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by Hon. Clge Mwauna
8/4/2026

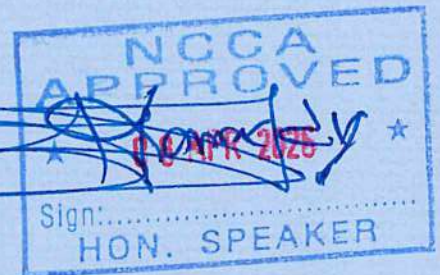
GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY
(FIFTH SESSION)



NCCA/TJ/PL/2026(56)

8TH APRIL 2026

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 MAMA LUCY KIBAKI LEVEL 5 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 MAMA LUCY KIBAKI LEVEL 5 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)

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 Mama Lucy Kibaki Level 5 Hospital for the years
ended 30th June, 2022; 2023 & 2024 respectively

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 Mama Lucy Kibaki Level 5 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 Officer 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 comprised 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

Mama Lucy Kibaki Hospital

Mama Lucy Kibaki Hospital is a level 5 hospital established under gazette notice number 8009 and is domiciled in Nairobi City County under the Health Department. The hospital is governed by a Board of Management.

1.6. Establishment of the Hospital Fund

The Mama Lucy Kibaki Hospital Fund are established is 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 Chief Executive Officer for Mama Lucy Kibaki Hospital 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 02nd April 2026

2.0. CONSIDERATION OF THE AUDIT REPORT OF THE AUDITOR GENERAL MAMA LUCY KIBAKI LEVEL 5 HOSPITAL FOR THE YEAR ENDED 30TH JUNE 2022

2.1.1. Unsupported Employee Costs

The statement of financial performance reflects employee costs amount of Kshs. 14,239,788 in respect of casual's wages and contractual employees pay as disclosed in Note 9 to the financial statements. However, the supporting schedules and monthly payrolls for the salaries, wages and allowances were not provided for audit review.

In the circumstances, the accuracy and completeness of employee costs amount of Kshs. 14,239,788 could not be confirmed.

Management Responses

In compliance with The Public Finance Management Act, 2015, Section 71 on records and returns; subsection 3 & 4 of the Act, and Section 21 of the Public Audit Act, 2015, the facility availed the soft copy schedule of all payments as per the email shared to the Auditor General dated 10th December 2024 at 10.01AM and further reshared same date at 10.33AM. Refer to **appendix 1** for proof of the shared schedules, payment schedule and the payment vouchers.

Committee Observation

The hospital provided payroll documentation for Kshs. 14,239,788 as attached in appendix 1.

Committee Recommendation

— The Committee recommends that this matter be marked as resolved

2.1.2. Unsupported Expenditure on General Expenses

The statement of financial performance reflects general expenses amount of Kshs. 29,448,240 as disclosed in Note 12 to the financial statements. However, expenditures amounting to Kshs. 12,922,460 were not supported with schedules and payment vouchers including other relevant documents as tabulated below;

Item	Amount
Contracted Services	8,899,800
Travel and Accommodation Allowances	2,279,500
Telephone and Mobile Services	1,743,160
Total	12,922,460

Management Responses

In compliance with The Public Finance Management Act, 2015, Section 71 on records and returns; subsection 3 & 4 of the Act, and Section 21 of the Public Audit Act, 2015, the facility availed the soft copy schedule of all payments as per the email shared to the Auditor General

dated 10th December 2024 at 10.01AM and further reshared same date at 10.33AM. Refer to **appendix 2** for proof of the shared schedules, payment schedule and the payment vouchers.

Committee Observation

Expenditures totaling Kshs. 12,922,460 had necessary supporting documents as annexed in appendix 2.

Committee Recommendation

— **The Committee recommends that this matter be marked as resolved.**

2.1.3. Irregularities in property, plant and Equipment.

The statement of financial position reflects property, plant and equipment balance of Kshs. 2,235,184,454 which, as disclosed in Note 16 to the financial statements includes an amount of Kshs. 14,590,478 in respect of additional assets during the year. However, the additions were supported with ledger postings of payment vouchers which were not provided for audit review. Further, the property, plant and equipment brought forward values were not supported with valuation reports since they were inherited from the County Government.

In the circumstances, the accuracy and completeness of property, plant and equipment balance could not be confirmed.

Management Responses

The payment vouchers and the schedule of payments for the additional assets were provided in compliance with The Public Finance Management Act, 2015, Section 71 on records and returns; subsection 3 & 4 of the Act, and Section 21 of the Public Audit Act, 2015. Refer to **appendix 3** for the letter requesting for valuation, payment schedule and the payment vouchers.

In relation to valuation, Section 6 of the Valuers Act (Cap 532) requires that only registered valuers under the Act can legally perform property valuations in Kenya. This includes valuations of Property, Plant, and Equipment (PP&E) for public and private entities. The valuation of property should be done by the **qualified** County Valuers. The facility availed a letter made to the CECM seeking valuation of PPE. Through this, adherence to international standards, such as the International Valuation Standards (IVS) and International Financial Reporting Standards (IFRS), particularly IFRS 16 for property, plant, and equipment shall be met, and thus shall avoid understatement or overstatement of assets. The reported values were of current market values and the NBV's.

Committee Observation

Additions to assets and opening balances lacked valuation reports and proper documentation, raising concerns about the integrity of the asset records.

Committee Recommendation

- **The Committee recommends that the Hospital Management must expedite professional valuation and maintain verifiable asset registers as required under IPSAS and the Valuers Act. The County Valuer should prioritize this valuation and submit status report to the County Assembly within ninety days after the adoption of this report.**

2.1.4. Use of incorrect rates for Depreciation

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects depreciation charge amount of Kshs. 141,288,237 which include depreciation for buildings totaling Kshs. 22,747,728 and depreciation for medical equipment totaling Kshs. 103,629,467. However, the depreciation was calculated at the rates of 25% and 50% respectively instead of the applicable rates of 2% and 25% resulting to misstated depreciation charge.

In the circumstances, the accuracy and completeness of the depreciation charge could not be confirmed.

Management Responses

The PSASB guidelines didn't provide specific capital allowance rate under different classes of PP&E. The facility utilized the current trend in KPMG depreciation rates.

However, the facility shall adopt The National Treasury's National Assets and Liability Management Policy as well as The Income Tax Act Section 15, that provides detailed guidelines on the depreciation rates for various classes of Property, Plant, and Equipment (PP&E) upon proper valuation of the facility assets.

Committee Observation

Depreciation was applied at incorrect rates, overstating expenses.

Committee Recommendation

- **The Committee recommends that the Hospital Management should adopt rates provided by the National Treasury and PSASB;**
- **That the Hospital staff should receive training on IPSAS and depreciation accounting.**

2.1.5. Unsupported inventory

The statement of financial position and as disclosed in Note 15 to the financial statements reflects inventories balance of Kshs. 39,149,699. However, the balance was not supported with annual stock take report and valuation of the same.

In the circumstances, the accuracy and completeness of inventories balance could not be confirmed.

Management Responses

The annual stock take was done as per PPADA, 2020 Section 163. The stock take report is available for the committee and the AG review. Refer to **appendix 4** for the inventory valuation schedule and report.

The facility shall develop the inventory policy that is in line with the provision of IPSAS 12 to enhance accuracy and completeness of the inventory.

Committee Observation

Inventory worth Kshs. 39,149,699 lacked a stock take report at the time of audit.

Committee Recommendation

- The Committee recommends that the Hospital Management should standardize annual stocktaking and promptly submit related reports within the stipulated time;
- That the Management to develop an inventory policy to be aligned with IPSAS 12 within ninety days after the adoption of this report.

2.1.6. Unsupported Expenses

The Hospital incurred expenditure under various economic items as disclosed in the statement of financial performance. However, the expenditures outlined below have not been supported with payment vouchers and other relevant supporting documents;

Item Description	Amount
Contracted services	8,899,800
Printing and stationery	3,459,685
Purchase of refined fuel	1,627,715
Repair and maintenance	2,973,324
Total	16,960,524

In the circumstances, the accuracy and completeness of the expenditure amounts could not be confirmed.

Management Responses

In compliance with The Public Finance Management Act, 2015, Section 71 on records and returns; subsection 3 & 4 of the Act, and Section 21 of the Public Audit Act, 2015, the facility availed the soft copy schedule of all payments as per the email shared to the Auditor General

dated 10th December 2024 at 10.01AM and further reshared same date at 10.33AM. Refer to **appendix 5** for proof of the shared schedules, payment schedule and the payment vouchers.

Committee Observation

Expenditure totaling Kshs. 16,960,524 was supported by vouchers. In appendix 5

Committee Recommendation

— **The Committee recommends that this matter be marked as resolved.**

2.1.7. Overstated Expenditure

The statement of financial performance reflects total expenses amount of Kshs. 353,664,608. Included in this amount is Kshs. 169,174,705 in respect of company consumables. It was established that inventory was issued and recognized at fair value instead of the net realizable value. This is contrary to the provision of IPSAS 12 which requires that inventory be valued at the lower of cost or net realizable value in effect overstating expenditure. Management did not provide explanation on how the variances between the cost of purchasing the inventory and the valuation prices are accounted in the financial statements.

In the circumstances, the accuracy and completeness of the expenditure amounts could not be confirmed.

Management Responses

The annual stock take was done as per PPADA, 2020 Section 162 (2). The variance between the cost of purchasing and the current market value was justified in the detailed spreadsheet of the stock take committee. The reported value was based on the annual stock take report. The stock take report is available for the committee and the AG review. Refer to **appendix 6** for the inventory schedule and report.

The facility shall consider budgeting for training for management on application of IPSAS Accrual standards.

Committee Observation

Valuation at fair market value instead of cost or net realizable value overstated expenditure.

Committee Recommendation

- **The Committee recommends that the Hospital Management must implement IPSAS 12 strictly;**
- **That the Management to seek a support from the National Treasury for technical training on inventory valuation.**

2.1.8. Unsupported Receivables from exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs. 3,857,600 as disclosed in Note 14 to the financial statements. However, the debtors' movement schedule and general ledgers were not provided for audit.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance could not be confirmed.

Management Responses

The facility complied with The Public Finance Management Act, 2015, Section 71 subsection 3 & 4, and Section 21 of the Public Audit Act, 2015. The soft copy schedule of the receivables was shared to the Auditor General dated 9th December 2024 at 9.55AM and further reshared same date at 10.33AM. The NHIF system (HICs) is the source system of data. The values were accurately recorded. Refer to **appendix 7a** for proof of the shared schedules and the debtors age analysis.

The financial statement of the period in question was prepared using source documents as at the transaction date. The cash basis of accounting was operational. The transition of accounting basis from cash to accrual was approved by the Cabinet on 7th March 2024 as per the treasury circular **appendix 7b**.

Committee Observation

Receivables of Kshs. 3,857,600 were backed by ledger schedules as per the appendix 7a.

Committee Recommendation

— The Committee recommends that this matter be marked as resolved.

2.1.9. Misstatement of Rendering of Services-Medical service income.

The statement of financial performance and statement of cash flows reflects rendering of services-medical service income amount of Kshs. 154,988,308. However, the statement of financial position reflects receivables from exchange transactions balance of Kshs. 3,857,600 which, according to the supporting schedule provided for audit, relates to the year under review and therefore, the revenue ought to have been accrued during the year under review. Therefore, the amount of Kshs. 154,988,308 is misstated by Kshs. 3,857,600.

In the circumstances, the accuracy and completeness of the income amounts could not be confirmed.

Management Responses

— The soft copy of monthly/quarterly revenue schedule were shared via email dated 10th December 2024 at 2.21pm. This was compliance with The Public Finance Management

Act, 2015, Section 71 subsection 3 & 4, and Section 21 of the Public Audit Act, 2015. Refer to **appendix 8a** for proof of the shared schedules revenue.

- The financial statement of the period in question was prepared using source documents as at that time. The medical services' income was faithfully and accurately recorded as at the transactional date. The cash basis of accounting was operational. The transition of accounting basis from cash to accrual was approved by the Cabinet on 7th March 2024 as per the treasury circular **appendix 8b**.

