgeted and planned. Currently, budget implementation is guided by the approved departmental procurement plans that HOD's develop based on the budget allocations.

Automation of the budget-making and monitoring is in process. This is expected to be implemented in FY 2021/22. In the meantime, management has enhanced monitoring of the budget performance by heads of departments/units every quarter through including the targets in their performance contracts, enhanced training of Hospital budgeting committees, and monthly review of budget performance by the Hospital Budget Implementation Committee.

Status: Resolved
Time frame: June 30, 2022

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

1. Receivable from Non-Exchange Transactions

As disclosed in Note 27 to the financial statements, the statements of financial position reflects receivable from non-exchange transactions balance of Kshs.1,182,597,000. The balance includes staff receivables totaling to Kshs.13,070,000 out of which temporary imprests and staff debtors amounting to Kshs.7,422,563 and Kshs.1,406,054 respectively, have been outstanding for more than one year. This is contract to Section 93(5) of the Public Finance Management (National Government) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station. Section 93(6) further provides that in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate.

In the circumstance, the Management is in breach of the law.

Management Response

Temporary Imprest- Kshs. 7,422,563

Out of the long outstanding imprest, Kshs.6, 553,679 relates to imprest issued to officers who are currently on training abroad. The staff are yet to return to work since the training is still ongoing. The training is expected to be completed as per the attached schedule and the imprest will be surrendered after the officers' return.

Temporary imprest of Kshs. 868,884.25 is owed by former Hospital employees who left service due to death; dismissal; retirement or resignation before fully accounting for imprest issued to them in the course of their duty. A follow-up to recover the balance of outstanding imprest has not borne fruit as there are no benefits due to them that are held by the Hospital and hence recoverability of the debts is doubtful.

A provision for bad and doubtful debt for the irrecoverable imprest has been made in the financial statements for the year ended June 30, 2020, in line with the requirements of IPSAS. The process of debt write-off will be initiated in line with the PFMA regulations requirements.

Staff Debtors

The debt relates to patients' bills guaranteed by staff at the time the patient is discharged from the Hospital. The long outstanding staff debts have not been recovered from staff that subsequently left KNH service. A follow-up to recover the outstanding staff debts has not borne fruit as there are no benefits due to them that are held by the Hospital and hence recoverability of the debts is doubtful.

A provision has been made in the financial statements for the long outstanding staff debts in line with the requirements of IPSAS. The process of debt write-off will be initiated in line with the PFMA regulations requirements.

Status: Unresolved
Time frame: June 30, 2021

2. Medical Services Contracts Loss

As disclosed in Note 22 to the financial statements, as previously reported, the statement of financial performance includes medical services contracts loss totaling to Kshs.474,548,000. The following unsatisfactory observations were noted;

2.1 Contracts with National Hospital Insurance Fund (NHIF)

Issue / Observations from Auditor

The balance includes loss from the National Hospital Insurance Fund (NHIF) totaling to Kshs.313,268,000. This loss is net of rebate received from the NHIF and the amount the Hospital spent in the treatment of NHIF members. Review of records showed that the Hospital entered into a two years renewable medical service contract with the Fund with effect from 1 August, 2010. Upon lapse of the two years and based on the renewal clause, the contract was renewed on the same terms with effect from 1st August 2010. Since the contract provided for continuous engagement between the parties, the Hospital through several letters in years 2013 and 2014 raised concerns on losses incurred due to the unfavourable contracts.

Upon exhausting all the negotiation mechanisms without success, the Hospital Management sought to discontinue the loss-making contract. The intent to discontinue services to NHIF members was communicated to NHIF and the Ministry of Health in the month of April, 2014. NHIF responded on the same in the same month of April 2014 whereby NHIF explained its inability to increase the rebate that had been coupled with litigations causing delayed adjustment of premiums. Subsequently, the hospital was directed by the Ministry of Health on 30 May, 2014 to continue offering the services on the same terms despite making losses.

The Management continued to engage the NHIF and the Ministry of Health on the loss making contracts in the year 2016. Although a renegotiated contract signed on 21 March 2019 has enhanced the number of claimable services which will have a positive effect on the annual losses, the loss incurred during the year is still significant.

Consequently, the Hospital will continue to incur losses if the reimbursable amounts are not reviewed.

