

Laid on 8/4/2026 GOVERNMENT OF NAIROBI CITY COUNTY

by Hon. Chege Mwaure

8/4/2026



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY

(FIFTH SESSION)



NCCA/TJ/PL/2026(60)

PAPER LAID

SUBJECT: REPORT OF COMMITTEE

Pursuant to the provisions of Article 229 (8) of the Constitution of Kenya 2010 and Standing Order 196 (6), I beg to lay the following Paper on the Table of the Assembly, today Wednesday, 8th April, 2026

- THE REPORT OF THE SELECT COMMITTEE ON PUBLIC ACCOUNTS ON THE CONSIDERATION OF THE REPORTS OF THE AUDITOR-GENERAL ON KAYOLE II LEVEL 4 HOSPITAL FOR THE YEARS ENDED 30TH JUNE, 2022, 2023 AND 2024

(Chairperson, Select Committee on Public Accounts)

Copies to:
The Speaker
The Clerk
Hansard Editor
Hansard Reporters
The Press

NCCA/TJ/NTC/2026

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

THIRD ASSEMBLY

(FIFTH SESSION)

NOTICE OF MOTION



Subject: Adoption of Committee Report

Hon. Speaker, I beg to give notice of the following motion:-

THAT, this Assembly adopts THE REPORT OF THE SELECT COMMITTEE ON PUBLIC ACCOUNTS ON THE CONSIDERATION OF THE REPORTS OF THE AUDITOR-GENERAL ON KAYOLE II LEVEL 4 HOSPITAL FOR THE YEARS ENDED 30TH JUNE, 2022, 2023 AND 2024, laid on the Table of the Assembly today, Wednesday, 8th April, 2026.

(Chairperson, Select Committee on Public Accounts)

The Nairobi City County Government



Nairobi City County Assembly

Third Assembly – Fifth Session

The Report of the Select Committee on Public Accounts

On

Consideration of the Reports of the Auditor General
on Kayole II Level 4 Hospital for the years ended 30th
June 2022, 2023 & 2024

Clerks Chambers
Nairobi City County Assembly
City Hall Buildings
Nairobi

April, 2026

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1.0. PREFACE

Hon. Speaker,

On behalf of the Public Accounts Committee (PAC) and pursuant to the provision of Standing Order 196(6), it is my pleasant privilege and honor to present to this Assembly this report of the Public Accounts Committee on the consideration of the *“Consideration of the Reports of the Auditor General on Kayole II Level 4 Hospital for the year ended 30th June 2022,2023&2024”*.

1.1. Mandate of the Public Accounts Committee

The Public Accounts Committee derives its mandate from Standing Order 203 (2) of the Nairobi City County Assembly, which provides that: -

“The Public Accounts Committee shall be responsible for the examination of the accounts showing the appropriations of the sum voted by the County Assembly to meet the public expenditure and of such other accounts laid before the County Assembly as the Committee may think fit”.

The primary mandate of the Committee is therefore to oversight the expenditure of public funds by Nairobi City County entities, to ensure value for money and adherence to government financial regulations and procedures. The Committee further aims at ensuring that Nairobi City County public funds are prudently and efficiently utilized. The Committee executes its mandate on the basis of annual and audit reports prepared by the Office of the Auditor General (OAG).

Article 229 (8) of the Constitution provides that within three months after receiving the report of the Auditor General, Parliament or the **County Assembly** shall debate and consider the report and take appropriate action. It is on this basis that this report has been produced by the Committee for consideration and adoption by the County Assembly.

1.2. Guiding principles

In the execution of its mandate, the Committee is guided by core constitutional and statutory principles on public finance management, as well as established customs, traditions, practices and usages. These principles include the following: -

(a) Constitutional Principles on Public Finance

Article 201 enacts fundamental principles aimed at guiding all aspects of public finance in the Republic. It states that the principles are, *inter alia, openness and accountability, including public participation in financial matters; public money shall be used in a prudent and responsible way; and financial management shall be responsible, and fiscal reporting shall be clear*. The Committee places high regard on these principles, among others, and has been guided by them in the entire process that has led to this report.

(b) Direct Personal Liability

Article 226(5) of the Constitution is unequivocal that: - *“If the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not”*. Consequently, Section 203(1) of the Public Finance Management Act, 2012 enacts that: - *“A public Officer is personally liable for any loss sustained by a county government that is attributable to-*
(a) the fraudulent or corrupt conduct, or negligence, of the officer; or
(b) the officer’s having done any act prohibited by sections 196, 197 and 198”

The Committee considers this Constitutional and legal provisions as the basis for holding Accounting Officers and other Public Officers directly and personally liable for any loss of public funds that may occur under their watch.

1.3. Obligations of the Accounting Officer

Article 226(2) of the Constitution of Kenya 2010 provides, inter alia, that: *“the Accounting Officer of a national public entity is accountable to the National Assembly for its financial management, and the Accounting Officer of a county public entity is accountable to the County Assembly for its financial management”*. Subsequently, Section 149(1) of the Public Finance Management (PFM) Act, 2012 provides that: *“An accounting officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is—*
(a) lawful and authorized; and
(b) Effective, efficient, economical and transparent.”

These provisions obligate the Accounting Officers to appear before the Public Accounts Committee to respond to audit queries raised by the Auditor General.

1.4. Committee Membership

The Committee comprises of the following Members: -

- | | |
|--|--------------------|
| 1. Hon. Chege Mwaura, MCA | - Chairperson |
| 2. Hon. Abel Osumba Atito, MCA | - Vice-Chairperson |
| 3. Hon. Benter Juma Obiero, MCA | |
| 4. Hon. Redson Otieno Onyango, MCA | |
| 5. Hon. John Rex Omolleh, MCA | |
| 6. Hon. Stazo Omung’ala Ang’ila, MCA | |
| 7. Hon. Richardo Nyantika Billy, MCA | |
| 8. Hon. John Ndile Musila, MCA | |
| 9. Hon. Cyrus Mugo Mubea, MCA | |
| 10. Hon. Jane Musangi Muthembwa, MCA | |
| 11. Hon. Emmy Khatemeshi Isalambo, MCA | |
| 12. Hon. Fuad Hussein Mohamed, MCA | |
| 13. Hon. Fatuma Abduwahid Abey, MCA | |
| 14. Hon. Eutyclus Mukiri Muriuki, MCA | |

15. Hon. Fredrick Njoroge Njogu, MCA
16. Hon. Rachel Wanjiru Maina, MCA
17. Hon. Aaron Kangara Wangare, MCA
18. Hon. Carrington Gichunji Heho, MCA
19. Hon. Mark Thiga Ruyi, MCA
20. Hon. Simon Maina Mugo, MCA
21. Hon. Paul Wachira Kariuki, MCA
22. Hon. Martin Mbugua Mwangi, MCA
23. Hon. Mary Wanjiru Kariuki, MCA

The Committee Secretariat comprises of the following members of staff: -

1. Mr. Kevin Wasike - Senior Clerk Assistant
2. Mr. Benedict Ochieng - Second Clerk Assistant
3. Mr. Klinsman Munase - Legal Counsel
4. Mr. Anthony Nyandiere - Hansard Editor

Allow me **Hon. Speaker** to thank the entire membership of this Committee for its hard work and commitment which made the taking of evidence and production of this Report a success.

1.5. Background

Kayole II Level 4 Hospital

Kayole 2 Level 4 Hospital is a level 4 hospital established under gazette notice and is domiciled in Nairobi County under Health Department. The Hospital is governed by a Board of Management

1.6. Establishment of the Hospital Funds

The Kayole II Level 4 Hospital Funds are established under the Facilities Improvement Financing Act of 2023. The Chief Officer for Health Facilities being the Accounting Officer of the Fund, is the administrator of the fund. Section 23 (a) of the Facilities Improvement Financing Act of 2023 mandates the administrator of Public Funds with the preparation of Annual Financial Statements.

1.7. Auditor-General's Responsibility

The Auditor General's responsibility was to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements in accordance with Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. The matters mentioned in the audit report were identified through tests considered necessary for the

purpose of the audit and it is possible that there might be other matters and/or weaknesses that were not identified.

1.8. Evidence taken

The Committee held sittings of which it interrogated the County Executive Committee Member for Health Wellness and Nutrition, Chief Officer Health Facilities and Kayole II Level 4 Hospital Medical Superintendent on key findings raised by the Auditor General. Similarly, the Committee received written responses to the audit findings.

While taking evidence, the Committee was guided by the existing procedures and modalities of operations of the Nairobi City County Assembly derived from the Constitution of the Republic of Kenya, Acts of National Parliament, Acts of Nairobi City County Assembly and Nairobi City County Assembly Standing Orders, conventions, usages, practices and rulings and directives of the Chairperson.

1.9. Appreciation

Hon. Speaker,


The Committee would like to thank the **Accounting Officer** for appearing before it and subsequently submitting written responses which provided valuable insights into the issues raised by the Auditor General.

Hon. Speaker,

The Committee also wishes to sincerely thank the Offices of the Speaker and the Clerk for the services extended to the Committee while considering this matter. The Committee further wishes to appreciate the Officers from the Office of the Auditor General and the Committee secretariat for their exemplary advisory services that enabled Members effectively execute their mandate.

Hon. Speaker,

On behalf of the Committee, I now wish to table this report and urge the Assembly to adopt it and the recommendations therein.



SIGNED

HON. CHEGE MWAURA (CHAIRPERSON)

DATE

wed/02/April/2026

2.0 REPORT OF THE AUDITOR-GENERAL ON KAYOLE II LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30TH JUNE, 2022.

2.1.1. Unsupported Revenue from Rendering Services

The statement of financial performance reflects revenue from rendering of services of Kshs. 3,633,260 as disclosed in Note 11 to financial statements. Audit review of revenue documents revealed that the total revenue reported in the financial statements, amounting to Kshs. 3,633,260 was not supported. The hospital failed to provide critical documentation, such as NHIF claim forms, to substantiate and support the revenue receipts. The absence of supporting records hinders the ability to validate the accuracy and completeness of the revenue reported.

In the circumstances, the accuracy and completeness of revenue from surrendering of services Kshs. 3,633,260 could not be confirmed.

Management Response

Its true revenue amounting to Kshs. 3,633,260 was disclosed in the financial statements. During the financial period NHIF were only receiving claims in hard, then process the claims and reimburse the money, money to facility by NHIF is shown on the attached table. (Appendix i).

Committee Observation:

The Committee observed that although revenue amounting to Kshs. 3,633,260 had initially not been supported, Management subsequently provided NHIF claim schedules and reimbursement records which were reviewed and verified. The Committee was satisfied that the revenue was valid, accurately reported, and properly accounted for.

Committee Recommendation:

- **The Committee recommends that the Management should ensure all revenue is consistently supported with NHIF/SHA claim forms, remittance schedules, and reconciliation statements to enhance transparency, accountability, and audit trail.**

2.1.2. Lack of Assets Register

The statement of financial position reflects Property, Plant and Equipment balance of Kshs. 3,705,100 as disclosed in Note 31 to the financial statements. However, during the audit, the hospital did not maintain an asset register for its assets. This omission makes it difficult to verify the existence, location, condition, and value of assets under the organization's control. The lack of an asset register also raises concerns about asset accountability and potential mismanagement. The absence of an asset register makes it impossible to confirm the authenticity of the amount.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs. 3,705,100 could not be confirmed.

Management Responses

It is true included in the financial statements position is property, plant and equipment amounting to Kshs. 3,705,100. The facility has an inventory register which captures all equipments for the facility. For an updated Asset register the Nairobi County Government appointed a team of valuers who visited the facility to value the assets and a report has been done.

Committee Observation:

The Committee noted that although the hospital had not maintained a formal asset register during the year under review, Management provided inventory records and confirmed that County-appointed valuers had undertaken asset valuation and prepared a comprehensive report. The Committee was satisfied that corrective measures had been initiated.