Committee Observation

The quarterly revenue schedule was provided as annexed in appendix 8a

Committee Recommendations

- **The Committee recommends that this matter be marked as resolved.**

2.1.10. Failure to Maintain Revenue Cashbook

The statement of financial performance and statement of cash flows reflects rendering of services - medical service income amount of Kshs. 154,988,308. It was established that the income from rendering of services was collected through MPesa Paybill and deposited in the Hospital's current account. However, the Hospital did not maintain a different account for collections, the current account was for both collections and operations accounts. Management did not maintain a revenue cash book with details on daily billings and collections (amount paid), transfers to the Facility Improvement Fund account, withdrawals through Authority to Incur Expenditure (AIEs) and revenue receivables.

Further, rendering of service-medical services income of Kshs. 154,988,308 as disclosed in Note 6 to the financial statements was not supported with monthly departmental revenue schedules and detailed daily schedules on amount charged per patient. This was contrary to Regulation 100 of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cashbook showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and preparation of the accounts of the vote for which he or she is responsible.

In the circumstances, the accuracy and completeness of the income amounts could not be confirmed. In addition, Management was in breach of the law.

Management Responses

The facility maintains one account for both collections and expenditure. This was in compliance with the PFM Act 2022 Cap 4 109, 2 (a), (b) & (c) and The Finance Act 2023 Part IV,21 (1).

However, the facility is in consultation with the county on the way forward regarding County Revenue Fund.

Committee Observation

The Committee noted that the Revenue was tracked in a dedicated cashbook as required.

Committee Recommendation

— The Committee recommends that this matter be marked as resolved.

2.1.11. Variance Between National Health Insurance Fund (NHIF) Claims and Paid Amount in the Bank Statement.

The statement of financial position reflects receivables from exchange transaction -medical services relating to National Health Insurance Fund (NHIF) of Kshs. 3,857,600 as disclosed in Note 14 to the financial statements. However, analysis of the NHIF systems on the claims made against payments received revealed variances as highlighted below;

FY	Claims-System	Paid-System	Paid-Bank	Balance (System)	Balance (Bank)
FY					
2021/2022	76,567,800	72,710,200	100,683,746	3,857,600	(24,115,946)

Further, Management did not provide monthly reconciliation, aging analysis and contract between the Hospital and NHIF for the financial year under review.

In the circumstances, the accuracy and completeness of the trade receivables balance could not be confirmed.

Management Responses

The response to the Statement of Financial Performance was as follows;

The NHIF system (HICs) is the source system of data. The values were accurately recorded. The discrepancy on the system and the bank amount is due to historical issues precipitated by non-simultaneous transfer of reimbursement as per the claims dates. The facility in liaison with NHIF unanimously agreed to take the following remedy:

- **Digitization of Claims Processing:** NHIF has increasingly adopted technology to streamline its operations. This includes:
- **Introduction of eClaims system:** This system allows healthcare providers to submit claims electronically, reducing paperwork and minimizing errors associated with manual submission. It also enables quicker processing times.

- **Automation of Payment Systems:** Automating the claim payment process has reduced delays and improved the turnaround time for reimbursements to healthcare providers.
- **Improved Stakeholder Communication:** NHIF has enhanced communication channels with both healthcare providers and beneficiaries to ensure that claims are processed smoothly. Regular meetings with stakeholders have been initiated to clarify expectations and resolve any disputes.
- **Revised Reimbursement Rates and Guidelines:** NHIF has revisited its reimbursement schedules and has worked to align them with the actual costs of services provided. This has helped address concerns from healthcare providers about delayed or inadequate reimbursements, which were often a source of contention.
- **Strengthening of Auditing and Monitoring Systems:** NHIF has implemented better auditing and monitoring systems to prevent fraud and ensure the accuracy of claims. Through the establishment of a more rigorous audit process, NHIF can now detect fraudulent or duplicate claims more effectively.
- **Training and Capacity Building:** Healthcare providers have been trained on how to submit claims properly, and NHIF staff have received training to enhance their capacity in managing and processing claims efficiently. This reduces mistakes that contribute to delays or claim rejections.

Committee Observation

There were inconsistencies between NHIF system claims and banked amounts, with no reconciliations provided.

Committee Recommendation

- **The Committee recommends that the Hospital Management should establish a Memorandum of Understanding with NHIF/SHA outlining obligations and timelines and have a mandatory monthly reconciliation of NHIF/SHA claims.**

2.1.12. Inaccuracies in Accounts Receivables

The statement of financial position reflects trade receivables balance of Kshs. 3,857,600 which, as disclosed in Note 14 to the financial statements relates to outstanding dues from National Health Insurance Fund (NHIF) for the year under review. However, the balance did not include the outstanding balances from the prior years and no evidence was provided to indicate that the prior year's claims were all cleared. Further, there was no provision for doubtful debts despite the Hospital granting waivers to patients who were not able to settle their bills.

In the circumstances, the accuracy and completeness of the trade receivables balance could not be confirmed.

Management Responses

The Hospital has enhanced the liaisons and the personnel in the NHIF/SHA claims. The prior years' outstanding balances were as tabulated below:

MLKH FY 2020-2021 PENDING CLAIMS		
S/No	Category	Amount (Ksh)
1	Discharge	973,900.00
2	New Claim	73,600.00
3	Returned	78,600.00
4	Under Investigation	10,000.00
Grand Total		1,136,100.00

Committee Observation

The Hospital's financial statements for the year under review reflected a trade receivables balance of Kshs. 3,857,600, which only captured the current year's NHIF claims and excluded prior year pending claims amounting to Kshs. 1,136,100.

Despite the Hospital regularly granting waivers to patients unable to pay, no provision for doubtful debts was recorded in the financial statements, raising concerns about the true recoverability of receivables.

Committee Recommendations

- The Committee recommends that Hospital Management should undertake a thorough reconciliation of both current and prior year NHIF claims and ensure full disclosure in the financial statements to reflect the accurate receivables position;
- That the Management should develop and apply a policy for provisioning doubtful debts, particularly in cases where waivers are granted or claims remain unsettled for extended periods;
- That the Management should establish a robust internal controls over receivables, including routine aging analysis, follow-up mechanisms, and timely engagement with NHIF and other debtors.

2.1.13. Undisclosed Donations.

The statement of financial performance reflects nil amount on grants from donors, County Government and Ministry of Health. However, Management explained that during the year under review, the Hospital received donation for ARVs and tuberculosis drugs from donors.

Further, Management explained that the Ministry of Health contributed oxygen gas in kind to the Hospital, however, these were not disclosed in the financial statements.

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

Management Responses

The donation items were appropriately disclosed as per the PFM Act 2022, Section 138 (4) to the County Executive Committee Member, and as per IPSAS guideline. The disclosure letter is available. Refer to **appendix 9** for the donations schedule.

Committee Observation

In-kind donations were received but not disclosed in the financial statements.

Committee Recommendation

- **The Committee recommends that all donations must be disclosed per IPSAS 23;**
- **That the County Treasury should establish standard procedures for reporting of all donations in the County.**

2.1.14. Unsupported Revenue

The statement of financial performance and as disclosed in Note 6 and Note 7 to the financial statements reflects an amount of Kshs. 336,231,948 in respect of revenue collected during the year under review. However, the revenue reported was not supported with mpesa statements, cashbooks and reconciliations. Management explained that the revenue is collected through mpesa paybill number and the amount is automatically transferred to the bank account. However, it was not possible to confirm the accuracy of the total revenue collection as the facility did not provide mpesa cashbook, reconciliations and mpesa statements.

In the circumstances, the accuracy and completeness of the revenue amount could not be confirmed.

Management Responses

In accordance with Article 226(2) of the Constitution of Kenya and Section 149(1) of the Act, and the Finance Act 2023 under FIF Part IV (19-21), the facility often disclosed total quarterly revenue to the Chief Officers' office as a request for AIE. The soft copy of the same reports was shared with the Auditor General. Refer to **appendix 10** request for AIE's letters and approved AIE's.

Committee Observation

Revenue of Kshs. 336,231,948 was supported by MPesa statements/reconciliations.

Committee Recommendation

— **The Committee recommends that this matter be marked as resolved.**

2.1.15. Unsupported Trade and Other Payables

The statement of financial position and as disclosed in Note 17 to the financial statements reflects current liabilities balance of Kshs. 56,895,113. However, the balance was not supported with general ledgers, aging analysis and detailed schedule indicating the opening balance, payable within the year, payable paid and the outstanding balance.

In the circumstances, the accuracy and completeness of the current liabilities balance could not be confirmed.

Management Responses

The trade payables schedule was shared via email dated 10th December 2024 at 2.21pm, in compliance with the PFM Act, 2015, Section 71 subsection 3 & 4, and Section 21 of the Public Audit Act, 2015. Refer to **appendix 11** for proof of the shared schedules and the aging analysis.

Committee Observation

Payables of Kshs. 56,895,113 lacked detailed schedules or aging analysis.

Committee Recommendation

— **The Committee recommends that the Hospital Management must maintain a detailed, updated payables ledger and provide periodic reports to the County Treasury.**

2.1.16. Unsupported Health Sector Service Fund

The statement of financial performance for the year ended 30 June, 2022 reflects general expenses amount of Kshs. 29,448,240 which, as disclosed in Note 12 to the financial statements include Health Sector Service Fund of Kshs. 7,961,263. Management indicated that the payment was 5% of Facility Improvement Fund (FIF) collection. However, Management did not open a facility improvement fund into which the funds ought to have been deposited contrary to the law.

In the circumstances, the accuracy and completeness of the general expenses amount could not be confirmed.

Management Responses

The Hospital Board resolved to stop the submission of 5% of FIF to the County. The facility followed Section 21 of the Public Audit Act, 2015 availed the payment vouchers for 5% HSSF fund and operates one account as per PFM Act 2022 Cap 4 109, 2 (a), (b) & (c) and The FIF

Act 2023 Part IV, clause 21 (1). The Board will consider opening a FIF to be maintained at the facility with the advice of the CECM. Refer to **appendix 12** the board resolution.

Committee Observation

The committee notes that the hospital included Kshs. 7,961,263 under general expenses, representing 5% of the Facility Improvement Fund (FIF) collection as Health Sector Service Fund (HSSF) remittance.

The hospital did not establish a designated FIF account as required by law, casting doubt on the accuracy and completeness of the general expenses reported.

The management cited compliance with the Public Finance Management (PFM) Act, 2022 and the Facility Improvement Fund Act, 2023 in its operation of a single account, and indicated the Board's decision to halt the 5% remittance to the County.

Committee Recommendations

- The Committee recommends that the Hospital Management should expedite the establishment of a separate Facility Improvement Fund (FIF) account at the facility level in strict compliance with the FIF Act, 2023 and the PFM Act within sixty days after the adoption of this report;
- That the County Treasury and the Department of Health Services should ensure all public health facilities operate distinct FIF accounts to enhance transparency, accountability, and compliance with statutory provisions;
- That the Auditor-General should closely monitor subsequent financial statements to ensure proper classification and support for all general expenses related to HSSF or FIF.

2.1.17. Non-Disclosure of Employee Costs Paid by the County Government

The statement of financial performance reflects an amount of Kshs. 14,239,788 in respect of employee costs as disclosed in Note 9 to the financial statements. The Hospital received services from medical staff employed and paid by the County. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit review.

In the circumstances, the accuracy and completeness of the employee costs amount could not be confirmed.

Management Responses

Due to the Data Protection Act, 2019, Information Act 2016 and the confidentiality of the data, the facility could not obtain the county employee cost for the disclosure purposes as per IFRS 7.

IPSAS accrual requires a disclosure note with regards to employee cost at the county level and this is noted and will be provided once shared.

Committee Observation

County-paid staff were not disclosed in the financials.