Management Response

The current contract with NHIF provides for continuous engagement between the parties. The Hospital Management has been monitoring the thematic areas of improvement within the contract with a view to engaging NHIF on any clause in the contract that is unfavorable to the Hospital. Several issues which will form the basis of the midterm review of the contract have been identified.

The Hospital management has already embarked on the process of negotiation with the Fund with an ultimate goal to enter into amicably agreed rates by June 30, 2021.

KNH is optimistic that the engagement will be fruitful and the new contract will reduce the losses in the future.

Status: Unresolved
Time frame: June 30, 2021

2.2 Free Maternity Program

Issue / Observations from Auditor

As previously reported, the balance includes an amount of Kshs.161,280,000 relating to loss on free maternity program offered by the Hospital. This follows directive from the Cabinet Secretary, Ministry of Health which communicated the decision of the Government to reimburse an amount of Kshs.17,500 for each delivery. However, the Hospital being a referral hospital receives complicated maternal referrals and as a result, the costs are higher and the reimbursable amount of Ksh.17,500 per delivery has remained the same despite the high cost.

Consequently, the Hospital has continued to bear the high cost on free maternity program which have impacted negatively on the overall performance.

Management Response

The Hospital is optimistic that the engagement will be fruitful and the new contract will reduce the losses in the future.

In July 2013, the Government of Kenya rolled out free maternity services program through a presidential declaration to encourage women to give birth at health facilities under-skilled personnel. The policy aimed at reducing maternal complications as well as maternal mortalities in Kenya. Under this program, referral Hospitals were to be reimbursed on every delivery conducted in the facility Kshs.17, 500 with the assumption that this will be adequate with/without delivery complications.

The management vide ref: KNH/FIN/13/26 dated July 1, 2015, appealed to the Principal Secretary MOH for review of the reimbursement rate to Kshs.39, 000. However, this proposal did not yield a positive consideration.

In July 2017, the Government transferred the Free Maternity Scheme to Linda Mama Programme under the NHIF management. The Linda Mama covers delivery and pre-delivery incidental costs only. The Hospital has engaged NHIF in the full implementation of the program where NHIF agreed to take care of post-natal and delivery complications through Letter ref HF/CB/12/3/ (97) dated April 11, 2018. The reimbursable amounts include:

- Delivery package at Kshs.17, 500
- Hospitalization as a result of pregnancy complications at a rebate of Kshs.4, 000 per day.
- Three months post-Natal care for mother and child at a rebate of Kshs.4, 000 per day.

The Hospital management has already made a proposal for favorable rates at Kshs 48,000 and 22,000 for cesarean section and Normal delivery respectively through the contract proposal forwarded vide letter reference KNH/FIN/85/VOLII/132. The Hospital is optimistic that the engagement will be fruitful and the new contract will reduce the losses in the future.

Status: Unresolved
Time frame: June 30, 2021

3. Trade and Other Payables from Exchange Transactions

Issue / Observations from Auditor

As similarly reported in 2018/2019, as disclosed in Note 26 to the financial statements, the statement of financial position reflects the trade and other payables from exchange transactions balance of Kshs.1,533,408,000. The balance includes balances totaling to Kshs.60,500,440 that have been outstanding for more than twelve (12) months. No explanation has been provided for failing to clear these long outstanding account payables.

In the circumstances, I am unable to confirm whether Management effectively used public resources by accumulating trade and other payables from exchange transactions totaling to Kshs.60,500,440 as at 30 June, 2020.

Management Response

The Hospital has put in place a framework for monitoring accounts payable to ensure that payments to suppliers are made within the stipulated credit period. Further, the Hospital has resolved and paid some of the long outstanding invoices and is continuing to engage suppliers to submit requisite support documentation for the invoices not yet paid. There has been significant progress in resolving long outstanding suppliers' invoices as those aging beyond 360 days have decreased from Kshs.91,753,342 (FY 2018/19) to Kshs. 60,500,440 (FY 2019/20).

Status: Unresolved
Time frame: June 30, 2021

4. Defined Benefit Pension Scheme Deficit

Issue / Observations from Auditor

As disclosed in Note 36 to the financial statements, the statement of financial position reflects net defined benefit scheme balance of Kshs.8,771,990,000 which was to be paid by the Hospital as scheme Sponsor. The Hospital has been requesting for funding of the deficit through the budgetary process and in the last four years from 2015/16 to 2019/20, an amount of Kshs.100,000,000 per year has been allocated and subsequently disbursed to the scheme. However, the allocation per year towards the scheme deficit is not sufficient as it will take over eight-seven (87) years to bridge the deficit and by which time most of the beneficiaries will have retired.