Committee Recommendation:

- **The Committee recommends that the Management should finalize the preparation of a comprehensive Asset register and submit a report to the County Assembly within sixty (60) days after the adoption of this report; and**
- **That the Management should ensures continuous update of the Asset register in compliance with the Public Finance Management Act, 2012.**

2.1.3. Unsupported Inventory Balance

The statement of financial position reflects inventory balance of Kshs. 1,268,640 as disclosed in Note 30 to the financial statements. However, the balance was not supported with the annual stock take to confirm the quantities, value and status of closing inventory balances.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs. 1,268,640 could not be confirmed.

Management Responses

It's true the financial statements reflect an inventory of Kshs. 1,268,640, the institution performs physical stock taking every month and reconciliation is done wherein a report is generated which is submitted to the County Government and facility hence ensuring transparency and accountability and proper management of pharmaceutical supplies. (Appendix iii).

Committee Observation:

The Committee observed that Management provided evidence of monthly physical stock taking, reconciliation reports, and submission to the County Government. The Committee was satisfied that the inventory balance of Kshs. 1,268,640 was accurate and verifiable.

Committee Recommendation:

- The Committee recommends that the Management should conduct periodic stock taking of hospital inventory and maintaining proper inventory documentation to strengthen inventory management and accountability.

2.1.4. Unsupported Expenditure

The statement of financial performance reported total expenses amounting to Kshs. 13,632,619. However, upon verification of the provided documents, it was noted that the figure did not have any supporting documents such as ledgers. In the absence of this document, it is not possible to confirm the authenticity of the figure.

In the circumstances, the regularity, accuracy and completeness of the total expenses amounting to Kshs. 13,632,619 could not be confirmed.

Management Responses

It is true included in the statement of financial performance is an expenditure amount of Kshs. 13,632,619. The institution expenditure is incurred on a need basis whilst utilizing the vote book while adhering to the relevant procurement guidelines. The expenditure ledgers/analysis are provided to support the expenditure. (Appendix iii)

Committee Observation:

The Committee noted that Management provided expenditure ledgers, vote book records, and supporting documentation which adequately supported the reported expenses amounting to Kshs. 13,632,619. The Committee was satisfied that the expenditure was legitimate, accurate, and properly authorized.

Committee Recommendation:

- The Committee recommends that the Management should maintain comprehensive expenditure documentation and ensures strict compliance with procurement and financial management regulations.

2.1.5. Lack of Bank Reconciliation Statements

The statement of financial position of the financial statements reflects cash and cash equivalent balance of Kshs. 5,962,867 as disclosed under Note 27 to the financial statements. The Management did not prepare bank reconciliation statements for the bank accounts.

In the circumstances, the accuracy, completeness, existence of cash and cash equivalent balance of Kshs. 5,962,867 could not be confirmed.

Management Responses

It is true included in the statement of financial position is cash and cash equivalent balance of Kshs. 5,962,867 and as disclosed under note 27. The management prepared the bank reconciliation statements for bank accounts and updated the cashbook. (Appendix v).

Committee Observation:

The Committee observed that Management subsequently prepared and availed bank reconciliation statements and updated the cashbook. The Committee confirmed the accuracy and existence of the cash and cash equivalent balance of Kshs. 5,962,867.

Committee Recommendation:

- **The Committee recommends that the Management should prepare monthly bank reconciliation statements to enhance financial control and accountability.**

2.1.6. Lack of General Ledger and Trial Balance

Review of the Hospital financial statements that the hospital did not prepare the financial statements from the ledger and the trail balance as required by the general accepted accounting principles.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

Management Responses

It is true there is lack of general ledger and trial balance. The management does prepare the cashbook and vote book of the accuracy and completeness of the finances. The cashbook is where every transaction of payment is entered. (Appendix vi)

Committee Observation:

The Committee noted that although the hospital relied on cashbooks and vote books, Management provided adequate transaction records that supported financial reporting. The Committee acknowledged the operational challenges but emphasized the need for proper accounting records.

Committee Recommendation:

- **The Committee recommends that the Management should establish a formal general ledger and trial balance system in line with generally accepted accounting principles and IPSAS requirements.**

2.1.7. Unsupported Receipt of Drugs from Nairobi County

Audit inspection of drugs inventory management revealed that, the hospital could not confirm the quantity and the value of drugs provided by the County of Nairobi to the hospital during the year under audit. No invoices or other supporting documentation were available to verify the transaction. Additionally, there were no inventory records or stock control management systems in place to confirm the quantity received, distribution, or current status of the drugs. The absence of inventory records prevents verification of the drugs' stock levels, usage, or distribution within the organization. Physical stocktaking procedures were not conducted, and no evidence of regular stock reconciliations or checks was provided. Further, the organization could not provide details regarding the specific drugs, their expiration dates, or their storage conditions.

In the circumstances, lack of documentation creates challenges in ensuring transparency, accountability, and the proper management of pharmaceutical supplies.

Management Responses

Sometimes the facility receives drugs from the County Government which are delivered only by delivery notes. The management has noted the gap observed and we are going to ask the County Government to include values for all supplies delivered to us. (Appendix vi).

Moreover, the institution performs physical stock taking every month and reconciliation is done wherein a report is generated which is submitted to the County Government hence ensuring transparency and accountability and proper management of pharmaceutical supplies. (Appendix ii).

Committee Observation:

The Committee observed that Management acknowledged documentation gaps and provided delivery notes and monthly stock reconciliation reports. The Committee was satisfied that corrective measures had been initiated to improve documentation of drug supplies.

Committee Recommendation:

- **The Committee recommends that the Management should ensure all drug supplies received from the County Government are accompanied by delivery notes indicating quantities and values to enhance accountability and inventory control.**

2.1.8. Lack of an Approved Budget

The organization did not prepare or approve an annual budget for the fiscal year under review. This lack of a formal budget means there was no structured framework for planning, controlling, or monitoring expenditures and revenues. The absence of a budget made it difficult to ensure resources are used efficiently.

Management Responses

The facility prepares quarterly budgets (QIP) that are presented to the Board which in turn interrogates and approves them wherein further approval is done at the Sub-county level where it is submitted to the County Government for AIE generation. The Board and the summary budget of the finance committee which depends on the requisition from CHMT is quarterly approved where is submitted to the Sub-county MOH then the County. (Appendix viii – minutes).

Committee Observation:

The Committee observed that Management prepared and implemented quarterly budgets (QIPs) which were approved by the Board and submitted to the Sub-County and County levels for AIE generation. The Committee was satisfied that budgetary controls were in place.

Committee Recommendation:

- **The Committee recommends that the Management should consolidate quarterly budgets into an annual approved budget to strengthen financial planning, control, and accountability.**

2.1.9. Failure to Transfer Revenue to the County Revenue Fund Account

The statement of financial performance reflects revenue from rendering of services -medical income amount of Kshs. 3,633,260 as disclosed in Note 11 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal. This is contrary to Regulation 81(1-3) of Public Finance and Management (County Government) Regulations 2015 which states that a receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund and Money shall not be withdrawn from a Revenue Fund unless the Controller of Budget has approved the withdrawal.

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

Management Responses

It is true that the financial performance reflects revenue from rendering of services medical income as disclosed in note 11 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account as the facility operated in level 3. Therefore, the facility had FIF account for which each public health facility had monies paid were received (Appendix xvii).

Committee Observation:

The Committee noted that the facility operated a Facility Improvement Fund (FIF) account as authorized for Level 3 and Level 4 facilities, and revenue receipts were properly accounted for. The Committee was satisfied with the explanation provided.

Committee Recommendation:

- **The Committee recommends that the Management should adhere to the prevailing County health financing framework while ensuring proper reporting and accountability of all revenue collected.**

2.1.10. Irregular Engagement of Casual Workers

The statement of financial performance reflects general expenses amount of Kshs. 4,517,700 as disclosed in Note 21 to the financial statements. Included is casual labour expense of Kshs. 1,782,500. Review of documents provided revealed that Management engaged casual workers for more than three months, contrary to the Public Service Commission of Kenya, County Public Service Human Resource Manual, May 2013 Section B.16(1) which states that (1) Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and they shall not be engaged for more than three months, as stipulated in the Employment Act (2007).

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

Management Responses

It is true statement of financial performance reflects general expenses amount of Kshs. 4,517,700 as disclosed in note 21 to the financial statements included in casual labor expenses of Kshs. 1.782,500. The casual labors are engaged on 3months renewable contract upon which is terminated then if he or she reapplies the contract is renewed. The same a letter was written to the County Chief Officer for Health on 5th August, 2019 requesting for employment of the casuals. (Appendix ix).

Committee Observation:

The Committee observed that casual workers were engaged on renewable short-term contracts, and Management had sought approval from the County Government. The Committee was satisfied that corrective administrative action had been initiated.

Committee Recommendation:

- **The Committee recommends that the Management should strictly adhere to the Public Service Commission Human Resource Manual provisions on engagement of casual workers to avoid future non-compliance.**

2.1.11. Service Delivery Gaps

Review of records maintained by the Hospital and analysis of healthcare staffing and physical verification of medical equipment available at the hospital revealed that the hospital had eleven (11) qualified number of staff against the required 101 for a hospital to be categorized as a level 4 hospital. This implies that the hospital had a deficiency of 90 qualified officers. In

addition, the Hospital lacked critical services, enough bed capacity and equipment and machines. These deficiencies contravene the First Schedule of the Health Act, 2017.

In the circumstances, the understaffing and inadequate hospital equipment may negatively have impacted on service delivery to the public.

Management Responses

It is true that Kayole II Level 4 Hospital does not maintain staff establishment display however, it appears in the annual work plan (AWP). The AWP stipulates the work plan and the required work force for the facility (Appendix x).

Committee Observation:

The Committee noted that staffing and equipment gaps were clearly identified in the Annual Work Plan, and Management had escalated the matter to the County Government. The Committee acknowledged that the challenges were systemic and beyond facility-level control.

Committee Recommendation:

- **The Committee recommends that the County Executive urgently addresses staffing and equipment shortages at the facility to enhance service delivery and compliance with the Health Act, 2017. A progress report be submitted to the Assembly within ninety (90) days after the adoption of this report.**

2.1.12. Non-Compliance with Public Sector Accounting Standards Board Reporting Template

Review of financial statements revealed the following anomalies: -

- i. The name of the Hospital on the cover page could not be confirmed as the certificate of incorporation was not provided for audit
- ii. The Table of Content has not made references for Appendices pages.
- iii. The profile pictures of board members and senior management of the hospital and the details of every board member has not been included in the financial statements.
- iv. The details of the entity location and postal address have not been indicated in the financial statements.
- v. Nil balances reported in the financial statements recorded as XX should be replaced with 0 (Zero).
- vi. There were variances between reported figures in the financial statements and the supporting Notes.
- vii. The financial statements were not approved/ signed by the Chairman of the Board and the Head of Finance indicate the ICPAK number.
- viii. The comparative opening balances for the previous year should be recorded as Nil since 2021/2022 was a first-time adoption of the IPSAS reporting template.

- ix. The statement of comparison of budget and actual amounts for the year under review has been omitted the approved budget figures.

In the circumstance, Management did not comply with Public Sector Accounting Standards Board Reporting Template.

Management Responses

Kayole II Level 4 Hospital is a public health facility that was established in 2001 by the Nairobi City Council as a dispensary which was later upgraded to a health centre in 2003. When a maternity wing was opened. In 2021 the facility was upgraded to a level 4 hospital by the Nairobi Metropolitan Service. (Appendix xv).

The non-compliance with Public Sector Accounting Standards Board reporting template are noted and shall be corrected in the amended financial statement.

Committee Observation:

The Committee observed that Management acknowledged the reporting gaps and committed to correcting them in amended financial statements. The Committee was satisfied with the corrective actions undertaken.