Committee Recommendation

- **The Committee recommends that the County Public Service Board must share payroll summaries with all facilities for auditing purposes;**
- **That all disclosures must follow IPSAS 25.**

2.1.18. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects the Hospital spent an amount of Kshs. 212,376,372 against actual receipts of Kshs. 336,231,948 resulting to an under-utilization of Kshs. 123,855,576 or 37% of the actual receipts.

The under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

Management Responses

The facility complied with FIF Act 2023-part IV clause 23. The facility's actual absorption rate is over 100%; the computation doesn't consider CAPEX absorption.

Committee Observation

The Committee notes that the hospital reported under-utilization of funds amounting to Kshs. 123,855,576, representing 37% of actual receipts. This significant underspending may have adversely affected the delivery of planned services and programs to the public. While the management claims an actual absorption rate of over 100% when Capital Expenditure (CAPEX) is included, this was not clearly demonstrated or supported by reconciled financial records. Furthermore, there appears to be a discrepancy in how absorption rates were computed by the audit and the facility.

Committee Recommendations

- **The Committee recommends that the Hospital Management should ensure that future financial reports clearly distinguish between recurrent and capital expenditure and provide a reconciled computation of absorption rates aligned with the approved budget structure;**
- **That the Hospital Management should develop and implement stronger budget execution and monitoring mechanisms to minimize under-utilization of funds and ensure timely delivery of essential services.**

2.1.19. Lack of Quarterly Revenue Reports

The statement of financial performance reflects an amount of Kshs. 154,988,308 in respect of rendering of services-medical service income as disclosed in Note 6 to the financial statements. However, the Hospital did not provide evidence to indicate that the reports were prepared and submitted to the County Treasury with a copy to the Auditor General as per the requirement of Regulation 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of Revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

Management Responses

In accordance with Article 226(2) of the Constitution of Kenya and Section 149(1) of the Act, and the Finance Act 2023 under FIF Part IV (19-21), the facility often disclosed total quarterly revenue to the Chief Officers' office as a request for AIE. The soft copy of the same reports was shared with the Auditor General. Refer to **appendix 13** for request for AIE's letters and approved AIE's.

Committee Observation

The management acknowledged the obligation and claimed compliance through indirect submissions linked to AIE requests.

However, no formal quarterly revenue reports were presented as standalone documents meeting the specific format and deadline required by Regulation 64(1).

Committee Recommendations

- **The Committee recommends that the Hospital Management should adhere strictly to Regulation 64(1) of the Public Finance Management (County Governments) Regulations, 2015 by preparing and submitting formal quarterly revenue reports not later than the 15th day after each quarter;**
- **That evidence of submission (e.g., acknowledgment receipts or email correspondences) should be retained and availed for audit.**

2.1.20. Lack of an Approved Budget for the Hospital

The statement of comparison of budget and actual amounts for the year reflects total expenditure budget of Kshs. 212,376,372. The Hospital budget allocation for the year was included and approved at the County Ministry of Health overall budget, however, the said approved budget was not provided for audit. Failure to prepare and approve the budget was contrary to Regulation 29(I) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that the draft estimates relating to his or her department are prepared in conformity with the Constitution, the Act and the Regulations.

Management Responses

The hospital often prepares the draft budget and submitted for approval in consistence with the PFM Act 2022, Section 118 Subsection 1 (a), (b) and the Finance Act 2023 & FIF Act 2023 Part IV Clause 16. Approved Authority to Incur Expenditure (AIE) file was availed. Refer to the **Appendix 14** for the approved AIE's.

Committee Observation

Although management provided AIEs, these do not equate to a comprehensive approved budget document.

The absence of a distinct approved hospital budget undermines transparency, accountability, and effective budget monitoring.

Committee Recommendations

- The Committee recommends that the County Department of Health should ensure that Mama Lucy Kibaki Hospital prepares a standalone budget that is formally approved and submitted in compliance with Regulation 29(1) of the Public Finance Management (County Governments) Regulations, 2015;
- That the Hospital's budget should be integrated into the County's Programme-Based Budget (PBB) format and uploaded to the Integrated Financial Management Information System (IFMIS).

2.1.21. Late Submission of Financial Statements for Audit

The Hospital's financial statements for the year ended 30 June, 2022 were submitted to the Office of the Auditor-General on 30 September, 2024, twenty-seven months after the statutory deadline of 30 September, 2022. This was contrary to the provisions of Section 47(1) of the Public Audit Act, 2015 which requires Management to submit the financial statements to the Auditor-General within three months after the end of the financial year to which the respective accounts relate.

In the circumstances, Management was in breach of law.

Management Responses

The IPSASB reporting guideline and template were provided in the year 2023 and the facility has then commenced to prepare separate financial statement from county.

As at the year of review, the financial statements were being audited as a group in the health sector.

However, the transition from cash to accrual had not been approved by the cabinet. The National Treasury through a circular dated 3rd October 2024 informed the public on the adoption of the accrual basis of accounting which was approved by the Cabinet approved on

7th March 2024 following recommendations from the National Treasury and the Public Sector Accounting Standards Board (PSASB). Also, the IPSAS Board reporting guidelines and templates were provided in the year 2023. Refer to **appendix 15** for the treasury circular.

Committee Observation

The Committee noted that the financial statements were submitted late

Committee Recommendation

- **The Committee recommends that the Hospital Management should institutionalize a financial calendar and assign timelines to staff; the County Treasury should monitor compliance on monthly basis.**

2.1.22. Unconfirmed Ownership of Land and Motor Vehicles

The property, plant, and equipment balance of Kshs. 2,235,184,454 includes value of land amounting to Kshs. 2,010,000,000 which was not supported with ownership documents. The property, plant and equipment balance also include motor vehicles with a net book value of Kshs. 28,875,000 whose logbooks were not provided for audit.

In the circumstances, the ownership of the assets could not be confirmed.

Management Responses

The response to the Statement of Financial Performance was as follows;

- Vehicles and land are properties of the County Government who hold/ custodians of ownership documents.

Committee Observation

Ownership of land and vehicles could not be confirmed due to lack of documents.

Committee Recommendation

- **The Committee recommends that the County Executive should transfer ownership documentation to the Hospital and title deed audit be conducted within ninety days after the adoption of this report.**

2.1.23. Failure to Maintain a Complete Asset Register

The statement of financial position reflects property, plant and equipment balance of Kshs. 2,235,184,454 as disclosed in Note 16 to the financial statements. However, the Hospital's assets were not recorded in the asset register indicating the assets description, asset number, year of acquisition, location, accumulated depreciation, depreciation charge for the year and netbook value of the assets. Further, it was established that Management maintains manual inventory books which do not contain the above information.

Management Responses

The response to the Statement of Financial Performance was as follows;

- The spreadsheet of the asset registry is available; however, this will be updated upon completion of the valuation as per the PFM Act, 2015 Section 163. Refer to **appendix 16** for the asset registry schedule.

Committee Observation

Manual registers lacked key asset information.

Committee Recommendation

- **The Committee recommends that the Hospital Management should implement an electronic asset register with an Asset tagging to be part of the reform.**

2.1.24. Irregular Procurement of Medical and Clinical items

The statement of financial performance reflects an amount of Kshs. 165,715,020 in respect of medical/clinical costs as disclosed in Note 8 to the financial statements. However, review of the payment vouchers presented for audit revealed the following anomalies.

Examination of payment voucher number 2560 revealed a payment of Kshs. 1,828,395 to a company for the supply of drugs under tender number NMS/MLKH/RT-005/2021-2022 which was advertised on 1 April, 2022. The acceptance letter was signed on 8 April, 2022 and a contract agreement on 22 April, 2022. The inspection and acceptance report revealed that the drugs were delivered on 12 May, 2022. However, the following procurement anomalies were identified:

The opening committee in its minutes did not disclose the quoted bidders' amounts as required by law.

The evaluation committee on their recommendation for award irregularly split the tender and awarded to all the seven responsive bidders instead of the lowest evaluated bidder as required by law.

The evaluation committee, in its evaluation, reported that supply will be on a call off basis. This was irregular due to the fact that call offs are only permitted on framework contracts only.

The tender was advertised as a restricted tender but neither the tender document nor the evaluation report gave details, basis or category of restriction.

The requisition budget was Kshs. 10,999,040, however, the evaluation committee after irregularly splitting the contract, awarded to all the bidders at a total sum of Kshs. 11,984,025.

Review of payment voucher number 2569 revealed a payment of Kshs. 1,532,850 made to a company for the delivery of medical drugs. However, the following anomalies were identified:

The professional opinion presented for audit review was signed on 7 April, 2022 however, the bidders were issued with an LPO after two weeks on 22 April, 2022 contrary to the requirements of the law which requires the head of procurement and the CEO to act within a day of signing the opinion.

Delivery of goods was done on 28 April, 2022, however, the inspection and acceptance committees report was signed after three weeks on 23 May, 2022 contrary to the law.

The committee, in its recommendation, irregularly split the tender and awarded all responsive bidders. Details and contract sum of the other bidders awarded were not disclosed in the committee recommendation.

The opening committee did not disclose the bid prices in the opening minutes as required by law.

Review of payment voucher number 2565 to a company for the supply of Oxygen flow meters revealed the following anomalies:

The winning bidder was issued with an LPO on 15 June, 2022, five (5) days before issuance and signing of professional opinion on 20 June, 2022 casting doubt on the authenticity of the process.

The evaluation process took place on 15 June, 2022 and evaluation report signed on the same day. However, the professional opinion was signed after five days on 20 June, 2022 contrary to the procurement law which requires the procurement officer to prepare and sign an opinion within a day.

Opening committee did not report the bid prices.

Review of payment voucher number 2576 revealed that quotation number NMS/MLKH/Q-166B/2021-2022 for the supply of oxygen cylinders was awarded to a company at a tender sum of Kshs. 675,000. However, review of the supporting documents revealed the following:

- i. The bidder committed to deliver the goods within five days, however, the inspection and acceptance committee report revealed that the goods were delivered after six (6) weeks, on 29 June, 2022.
- ii. The evaluation process took place on 12 May, 2022 and an LPO was issued on the same day to the winning bidder. However, the professional opinion was signed after six weeks on 29 June, 2022 contrary to the requirements of the law.

The quotation opening process took place on 12 May, 2022, however, the minutes did not disclose the bid amounts.

The quotation budget estimates were not reported in the procurement documents therefore; it was not possible to confirm whether the award was within the approved budget estimate.

In the circumstances, the value for money for the expenditures incurred could not be confirmed.

Management Responses

The facility endeavors to comply with PPADA, 2015.

As per the tender document, the clause specify that the award will be based on the lowest evaluated bidder per item.

The inspection of the items was done after the appointment of the inspection committee as per the PPADA, 2015 Sec 105.