In the circumstances, I am unable to confirm whether the benefit scheme is prudently managed.

Management Response

The current actuarial valuation of the KNH defined benefit pension scheme as of June 30, 2020, showed the benefit liability of Kshs. 16,004,501,538 against the schemes assets of Kshs.7,232,511,954 resulting to an underfunding of Kshs.8,771,989,584.

The KNH Board of management has severally considered various options to address the deficit. The latest consideration has been to prioritize the utilization of the anticipated proceeds from the compulsory acquisition of the Hospital land for the construction of the Mbagathi Way Link Road. The National Lands

Commission, however, directed that the land was not to be compensated as it was a Government acquisition. The position was supported by the Office of the Attorney General and therefore the Hospital could not lay any further claim on the anticipated proceeds.

The Hospital management has requested The National Treasury through MoH to consider budgetary support towards pension payout for the next seven years at an average of Kshs. 1 billion per year with effect from FY 2021/22. The Hospital awaits The National Treasury consideration during the confirmation of the approved budget FY 2021/22.

Status: Unresolved
Time frame: June 30, 2022

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

Long Outstanding Debts

Issue / Observations from Auditor

As disclosed in Note 26 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of Kshs.1,477,994,000. The balance includes receivables totaling to Kshs. 71,410,322, Kshs.95,658,100, Kshs.3,286,110 and Kshs.774,761,257 for National Hospital Insurance Fund (NHIF) rebate, Ministry of Health disaster debts, return to drawer (RD) cheques and absconded patients' debts respectively. Further, the balance includes rental receivables balance of Kshs.36,282,000 includes MOH staff rent totaling to Kshs.7,477,924 that has been outstanding for more than one year, and which ought to have been deducted from the payroll through the check-off system and forwarded to Kenyatta National Hospital.

Under the circumstances, I am unable to confirm existence of effective mechanisms of debt management by the Hospital.

Management Response

NHIF outstanding balance- Kshs 71,410,322

Over the years, NHIF claims have increased in volume because of the wide range of services covered by the Fund as well as the transfer of free maternity programs to the Fund. However, the rate at which NHIF has been paying claims does not match the rate the Hospital submits claims.

The management has been consistent in continuously following up on payment of outstanding claims as well as engaging the Fund to improve on settlement of claims within the credit period as per the existing contract.

Among the Kshs. 71,410, 322 owed by the fund as of June 30, 2020, the Hospital has made efforts to follow with the fund and the claims amounting to Kshs. 20,324,173 have been paid as of May 25, 2021.

Disasters Debt- Kshs. 95,658,100

This relates to Hospital bills for victims of disasters that have occurred across the country in diverse dates from 1998 to 2019 and who were treated in the Hospital. Upon discharge, the patients were released without paying medical bills incurred based on the Government's directive that the Hospital will be

reimbursed. The Hospital has been making follow-ups with the parent ministry for settlement but these bills have not been settled to date.

Return to Drawer (RD) cheques –Kshs. 3,286,110

This relates to personal cheques that were received in the year 2004 and prior years for patients’ medical bills. These cheques were drawn by well-wishers who were helping patients to meet their medical bills obligations but were unfortunately dishonored upon presentation to the bank. Efforts to have the drawers replace the cheques have not been fruitful.

Currently, the Hospital no longer accepts personal cheques as a mode of payment to avoid recurrence of the same. The long outstanding debts whose recoverability is doubtful have been properly provided for in the financial statements as impaired in line with International Public Sector Accounting Standards (IPSAS). The Hospital management is in the process of seeking for Write-off for the long outstanding debts in line with the PFM Act 2012.

Absconded Patients Debts –Kshs. 774,761,257

This debt relates to patients who absconded from the Hospital before paying bills or entering into a formal credit arrangement. Efforts have been made to follow up the debts through demand letters and short messages (SMS). However, recovery of these debts has not been fruitful. A provision has been made in the financial statements for the year ended June 30, 2020, for the absconded patients’ debts in line with the requirements of IPSAS.