Committee Recommendation:

- **The Committee recommends that the Management should fully comply with the Public Sector Accounting Standards Board reporting templates in all future financial statements to enhance transparency, consistency, and accountability.**

2.1.13. Absence of Board Calendar, Almanac, and Minutes of Meetings

The audit identified significant gaps in the governance structure of the organization due to the lack of Board work plan, Board minutes and Almanac. Further, the financial statement indicate that the hospital had nine (9) board members and reflects Nil Board of Management expenses under Note 17 to the financial statements. However, appointment letters, Gazette Notices and Acceptance of board members in writing were not availed for audit and therefore the composition and terms of service could not be confirmed. Additionally, there was no evidence that the hospital implemented the Board Charter the approved board work plan was not availed for audit. This is contrary to Mwongozo Code of Governance for State Corporations, 2015, Principle 1.9.

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

Management Responses

It is true that the financial statement indicates that the hospital had nine (9) Board members and reflected Nil Board Management expenses under Note 17 of the financial statements.

Kindly be informed that the names of respective members are submitted to the County Government for consideration wherein the list is interrogated and appointments done accordingly and a Gazette Notice issued. The relevant documents are available for audit therefore the composition and terms of service could be confirmed. Additionally, the approved Board work plan is available for audit review (Appendix xi).

The operation of the facility is guided by a Board of Management whose operations are guided by the Health Management policy which regulates and stipulates the time frames for its quarterly meetings. The Board is meant to meet on quarterly basis to oversee the approval of the budget and other activities.

There was an error of omission in note 17 of the financial statement. This will be addressed by the amended financial statement. (Appendix xii – Board members and minutes).

Committee Observation:

The Committee noted that Management subsequently provided board appointment documents, approved work plans, and minutes of meetings. The Committee confirmed that governance structures were operational.

Committee Recommendation:

- **The Committee recommends that the Management should institutionalize proper governance documentation and ensures regular board meetings in compliance with Mwongozo Code of Governance, 2015.**

2.1.14. Inadequate Internal Controls

The audit revealed critical weaknesses in the organization's internal control systems, primarily due to the absence of key personnel, including a qualified accountant, internal auditor, and procurement officer. These roles are essential for maintaining financial integrity, operational efficiency, and compliance with statutory requirements. Specifically: The lack of an accountant has resulted in delayed reconciliations, inconsistencies in ledgers, and inaccuracies in cash flow reports. The absence of an internal auditor means no independent checks or evaluations of financial and operational controls are conducted. Procurement processes lack structure, with purchases being initiated and approved by the same individuals, increasing the risk of fraud and inefficiency. Missing or incomplete documentation for procurement transactions has made it challenging to validate expenditures during the audit.

In the circumstances, the effectiveness of internal controls could not be confirmed

Management Responses

It is true the facility lacks various key personnel including a qualified Accountant, Internal Auditor and Procurement officer amongst others. However, the County health office has been made aware through a written communication of the staff gaps which the management is

following up to address this gap. (Appendix xiii – letter of request and staff establishment in the facility)

Committee Observation:

The Committee observed that Management had formally communicated staff shortages to the County Government and initiated follow-ups. The Committee acknowledged the systemic staffing challenges.

Committee Recommendation:

- **The Committee recommends that the County Executive should expedite recruitment and deployment of key financial and procurement staff to strengthen internal controls at the Facility.**

2.1.15. Unfulfilled Customer Orders

The statement of financial performance reflects medical costs of Kshs. 7,711,419 as disclosed in Note 15 to the financial statements. However, a review of ordering records indicated that the hospital made quantity orders of 73,141 units of various medical commodities from Kenya Medical Supplies Authority (KEMSA) out of which only 37,543 or 51% of the orders were received resulting to unfulfilled orders of 35,598 or 49%. There was no evidence that the Management sought for alternative sources of supplies to fulfil the customer orders.

In the circumstances, the effectiveness of management control over customer orders could not be confirmed.

Management Responses

The Management did not submit a response on this issue.

Committee Observation:

The Committee noted that Management did not submit a formal response on this issue. However, systemic supply chain challenges at KEMSA were acknowledged.

Committee Recommendation:

- **The Committee recommends that the Management should proactively explore alternative supply mechanisms during prolonged KEMSA delays to minimize stock shortages and safeguard service delivery.**

2.1.16. Stock-Outs of Essential Medical Supplies

The statement of financial position reflects inventory balance of Kshs. 1,268,640 as disclosed in Note 30 to the financial statements. A review of the Hospital stock cards for controlling stores indicated that the Hospital experienced stock out of medical supplies ranging from six (6) days to three hundred and ninety-nine (399) days.

In the circumstances, the effectiveness of internal controls on the management of pharmaceutical and non-pharmaceutical could not be confirmed.

Management Responses

The statement of financial position reflects inventory balance of Kshs. 1,268,640 as disclosed in Note 30 to the financial statements is the total of many general stocks. It is true that the hospital experience stock out of pharmaceutical (medical supplies) between ranging from six (6) to three hundred and ninety-nine (399) days. The total inventory of pharmaceutical supplies was Kshs. 135,940 which was stock balance of emergency drugs. Stock control cards are available for audit review.

Committee Observation:

The Committee observed that stock-outs were largely due to supply chain constraints and limited emergency drug allocation. Management provided stock cards and reconciliation records, which were verified.

Committee Recommendation:

- **The Committee recommends that the Management should strengthen inventory forecasting and ordering mechanisms to minimize future stock-outs.**

2.1.17. Inadequate Universal Health Coverage (UHC) Commodities and Services

The statement of financial performance reflects clinical costs amount of Kshs. 7,711,419 as disclosed in Note 15 to the financial statements. Included in the expenditure is an amount of Kshs. 3,270,000 incurred on pharmaceuticals out of which Kshs. 443,943 was spent on Universal Health Coverage program medical commodities. However, these medical commodities were inadequate to implement the Programme at the hospital. Further, there was no evidence to indicate that the hospital was allocated healthcare workers employed by the National Government to implement the Programme.

In the circumstances, the effectiveness of the Management to attain the highest standard of health could not be confirmed.

Management Responses

The statement of financial performance reflects clinical costs amount of Kshs. 7,711,419 as disclosed in note 15 to the financial statements included in the expenditure is amount of Kshs. 3,270,000 on pharmaceutical out of which Kshs. 443,943 was spent on UHC program medical commodities. One is that the allocation for medical supplies was for emergency drugs and other issues were large allocation for the commodities to use and improve ton the laboratory tests.

Committee Observation:

The Committee noted that limited UHC allocations constrained service delivery. Management clarified that funding prioritized emergency drugs and laboratory services. The Committee accepted the explanation.

Committee Recommendation:

- The Committee recommends that the County Government should enhance budgetary allocation for UHC commodities and staffing to fully operationalize the programme.

3.0 REPORT OF THE AUDITOR-GENERAL ON KAYOLE II LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30TH JUNE, 2023.

3.1.1. Unsupported Revenue from Rendering Services

The statement of financial performance reflects revenue from rendering of services of shs. 11,788,314 as disclosed in Note 11 to financial statements. Audit review of revenue documents revealed that the total revenue reported in the financial statements, amounting to Kshs. 11,788,314 was not supported. The hospital failed to provide critical documentation, such as NHIF claim forms, to substantiate and support the revenue receipts. The absence of supporting record hinders the ability to validate the accuracy and completeness of the revenue reported

In the circumstances, the accuracy and completeness of revenue from surrendering o services Kshs. 11,788,314 could not be confirmed

Management Responses

It is true revenue amounting to Kshs. 11,788,314 was disclosed in the financial statements. During the financial period NHIF were only receiving claims in hard, then process the claims and reimburse the money. (appendix i).

Committee Observation:

The Committee observed that Management provided NHIF claims schedules and reimbursement records to support revenue amounting to Kshs. 11,788,314. The Committee confirmed that the revenue was valid, accurately reported, and properly accounted for.

Committee Recommendation:

- **The Committee recommends that the Management should ensure all revenue is consistently supported with NHIF/SHA claim forms, remittance advice, and reconciliation statements to enhance accountability and audit verification.**

3.1.2. Lack of Assets Register

The statement of financial position reflects Property, Plant and Equipment Balance of Kshs. 4,779,600 as disclosed in Note 31 to the financial statements. However, during the audit, the hospital did not maintain an asset register for its assets. This omission makes it difficult to verify the existence, location, condition, and value of assets under the organization's control. The lack of an asset register also raises concerns about asset accountability and potential mismanagement. Further, the schedule fixed assets movement has very many errors and does not have a Note or a heading. The absence of an asset register makes it difficult to confirm the authenticity of the amount.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs. 4,779,600 could not be confirmed.

Management Responses

It is true included in the financial statements position is property, plant and equipment amounting to Kshs. 4,779,600. The facility has an inventory register which captures all equipments for the facility. For an updated Asset register the Nairobi County Government appointed a team of valuers who visited the facility to value the assets and a report has been done. (Appendix ii).

Committee Observation:

The Committee noted that Management provided inventory records and valuation reports prepared by County-appointed valuers. The Committee was satisfied that corrective measures to establish a comprehensive asset register had been initiated.

Committee Recommendation:

- **The Committee recommends that the Management should finalize and maintain a comprehensive asset register in compliance with the Public Finance Management Act, 2012 and International Public Sector Accounting Standards.**

3.1.3. Unsupported Inventory Balance

The statement of financial position reflects inventory balance of Kshs. 2,107,077 as disclosed in Note 30 to the financial statements. However, the balance was not supported with the annual stock take to confirm the quantities, value and status of closing inventory balances.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs. 2,107,077 could not be confirmed.

Management Responses

It's true the financial statements reflect an inventory of Kshs. 2,107,077, the institution performs physical stock taking every month and reconciliation is done wherein a report is generated which is submitted to the County Government and facility hence ensuring transparency and accountability and proper management of pharmaceutical supplies. (Appendix iii).

Committee Observation:

The Committee observed that Management availed monthly physical stock-taking reports and reconciliation schedules, which adequately supported the reported inventory balance of Kshs. 2,107,077.

Committee Recommendation:

- **The Committee recommends that the Management should continue conducting regular stock counts and maintain proper documentation to ensure accuracy and accountability of inventory balances.**

3.1.4. Unsupported Expenditure

The statement of financial performance reported total expenses amounting to Kshs. 14,496,800. However, upon verification of the provided documents, it was noted that the figure did not have any supporting documents such as ledgers. In the absence of this document, it is not possible to confirm the authenticity of the figure.

In the circumstances, the regularity, accuracy and completeness of the total expenses amounting to Kshs. 14,496,800 could not be confirmed.

Management Responses

It is true in the statement of financial performance is an expenditure to Kshs. 14,496,800. The institution expenditure is incurred on need basis whilst utilizing the vote book while adhering to the relevant procurement guidelines. The expenditure ledger/analysis is provided to support the expenditure. The statements of financial performance and notes 15,19 and 21 reflects medical/clinical costs Kshs. 5,875,090, repair and maintenance of Kshs. 890,000, general expenses 4,462,715 attached are supporting documents for the expenditure. (Appendix vii).

Committee Observation:

The Committee noted that Management provided vote books, expenditure ledgers, and supporting documentation verifying expenditure amounting to Kshs. 14,496,800. The Committee was satisfied with the authenticity and propriety of the expenditure.

Committee Recommendation:

- **The Committee recommends that the Management should ensure continued adherence to procurement laws and maintenance of complete expenditure documentation to strengthen financial accountability.**

3.1.5. Lack of Bank Reconciliation Statements

The statement of financial position of the financial statements reflects cash and cash equivalent balance of Kshs. 6,908,051 as disclosed under Note.27 to the financial statements. The management did not prepare bank reconciliation statements for the bank accounts.

in the circumstances, the accuracy, completeness, existence of cash and cash equivalent balance of Kshs. 6,908,051 could not be confirmed.

Management Responses

It is true included in the statement of financial position is cash and cash equivalent balance of Kshs. 6,908,051 and as disclosed under note 27. The management prepared the bank reconciliation statements for bank accounts and updated the cashbook. (Appendix viii).

Committee Observation:

The Committee observed that Management prepared and availed bank reconciliation statements and updated cashbooks confirming the cash and cash equivalent balance of Kshs. 6,908,051.