Summarized responses as per the highlighted documents were as per the table below:

S/N	QUERY NO.	VOUCHER NO.	FIRM NAME	RESPONSE
1	25. Irregular procurement of medical and clinical items	2560	PHARMABIZ Z LIMITED	<ol style="list-style-type: none"> 1. The bid prices were reported in the bid register 2. Splitting of contracts as per section 54(1) of the act meant splitting to avoid a procurement method. It applies at the first stage of the procurement process when choosing the method of procurement in consideration of the value of the requisition. Splitting clause above therefore is not meant to apply at the award stage of evaluation. Section 86 states that award will be to successful tenderers with lowest evaluated price. The award to the bidders was done to the lowest evaluated price per item. 3. The statement ‘call off basis’ was a copy paste error but the items were delivered as per the LPO 4. The tender document bears the assigned unique number with the initials ‘RT’ which signifies Restricted. The authority to procure also stated that the tender was going to be a restricted tender. The

				<p>condition set out in section 102 1 (b) of the PPADA was met and adhered to.</p> <p>5. The prices indicated in the requisition are estimates, the tender process was followed and items awarded to the lowest bidders thus the difference in the requisition and the total award price. According to voucher number 2560, the payment was for 1,106,767 and not 1,828,395 as stated on the query, thus the available budget was not exceeded.</p>
2	25. Irregular procurement of medical and clinical items	2569	CHANIA KENYA PHARMACEUTICAL	<ol style="list-style-type: none"> 1. The law under section 48 and regulation 35 does not give specific timelines when the inspection must be done. Delivery of the items was also done on different dates and therefore the inspection report was signed after the last delivery. 2. Splitting of contracts as per section 54(1) of the act meant splitting to avoid a procurement method. It applies at the first stage of the procurement process when choosing the method of procurement in consideration of the value of the requisition. Splitting clause above therefore is not meant to apply at the award stage of evaluation. The award to the bidders was done to the lowest evaluated price per item 3. There was a tender opening register which captured the amount quoted for by all the bidders.
3.	25. Irregular procurement of medical and clinical items	2565	TASHMI INTERNATIONAL LIMITED	<ol style="list-style-type: none"> 1. The LPO is dated 20th June, 2022 in line with the professional opinion date. The stated date of 15th June 2022 was the requisition date. 2. The bid prices were reported in the bid register

4.	25. Irregular procurement of medical and clinical items	2576	MAQKUTW A GLOBAL SUPPLIES	<ol style="list-style-type: none"> 1. The delivery of items was done on 29th June 2022 in line with regulations of within 14days and LPO which was dated 29th June 2022. The delivery of items is also not bound by the date of quotation document but by the date of the LPO and an allowance is provided for 14 days with a provision of validation. 2. The LPO was dated 29th June 2022 and not 12th May 2022 3. The bid prices were reported in the bid register 4. There is a requisition with the estimated budget which is part of the documents.
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Refer to **appendix 17** for the copies.

Committee Observation

Despite management's claim that bid prices were recorded in the bid register, the opening minutes presented during audit review did not disclose the quoted amounts as required under procurement regulations. This lack of transparency undermines the integrity of the procurement process.

The evaluation committee awarded tenders to all responsive bidders instead of the lowest evaluated bidder, contrary to Section 86 of the PPADA, 2015. Management's interpretation that splitting applies only during the procurement method determination stage appears to be an attempt to circumvent competitive bidding at the award stage.

The tender documents and evaluation reports inappropriately referenced a call-off basis despite no framework contracts being in place. Management's explanation of a "copy-paste" error is unsatisfactory given the potential legal and financial implications.

While the tenders were marked with "RT" (Restricted Tender), the documents lacked sufficient justification or categorization to validate this procurement method, in contravention of Section 102 of the PPADA, 2015.

Multiple instances were noted where LPOs were issued either before the professional opinion was signed or long after it, violating procurement timelines and raising questions on procedural compliance.

There were delays in signing inspection and acceptance reports after goods had been delivered. Though management cited staggered delivery as a reason, the law expects timely documentation to ensure accountability.

In at least one case, quotation documents lacked budget estimates, making it difficult to assess if the procurement stayed within approved limits.

The audit query cited a payment of Kshs. 1,828,395, but management claimed the amount paid was Kshs. 1,106,767. This discrepancy raises concerns over accuracy in financial reporting.

Committee Recommendations

- The Committee recommends that all procurement committees must ensure that bid prices are disclosed in opening minutes and duly captured in tender documents to foster transparency;
- That procurement evaluations must adhere strictly to Section 86 of the PPADA by awarding contracts to the lowest evaluated bidder per item, unless justifiable exceptions are documented;
- That evaluation and tender documents should be reviewed thoroughly to eliminate misleading references unless the legal basis (e.g., framework contracts) is established;
- That any future use of restricted tendering must be supported by clear documentation as required under Section 102 of the PPADA, including the rationale, category, and approval;
- That Heads of procurement and CEOs should act within the one-day requirement following the professional opinion to issue LPOs. Any deviation should be documented and justified;
- That Inspection committees should sign and submit their reports promptly after delivery to ensure verification before payment processing;
- That all procurement files must include approved requisition budgets and estimates to confirm that awards do not exceed available funding;
- That the Hospital Management should reconcile payment records with the audit figures and submit an official clarification, including supporting documents, to the Auditor General.

2.1.25. Payments without Electronic Tax invoices

The statement of financial performance reflects an amount of Kshs. 353,664,608 in respect of total expenses. Included in this amount is Kshs. 185,444,544 relating to payments made to suppliers which were not supported with electronic tax invoices or the tax invoices were not

authentic contrary to the provisions of Regulation 6(1) of the Value Added Tax (Electronic Tax Invoices) Regulations, 2020 as analyzed below;

Item Description	Amount
Medical/Clinical Costs	165,715,020
Repair and Maintenance	2,973,324
Advertising and Publicity Expenses	954,200
Catering Expenses	511,195
Purchase of Other Fuel (Cooking Gas)	499,290
Contracted Services	8,899,800
Printing and Stationery	3,459,685
Purchase of Refined Fuel	1,627,715
Internet Expenses	804,315
Total	185,444,544

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

The statement of financial performance reflects an amount of Kshs. 2,973,324 in respect of repairs and maintenance expenditure as disclosed in Note 11 to the financial statements. However, the payments were not supported with a list of appointments for inspections and acceptance committee. Further, there was no evidence of inspection reports to guide on whether to accept or reject services to ensure compliance with the terms and specifications. This was contrary to Regulation 35(6) of the Public Procurement and Asset Disposal Regulations, 2020 which requires the inspection and acceptance committee to prepare and issue a report, interim or completion of inspection and acceptance certificate and submit to the head of procurement function.

In addition, there was no records of counter receipt vouchers (S.13) indicating the receipt or the disposal of the returned spare parts after repair and maintenance of the assets.

In the circumstances, the value for money for the expenditure could not be confirmed. In addition, Management was in breach of the law.

Management Responses

Since inception, the facility has never been registered as a tax agent, taxpayer or the withholding agent. However, in respect to regulation 6(1) of the Value Added Tax (Electronic Tax Invoices), 2020 and Tax Procedure Act 2015, the facility endeavors to adopt and implement the regulation by obtaining branch KRA PIN sooner in liaison with the county headquarters through the office of CECM finance and planning.

Committee Observation

Expenses of Kshs. 185 million were not supported with e-TIMs compliant invoices.

Committee Recommendation

- The Committee recommends that the Hospital Management must register with KRA and adopt e-invoicing practice;
- That suppliers should also be pre-qualified based on tax compliance.

2.1.26. Lack of Proper Management of Fuel

Review of the motor vehicle work tickets and analysis of fuel consumption statements for vehicles maintained by the Hospital revealed the following;

- i. Fuel register in respect of fuel consumption for various motor vehicles amounting to Kshs. 76,239.28 indicated that some vehicles drew fuel more than once in a single day on various dates and the work tickets were not updated.
- ii. Fuel card policies and procedures were not maintained to manage fuel utilization, approve users of the fuel cards and spending limits.
- iii. Management did not provide quarterly reports of the fuel, oil and lubricants utilization including analysis of consumption pattern by each vehicle.
- iv. Analysis of fuel consumption register provided for audit revealed that a number of vehicles consumed 1017.13 liters of fuel amounting to Kshs. 115,798 and whose logbooks were not provided for audit review.

In the circumstances, the value for money for the expenditure could not be confirmed.

Management Responses

The facility utility vehicles and ambulances are all used as pool vehicles and therefore the usage cannot be determined on any single day hence, they may draw fuel more than once.

The AG didn't specify the vehicle registration number in question.

The work tickets were updated are available review. Refer **appendix 19a**

The list of the approved officer authorized to manage the fuel cards was available. Refer **appendix 19b.**

Vehicles are properties of the County Government who hold/ custodian of ownership documents.

Committee Observation

Fuel was drawn multiple times a day and vehicle documentation was missing.

Committee Recommendation

— The Committee recommends that the Hospital Management should adopt fuel management systems including GPS, e-fuel cards, and logbook verification.

2.1.27. Failure to Withholding Income Taxes

Review of payment documents provided for audit revealed that payments amounting to Kshs. 175,740,429 were not subjected to VAT withholding tax contrary to Section 42A.(4C) (a) (b) of Tax Procedure Act, 2015 which provides that it's an offense for withholding agent not to withhold and remit withholding VAT by twentieth day of the month following that in which the deduction was made as analyzed below;

Item Description	Amount
Medical/Clinical Costs	165,715,020
Repair and Maintenance	2,973,324
Advertising and Publicity Expenses	954,200
Catering Expenses	511,195
Purchase of Other Fuel (Cooking Gas)	499,290
Printing and Stationery	3,459,685
Purchase of Refined Fuel	1,627,715
Total	175,740,429

Further, review of documents revealed that Management did not withhold contractors fee of 3% on contracted services amounting to Kshs. 6,932,854 contrary to Section 5(F) (the Income Tax Act Cap 470 which requires withholding income tax of 3% on contracted services to be withheld and remitted to Kenya Revenue Authority.

Item Description	Amount
Contracted services	8,899,800
Internet expenses	804,315
Total	9,704,115

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

Management Responses

The facility has never been registered as a tax agent, taxpayer or the withholding agent since inception. However, in respect to regulation 6(1) of the Value Added Tax (Electronic Tax Invoices), 2020 and Tax Procedure Act 2015, the facility endeavors to adopt and implement the regulation soon in liaison with the county headquarters through the office of CECM.

Committee Observation

Withholding tax of Kshs. 175 million was not deducted.

Committee Recommendation

- The Committee recommends that the Hospital Management should obtain a KRA PIN and act as a withholding agent within sixty days after the adoption of this report;
- That the County Treasury should supervise tax compliance.

2.1.28. Irregular Procurement Process

Review of payment schedule provided for audit revealed that Management procured goods and services using request for quotation procurement method amounting to Kshs. 8,943,420. However, no evidence was provided to indicate that Management utilized the list of registered suppliers to acquire goods and services, contrary to provisions of Section 105 and 106 of Public Procurement and Asset Disposal Act, 2015;

Item Description	Amount (Kshs.)
Repair and Maintenance	971,575
Advertising and Publicity expenses	954,200
Catering expenses	511,195
Internet expenses	804,315
Purchase of other fuel (cooking gas)	499,290
Printing and Stationery	3,459,685
Telephone and Mobile phone services	1,743,160
Total	8,943,420

In the circumstances, the value for money for the expenditure could not be confirmed. In addition, Management was in breach of the law.

Management Responses

The Hospital has an approved list of registered supplies as per PPADA, 2020 Section 52 (2) & 71. The list is available for AG inspection. Refer to **appendix 20** for the approved list of registered supplies.

Committee Observation

The Committee noted that approved list of registered suppliers was provided for audit review.

Committee Recommendation

- The Committee recommends that this matter be marked as resolved

2.1.29. Failure to Transfer Funds to County Revenue Fund

The statement of financial performance and as disclosed in Note 6 and Note 7 to the financial statements reflects an amount of Kshs. 336,231,948 in respect of revenue collected during the

year under review. However, the amount was not transferred to the County Revenue Fund for approval by the Controller of Budget before withdrawal contrary to the law.

Management Responses

The response to the Statement of Financial Performance was as follows;

- The facility maintains one account for both collections and expenditure. This was compliance with the PFM Act 2022 Cap 4 109, 2 (a), (b) & (c) on the establishment of County Revenue Fund and Cap 119 (1) on banking arrangements.
- The facility endeavors to adopt and implement the FIF Act 2023 soon in liaison with the county headquarters by opening/ transferring the revenue to County Revenue Fund account.

Committee Observation

The Committee noted that this issue has been satisfactorily addressed.