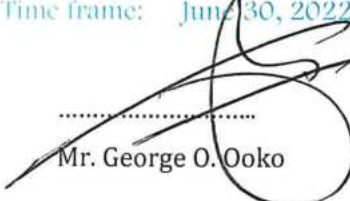
The management has put measures in place to curb abscondment which includes:

1. Installation of CCTV system in the main corridors and wards to monitor patient movement.
2. Additional security personnel has further been contracted by the Hospital and stationed to cover all patients’ wards.
3. Tracking of repeat patients with previous outstanding bills where they are required to pay obligations before the provision of services except for emergencies as determined by the clinicians.
4. Escort of patients seeking services outside the wards.
5. Enhanced data collection by Health Information Officers for tracing in case of abscondment.
6. A revised KNH Credit Policy and Procedure Manual is in place that has streamlined identification and assessment of indigent cases early enough thus shortening stay after clinical discharge that has discouraged abscondment.

The above measures have resulted in reduction of incidences of abscondment reported per year as illustrated in the trend below:

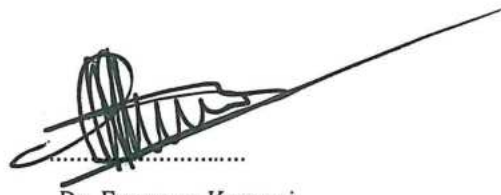
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Abscondee (No.)	2,200	1,931	985	433
Medical Bills for Abscondee (Kshs.)	61,700,532	73,184,901	53,032,665	27,072,586

Status: Unresolved
Time frame: June 30, 2022



.....
Mr. George O. Ooko

**Chairman
Board of Management**



.....
Dr. Evanson Kamuri

**CEO/Secretary
Board of Management**

Appendix ii: Projects Implemented by Kenyatta National Hospital

	Project title	Source of Funding	Period/ duration (Weeks)	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1.	Cancer Treatment Center Phase 1	GOK	52	250M	NO	Yes
2.	Burns and Paediatrics Emergency Center	GOK, OFID, SFD BADEA	104	2.9 B	NO	Yes
3.	300 Bed Private Hospital Feasibility study	GOK, World Bank Treasury			NO	NO
4	Hope Hostel	ACS, FHH,DEVKI	52 weeks	200M	NO	Yes
5.	Daycare Surgical Center	GOK KNH Merrali Foundation	54	42 M GOK 60 M KNH 100 M Meralli	NO	Yes
6.	Operationalization Of KNH –Othaya NCDS Centre Of Excellence	GOK	12			

Status of Projects completion as of June 30, 2021

No.	Project	Total Project Cost (Kshs)	Total expended to date (Kshs)	Completion % to date	Sources of funds
1.	Cancer Treatment Center Phase 1	244,721,296	Ksh 207,761,818	96%	GOK
2.	Burns and paediatrics Emergency Center	2,959,511,555	Ksh 295,951,155 Advance Payment and KSh 781,484,786 by KNH	53%	GOK, OFID, SFD
4.	300Bed Private Hospital Feasibility study			100%	BADEA GOK, World Bank Treasury
5.	Hope Hostel	494,000,000	0		ACS, FHH
6.	Replacement of Obsolete Equipment & Equipping Daycare Center (Boiler and reticulation system	627,075,000	Ksh 43,320,120	80%	Sports, Art and Social develop ment fund
7.	Installation of Borehole, storage tank and Relocation of sewer lines	9,316,000	4,010,200	60%	GOK
8.	Construction of laundry and its associated mechanical, electrical and civil/ external works	37,292,470	15,172,593	88%	GOK
9.	Construction of mortuary and its associated mechanical electrical and civil/external works	49,219,625	15,446,555	55%	GOK
10.	Construction of kitchen and its associated mechanical electrical and civil/external works	40,075,596	17,325,779	68%	GOK
11.	Construction of Plant Housing : & supply, Delivery, Installation , Testing & Commissioning of Oxygen Generating Plant	65,949,741	13,539,539	100%	GOK

Appendix III: Inter-Entity Transfers Confirmation

KENYATTA NATIONAL HOSPITAL
Hospital Rd. along, Ngong Rd.
P.O. Box 20723, Nairobi.