Committee Recommendation:

- The Committee recommends that the Management should prepare monthly bank reconciliations to ensure accurate cash management and financial control.

3.1.6. Lack of General Ledger and Trial Balance

Review of the Hospital financial statements that the hospital did not prepare the financial statements from the ledger and the trial balance as required by the general accepted accounting principles.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

Management Responses

It is true there is lack of general ledger and trial balance. The management does prepare the cashbook and vote book of the accuracy and completeness of the finances. The cashbook is where every transaction of payment is entered. Cashbook and vote book are available for perusal by the Office of the Auditor-General.

Committee Observation:

The Committee noted that although Management relied on cashbooks and vote books, adequate financial records were availed for verification. The Committee emphasized the need for structured accounting systems.

Committee Recommendation:

- The Committee recommends that the Management should establish a formal general ledger and trial balance system in line with International Public Sector Accounting Standards and generally accepted accounting principles.

3.1.7. Unsupported Receipt of Drugs from Nairobi County

Audit inspection of drugs inventory management revealed that, the hospital could not confirm the quantity and the value of drugs provided by the County of Nairobi to the hospital during the year under audit, no invoices or other supporting documentation were available to verify the transaction. Additionally, there were no inventory records or stock control management systems in place to confirm the quantity received, distribution, o current status of the drugs.

The absence of inventory records prevents verification of the drugs' stock levels, usage, or distribution within the organization. Physical stocktaking procedures were not conducted, and no evidence of regular stock reconciliations or checks was provided. Further, the organization could not provide details regarding the specific drugs, their expiration dates, or their storage conditions,

In the circumstances, lack of documentation creates challenges in ensuring transparency, accountability, and the proper management of pharmaceutical supplies.

Management Responses

Sometimes the facility receives drugs from the County Government which are delivered only by delivery notes. The management has noted the gap observed and we are going to ask the County Government to include values for all supplies delivered to us. (Appendix vi). Kindly be informed that the institution maintains stock control cards which inform the stock receipts, distribution and the balances in stores.

Moreover, the institution performs physical stock taking every month and reconciliation is done wherein a report is generated which is submitted to the County Government hence ensuring transparency and accountability and proper management of pharmaceutical supplies. (Appendix vi).

Committee Observation:

The Committee observed that Management provided delivery notes, stock control cards, and monthly reconciliation reports. The Committee was satisfied that corrective measures had been initiated to improve accountability for drug supplies.

Committee Recommendation:

- **The Committee recommends that the Management should ensure all drug supplies received be accompanied by delivery notes indicating quantities and values to enhance transparency and inventory control.**

3.1.8. Un-Supported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transaction Kshs. 6,000,000 as disclosed in Note 28 to the financial statements. Management did not provide documents, ledger or trial balance in support of the balance.

In the circumstances, the accuracy and completeness of receivables from exchange transaction Kshs. 6,000,000 cannot be confirmed.

Management Responses

It is true the statement of financial position reflected receivables from exchange transactions Kshs. 6,000,000 as disclosed in Note 28 to the financial statements. There is supporting document of receivables from NHIF (Appendix i).

Committee Observation:

The Committee noted that Management provided NHIF documentation supporting receivables amounting to Kshs. 6,000,000. The Committee confirmed the validity and completeness of the receivable balance.

Committee Recommendation:

- **The Committee recommends that the Management should maintain comprehensive receivable schedules and reconciliation statements for effective revenue monitoring.**

3.1.9. Lack of an Approved Budget

The organization did not prepare or approve an annual budget for the fiscal year under review. This lack of a formal budget means there was no structured framework for planning, controlling, or monitoring expenditures and revenues. The absence of a budget made it difficult to ensure resources are used efficiently.

Management Responses

The facility prepares quarterly budgets (QIP) that are presented to the Board which in turn interrogates and approves them wherein further approval is done at the Sub-county level where it is submitted to the County Government for AIE generation. The Board and the summary budget of the finance committee which depends on the requisition from CHMT is quarterly approved where is submitted to the Sub-county MOH then the County. (Appendix xii – minutes).

Committee Observation:

The Committee observed that Management prepared and implemented quarterly budgets which were approved by the Board and County authorities. The Committee was satisfied that budgetary controls were operational.

Committee Recommendation:

- **The Committee recommends that the Management should ensure consolidation of quarterly budgets into an annual approved budget to enhance financial planning, monitoring, and control.**

3.1.10. Failure to Transfer Revenue to the County Revenue Fund Account

The statement of financial performance reflects revenue from rendering of services - medical income amount of Kshs. 11,788,314 as disclosed in Note 11 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal. This is contrary to Regulation 81(1-3) of Public Finance and Management (County Government Regulations 2015 which states that a receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the

County Revenue Fund and Money shall not be withdrawn from a Revenue Fund unless the Controller of Budget has approved the withdrawal.

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

Management Responses

It is true that the financial performance reflects revenue from rendering of services medical income as disclosed in note 11 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account as the facility operated in level3. Therefore, the facility had FIF account for which each public health facility had monies paid were received (Appendix xiii).

Committee Observation:

The Committee noted that the hospital operated a Facility Improvement Fund (FIF) account as permitted for public health facilities and confirmed that revenue was properly accounted for.

Committee Recommendation:

- The Committee recommends that the Management should ensure continued compliance with the prevailing County health financing framework and proper disclosure of all revenue collections.

3.1.11. Irregular Engagement of Casual Workers

The statement of financial performance reflects general expenses amount of Kshs. 5,124,800 as disclosed in Note 21 10 the financial statements. Included is casual labour expense of Kshs. 2,454,000. Review of documents provided revealed that Management engaged casual workers for more than three months. contrary to the Public Service Commission of Kenya, County Public Service Human Resource Manual, May 2013 Section B.16(1) which states that (1) Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and they shall not be engaged for more than three months, as stipulated in the Employment Act (2007).

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

Management Responses

It is true statement of financial performance reflects general expenses amount of Kshs. 5,124,800 as disclosed in note 21 to the financial statements included is casual labor expenses of Kshs. 2,454,000. The casual labors are engaged on 3 months' contract upon which is terminated then if he or she qualifies is renewed. The same a letter was written for the employment of the casuals to the County Chief Officer public health. (Appendix xiv).

Committee Observation:

The Committee observed that casual staff were engaged on renewable short-term contracts and that Management had sought approval from the County Government. The Committee was satisfied that corrective administrative steps had been taken.

Committee Recommendation:

- The Committee recommends that the Management should ensure strict compliance with the County Public Service Human Resource Manual to avoid future irregular engagements.

3.1.12. Service Delivery Gaps

Review of records maintained by the Hospital and analysis of healthcare staffing and physical verification of medical equipment available at the hospital revealed that the hospital had eleven (11) qualified number of staff against the required 101 for a hospital to be categorized as a level 4 hospital. This implies that the hospital had a deficiency of 90 qualified officers. In addition, the Hospital lacked critical services, enough bed capacity and equipment and machines. These deficiencies contravene the First Schedule of the Health Act, 2017.

In the circumstances, the understaffing and inadequate hospital equipment may negatively have impacted on service delivery to the public.

Management Responses

It is true that Kayole II Level 4 Hospital does not maintain staff establishment display however, it appears in the annual work plan (AWP). (Appendix xv).

Committee Observation:

The Committee noted that staffing shortages and inadequate equipment were documented in the Annual Work Plan and communicated to the County Government. The Committee acknowledged that these challenges were systemic.

Committee Recommendation:

- The Committee recommends that the County Executive should urgently address staffing and equipment gaps to enhance service delivery and compliance with the Health Act, 2017 at the facility.

3.1.13. Non-Compliance with Public Sector Accounting Standards Board Reporting Template

Review of financial statements revealed the following anomalies:

- i. The name of the hospital on the cover page could not be confirmed as the certificate of incorporation was not provided for audit
- ii. !! The Table of Content has not made references for Appendices pages
- iii. ii The profile pictures of board members and senior management of the hospital and the details of every board member has not been included in the financial statements.
- iv. The details of the entity location and postal address have not been indicated in the financial statements

- v. Nil balances reported in the financial statements recorded as XX should be replaced with 0 (Zero)
- vi. There were variances between reported figures in the financial statements and the supporting Notes.
- vii. vii The financial statements were not approved/ signed by the Chairman of the Board and the Head of Finance indicate the ICPAK number
- viii. vii The comparative opening balances for the previous year should be recorded as Nil since 2022/2023 was a first-time adoption of the IPSAS reporting template.
- ix. The statement of comparison of budget and actual amounts for the year under review has been omitted the approved budget figures

In the circumstances, Management did not comply with Public Sector Accounting Standards Board Reporting Template

Management Responses

Kayole II Level 4 Hospital is a public health facility that was established in 2001 by the Nairobi City Council as a dispensary which was later upgraded to a health centre in 2003. When a maternity wing was opened. In 2021 the facility was upgraded to a level 4 hospital by the Nairobi Metropolitan Service. (Appendix xv).

The non-compliance with Public Sector Accounting Standards Board reporting template are noted and shall be corrected in the amended financial statement.

Committee Observation:

The Committee observed that Management acknowledged the reporting gaps and committed to correcting them in amended financial statements. The Committee accepted the corrective measures undertaken.

Committee Recommendation:

- **The Committee recommends that the Management should ensure full compliance with Public Sector Accounting Standards Board reporting templates in all future financial statements.**

3.1.14. Absence of Board Calendar, Almanac and Minutes of Meetings

The audit identified significant gaps in the governance structure of the organization due to the lack of Board work plan, Board minutes and Almanac. Further, the financial statement indicate that the hospital had nine (9) board members and reflects Nil Board of Management expenses under Note 17 to the financial statements. However, appointment letters, Gazette Notices and Acceptance of board members in writing were not availed for audit and therefore the composition and terms of service could not be confirmed. Additionally, there was no evidence that the hospital implemented the Board Charter the approved board work plan was not

availed for audit. This is contrary to Mwongozo Code of Governance for State Corporations, 2015, Principle 1.9

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

Management Responses

It is true that the financial statement indicates that the hospital had nine (9) Board members and reflected Nil Board Management expenses under Note 17 of the financial statements. Kindly be informed that the names of respective members are submitted to the County Government for consideration wherein the list is interrogated and appointments done accordingly and a Gazette Notice issued. The relevant documents are available for audit therefore the composition and terms of service could be confirmed. Additionally, the approved Board work plan is available for audit review (Appendix xvi).

The operation of the facility is guided by a Board of Management whose operations are guided by the Health Management policy which regulates and stipulates the time frames for its quarterly meetings. The Board is meant to meet on quarterly basis to oversee the approval of the budget and other activities.

There was an error of omission in note 17 of the financial statement. This will be addressed by the amended financial statement.

Committee Observation:

The Committee noted that Management provided board appointment letters, Gazette notices, minutes, and approved work plans. The Committee confirmed that governance structures were operational.

Committee Recommendation:

- **The Committee recommends that the Management should ensure consistent documentation of the Board operations and governance activities.**

3.1.15. Inadequate Internal Controls

The audit revealed critical weaknesses in the organization's internal control systems, primarily due to the absence of key personnel, including a qualified accountant, internal auditor, and procurement officer. These roles are essential for maintaining financial integrity, operational efficiency, and compliance with statutory requirements. Specifically: The lack of an accountant has resulted in delayed reconciliations, inconsistencies in ledgers, and inaccuracies in cash flow reports. The absence of an internal auditor means no independent checks or evaluations of financial and operational controls are conducted. Procurement processes lack structure, with purchases being initiated and approved by the same individuals, increasing the risk of fraud

and inefficiency. Missing or incomplete documentation for procurement transactions has made it challenging to validate expenditures during the audit.

Management Responses

It is true the facility lacks various key personnel including a qualified Accountant, Internal Auditor and Procurement officer amongst others. However, the County health office has been made aware through a written communication of the staff gaps which the management is following up to address this gap. (Appendix xvii – letter of request and staff establishment in the facility)

Committee Observation:

The Committee observed that Management had formally requested the County Government to fill staffing gaps and that follow-up actions were ongoing.