Committee Recommendation

- **The Committee recommends that this matter be marked as resolved**

2.1.30. Presentation and Disclosure of the Financial Statements

Review of the financial statements submitted for audit against the format prescribed by the Public Sector Accounting Standards Board (PSASB) revealed the following areas of non-compliance;

- i. The second page after the cover page was not left blank as prescribed by the template.
- ii. The Hospital prepared the financial statements for the first time using IPSAS (Accrual Basis). However, the date of adoption of IPSASs and subsequent disclosures which may include its transitional IPSAS financial statements or its first IPSAS financial statements were not stated as required by IPSAS 33.
- iii. Page (ii) reflects the table of contents which should be page (i). Further, the table of contents begins with key entity information and management instead of acronyms and glossary of terms.
- iv. The table of contents are in roman numbers instead of numerical numbers contrary to the template.
- v. The numbering of the titles and the cross-referenced page numbers in the table of contents is inconsistent with the numbering and page numbers in the financial statements.
- vi. Page (iv) to the financial statements reflects key entity information and management which shows that the Hospital is governed by a Board of management which includes the audit committee, however, the composition and appointment of the audit committee was not provided for audit review.

- vii. Page (iv) to the financial statements reflects key entity information and management, however, the page on the entity headquarters and the Hospital contacts is not numbered. Further, this comes before the page number (v) which contains key management, fiduciary management and fiduciary oversight arrangement.
- viii. Page (vii) reflects the Board of management, however, this has been numbered as (III) instead of (3) according to the template.
- ix. Page (vii) reflects the Board of management, however, this does not include a concise description of each Director's age, key qualifications, and work experience. It should also indicate whether the director is independent or an executive director.
- x. Page (viii) reflects management team numbered as (IV), however, this should be numbered as (4) according to the template.
- xi. Management team on page (viii) does not include each key manager's passport-size photo and name, and key profession/academic qualifications.
- xii. The chairperson's statement is numbered as (V), however, this should be numbered as (5) according to the template.
- xiii. The report of the medical superintendent does not include the name of the medical superintendent and the description as secretary of the board.
- xiv. The pages after the statement of performance against predetermined objectives has not been numbered.
- xv. The corporate governance statement has been numbered (VIII) instead of (8) according to the template.
- xvi. The corporate governance statement shows that the board members were appointed on 24 April, 2023, however, the financial statements relate to the year ended 30 June, 2022.
- xvii. Management discussion and analysis does not include the name of the medical superintendent and the description as secretary of the Board.
- xviii. Management discussion and analysis includes financial performance for the years 2021/2022 and 2020/2021, however, the opening balance for the year 2020/2021 could not be confirmed.
- xix. Environmental and sustainability reporting has been indicated as (X) instead of (10) as per the template. Further, the contents in the environmental and sustainability reporting have been wrongly numbered and not according to the template.
- xx. The report of the Board of management has been numbered as (XI) instead of (11) as per the template.
- xxi. The report of the Board of management does not set out the pages which the financial results of the entity are stated.
- xxii. The report of the Board of management does not include the name of the secretary of the Board.

- xxiii. The statement of Board of management's responsibilities is numbered as (XII) instead of 12 as per the prescribed template.
- xxiv. The statement of Board of management's responsibilities does not include the date the financial statements were approved by the Board and the names of the Accounting Officer.
- xxv. Page (xxvii) reflects the report of the independent auditor which has been numbered (XIII) instead of (13). Further, the report of the independent auditor includes the description (specify entity name) which should not be there.
- xxvi. Page (xxvii) reflects report of the independent Auditor-General and it does not specify the entity name. Further, the report includes the address of the Office of the Auditor-General which is not as per the template.
- xxvii. xxvii. The statement of financial performance, statement of financial position, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts is for the year ended 30 June, 2022. However, the amounts and opening balances included in the statements could not be confirmed as the supporting schedules were not provided for audit review. Further, the statements were not dated when it was approved by the Board.
- xxviii. The statement of financial position as at 30 June, 2022 reflects current liabilities as Note 17. However, note 17 to the financial statements reflects trade and other payables.
- xxix. The statement of financial performance, statement of financial position, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year ended 30 June, 2022 have been wrongly numbered.
- xxx. Page 6 reflects the notes to the financial statements, however, this has been numbered as (VI) instead of number (19).
- xxxi. Page 7 to the financial statements reflects the new and amended standards and interpretation in issue but not yet effective in the year ended 30 June, 2022. However, the effective date and impact of the standards applicable is 1st January 2023 which is after the year end of 30 June, 2022.
- xxxii. Note 17 to the financial statements reflects trade and other payables, however, it does not include the aging analysis which should have the current payables of the financial year and the comparative amounts as per the prescribed template.
- xxxiii. Page 28 includes the credit risk, however, the concentration of credit risk on amounts due has been labelled as xxxx.
- xxxiv. Page 30 reflects the sensitivity analysis, however, the current floating interest rates increase/ decrease by one percentage point as a decrease of Kshs xxx (20xx: Kshs xxx) and a surplus of Kshs xxx (20xx- Kshs xxx) this is not as per the prescribed template.
- xxxv. Page 31 reflects capital risk management; however, the entity capital structure of the current year and the prior year has been tabulated with xxx amounts.

In the circumstances, the accuracy, completeness, presentation and disclosures in the financial statements could not be confirmed.

Management Response

The reporting template for the year ended 30th June 2022 & 2023 were numbered differently hence the errors. This has been noted and will be corrected appropriately going forward. However, the transition of accounting basis from cash to accrual was approved by the Cabinet on 7th March 2024 as per the treasury circular **appendix 21**.

Committee Observations

The Committee noted that Numerous non-compliance issues with PSASB reporting format were observed.

Committee Recommendation

— **The Committee recommends that the County Treasury should train the hospital accountants on IPSAS formats and enforce compliance.**

2.1.31. Inadequacies in Revenue Billing System

An audit walkthrough of the Hospital revenue processes revealed that the Hospital uses CHIS system. However, the following weakness were observed on the system;

- i. Registration for the dead is done manually.
- ii. Registration for the in patients is done manually.
- iii. Invoicing was done manually.
- iv. The cashier has to key in the amount in the systems for all the services offered to an inpatient from the handwritten invoices.
- v. The reliance on manual invoicing increases the risk of revenue leakage, misappropriation, and errors due to the absence of automated records.
- vi. Both revenue collection systems were not automated to any financial system because the hospital uses manual in preparation and reporting of financial statements.

Revenue billing reports to establish the revenue earned in rendering of services-medical service income per the patients was not provided.

In the circumstances, the effectiveness of internal controls in revenue billing and Management of patients with accumulated bills could not be confirmed.

Management Responses

— The outpatient revenue system is fully operationalized. However, the Hospital management have noted the issues and will consider system enhancement to improve the services. They endeavor to digitalized/ automate the inpatient services in liaison with County headquarters as per Sec 68(1), Article 226(2) of the Constitution of Kenya.

- Currently seven (7) cash points are effectively operating unlike the previous three (3) cash points. This has enhanced revenue due to non-delays. Patients are attended to instantly.

Committee Observation

Manual inpatient billing was prone to leakage and inaccuracies.

Committee Recommendation

- **The Committee recommends that the Hospital Management should automate inpatient billing and link systems to the finance department;**
- **That audit trails should be maintained by the Hospital Management.**

2.1.32. Lack of Hospital Board of Management

Review of records and discussion with Management revealed that there was no Board in existence for the financial year 2021/2022.

In the circumstances, the effectiveness on internal controls on Board management could not be confirmed.

Management Responses

The Office of the Governor appoints the Hospital Board of Management as enlisted in the Financial Statement Page Vii, in compliance with section 31 © of the County Government Act 2012 and FIF Act 2023 Part III Clause 18 & 20. The Hospital Board discharged their mandates as per FIF Act 2023 Part III Clause 19.

Committee Observation

The Committee noted that this issue was satisfactorily addressed.

Committee Recommendation

- **The Committee therefore recommends that this matter be marked as resolved.**

2.1.33. Lack of an Approved Staff Establishment

Audit review revealed that there was no approved staff establishment. In the absence of an approved staff establishment, the Hospital may not be able to determine the skills and optimal staffing levels required to achieve its goals and objectives.

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

Management Responses

The facility personnel are deployed from the County government.

The facility has approved staff establishment and is available for the AG inspection. Refer to **appendix 22** for approved staff establishment.

Committee Observation

The Committee noted that on the issue of approved staff establishment was satisfactorily addressed.

Committee Recommendation

— **The Committee recommends that this matter be marked as resolved.**

2.1.34. Failure to Establish an Audit Committee and Operationalize Internal Audit Unit

During the year under review, the Hospital did not establish Board audit committee. Further, there was no evidence to confirm that the Hospital was audited by the Internal Audit Unit and that the recommendations of the audit were implemented. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to establish an Audit Committee.

In the circumstances, the Hospital operated without a mechanism for assessing and mitigating financial and operational risks.

Management Responses

The response to the Statement of Financial Performance was as follows;

- The facility has an established Audit Committee in compliance with PFM Act 2022 Sec 167 & 168. Their mandates are drawn from PFM Act 2022 Sec 168.
- The Internal Audit Unit is established at the County Headquarters and periodically performs its duties. Internal audit reports were given to the Auditor General. Refer **appendix 23** for the internal audit report.

Committee Observation

The Committee noted that the facility lacked an operational Audit Committee and internal audit coverage.

Committee Recommendations

- **The Committee recommends that the Hospital Management to establish a functional Internal Audit Committee to undertake quarterly internal audits and submit a report to the County Assembly and the County Treasury.**

3.0 CONSIDERATION OF REPORT OF THE AUDITOR-GENERAL ON MAMA LUCY KIBAKI-LEVEL 5 HOSPITAL-COUNTY GOVERNMENT OF NAIROBI CITY FOR THE YEAR ENDED 30TH JUNE, 2023

3.1.1. Presentation and Inaccuracies in the Financial Statements

Review of the financial statements revealed the following anomalies;

1. The Hospital prepared the financial statements for the first time using IPSAS (Accrual Basis). However, the date of adoption of IPSASs and disclosure that the Hospital did not present financial statements for previous periods, its transitional IPSAS financial statements or its first IPSAS financial statements were not stated as required by IPSAS 33.
2. The first page is not blank as provided in the template.
3. The table of contents from Acronyms and Glossary of Terms to Management Discussion and Analysis are in numerical numbers instead of roman numbers contrary to the template.
4. The Report of the Independent Auditor (Office of the Independent Auditor) includes the physical address of the office instead of a blank page. This is contrary to the template.
5. The financial statement is not consistently numbered as per template.
6. Date of appointment of the Board of Management has not been included in page 7, page 8 and page 9 under directors who served during the year.
7. The numbering of the titles and the cross-referenced page numbers in the table of contents was inconsistent with the numbering and page numbers in the financial statements.
8. At paragraph 2, "statement of compliance and basis of preparation" of notes to the financial statements at page 6 the guiding information in italics was not edited. Further, "where assumptions and estimates are significant to financial statements, are disclosed" it indicated Note XX and the year of enactment of Public Finance Management Act was not disclosed.
9. Management discussion and analysis report reflects total expenses comparative balance of Kshs. 226,966,85 while the statement of financial performance reflects an amount of Kshs. 353,664,608 resulting to an unexplained variance of Kshs. 126,697,758.
10. On page 12, paragraph (d) "Investment Property" the number of years for depreciating investment property was not disclosed.
11. The statement of financial position and Note 14 to the financial statements reflects cash and cash equivalents balance of Kshs. 127,075,074 which differs with the amount of Kshs. 191,629,445 disclosed in the statement of cash flows resulting to an unexplained variance of Kshs. 64,554,371.

12. The statement of financial position reflects receivables, inventories, and current liabilities balances of Kshs. 2,994,700, Kshs. 54,679,489 and Kshs. 64,088,912, respectively as disclosed in Note 15, Note 16 and Note 18 to the financial statements. However, the working capital adjustments was not taken into account in the statement of cash flows.
13. The statement of financial position and statement of changes in net assets reflects capital fund balance of Kshs. 2,290,913,118 which was not supported with an explanatory note, ledgers or schedule.
14. The statement of financial position reflects capital fund balance of Kshs. 2,290,913,118 while the recomputed balance reflects Kshs. 2,365,544,157 resulting to an unexplained variance of Kshs. 74,631,040.
15. The statement of financial position and statement of changes in net assets reflects capital fund of Kshs. 2,290,913,118 while the statement of cash flows reflects Nil amount in respect to changes in capital fund. The resulting difference has not been explained.