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Ref: KNH/FIN/12/Vol.II/52

Date: 16th September 2021

The Principal Secretary
Ministry of Health
P.O Box 30016 - 00100
NAIROBI

Attn: *Peninah Njuguna*
Head of Accounting

RE: INTER ENTITY TRANSFER CONFIRMATION FOR FINANCIAL YEAR 2020/21

In line with Public Sector Accounting Standards Board (PSASB) requirement, Kenyatta National Hospital wishes to confirm the amount disbursed to us as at 30th June 2021 for audit purpose.

According to our records KNH Received Kshs.11,743,832,000.00 for Recurrent Grant, Sport Funds and Capital Grant as tabulated below.

The detail of the amount received is shown below;

Recurrent Grant		Kshs.
1.	KNH Recurrent Grant	10,141,000,000.00
2.	KNH - Othaya	759,999,999.60
Development		
3.	Sports Fund	626,977,000.78
4.	Burns & Paediatric Centre	145,840,000.00
5.	Construction & Equipping of Daycare Centre	24,420,000.00
6.	Strengthening of Cancer Management	45,595,000.00
Total		11,743,832,000.00

For: PRINCIPAL SECRETARY
MINISTRY OF HEALTH
P.O. Box 30016 - 00100,
NAIROBI.

Peninah Njuguna
Confirmed
disbursed
amount in
2020/21 FY
ed
in
FY

The actual receipts are detailed below;

1. KNH Recurrent Grant

Month	Bank Statement Date	Amount (Kshs)
July 2020	21/08/2020	740,000,000.00
August 2020	04/09/2020	740,000,000.00
September 2020	02/10/2020	740,000,000.00
October 2020	6/11/2020	740,000,000.00
November 2020	30/12/2020	740,000,000.00
December 2020	07/01/2021	740,000,000.00
January 2021	09/02/2021	740,000,000.00
February 2021	10/03/2021	740,000,000.00
March 2021	16/04/2021	740,000,000.00
April 2021	17/05/2021	740,000,000.00
May 2021	25/06/2021	740,000,000.00
June 2021	5/07/2021	740,000,000.00
	Subtotal	8,880,000,000.00
Supplementary I	05/07/21	1,111,000,000.00
Supplementary II	12/07/21	150,000,000.00
	Total	10,141,000,000.00

2. KNH -OTHAYA

Month	Bank Statement Date	Amount (Kshs)
July 2020	21/08/2020	63,333,333.30
August 2020	30/09/2020	63,333,333.30
September 2020	02/10/2020	63,333,333.30
October 2020	3/12/2020	63,333,333.30
November 2020	30/12/2020	63,333,333.30
December 2020	06/01/2021	63,333,333.30
January 2021	09/02/2021	63,333,333.30
February 2021	10/03/2021	63,333,333.30
March 2021	16/04/2021	63,333,333.30
April 2021	17/05/2021	63,333,333.30
May 2021	23/06/2021	63,333,333.30
June 2021	5/07/2021	63,333,333.30
	Total	759,999,999.60

3. Development Grants - Sports Fund

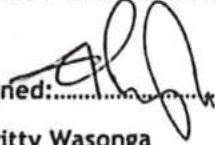
Month	Bank Statement Date	Amount (Kshs)
July 2020	07/08/2020	115,068,166.10
February 2020	19/02/2021	99,306,151.60
June 2021	17/06/2021	412,602,683.00
		626,977,000.78

4. Development Grant - Others

Project	Bank Statement Date	Amount (Kshs)
Burns and Pediatrics Emergency Center	28/08/2020	125,000,000.00
Burns and Pediatrics Emergency Center	15/06/2021	20,840,000.00
Total allocation		250,000,000.00
Construction and Equipping of Daycare	26/06/2021	24,420,000.00
Strengthening of Cancer Management	26/06/2021	45,595,000.00

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

Director Finance- Kenyatta National Hospital

Signed: 
 Twitty Wasonga

For: Director, Finance

Kenyatta National Hospital

Date: 16/9/2021

Signed: 
 Signed: Peninah Njugunah

Name: PENINAH NJUGUNAH

Head of Accounts Department

Ministry of Health

Date: 23/9/2021

For: PRINCIPAL SECRETARY
 MINISTRY OF HEALTH
 P. O. Box 30016 - 00100,
 NAIROBI.