Committee Recommendation:

- **The Committee recommends that the County Executive should expedite recruitment of key finance, audit, and procurement personnel to strengthen internal controls.**

3.1.16. Unfulfilled Customer Orders

The statement of financial performance reflects medical costs of Kshs. 8,549,000 as disclosed in Note 15 to the financial statements. However, a review of ordering records indicated that the hospital made quantity orders of 73,141 units of various medical commodities from Kenya Medical Supplies Authority (KEMSA) out of which only 37,543 or 51% of the orders were received resulting to unfulfilled orders of 35,598 or 49%. There was no evidence that the Management sought for alternative sources of supplies to fulfil the customer orders

In the circumstances, the effectiveness of Management control over customer orders could not be confirmed.

Management Responses

The statement financial performance reflects medical costs of Kshs. 8,549,000 as disclosed in Note 15 to the financial statements is misrepresentation of the figures. The note 15 which we declared for medical drugs is Kshs. 1,200,000 of which KEMSA orders were unfulfilled because of out of stocks and only supplies what they have in store.

Committee Observation:

The Committee noted that unfulfilled orders were due to KEMSA supply constraints and stock shortages beyond the hospital's control.

Committee Recommendation:

- The Committee recommends that the Management should explore alternative supply mechanisms to mitigate prolonged stock shortages.

3.1.17. Stock-Outs of Essential Medical Supplies

The statement of financial position reflects inventory balance of Kshs. 2,107,077 as disclosed in Note 30 to the financial statements. A review of the Hospital stock cards for controlling stores indicated that the Hospital experienced stock out of medical supplies ranging from six (6) days to three hundred and ninety-nine (399) days.

In the circumstances, the effectiveness of internal controls on the management of pharmaceutical and non-pharmaceutical could not be confirmed.

Management Responses

The statement of financial position reflects inventory balance of Kshs. 1,268,640 as disclosed in Note 30 to the financial statements is the total of many general stocks. It is true that the hospital experience stock out of pharmaceutical (medical supplies) between ranging from six (6) to three hundred and ninety-nine (399) days. The total inventory of pharmaceutical supplies was Kshs. 135,940 which was stock balance of emergency drugs. Stock control cards are available for audit review.

Committee Observation:

The Committee observed that stock-outs resulted from supply limitations and that emergency drug allocations were in place. Stock control cards were verified.

Committee Recommendation:

- The Committee recommends that the Management should develop strategies in strengthening inventory forecasting and supply chain coordination to minimize stock-outs.

3.1.18. Inadequate Universal Health Coverage (UHC) Commodities and Services

The statement of financial performance reflects clinical costs amount of Kshs. 8,549,000 as disclosed in Note 15 to the financial statements. Included in the expenditure is an amount of Kshs. 3,270,000 incurred on pharmaceuticals out of which Kshs. 443,943 was spent on Universal Health Coverage program medical commodities. However, these medical commodities were inadequate to implement the Programme at the hospital. Further, there was no evidence to indicate that the hospital was allocated healthcare workers employed by the National Government to implement the Programme.

In the circumstances, the effectiveness of the Management to attain the highest standard of health could not be confirmed.

Management Responses

The statement of financial performance reflects clinical costs amount of Kshs. 8,549,000 as disclosed in note 15 to the financial statements included in the expenditure is amount of Kshs. 3,270,000 incurred on pharmaceutical out of which Kshs. 443,943 was spent on UHC program medical commodities. One is that the allocation for medical supplies was for emergency drugs and other issues were large allocation for the commodities to use and improve on the laboratory tests.

Committee Observation:

The Committee noted that UHC allocations were limited and prioritized emergency drugs and laboratory services. The Committee accepted the explanation provided.

Committee Recommendation:

- **The Committee recommends that the Management should ensure increased allocation of funds and staffing support for effective implementation of the UHC programme.**

3.1.19. Lack of ICT Policy and Risk Management Policy

Audit review of the Hospital ICT environment revealed that there was no formal approved ICT policy in place to enable the hospital manage business processes for the delivery of services to the stakeholders in an effective and efficient manner. Further, it was noted that the hospital lacks an approved Risk Management policy thus it does not have a framework for management of risk. It was not possible to identify, assess and control risk. Additionally, it is not possible to define the entity's risk appetite and set the risk tolerance levels by identifying boundaries against unacceptable exposure to risk.

In the circumstances, the effectiveness of internal controls on risk management could not be conclude.

Management Responses

The facility operates under Nairobi City County Administration; however, it was noted that the facility lacks some policies. However, the facility is not autonomous from the other County facilities hence the established health facilities policies suffices. We shall develop the ICT policies and risk management policies with conjunction with the relevant authorities in the County.

Committee Observation:

The Committee observed that the facility relied on County-wide policies and that Management had committed to developing facility-specific ICT and risk management policies.

Committee Recommendation:

- The Committee recommends that the Management should expedite the development and approval of ICT and risk management policies to strengthen governance, accountability, and operational efficiency within ninety (90) days after the adoption of this report.

4.0 REPORT OF THE AUDITOR-GENERAL ON KAYOLE II LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30TH JUNE, 2024.

4.1.1. Unsupported Revenue from Rendering Services

The statement of financial performance reflects revenue from rendering of services of Kshs. 5,428,416 as disclosed in Note 11 to financial statements. Audit review of revenue documents revealed that the total revenue reported in the financial statements, amounting to Kshs. 5,428,416 was not supported. The Hospital failed to provide critical documentation, such as NHIF claim forms, to substantiate and support the revenue receipts. The absence of supporting records hinders the ability to validate the accuracy and completeness of the revenue reported.

In the circumstances, the accuracy and completeness of revenue from surrendering o services Kshs. 5,428,416 could not be confirmed.

Management Responses

Its true revenue amounting to Kshs. 5,428,416 was disclosed in the financial statements. During the financial period NHIF were receiving E-claims not in hard, then process the claims and reimburse the money. Copies of the E-claims made from NHIF between July 2023 and June 2024 have been attached and also money owed to the facility by NHIF is shown on the attached table. (Appendix i).

Committee Observation:

The Committee observed that revenue amounting to Kshs. 5,428,416 was generated through NHIF e-claims, and that supporting electronic claims documentation and reconciliation schedules were subsequently availed. The Committee was satisfied that the revenue was valid, accurate, and verifiable.

Committee Recommendation:

- **The Committee recommends that the Management should ensure systematic filing, reconciliation, and safe custody of both electronic and physical revenue support documents to enhance accountability, audit trail, and transparency.**

4.1.2. Lack of Assets Register

The statement of financial position reflects property, plant and equipment balance of Kshs. 5,481,600 as disclosed in Note 31 to the financial' statements. However, during the audit, the hospital did not maintain an asset register for its assets. This omission makes it difficult to verify the existence, location, condition, and value of assets under the organization's control. The lack of an asset register also raises concerns about asset accountability and potential mismanagement. Further, the schedule fixed assets movement has very many errors and does

not have a Note or a heading. The absence of an asset register makes it impossible to confirm the authenticity of the amount.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs. 5,481,600 could not be confirmed.

Management Responses

It is true included in the financial statements position is property, plant and equipment amounting to Kshs. 3,705,100. The facility has an inventory register which captures all equipments for the facility. For an updated Asset register the Nairobi County Government appointed a team of valuers who visited the facility to value the assets and a report has been done (appendix ii).

Committee Observation:

The Committee noted that although the Hospital lacked an updated asset register during the audit period, an inventory register existed and a valuation exercise was conducted by County-appointed valuers. The Committee was satisfied that corrective measures had been initiated.

Committee Recommendation:

- The Committee recommends that the Management should finalize the valuation exercise, update the asset register accordingly and submit a report to the Assembly within sixty (60) days after the adoption of this report; and
- That the Management should ensure continuous maintenance of a comprehensive asset register in line with Public Sector Accounting Standards.

4.1.3. Unsupported Inventory Balance

The statement of financial position reflects inventory balance of Kshs. 37,407,627 as disclosed in Note 30 to the financial statements. However, the balance was not supported with the annual stock take to confirm the quantities, value and status of closing inventor balances.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs. 37,407,627 could not be confirmed.

Management Responses

It's true the financial statements reflect an inventory of Kshs. 37,407,627, the institution performs physical stock taking every month and reconciliation is done wherein a report is generated which is submitted to the County Government and facility hence ensuring transparency and accountability and proper management of pharmaceutical supplies. (Appendix iii).

Committee Observation:

The Committee observed that monthly physical stock-taking and reconciliations are conducted and reports submitted to the County Government. The explanations and supporting schedules provided were found satisfactory.

Committee Recommendation:

- **The Committee recommends that the Management should conduct monthly stock-takes and maintain proper documentation to support inventory balances reflected in the financial statements.**

4.1.4. Unsupported Expenditure

The statement of financial performance reported total expenses amounting to Kshs. 11,227,805. However, upon verification of the provided documents, it was noted that the figure did not have any supporting documents such as ledgers. In the absence of this document, it is not possible to confirm the authenticity of the figure.

In the circumstances, the regularity, accuracy and completeness of the total expenses amounting to Kshs. 11,227,805 could not be confirmed.

Management Responses

It is true included in the statement of financial performance is an expenditure amount of Kshs. 11,227,805. The institution expenditure is incurred on a need basis whilst utilizing the vote book while adhering to the relevant procurement guidelines. The expenditure ledgers/analysis are provided to support the expenditure. (Appendix vii).

Committee Observation:

The Committee noted that expenditure ledgers and vote book records were provided to support total expenditure of Kshs. 11,227,805. The Committee was satisfied that expenditures were properly incurred and adequately supported.

Committee Recommendation:

- **The Committee recommends that the Management should ensure all expenditure is consistently supported by vote books, ledgers, and relevant payment documentation to strengthen financial accountability.**

4.1.5. Lack of Bank Reconciliation Statements

The statement of financial position of the financial statements reflects cash and cash equivalent balance of Kshs. 2,591,358 as disclosed under Note.27 to the financial statements. The Management did not prepare bank reconciliation statements for the bank accounts.

In the circumstances, the accuracy, completeness, existence of cash and cash equivalent balance of Kshs. 2,591,358 could not be confirmed.

Management Responses

It is true included in the statement of financial position is cash and cash equivalent balance of Kshs. 2,591,358 and as disclosed under note 27. The management prepared the bank reconciliation statements for bank accounts and updated the cashbook. (Appendix viii)

Committee Observation:

The Committee observed that bank reconciliation statements were subsequently prepared and cashbooks updated. The Committee was satisfied that the reported cash and cash equivalent balance of Kshs. 2,591,358 was accurate.

Committee Recommendation:

- **The Committee recommends that the Management prepares monthly bank reconciliation statements and ensures timely updating of cashbooks to strengthen cash management controls.**

4.1.6. Lack of General Ledger and Trial Balance

Review of the Hospital financial statements that the hospital did not prepare the financial statements from the ledger and the trail balance as required by the general accepted accounting principles.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

Management Responses

It is true there is lack of general ledger and trial balance. The management does prepare the cashbook and vote book of the accuracy and completeness of the finances. The cashbook is where every transaction of payment is entered. (Appendix ix).

Committee Observation:

The Committee observed that although general ledgers and trial balances were not maintained, the Hospital relied on vote books and cashbooks to record transactions. The Committee noted improvement efforts towards strengthening accounting systems.

Committee Recommendation:

- **The Committee recommends that the Management should fully adopt standard accounting practices by maintaining general ledgers and preparing trial balances to enhance financial reporting accuracy.**

4.1.7. Unsupported Receipt of Drugs from Nairobi County

Audit inspection of drugs inventory management revealed that, the hospital could not confirm the quantity and the value of drugs provided by the County of Nairobi to the hospital during

the year under audit. No invoices or other supporting documentation were available to verify the transaction. Additionally, there were no inventory records or stock control management systems in place to confirm the quantity received, distribution, or current status of the drugs. The absence of inventory records prevents verification of the drugs' stock levels, usage, or distribution within the organization. Physical stocktaking procedures were not conducted, and no evidence of regular stock reconciliations or checks was provided. Further, the organization could not provide details regarding the specific drugs, their expiration dates, or their storage conditions,

In the circumstances, lack of documentation creates challenges in ensuring transparency, accountability, and the proper management of pharmaceutical supplies.