In the circumstances, the accuracy, completeness, presentation and disclosures in the financial statements could not be confirmed.

Management Responses

The reporting template for the year ended 30th June 2022 & 2023 were numbered differently hence the errors.

The cash basis of accounting was operational. The transition of accounting basis from cash to accrual was approved by the Cabinet on 7th March 2024 as per the treasury circular. Refer **appendix 1a**.

The AG computations didn't take into consideration the CAPEX and depreciation values.

The Hospital board of management was appointed on 24th April 2023 under gazette notice No. 5485 in compliance with section 31 © of the County Government Act 2012. Refer **appendix 1b**.

However, the error relating to financial statements has been noted and going forward will be corrected appropriately as per IPSAS guideline.

Committee Observations:

The Committee notes that the financial statements contained numerous presentation errors and inconsistencies, including misplacement of sections, incomplete disclosures, and pagination issues. Although management rectified the pagination, other material misstatements and omissions remained unaddressed at the time of the audit.

Committee Recommendation:

- The Committee recommends that the Hospital's finance team should undergo training on the public sector reporting framework; and
- That all future financial statements be thoroughly reviewed by an independent internal audit unit before submission.

3.1.2. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects trade receivables balance of Kshs. 2,994,700 as disclosed in Note 15 to the financial statements. However, the debtors' movement schedule and general ledgers were not provided for audit.

In the circumstances, the accuracy and completeness of trade receivables balance of Kshs. 2,994,700 could not be confirmed.

Management Responses

The facility complied with The Public Finance Management Act, 2015, Section 71 subsection 3 & 4, and Section 21 of the Public Audit Act, 2015. The hospital has shared the soft copy schedule of the receivables to the Auditor General dated 10th December 2024 at 9.36AM and further reshared on 11th December 2024 at 2.53PM. The NHIF system (HICs) is the source system of data. Refer to **appendix 2a & b** for proof of the shared schedules and the debtors age analysis.

Committee Observation

Supporting documents of Receivables of Kshs. 2,994,700 on schedules and ledgers were provided for audit review.

Committee Recommendation

- The Committee recommends that this matter be marked as resolved.

3.1.3. Misstatement of Rendering of Services-Medical Service Income

The statement of financial performance and statement of cash flows reflects rendering of services-medical service income amount of Kshs. 156,402,733. However, the statement according to the supporting schedule provided for audit, relates to the year under review. Principle. Therefore, the amount of Kshs. 156,402,733 is misstated by Kshs. 2,994,700.

In the circumstances, the accuracy and completeness of rendering of service-medical service income amount of Kshs. 156,402,733 could not be confirmed.

Management Responses

Misstatement in medical services income and accounts receivables is due to the transition from cash to accrual. The National Treasury had not issued circular at the time of audit review. The

transition of accounting basis from cash to accrual was approved by the Cabinet on 7th March 2024 as per the treasury circular. Refer **appendix 3a**.

The amount in question relates to the accounts receivable which were not accrued and therefore, this will be corrected appropriately going forward. Refer **appendix 3b**.

Committee Observations:

The Committee notes that the misstatement was attributed to the transition from cash to accrual accounting. This indicates a lack of adequate preparation and understanding of the new accounting basis.

Committee Recommendation:

- **The Committee recommends that the County Executive should support the Hospital with technical accounting expertise to ensure a smooth and accurate transition to the accrual basis of accounting.**

3.1.4. Unsupported Revenue and Failure to Maintain Revenue Cash Book

The Hospital did not maintain a different account for collection of revenue. It was established that the bank account maintained by the Hospital was both a collections and operations account. Further, Management did not maintain a revenue cash book with details on daily billings and collections (amount paid), transfers to the Facility Improvement Fund account, withdrawals through Authority to Incur Expenditure (AIEs) and revenue receivables.

In addition, the Hospital's total revenue of Kshs. 439,423,646 as reported in Note 6 and Note 7 to the financial statements was not supported with a ledger and monthly departmental revenue schedules containing daily summaries on amount charged per patient. This was contrary to Regulation 100 of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cashbook showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and preparation of the accounts of the vote for which he or she is responsible.

In the circumstances, the accuracy and completeness of total revenue amount of Kshs. 439,423,646 could not be confirmed.

Management Responses

The facility maintains one account for both collections and expenditure. This was in line with the PFM Act 2022 Cap 4 109, 2 (a), (b) & (c) and The Finance Act 2023 Part IV,21 (1). Refer **appendix 4a** for the annual revenue collection and mpesa statements.

In accordance with Article 226(2) of the Constitution of Kenya and Section 149(1) of the Act, the facility shared the softcopy of the detailed departmental/ service revenue. Refer to **appendix 4b** for the revenue collection schedule.

The facility maintained a cashbook, where all receipts and payments are recorded as per the PFMA 2015, regulation 100.

However, the facility is in consultation with the county on the way forward regarding County Revenue Fund.

Committee Observations:

The Committee acknowledges that a cashbook was maintained, but it was not structured to separately track revenue collections and operational expenditures, contrary to PFM regulations.

Committee Recommendation:

- The Committee recommends that the Hospital Management should establish a dedicated revenue account and maintain a detailed daily revenue cashbook as required by the Public Finance Management Regulations, 2015.

3.1.5. Variance Between National Health Insurance Fund(NHIF) Claims and Paid Amount in the Bank Statement

The statement of financial position reflects trade receivables from National Health Insurance Fund (NHIF) balance of Kshs. 2,994,700 as disclosed in Note 15 to the financial statements. However, analysis of the NHIF systems on the claims made and what was paid revealed variances as highlighted below;

FY	Claims System(Kshs)	-Paid-System	Paid-Bank	Balance(System)	Balance(Bank)
FY 2022/2023	97,546,400	94,551,700	100,928,163	2,994,700	3,381,763
Total	97,546,400	94,551,700	100,928,163	2,994,700	3,381,763

Further, Management did not provide monthly reconciliation, aging analysis and the contract between the Hospital and NHIF for the financial year under review. In addition, the reported balance on receivables did not include the outstanding balances from the prior years and there was no provision for doubtful debts despite the Hospital granting waivers to patients who were not able to settle their bills.

In the circumstances, the accuracy and completeness of trade receivables balance of Kshs. 2,994,700 could not be confirmed.

Management Responses

The discrepancy on the system and the bank amount is due to historical issues precipitated by non-simultaneous transfer of reimbursement as per the claims dates. The facility settled the older claims with any incoming transfers such that the pending ones are the most recent claims comparatively. Thus, the previous years' receivables had been taken into consideration.

In line with timely treatment of account receivables, the data for the period in question was generated from HICs. It's therefore a true reflection of the amount.

The facility in liaison with NHIF unanimously agreed to take the following remedy:

- **Digitization of Claims Processing:** NHIF has increasingly adopted technology to streamline its operations. This includes:
- **Introduction of eClaims system:** This system allows healthcare providers to submit claims electronically, reducing paperwork and minimizing errors associated with manual submission. It also enables quicker processing times.
- **Automation of Payment Systems:** Automating the claim payment process has reduced delays and improved the turnaround time for reimbursements to healthcare providers.
- **Improved Stakeholder Communication:** NHIF has enhanced communication channels with both healthcare providers and beneficiaries to ensure that claims are processed smoothly. Regular meetings with stakeholders have been initiated to clarify expectations and resolve any disputes.
- **Revised Reimbursement Rates and Guidelines:** NHIF has revisited its reimbursement schedules and has worked to align them with the actual costs of services provided. This has helped address concerns from healthcare providers about delayed or inadequate reimbursements, which were often a source of contention.
- **Strengthening of Auditing and Monitoring Systems:** NHIF has implemented better auditing and monitoring systems to prevent fraud and ensure the accuracy of claims. Through the establishment of a more rigorous audit process, NHIF can now detect fraudulent or duplicate claims more effectively.
- **Training and Capacity Building:** Healthcare providers have been trained on how to submit claims properly, and NHIF staff have received training to enhance their capacity in managing and processing claims efficiently. This reduces mistakes that contribute to delays or claim rejections.

Committee Observations:

The Committee notes the historical timing differences in NHIF reimbursements but is concerned about the lack of monthly reconciliations and aging analysis during the year.

Committee Recommendation:

- **The Committee recommends that the Hospital Management should perform monthly reconciliations of NHIF claims and payments and maintain an up-to-date aging schedule to support the receivables balance.**

3.1.6. Undisclosed Donations

The statement of financial performance reflects nil amount on grants from donors, County Government and Ministry of Health as reported in the financial statements. However, Management explained that during the year under review, the Hospital received donation in form of antiretroviral (ARVs) and tuberculosis drugs from donors. In addition, the Ministry of Health donated oxygen gas to the Hospital. However, this was not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of grants from donors, development partners and Ministry could not be confirmed.

Management Responses

IPSAS accrual requires a disclosure note with regards to donations and this is noted and will be provided. Going forward, it will be treated appropriately as per IPSAS accrual. Refer **appendix 6** for the donations schedule.

Committee Observations:

The Committee notes that donations in kind (e.g., drugs, equipment) were not recognized in the financial statements, contrary to accounting standards.

Committee Recommendation:

- **The Committee recommends that all donations whether in cash or kind should be properly valued, recorded, and disclosed in the financial statements in compliance with IPSAS.**

3.1.7. Unsupported Current Liabilities

The statement of financial position and as disclosed in Note 18 to the financial statements reflects current liabilities balance of Kshs. 64,088,912. However, the balance was not supported with general ledgers, aging analysis and detailed schedule showing the opening balance, payable within the year, payable paid and the outstanding balance.

In the circumstances, the accuracy and completeness of the current liabilities balance of Kshs. 64,088,912 could not be confirmed.

Management Responses

The trade payables schedule was shared via email dated 10th December 2024 at 2.21pm, in compliance with the PFM Act, 2015, Section 71 subsection 3 & 4, and Section 21 of the Public Audit Act, 2015. Refer to **appendix 7** for proof of the shared schedules and the aging analysis.

Committee Observations:

The Committee acknowledges that revenue documents were submitted late. However, the initial absence of M-Pesa statements and reconciliations undermines the reliability of reported revenue.

Committee Recommendation:

- The Committee recommends the Hospital Management to develop and implement a system for daily reconciliation of M-Pesa collections with bank transfers and ensure all digital transaction records are securely stored and easily retrievable.

3.1.8. Misstatement of Medical/Clinical Costs

The statement of financial performance reflects an amount of Kshs. 211,092,815 in respect of medical/clinical costs. However, analysis of the payment vouchers revealed discrepancies between the amount indicated on the payment voucher and the supporting schedule by Kshs. 1,433,705 as detailed below;

Cheque No	Schedule Amount (Kshs)	Voucher Amount (Kshs)	Variance (Kshs)
4686	808,550	1,325,650	517,100
4687	1,325,650	1,451,500	125,850
4697	894,900	309,725	(585,175)
4802	1,654,450	1,163,080	(491,370)
4682	1,498,500	2,826,750	1,328,250
4684	269,500	240,000	(29,500)
4685	240,000	808,550	568,550
Total	6,691,550	8,125,255	1,433,705

In the circumstances, the accuracy and completeness of medical/clinical costs of Kshs. 211,092,815 could not be confirmed.

Management Responses

The facility noted the error and was rectified appropriately. The error was necessitated by exporting the expenses from the source document. However, the grand total expenditure remains the same.

S/no	Chq No.	Schedule (Kshs)	Amount	P. Voucher (Kshs)	Amount	Variance (Kshs)
1	4686	1,325,650.00		1,325,650.00		-
2	4687	1,451,500.00		1,451,500.00		-
3	4697	309,725.00		309,725.00		-
4	4802	1,163,080.00		1,163,080.00		-
5	4682	2,826,750.00		2,826,750.00		-
6	4684	240,000.00		240,000.00		-
7	4685	808,550.00		808,550.00		-
TOTAL		8,125,255.00		8,125,255.00		-

Refer to **appendix 8**.

Committee Observation

The Committee noted that this issue has been satisfactorily addressed

Committee Recommendation

— The Committee therefore recommends that this matter be marked as resolved.

3.1.9. Unsupported Expenses

The Hospital incurred expenditure under various economic items as disclosed in the statement of financial performance. However, the expenditures outlined below were not supported with payment vouchers and other relevant supporting documents;

Item	Amount (Kshs)
Repair and maintenance	9,179,560
Purchase of ICT/Computer related items	2,150,300
Contracted services	11,423,920
Travel and accommodation allowances	1,431,830
Telephone and mobile services	2,433,400
Staff training and development	1,175,400
Printing and stationery	6,102,720
Purchase of refined fuel	2,503,277
Total	36,400,407

In the circumstances, the accuracy and completeness of total expenses of Kshs. 378,934,153 could not be confirmed.

Management Responses

The response to the Statement of Financial Performance was as follows;

— In compliance with The Public Finance Management Act, 2015, Section 71 on records and returns; subsection 3 & 4 of the Act, and Section 21 of the Public Audit Act, 2015, the facility availed the soft copy schedule of all payments as per the email shared to the Auditor General dated 10th December 2024 at 10.01AM and further reshared same date at 10.33AM. Refer to **appendix 9** for proof of the shared schedules, payment schedule and the payment vouchers.

Committee Observation

The Committee noted that the payment schedules and payment vouchers were provided for audit review and satisfactorily addressed.

Committee Recommendation

The Committee therefore recommends that this matter be marked as resolved.

3.1.10. Understatement of Refined Fuel

The statement of financial performance and as disclosed in Note 13 to the financial statements reflects general expenses amount of Kshs. 51,257,095. Included in this amount is Kshs. 4,916,357 in respect of purchase of refined fuel. However, review of payment vouchers provided for audit revealed expenditure totaling Kshs. 2,413,080 that was not correctly recorded resulting to an unexplained variance of Kshs. 1,786,920 as detailed below;

Date	Descriptions	Reported Amount (Kshs)	Correct Amount (Kshs)	Variance
2/9/2023	Chq. No. 004729	800,000	1,400,000	600,000
4/13/2023	Chq. No. 004637	450,000	1,400,000	950,000
5/8/2023	Chq. No.004803	1,163,080	1,400,000	236,920
Total		2,413,080	4,200,000	1,786,920

In the circumstances, the accuracy and completeness of the expenditure amount could not be confirmed.

Management Responses

The AG misstated the amount relating to cheque number 4729 and 4637 since they were correctly captured in both the schedule and the payment vouchers.

The facility noted the error on cheque number 4803 and was rectified appropriately. The error was necessitated by exporting the expenses from the source document. The grand total expenditure remains the same.

S/no	Date	Chq No.	Schedule Amount (Kshs)	P. Voucher Amount (Kshs)	Variance (Kshs)
1	02/09/2023	4729	800,000.00	800,000.00	-
2	4/13/2023	4637	450,000.00	450,000.00	-
3	05/08/2023	4803	1,400,000.00	1,400,000.00	-
TOTAL			2,650,000.00	2,650,000.00	-

Refer to **appendix 10**.

Committee Observation

The Committee noted that this issue has been satisfactorily addressed.

Committee Recommendation

— The Committee therefore recommends that this matter be marked as resolved

3.1.11. Irregularities in the Property, Plant and Equipment

The statement of financial position and as disclosed in Note 17 to the financial statements reflects property, plant and equipment balance of Kshs. 2,213,309,600. Included in the balance is an amount of Kshs. 42,857,229 in respect of additional assets during the year under audit. However, the additions were not supported with payment vouchers. Further, the brought forward values were not supported with valuation reports. In addition, the balance includes land valued at Kshs. 2,010,000,000 which was not supported with ownership documents and motor vehicles with a net book value of Kshs. 21,656,250 whose logbooks were not provided for audit review.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs 2,213,309,600 could not be confirmed.

Management Responses

The payment vouchers and the schedule of payments for the additional assets were provided in compliance with The Public Finance Management Act, 2015, Section 71 on records and returns; subsection 3 & 4 of the Act, and Section 21 of the Public Audit Act, 2015. Refer to **appendix 11** for the letter requesting for valuation, payment schedule and the payment vouchers.

In relation to valuation, Section 6 of the Valuers Act (Cap 532) requires that only registered valuers under the Act can legally perform property valuations in Kenya. This includes valuations of Property, Plant, and Equipment (PP&E) for public and private entities. The valuation of property should be done by the **qualified** County Valuers. The facility availed a letter made to the CECM seeking valuation of PPE. Through this, adherence to international standards, such as the International Valuation Standards (IVS) and International Financial Reporting Standards (IFRS), particularly IFRS 16 for property, plant, and equipment shall be met, and thus shall avoid understatement or overstatement of assets. The reported values were of current market values and the NBV's.

Committee Observation:

The Committee acknowledges that payment vouchers for asset additions were provided. However, the failure to produce critical ownership documents (logbooks for vehicles, title for land) and a professional valuation report for the brought-forward assets, which are domiciled at City Hall, remains a significant concern. This undermines the verifiability of the Kshs. 2.2 billion asset base.

Committee Recommendation:

- The Committee recommends that the Hospital Management should liaise with the County Executive Government to obtain and submit certified copies of all asset ownership documents;
- That a comprehensive valuation of all assets must be commissioned without delay from a registered valuer to ensure compliance with IPSAS and establish a reliable baseline for the Fixed Asset Register.

3.1.12. Use of Incorrect Depreciation Rate

The statement of financial performance and as disclosed in Note 11 to the financial statements reflects depreciation charge of Kshs. 64,732,083 which include depreciation for buildings totaling to Kshs. 19,393,124. However, the depreciation was calculated at the rate of 25% instead of the applicable rate of 2%.

In the circumstances, the accuracy and completeness of depreciation charge could not be confirmed.

Management Responses

The PSASB guidelines didn't provide specific capital allowance rate under different classes of PP&E. The facility utilized the current trend in KPMG depreciation rates.

However, the facility shall adopt The National Treasury's National Assets and Liability Management Policy as well as The Income Tax Act Section 15, that provides detailed guidelines on the depreciation rates for various classes of Property, Plant, and Equipment (PP&E) upon proper valuation of the facility assets.

Committee Observation:

The Committee observes that the use of a 25% depreciation rate for buildings, instead of the applicable 2%, constitutes a material misstatement. While management cites a lack of specific PSASB guidelines, the adoption of a rate significantly divergent from the National Treasury's standard practice indicates a failure in applying prudent accounting policies.

Committee Recommendation:

- **The Committee recommends that the Hospital Management should recalculate and adjust the depreciation for all asset classes to align with the rates prescribed in the National Treasury's National Assets and Liability Management Policy. The financial statements for the period should be restated to correct this error.**

3.1.13. Unsupported Health Sector Service Fund

The statement of financial performance for the year ended 30 June, 2023 reflects general expenses amount of Kshs. 51,257,095. Included in this amount is Health Sector Service Fund of Kshs. 11,423,920 as disclosed in Note 13 to the financial statements. Management indicated that the payment was 5% of Facility Improvement Fund (FIF) collection to County Health, however, the payment was not supported with an approved policy requiring payment to County Health Sector. In addition, the Hospital did not have a Facility Improvement Fund bank account.

In the circumstances, the accuracy and completeness of the Health Sector Service Fund amount of Kshs. 11,423,920 could not be confirmed.

Management Responses

The Hospital Board resolved to stop the submission of 5% of FIF to the County. The facility adhered to Section 21 of the Public Audit Act, 2015 availed the payment vouchers for 5% HSSF fund and operates one account as per PFM Act 2022 Cap 4 109, 2 (a), (b) & (c) and The FIF Act 2023 Part IV, clause 21 (1). The Board will consider opening a FIF account to be maintained at the facility with the advice of the CECM. Refer to **appendix 13** the payment schedule, payment vouchers and the board resolution retaining the amount in the facility going forward.

Committee Observation:

The Committee notes that the transfer of Kshs. 11.4 million to the County Health Sector was made without a dedicated FIF account and was subsequently halted by a Board resolution. This indicates initial operational non-compliance with the FIF Act, despite the subsequent provision of payment vouchers.

Committee Recommendation:

- The Committee recommends that the Hospital Management should operationalize a dedicated Facility Improvement Fund (FIF) bank account as mandated by the FIF Act, 2023 within sixty days after the adoption of this report;
- That all future remittances must be strictly governed by approved legal frameworks and supported by clear, documented policies.

3.1.14. Unsupported Employee Costs

The statement of financial performance reflects employee costs amount of Kshs. 36,903,703 relating to casual wages and contractual employees respectively, as disclosed in Note 9 to the financial statements. However, supporting schedules and monthly payrolls for the salaries, wages and allowances were not provided for audit review. In addition, it was established that the Hospital received services from medical staff employed and paid by the County, however, the expenditure was not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of employee costs of Kshs. 36,903,703 could not be confirmed.

Management Responses

In compliance with The Public Finance Management Act, 2015, Section 71 on records and returns; subsection 3 & 4 of the Act, and Section 21 of the Public Audit Act, 2015, the facility availed the soft copy schedule of all payments as per the email shared to the Auditor General dated 10th December 2024 at 10.01AM and further reshared same date at 10.33AM. Refer to **appendix 14** for the payment schedule and the payment vouchers.

Due to the Data Protection Act, 2019, Information Act 2016 and the confidentiality of the data, the facility could not obtain the county employee cost for the disclosure purposes as per IFRS 7.

IPSAS accrual requires a disclosure note with regards to employee cost at the county level and this is noted and will be provided once shared.

Committee Observation:

The Committee acknowledges that payroll schedules and vouchers for direct employees were provided. However, the failure to disclose the value of services rendered by staff employed and paid by the County Government constitutes a breach of IPSAS disclosure requirements, leading to an incomplete picture of total employee costs.

Committee Recommendation:

- The Committee recommends that the Hospital Management should formally engage with the County HR and Treasury to obtain the necessary data on the cost of County-employed staff working at the facility. This information must be fully disclosed in the financial statements as required by IPSAS.

3.1.15. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects the Hospital spent an amount of Kshs. 314,202,070 against actual receipts of Kshs. 439,423,646 resulting to an under-utilization of Kshs. 125,221,576 or 28% of the actual receipts.

Management Responses

The facility complied with FIF Act 2023-part IV clause 23. The facility's actual absorption rate is 100%; the AGs' computation didn't consider CAPEX absorption and the capital allowances of the PP&Es'.

Committee Observation:

The Committee notes a significant under-utilization of Kshs. 125.2 million (28% of actual receipts). Management's claim of a 100% absorption rate, which contradicts the Auditor-General's finding by excluding capital expenditure, highlights a fundamental disconnect in budgetary reporting and execution.

Committee Recommendation:

- The Committee recommends that the Hospital Management must enhance its budgetary planning, monitoring, and execution processes;
- That a detailed cash flow forecast and project implementation plan should be developed within ninety days after the adoption of this report to ensure timely utilization of both operational and development funds.

3.1.16. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness. However, Management had not resolved the issues as at 30 June, 2023.

Management Responses

The audit reviews for the year FY 2022/2023 and the previous year reviewed were executed at the same time as well as the matters in question were raised same time. Thus, time limit was the factor. However, the facility is endeavored to adhered to the recommendation and guidelines given to the later.

Committee Observation:

The Committee is deeply concerned that several audit queries from the previous financial year remain unresolved. The explanation citing time constraints is unsatisfactory and points to a systemic weakness in the institution's internal follow-up mechanism for audit recommendations.

Committee Recommendation:

- The Committee recommends that the Hospital Management should establish a robust Audit Action Tracking System within ninety days after the adoption of this report to monitor the implementation of all audit recommendations;
- That the Hospital Management should submit quarterly progress reports on the status of unresolved matters to the County Assembly.