Management Responses

Sometimes the facility receives drugs from the County Government which are delivered only by delivery notes. The management has noted the gap observed and we are going to ask the County Government to include values for all supplies delivered to us. (Appendix x). kindly be informed that the institution maintains stock control cards which inform the stock receipts, distribution and the balance in our stores. (Appendix x as per appendix vi).

Moreover, the institution performs physical stock taking every month and reconciliation is done wherein a report is generated which is submitted to the County Government hence ensuring transparency and accountability and proper management of pharmaceutical supplies. (Appendix xi as per appendix vi).

Committee Observation:

The Committee noted that delivery notes, stock control cards, and monthly physical stock-taking reports were availed to support receipt, storage, and issuance of drugs. The Committee was satisfied that systems had been put in place to strengthen pharmaceutical accountability.

Committee Recommendation:

- **The Committee recommends that the County Government through the Chief Officer for Health Facilities should ensure all drug deliveries are accompanied by invoices or delivery notes indicating quantities and values to improve transparency and accountability.**

4.1.8. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transaction Kshs. 10,000,000 as disclosed in Note 28 to the financial statements. Management did not provide documents, ledger or trial balance in support of the balance.

In the circumstances, the accuracy and completeness of receivables from exchange transaction Kshs. 10,000,000 could not be confirmed.

Management Responses

It is true the statement of financial position reflected receivables from exchange transactions Kshs. 10,000,000 which were claims due from Defunct NHIF. The property, plant and equipment balance of Kshs. 5,481,600 was informed by the book balances. This will be addressed conclusively by the report of property valuers appointed by the County Government in mid-January, 2025 when they submit their report and the amended financial statements while the trade and other payables balance of Kshs. 655,500 was amount due to our supplier namely; Greenmart Stores (assorted food items) – Kshs. 425,000; Pamalebu (Meat) – Kshs. 165,000 and Helifen Enterprises (Assorted vegetables) – Kshs. 65,500. (Appendix xii – NHIF).

Committee Observation:

The Committee observed that receivables amounting to Kshs. 10,000,000 related to outstanding NHIF claims. Supporting schedules were provided and reconciliation was ongoing. The Committee was satisfied with the management explanation.

Committee Recommendation:

- **The Committee recommends that the Management should continuously reconcile NHIF/SHA claims and follows up on recoveries to minimize outstanding receivables.**

4.1.9. Unsupported Payments for General Expenses

The statement of financial performance reflects general expenses amount of Kshs. 4,462,715 as disclosed in Note 21 to the financial statements. The respective Note in the financial statement is complete and the documents for supporting the payment were not provided.

In the circumstances, the accuracy and completeness of the general expenses amounting to Kshs. 4,462,715 could not be confirmed

Management Responses

The statements of financial performance and notes 15,19 and 21 reflects medical/clinical costs Kshs. 5,875,090, repair and maintenance of Kshs. 890,000, general expenses 4,462,715 attached are supporting documents for that expenditure.

It is true included in the statement of financial performance is cash and cash equivalent amounting to Kshs. 2,591,358 which is supported by the certificate of balance and bank reconciliation certificate attached herewith (appendix xii as per appendix vii).

Committee Observation:

The Committee noted that adequate supporting documents were availed for medical, maintenance, and general expenses. The Committee was satisfied that expenditures were properly incurred and accounted for.

Committee Recommendation:

- The Committee recommends that the Management should develop and maintain systematic filing of all supporting expenditure documents to facilitate audit verification.

4.1.10. Lack of an Approved Budget

The organization did not prepare or approve an annual budget for the fiscal year under review. This lack of a formal budget means there was no structured framework for planning, controlling, or monitoring expenditures and revenues. The absence of a budget made it difficult to ensure resources are used efficiently.

Management Responses

The facility prepares quarterly budgets (QIP) that are presented to the Board which in turn interrogates and approves them wherein further approval is done at the Sub-county level where it is submitted to the County Government for AIE generation. The Board and the summary budget of the finance committee which depends on the requisition from CHMT is quarterly approved where is submitted to the Sub-county MOH then the County. (Appendix xii – minutes).

Committee Observation:

The Committee observed that the Hospital prepares Quarterly Implementation Plans (QIPs) which are reviewed and approved by the Board and County structures. The Committee was satisfied that financial planning mechanisms were in place.

Committee Recommendation:

- The Committee recommends that the Management should prepare and consolidate annual budgets alongside quarterly plans to strengthen planning, monitoring, and fiscal discipline.

4.1.11. Failure to Transfer Revenue to the County Revenue Fund Account

The statement of financial performance reflects revenue from rendering of services medical income amount of Kshs. 5,428,416 as disclosed in Note 11 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal. This is contrary to Regulation 81(1-3) of Public Finance and Management (County Government) Regulations 2015 which states that a receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund and Money shall not be withdrawn from a Revenue Fund unless the Controller of Budget has approved the withdrawal.

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

Management Responses

It is true that the financial performance reflects revenue from rendering of services medical income as disclosed in note 11 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account and is not contrary to any law Facilities Improvement Financing Act no.14 of 2023 mandates the retention of all monies raised or received by or on behalf of all public health facilities. Hence FIF account for each public health facility into which shall be paid all monies received (Appendix xvi).

Committee Observation:

The Committee observed that revenue retention was in compliance with the Facility Improvement Financing (FIF) Act, 2023, which authorizes health facilities to retain and utilize internally generated funds. The Committee was satisfied that management acted within the law.

Committee Recommendation:

- **The Committee recommends that the Management should continue complying with the FIF Act, 2023, and ensures proper accountability and utilization of retained revenues.**

4.1.12. Service Delivery Gaps

Review of records maintained by the Hospital and analysis of healthcare staffing and physical verification of medical equipment available at the hospital revealed that the hospital had eleven (11) qualified number of staff against the required 101 for a hospital to be categorized as a level 4 hospital. This implies that the hospital had a deficiency of 90 qualified officers. In addition, the Hospital lacked critical services, enough bed capacity and equipment and machines. These deficiencies contravene the First Schedule of the Health Act, 2017.

In the circumstances, the understaffing and inadequate hospital equipment may negatively have impacted on service delivery to the public.

Management Responses

It is true that Kayole II Level 4 Hospital does not maintain staff establishment display however, it appears in the annual work plan (AWP) (Appendix xvii).

Committee Observation:

The Committee observed significant staffing shortages and equipment deficits, which negatively affected service delivery. The Committee noted that staff establishment gaps had been formally communicated to the County Government.

Committee Recommendation:

- **The Committee recommends that the County Executive should urgently deploy adequate medical personnel, equipment, and infrastructure to enable the Hospital operate effectively as a Level 4 facility.**

4.1.13. Non-Compliance with Public Sector Accounting Standards Board Reporting Template

Review of financial statements revealed the following anomalies:

- i. The name of the hospital on the cover page could not be confirmed as the certificate of incorporation was not provided for audit.
- ii. The Table of Content has not made references for Appendices pages
- iii. E The profile pictures of board members and senior management of the hospital and the details of every board member has not been included in the financial statements.
- iv. .2 The details of the entity location and postal address have not been indicated in the financial statements
- v. Report of the Auditor-General on Kayole II Level 4 Hospital - Nairobi City County Government for the year ended 30 June, 2024
- vi. 6
- vii. V. Nil balances reported in the financial statements recorded as XX should be replaced with 0 (Zero)
- viii. There were variances between reported figures in the financial statements and the supporting Notes
- ix. vi. The financial statements were not approved/ signed by the Chairman of the Board and the Head of Finance indicate the ICPAK number
- x. vii Some of the comparative opening balances are different from the previous year's closing balances
- xi. The statement of comparison of budget and actual amounts for the year under review has been omitted the approved budget figures
- xii. vii Some of the comparative opening balances are different from the previous year's closing balances
- xiii. ix. The statement of comparison of budget and actual amounts for the year under review has been omitted the approved budget figures

In the circumstances, Management did not comply with Public Sector Accounting Standards Board Reporting Template

Management Responses

Kayole II Level 4 Hospital is a public health facility that was established in 2001 by the Nairobi City Council as a dispensary which was later upgraded to a health centre in 2003. When a maternity wing was opened. In 2021 the facility was upgraded to a level 4 hospital by the Nairobi Metropolitan Service.

The non-compliance with Public Sector Accounting Standards Board reporting template are noted and shall be corrected in the amended financial statement.

Committee Observation:

The Committee noted the omissions and anomalies identified in the financial statements but was satisfied with management's commitment to correct them in the amended financial statements.

Committee Recommendation:

- The Committee recommends that the Management should fully comply with the Public Sector Accounting Standards Board reporting template financial statements to enhance consistency, completeness, and audit compliance.

4.1.14. Absence of Board Calendar, Almanac, and Minutes of Meetings

The audit identified significant gaps in the governance structure of the organization due to the lack of Board work plan, Board minutes and Almanac. Further, the financial statement indicate that the hospital had nine (9) board members and reflects Nil Board of Management expenses under Note 17 to the financial statements. However, appointment letters, Gazette Notices and Acceptance of board members in writing were not availed for audit and therefore the composition and terms of service could not be confirmed. Additionally, there was no evidence that the hospital implemented the Board Charter the approved board work plan was not availed for audit. This is contrary to Mwongozo Code of Governance for State Corporations, 2015, Principle 1.9

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

Management Responses

It is true that the financial statement indicates that the hospital had nine (9) Board members and reflected Nil Board Management expenses under Note 17 of the financial statements. Kindly be informed that the names of respective members are submitted to the County Government for consideration wherein the list is interrogated and appointments done accordingly and a Gazette Notice issued. The relevant documents are available for audit therefore the composition and terms of service could be confirmed. Additionally, the approved Board work plan is available for audit review (Appendix xviii).

The operation of the facility is guided by a Board of Management whose operations are guided by the Health Management policy which regulates and stipulates the time frames for its quarterly meetings. The Board is meant to meet on quarterly basis to oversee the approval of the budget and other activities.

There was an error of omission in note 17 of the financial statement. This will be addressed by the amended financial statement. (Appendix xv – Board members and minutes).

Committee Observation:

The Committee observed that governance documents, including appointment letters, gazette notices, minutes, and work plans, were subsequently availed and verified. The Committee was satisfied that governance structures existed.

Committee Recommendation:

- **The Committee recommends that the Board of Management at the Facility should ensure regular meetings, proper documentation, and compliance with Mwongozo Code of Governance to strengthen institutional oversight.**

4.1.15. Inadequate Internal Controls

The audit revealed critical weaknesses in the organization's internal control systems primarily due to the absence of key personnel, including a qualified accountant, internal auditor, and procurement officer. These roles are essential for maintaining financial integrity, operational efficiency, and compliance with statutory requirements. Specifically: The lack of an accountant has resulted in delayed reconciliations, inconsistencies in ledgers, and inaccuracies in cash flow reports. The absence of an internal auditor means no independent checks or evaluations of financial and operational controls are conducted. Procurement processes lack structure, with purchases being initiated and approved by the same individuals, increasing the risk of fraud and inefficiency. Missing or incomplete documentation for procurement transactions has made it challenging to validate expenditures during the audit.

In the circumstances, the effectiveness of internal controls could not be confirmed.

Management Responses

It is true the facility lacks various key personnel including a qualified Accountant, Internal Auditor and Procurement officer amongst others. However, the County health office has been made aware through a written communication of the staff gaps which the management is following up to address this gap. (Appendix xiii – letter of request and staff establishment in the facility). A procurement officer was posted to the facility in January, 2025.

Committee Observation:

The Committee observed that staffing gaps significantly weakened internal controls. However, deployment of a procurement officer and communication with County authorities for additional staffing were noted.

Committee Recommendation:

- **The Committee recommends that the County Government should urgently second qualified accounting, audit, and procurement staff to the facility to strengthen internal controls and financial governance.**

4.1.16. Stock-Outs of Essential Medical Supplies

The statement of financial position reflects inventory balance of Kshs. 37,407,627 as disclosed in Note 30 to the financial statements. A review of the Hospital stock cards for controlling stores indicated that the Hospital experienced stock out of medical supplies ranging from six (6) days to three hundred and ninety-nine (399) days.

In the circumstances, the effectiveness of internal controls on the management of pharmaceutical and non-pharmaceutical could not be confirmed.

Management Responses

The statement of financial position reflects inventory balance of Kshs. 37,407,627 as disclosed in Note 30 to the financial statements is the total of many general stocks. It is true that the hospital experience stock out of pharmaceutical (medical supplies) between ranging from six (6) to three hundred and ninety-nine (399) days. The total inventory of pharmaceutical supplies was Kshs. 415,747 which was stock balance of emergency drugs.

Committee Observation:

The Committee observed that stock-outs occurred due to delayed supply cycles but noted that emergency stock controls were in place.

Committee Recommendation:

- **The Committee recommends that the County Government should strengthen supply chain mechanisms at the facility to ensure continuous availability of essential medical supplies.**

4.1.17. Lack of ICT Policy and Risk Management Policy

Audit review of the Hospital ICT environment revealed that there was no formal approved ICT policy in place to enable the hospital manage business processes for the delivery of services to the stakeholders in an effective and efficient manner. Further, it was noted that the hospital lacks an approved Risk Management policy thus it does not have a framework for management of risk. It was not possible to identify, assess and control risk. Additionally, it is not possible to define the entity's risk appetite and set the risk tolerance levels by identifying boundaries against unacceptable exposure to risk

In the circumstances, the effectiveness of internal controls on risk management could not be confirmed

Management Responses

The facility operates under Nairobi City County Administration; however, it was noted that the facility lacks some policies. However, the facility is not autonomous from the other County facilities hence the established health facilities policies suffices. We shall develop the ICT policies and risk management policies with conjunction with the relevant authorities in the County.

Committee Observation:

The Committee noted the absence of approved ICT and Risk Management policies but was satisfied with management's commitment to develop them in collaboration with County authorities.

Committee Recommendation:

- The Committee recommends that the Management should expedite formulation and approval of ICT and Risk Management policies to enhance governance, operational efficiency, and risk mitigation within ninety (90) days after the adoption of this report.

5.0 CONCLUSION

The Committee having considered the “**Reports of the Auditor General on Kayole II Level 4 Hospital for the years ended 30th June 2022,2023&2024**” and written/oral responses to the audit query raised therein, recommends the fund administrator for prudence and urges that the issues raised by the Auditor General be addressed to avoid recurrence of the same.

6.0 SUMMARY OF ALL RECOMMENDATIONS

Following the Committee's consideration of the **“Report of the Auditor General on Kayole II Level 4 Hospital for the year ended 30th June 2022”** and having considered responses from the Accounting Officer, the Committee urges the County Assembly to resolve as follows:

1. Unsupported Revenue from Rendering Services

— The Committee recommends that the Management should ensure all revenue is consistently supported with NHIF/SHA claim forms, remittance schedules, and reconciliation statements to enhance transparency, accountability, and audit trail.

2. Lack of Assets Register

— The Committee recommends that the Management should finalize the preparation of a comprehensive Asset register and submit a report to the County Assembly within sixty (60) days after the adoption of this report; and

— That the Management should ensure continuous update of the Asset register in compliance with the Public Finance Management Act, 2012.

3. Unsupported Inventory Balance

— The Committee recommends that the Management should conduct periodic stock taking of hospital inventory and maintaining proper inventory documentation to strengthen inventory management and accountability.

4. Unsupported Expenditure

— The Committee recommends that the Management should maintain comprehensive expenditure documentation and ensure strict compliance with procurement and financial management regulations.

5. Lack of Bank Reconciliation Statements

— The Committee recommends that the Management should prepare monthly bank reconciliation statements to enhance financial control and accountability.

6. Lack of General Ledger and Trial Balance

— The Committee recommends that the Management should establish a formal general ledger and trial balance system in line with generally accepted accounting principles and IPSAS requirements.

7. Unsupported Receipt of Drugs from Nairobi County

— The Committee recommends that the Management should ensure all drug supplies received from the County Government are accompanied by delivery notes indicating quantities and values to enhance accountability and inventory control.

8. Lack of an Approved Budget

- The Committee recommends that the Management should consolidate quarterly budgets into an annual approved budget to strengthen financial planning, control, and accountability.

9. Failure to Transfer Revenue to the County Revenue Fund Account

- The Committee recommends that the Management should adhere to the prevailing County health financing framework while ensuring proper reporting and accountability of all revenue collected.

10. Irregular Engagement of Casual Workers

- The Committee recommends that the Management should strictly adhere to the Public Service Commission Human Resource Manual provisions on engagement of casual workers to avoid future non-compliance.

11. Service Delivery Gaps

- The Committee recommends that the County Executive urgently addresses staffing and equipment shortages at the facility to enhance service delivery and compliance with the Health Act, 2017. A progress report be submitted to the Assembly within ninety (90) days after the adoption of this report.

12. Non-Compliance with Public Sector Accounting Standards Board Reporting Template

- The Committee recommends that the Management should fully comply with the Public Sector Accounting Standards Board reporting templates in all future financial statements to enhance transparency, consistency, and accountability.

13. Absence of Board Calendar, Almanac, and Minutes of Meetings

- The Committee recommends that the Management should institutionalize proper governance documentation and ensures regular board meetings in compliance with Mwongozo Code of Governance, 2015.

14. Inadequate Internal Controls

- The Committee recommends that the County Executive should expedite recruitment and deployment of key financial and procurement staff to strengthen internal controls at the Facility.

15. Unfulfilled Customer Orders

- The Committee recommends that the Management should proactively explore alternative supply mechanisms during prolonged KEMSA delays to minimize stock shortages and safeguard service delivery.

16. Stock-Outs of Essential Medical Supplies

- The Committee recommends that the Management should strengthen inventory forecasting and ordering mechanisms to minimize future stock-outs.

17. Inadequate Universal Health Coverage (UHC) Commodities and Services

- The Committee recommends that the County Government should enhance budgetary allocation for UHC commodities and staffing to fully operationalize the programme.

7.0 SUMMARY OF ALL RECOMMENDATIONS

Following the Committee's consideration of the "Report of the Auditor General on Kayole II Level 4 Hospital for the year ended 30th June 2023" and having considered responses from the Accounting Officer, the Committee urges the County Assembly to resolve as follows:

1. Unsupported Revenue from Rendering Services

— The Committee recommends that the Management should ensure all revenue is consistently supported with NHIF/SHA claim forms, remittance advice, and reconciliation statements to enhance accountability and audit verification.

2. Lack of Assets Register

— The Committee recommends that the Management should finalize and maintain a comprehensive asset register in compliance with the Public Finance Management Act, 2012 and International Public Sector Accounting Standards.

3. Unsupported Inventory Balance

— The Committee recommends that the Management should continue conducting regular stock counts and maintain proper documentation to ensure accuracy and accountability of inventory balances.

4. Unsupported Expenditure

— The Committee recommends that the Management should ensure continued adherence to procurement laws and maintenance of complete expenditure documentation to strengthen financial accountability.

5. Lack of Bank Reconciliation Statements

— The Committee recommends that the Management should prepare monthly bank reconciliations to ensure accurate cash management and financial control.

6. Lack of General Ledger and Trial Balance

— The Committee recommends that the Management should establish a formal general ledger and trial balance system in line with International Public Sector Accounting Standards and generally accepted accounting principles.

7. Unsupported Receipt of Drugs from Nairobi County

— The Committee recommends that the Management should ensure all drug supplies received be accompanied by delivery notes indicating quantities and values to enhance transparency and inventory control.

8. Un-Supported Receivables from Exchange Transactions

— The Committee recommends that the Management should maintain comprehensive receivable schedules and reconciliation statements for effective revenue monitoring.

9. Lack of an Approved Budget

— The Committee recommends that the Management should ensure consolidation of quarterly budgets into an annual approved budget to enhance financial planning, monitoring, and control.

10. Failure to Transfer Revenue to the County Revenue Fund Account

— The Committee recommends that the Management should ensure continued compliance with the prevailing County health financing framework and proper disclosure of all revenue collections.

11. Irregular Engagement of Casual Workers

— The Committee recommends that the Management should ensure strict compliance with the County Public Service Human Resource Manual to avoid future irregular engagements.

12. Service Delivery Gaps

— The Committee recommends that the County Executive should urgently address staffing and equipment gaps to enhance service delivery and compliance with the Health Act, 2017 at the facility.

13. Non-Compliance with Public Sector Accounting Standards Board Reporting Template

— The Committee recommends that the Management should ensure full compliance with Public Sector Accounting Standards Board reporting templates in all future financial statements.

14. Absence of Board Calendar, Almanac and Minutes of Meetings

— The Committee recommends that the Management should ensure consistent documentation of the Board operations and governance activities.

15. Inadequate Internal Controls

— The Committee recommends that the County Executive should expedite recruitment of key finance, audit, and procurement personnel to strengthen internal controls.

16. Unfulfilled Customer Orders

— The Committee recommends that the Management should explore alternative supply mechanisms to mitigate prolonged stock shortages.

17. Stock-Outs of Essential Medical Supplies

- The Committee recommends that the Management should develop strategies in strengthening inventory forecasting and supply chain coordination to minimize stock-outs.

18. Inadequate Universal Health Coverage (UHC) Commodities and Services

- The Committee recommends that the Management should ensure increased allocation of funds and staffing support for effective implementation of the UHC programme.

19. Lack of ICT Policy and Risk Management Policy

- The Committee recommends that the Management should expedite the development and approval of ICT and risk management policies to strengthen governance, accountability, and operational efficiency within ninety (90) days after the adoption of this report.

8.0 SUMMARY OF ALL RECOMMENDATIONS

Following the Committee’s consideration of the “**Report of the Auditor General on Kayole II Level 4 Hospital for the year ended 30th June 2024**” and having considered responses from the Accounting Officer, the Committee urges the County Assembly to resolve as follows:

1. Unsupported Revenue from Rendering Services

— The Committee recommends that the Management should ensure systematic filing, reconciliation, and safe custody of both electronic and physical revenue support documents to enhance accountability, audit trail, and transparency.

2. Lack of Assets Register

— The Committee recommends that the Management should finalize the valuation exercise, update the asset register accordingly and submit a report to the Assembly within sixty (60) days after the adoption of this report; and

— That the Management should ensure continuous maintenance of a comprehensive asset register in line with Public Sector Accounting Standards.

3. Unsupported Inventory Balance

— The Committee recommends that the Management should conduct monthly stock-takes and maintain proper documentation to support inventory balances reflected in the financial statements.

4. Unsupported Expenditure

— The Committee recommends that the Management should ensure all expenditure is consistently supported by vote books, ledgers, and relevant payment documentation to strengthen financial accountability.

5. Lack of Bank Reconciliation Statements

— The Committee recommends that the Management prepares monthly bank reconciliation statements and ensures timely updating of cashbooks to strengthen cash management controls.

6. Lack of General Ledger and Trial Balance

— The Committee recommends that the Management should fully adopt standard accounting practices by maintaining general ledgers and preparing trial balances to enhance financial reporting accuracy.

7. Unsupported Receipt of Drugs from Nairobi County

— The Committee recommends that the County Government through the Chief Officer for Health Facilities should ensure all drug deliveries are accompanied by invoices or delivery notes indicating quantities and values to improve transparency and accountability.

8. Unsupported Receivables from Exchange Transactions

— The Committee recommends that the Management should continuously reconcile NHIF/SHA claims and follows up on recoveries to minimize outstanding receivables.

9. Unsupported Payments for General Expenses

— The Committee recommends that the Management should develop and maintain systematic filing of all supporting expenditure documents to facilitate audit verification.

10. Lack of an Approved Budget

— The Committee recommends that the Management should prepare and consolidate annual budgets alongside quarterly plans to strengthen planning, monitoring, and fiscal discipline.

11. Failure to Transfer Revenue to the County Revenue Fund Account

— The Committee recommends that the Management should continue complying with the FIF Act, 2023, and ensures proper accountability and utilization of retained revenues.

12. Service Delivery Gaps

— The Committee recommends that the County Executive should urgently deploy adequate medical personnel, equipment, and infrastructure to enable the Hospital operate effectively as a Level 4 facility.

13. Non-Compliance with Public Sector Accounting Standards Board Reporting Template

— The Committee recommends that the Management should fully comply with the Public Sector Accounting Standards Board reporting template financial statements to enhance consistency, completeness, and audit compliance.

14. Absence of Board Calendar, Almanac, and Minutes of Meetings

— The Committee recommends that the Board of Management at the Facility should ensure regular meetings, proper documentation, and compliance with Mwongozo Code of Governance to strengthen institutional oversight.

15. Inadequate Internal Controls

— The Committee recommends that the County Government should urgently second qualified accounting, audit, and procurement staff to the facility to strengthen internal controls and financial governance.

16. Stock-Outs of Essential Medical Supplies

- The Committee recommends that the County Government should strengthen supply chain mechanisms at the facility to ensure continuous availability of essential medical supplies.

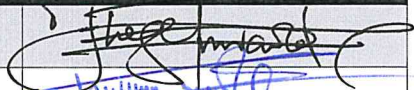

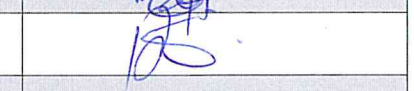
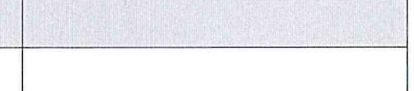
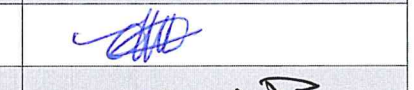
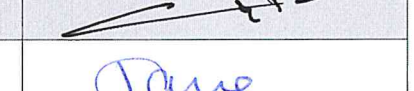
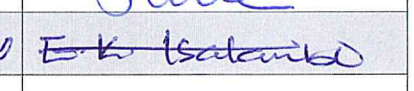

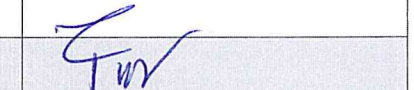
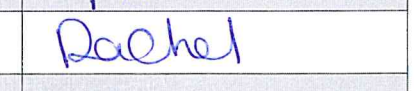

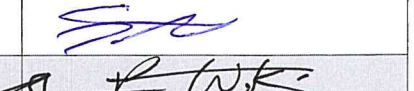
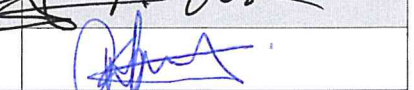
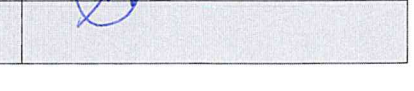
17. Lack of ICT Policy and Risk Management Policy

- The Committee recommends that the Management should expedite formulation and approval of ICT and Risk Management policies to enhance governance, operational efficiency, and risk mitigation within ninety (90) days after the adoption of this report.

9.0 ANNEXURES

Annex	Title
Annex 1	Minutes of the Sittings
Annex 2	Written Responses to all audit queries by the Accounting Officer

We Members of the Public Accounts Committee (PAC) do hereby affix our signatures to this report to affirm the correctness of the contents and support for the report: -

S/N	Honourable Member	Signature
1.	Hon. Chege Mwaura, MCA - Chairperson	
2.	Hon. Abel Osumba Atito, MCA - Vice -Chairperson	
3.	Hon. Benter Juma Obiero, MCA	
4.	Hon. Redson Otieno Onyango, MCA	
5.	Hon. John Rex Omolleh, MCA	
6.	Hon. Stazo Omung'ala Ang'ila, MCA	
7.	Hon. Richardo Nyantika Billy, MCA	
8.	Hon. John Ndile Musila, MCA	
9.	Hon. Cyrus Mugo Mubea, MCA	
10.	Hon. Jane Musangi Muthembwa, MCA	
11.	Hon. Emmy Khatemeshi Isalambo, MCA	
12.	Hon. Fuad Hussein Mohamed, MCA	
13.	Hon. Fatuma Abduwahid Abey, MCA	
14.	Hon. Eutychus Mukiri Muriuki, MCA	
15.	Hon. Fredrick Njoroge Njogu, MCA	
16.	Hon. Rachel Wanjiru Maina, MCA	
17.	Hon. Aaron Kangara Wangare, MCA	
18.	Hon. Carrington Gichunji Heho, MCA	
19.	Hon. Mark Thiga Ruyi, MCA	
20.	Hon. Simon Maina Mugo, MCA	
21.	Hon. Paul Wachira Kariuki, MCA	
22.	Hon. Martin Mbugua Mwangi, MCA	
23.	Hon. Mary Wanjiru Kariuki, MCA	



MINUTES OF THE 3RD SITTING OF THE NAIROBI CITY COUNTY ASSEMBLY SELECT COMMITTEE ON COUNTY PUBLIC ACCOUNTS HELD ON WEDNESDAY, 11TH FEBRUARY, 2026 AT 10:30 A.M. IN COMMITTEE ROOM 10, CITY HALL BUILDINGS.

MEMBERS PRESENT:

1. Hon. Abel Osumba Atito, MCA – Vice-Chairman
2. Hon. Paul Wachira Kariuki, MCA
3. Hon. Emmy Khatemeshi Isalambo, MCA
4. Hon. Aaron Kangara Wangare, MCA
5. Hon. Redson Otieno Onyango, MCA
6. Hon. Jane Musangi Muthembwa, MCA
7. Hon. Martin Mbugua Mwangi, MCA
8. Hon. Cyrus Mugo Mubea, MCA
9. Hon. Benter Juma Obiero, MCA
10. Hon. Rachel Wanjiru Maina, MCA
11. Hon. John Ndile Musila, MCA
12. Hon. Mark Thiga Ruyi, MCA
13. Hon. Simon Maina Mugo, MCA
14. Hon. Fredrick Njoroge Njogu, MCA

MEMBERS ABSENT:

1. Hon. Chege Mwaura, MCA – Chairman
2. Hon. Hussein Fuad Mohammed, MCA
3. Hon. Billy Ricardo Nyantika, MCA
4. Hon. John Rex Omolleh, MCA
5. Hon. Eutychus Mukiri Muriuki, MCA
6. Hon. Stazo Elijah Omung'ala Ang'ila, MCA
7. Hon. Carrington Gichunji Heho, MCA
8. Hon. Fatuma Abduwahid Abey, MCA
9. Hon. Mary Wanjiru Kariuki, MCA

SECRETARIAT

1. Mr. Kevin Wasike – Snr. Clerk Assistant
2. Mr. Benedict Ochieng – Clerk Assistant
3. Mr. Anthony Nyandiere – Hansard Officer

MIN.012/NCCA/PAC/FEB/2026 – PRELIMINARIES

The Vice-Chairperson called the meeting to order at ten minutes to Eleven O'clock and said the opening prayers. He then welcomed Members present to the meeting and took them through the agenda which was adopted for consideration with amendment to defer agendas 2 and 3 as proposed by Hon. Benter Obiero, MCA and seconded by Hon. John Ndile, MCA as follows: -

1. Preliminaries (prayers and adoption of the agenda),
2. Confirmation of Minutes – 1st & 2nd Sittings,
3. Matters Arising,
4. Adoption of the Draft Report on the consideration of the Reports of the Auditor-General on Mama Lucy Kibaki Hospital for the years ended 30th June, 2022, 2023 & 2024,

5. Adoption of the Draft Report on the consideration of the Reports of the Auditor-General on Pumwani Maternity Hospital for the years ended 30th June, 2022, 2023 & 2024,
6. Adoption of the Draft Report on the consideration of the Reports of the Auditor-General on Mbagathi Level 5 Hospital for the years ended 30th June, 2022, 2023 & 2024,
7. Adoption of the Draft Report on the consideration of the Reports of the Auditor-General on Mutuini Hospital for the years ended 30th June, 2022, 2023 & 2024,
8. Adoption of the Draft Report on the consideration of the Reports of the Auditor-General on Makadara Hospital for the years ended 30th June, 2022, 2023 & 2024,
9. Adoption of the Draft Report on the consideration of the Reports of the Auditor-General on Kayole II Hospital for the years ended 30th June, 2022, 2023 & 2024,
10. Any Other Business, and
11. Adjournment.

MIN.013/NCCA/PAC/FEB/2026 – ADOPTION OF THE DRAFT REPORT ON THE CONSIDERATION OF THE REPORTS OF THE AUDITOR-GENERAL ON HOSPITALS

The Secretariat tabled and took the Committee through the draft report on the consideration of the Reports of the Auditor-General on Mama Lucy Kibaki Hospital for the years ended 30th June, 2022, 2023 & 2024. The Committee deliberated on the report and adopted the same for tabling in the Assembly as proposed by Hon. Redson Onyango, MCA and seconded by Hon. Emmy Isalambo, MCA.

Subsequently, The Secretariat tabled and took the Committee through the draft report on the consideration of the Reports of the Auditor-General on Pumwani Maternity Hospital for the years ended 30th June, 2022, 2023 & 2024. The Committee deliberated on the report and adopted the same for tabling in the Assembly as proposed by Hon. Aaron Kangara, MCA and seconded by Hon. Cyrus Mugo, MCA.

Further, the Secretariat tabled and took the Committee through the draft report on the consideration of the Reports of the Auditor-General on Mbagathi Level 5 Hospital for the years ended 30th June, 2022, 2023 & 2024. The Committee deliberated on the report and adopted the same for tabling in the Assembly as proposed by Hon. Rachael Wanjiru, MCA and seconded by Hon. Benter Obiero, MCA.

Next, the Secretariat tabled and took the Committee through the draft report on the consideration of the Reports of the Auditor-General on Mutuini Hospital for the years ended 30th June, 2022, 2023 & 2024. The Committee deliberated on the report and adopted the same for tabling in the Assembly as proposed by Hon. Jane Musangi, MCA and seconded by Hon. Paul Wachira, MCA.

The Secretariat further tabled and took the Committee through the draft report on the consideration of the Reports of the Auditor-General on Makadara Hospital for the years ended 30th June, 2022, 2023 & 2024. The Committee deliberated on the report and

adopted the same for tabling in the Assembly as proposed by Hon. Emmy Khatemeshi, MCA and seconded by Hon. Cyrus Mugo, MCA.

Finally, the Secretariat tabled and took the Committee through the draft report on the consideration of the Reports of the Auditor-General on Kayole II Hospital for the years ended 30th June, 2022, 2023 & 2024. The Committee deliberated on the report and adopted the same for tabling in the Assembly as proposed by Hon. John Ndile, MCA and seconded by Hon. Martin Mbugua, MCA.

MIN.014/NCCA/PAC/FEB/2026 – A.o.B

Status of pending reports – the Vice-Chairperson informed the Committee that the matter was raised by the relevant Managements on pending reports under the County Assembly and the Liquor Board. However, on the Special Audit Report, the Chairperson was to follow up with the County Executive Committee Member for Finance.


MIN.015/NCCA/PAC/FEB/2026 – ADJOURNMENT

There being no other business, and the time being twenty minutes to Twelve O'clock, the Vice-Chairperson adjourned the meeting. The next meeting would be communicated in due course.

CONFIRMED AS A TRUE RECORD OF THE PROCEEDINGS

SIGNATURE

CHAIRPERSON



DATE

17/FEB/2026