3.1.17. Late Submission of Financial Statements

The financial statements for the year ended 30 June, 2023 were submitted to the Office of the Auditor-General on 30 September, 2024, twelve (12) months after the statutory deadline of 30 September, 2023. This was contrary to Section 149(2)(k) of the Public Finance Management Act, 2012 which requires an Accounting Officer, in respect of the entity concerned, to not later than three months after the end of each financial year, prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury.

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

Management Responses

As at the year of review, the financial statements were being audited as a group in the health sector.

The financial statement for FY 2023-2024 has been submitted on time.

Committee Observation:

The Committee finds the submission of financial statements twelve months after the statutory deadline to be a serious breach of the Public Finance Management Act, 2012. The explanation of group auditing does not absolve the Accounting Officer of their individual statutory responsibility.

Committee Recommendation:

- The Committee recommends that the Hospital Management must put in place measures, including early preparation and internal deadlines, to ensure timely submission of financial statements in adherence to statutory reporting deadlines;
- That the County Treasury should consider disciplinary action for any future delays.

3.1.18. Non-Compliance with the Financial Reporting Template

The financial statements submitted for audit were not prepared in compliance with the financial reporting template approved and issued by the Public Sector Accounting Standards Board. This was contrary to Section 81(3) of the Public Finance Management

Report of the Auditor-General on Mama Lucy Kibaki-Level 5 Hospital for the year ended 30 June,2023-County Government of Nairobi 9 Act,2012 which requires Accounting Officers to prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Public Sector Accounting Standards Board.

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

Management Responses

The IPSASB reporting guideline and template were provided at the end of FY 2022-2023 and the facility, has then commenced to prepare separate financial statement from county as per PFM Act Section 81 (3).

However, the transition from cash to accrual had not been approved by the cabinet. The National Treasury through a circular dated 3rd October 2024 informed the public on the adoption of the accrual basis of accounting which was approved by the Cabinet approved on 7th March 2024 following recommendations from the National Treasury and the Public Sector Accounting Standards Board (PSASB). Also, the IPSAS Board reporting guidelines and templates were provided in the year 2023. Refer to **appendix 19** for the treasury circular.

Committee Observation:

The Committee notes that the financial statements were not prepared using the PSASB-approved template, constituting a breach of the PFM Act. While the transition to accrual accounting was pending Cabinet approval, the fundamental requirement to use the correct reporting format remained.

Committee Recommendation:

- The Committee recommends that the Hospital Management should ensure all financial statements are prepared in strict compliance with the approved PSASB reporting template; and
- That the Accounting Officer should ensure that the finance team receives periodic training on public sector accounting standards and reporting requirements.

3.1.19. Unsupported Repairs and Maintenance

The statement of financial performance reflects an amount of Kshs. 12,299,457 in respect of repairs and maintenance expenditure as disclosed in Note 12 to the financial statements. However, the payments were not supported with a list of appointed inspections and acceptance committee and pre inspection reports. This was contrary to Regulation 35(6) of the Public Procurement and Asset Disposal Regulations, 2020 which requires the inspection and acceptance committee to prepare and issue a report, interim or completion of inspection and acceptance certificate and submit to the head of procurement function. Further, there was

no records of counter receipt vouchers (S.13) showing the receipt or the disposal of the returned spare parts after repair and maintenance of the assets.

In the circumstances, the value for money for the expenditure could not be confirmed.

Management Responses

The vouchers concerned on repairs and maintenance have inspection and acceptance reports prepared by the inspection and acceptance committee in accordance with PPADA 2015 section (48). Refer **appendix 20** for the memos for appointment of the inspection and acceptance committee and inspections and acceptance reports which were done in accordance with PPPADA 2015 section 48 (2).

Committee Observation:

The Committee acknowledges that appointment memos and some inspection reports for the repairs and maintenance committee were provided. However, the initial absence of pre-inspection reports and crucial records like S.13 counter receipt vouchers for spare parts raises concerns about the integrity of the entire procurement-to-payment process for these expenditures.

Committee Recommendation:

- **The Committee recommends that the Hospital Management should enforce full compliance with the Public Procurement and Asset Disposal Act for all repairs and maintenance activities. This includes mandatory pre-inspection reports, proper documentation of the disposal of replaced parts, and the use of all requisite vouchers.**

3.1.20. Lack of Proper Management of Fuel

Review of the motor vehicle work tickets and analysis of fuel consumption statements for vehicles maintained by Management revealed the following;

- a. Fuel card policies and procedures were not maintained to specify and manage fuel utilization, approved use of the fuel cards and spending limits hence enabling any vehicle to be fueled using any fuel card.
- b. Management did not maintain a fuel consumption tracking system for tracking of fuel consumption, mileage, and usage for each vehicle. This would include the use of GPS systems (tracking) or odometer readings.
- c. Analysis of fuel consumption register provided for audit revealed that a number of vehicles consumed 2526.62 liters of fuel amounting to Kshs. 46,347,811, however, the logbooks were not provided for audit review.

In the circumstances, the value for money for the Hospitals fuel expenditure could not be confirmed.

Management Responses

The facility utility vehicles and ambulances are all used as pool vehicles and therefore the usage cannot be determined on any single day hence, they may draw fuel more than once.

The list of the approved officer authorized to manage the fuel cards was available. Refer appendix 21.

Vehicles are properties of the County Government who hold/ custodian of ownership documents.

Committee Observation:

The Committee finds the management of fuel to be critically weak, lacking basic controls such as a fuel policy, consumption tracking, and proper logbooks. The practice of using pool vehicles does not justify the absence of a system to monitor usage and prevent misuse.

Committee Recommendation:

- The Committee recommends that the Hospital Management should develop and implement a comprehensive Fuel Management Policy within ninety days after the adoption of this report. This should include vehicle-specific logbooks with odometer readings, spending limits on fuel cards, and a monitoring system to track consumption and mileage for each vehicle.

3.1.21. Failure to Withhold Income Taxes

Review of payment records provided for audit revealed that payments amounting to Kshs. 237,598,629 were not subjected to withholding value added tax contrary to Section 42A.(4C) (a) (b) of Tax Procedure Act, 2015 which provides that it's an offense for withholding agent not to withhold and remit withholding VAT by twentieth day of the month following that in which the deduction was made. Details are as shown below;

Item Description	Amount (Kshs)
Medical/Clinical costs	211,092,815
Repair and maintenance	12,299,457
Advertising and publicity expenses	238,430
Catering expenses	299,750
Purchase of ICT/ Computers related items	2,649,100
Printing and stationery	6,102,720
Purchase of refined fuel	4,916,357
Total	237,598,629

Further, Management did not withhold income tax of 3% on contracted services amounting to Kshs. 12,542,502 contrary to Section 5(F) of the Income Tax Act Cap 470 which requires

withholding income tax of 3% on contracted services to be withheld and remitted to Kenya Revenue Authority.

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

Management Responses

Since inception, the facility has never been registered as a tax agent, taxpayer or the withholding agent. However, in respect to regulation 6(1) of the Value Added Tax (Electronic Tax Invoices), 2020 and Tax Procedure Act 2015, the facility endeavors to adopt and implement the regulation by obtaining branch KRA PIN sooner in liaison with the county headquarters through the office of CECM finance and planning.

Committee Observation

Payments totaling Kshs.237.6 million were not subjected to WHT and VAT deductions, exposing the Hospital to legal and financial liabilities.

Committee Recommendation

- The Committee recommends that the Hospital Management should register for tax purposes and fully comply with tax laws within sixty days after the adoption of this report; and
- That the County Treasury should facilitate the Hospital Management in securing a KRA PIN and compliance.

3.1.22. Payments Without Electronic Tax Invoices

The statement of financial performance reflects an amount of Kshs. 378,934,153 in respect of total expenses. Included in this amount is Kshs. 250,141,131 relating to payments made to suppliers but not supported with electronic tax invoices contrary to the provisions of Regulation 6(1) of Value Added Tax (Electronic Tax Invoices) Regulations 2020, which requires users of a register to ensure that each sale is recorded with the use of the register.

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

Management Responses

The facility has never been registered as a tax agent, taxpayer or the withholding agent since inception. However, in respect to regulation 6(1) of the Value Added Tax (Electronic Tax Invoices), 2020 and Tax Procedure Act 2015, the facility endeavors to adopt and implement the regulation soon in liaison with the county headquarters through the office of CECM.

Committee Observation:

Kshs.250.1 million in supplier payments were made without e-TIMS compliant invoices.

Committee Recommendation

- The Committee recommends that the Hospital Management should enforce use of electronic tax invoices and ensure suppliers are compliant with e-TIMS regulations before payments are processed.

3.1.23. Irregular Procurement of Goods and Services

The statement of financial performance reflects medical/clinical costs of Kshs.211,092,815 which includes non-pharmaceuticals totaling Kshs.86,995,824. However, review of various payment vouchers revealed various gaps which include non-compliance with procurement laws which include failure to sign minutes of the tender opening, failure to initialize all pages of the evaluation report, appointment of same members in the tender opening and evaluation committees and failure to attach relevant documents in support of payments. Further, it was established that unsuccessful bidders were not formally informed of the outcome of their bids. In addition, there was evidence of tender splitting.

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

Management Responses

All minutes of opening and evaluation were signed by all committee members as per PPPADA 2015 section 78 (9).

In the case of composition of opening and evaluation committees, all committees comprised of different chairpersons for opening and evaluation members as per PPPADA 2015 section (46) and (78).

Unsuccessful bidders were notified of the outcome, and successful ones were issued with an LPO as per PPPADA 2015 section 106 (5).

Splitting of contracts as per section 54(1) of the Act meant splitting to avoid a procurement method. It applies at the first stage of the procurement process when choosing the method of procurement in consideration of the value of requisition. Splitting clause above therefore is not meant to apply at the award stage of evaluation. The award to the bidders was done to the lowest evaluated price per item as per section 105(3) of the act.

Refer **appendix 24** for tender opening minutes, evaluation report initialized and appointment letters for opening and evaluation committee.

Committee Observation

Despite management's assertion, evidence presented in the audit revealed key breaches of the Public Procurement and Asset Disposal Act (PPADA), 2015. These included unsigned tender opening minutes, uninitialized evaluation reports, and missing supporting documents for payment processing.

The audit also noted improper committee constitution practices, with instances of same individuals appearing in both tender opening and evaluation committees, which compromises the independence of the process.

Although management defended the procurement decisions on the basis of per-item lowest evaluated price, the audit established patterns indicative of tender splitting. This undermines the principles of transparency and competitive bidding.

While management claims that notifications were issued, there is no evidence presented to substantiate this. This raises questions about adherence to fair procurement practices and bidder rights as stipulated under Section 87(3) and 86(4) of the PPADA, 2015.

Committee Recommendation:

- The Committee recommends that the Hospital Management should fully comply with all provisions of the PPADA, 2015. This includes ensuring all procurement records are properly documented, signed, and securely archived for audit and transparency purposes;
- That the Hospital Management should ensure that tender opening and evaluation committees are composed of entirely separate personnel to avoid conflict of interest and uphold procurement integrity;
- That procurement planning should be done holistically to avoid apparent tender splitting. The County Procurement Department should regularly audit procurement plans to enforce compliance with Section 54 of the PPADA, 2015;
- That the Management should ensure that all bidders, successful or otherwise, are formally and timely notified of the outcome of procurement processes in writing, with evidence of delivery maintained on file; and
- That officers responsible for the observed procurement irregularities should be subjected to disciplinary measures as per the Human Resource guidelines and relevant procurement regulations.

3.1.24. Lack of Board Performance Evaluation

Review of records of the Board revealed no evidence of the Board having undertaken an evaluation of its performance. This was contrary to Paragraph 1.12 of the Mwongozo

Code of Governance which requires the Board to undertake an annual evaluation of its performance.

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

Management Responses

The current Hospital Management Board came in quarter 4 of the year under review. The Board has developed the performance evaluation mechanism which is in operation. Refer **appendix 25**.

Committee Observation:

The Board had not undertaken a performance evaluation as required by the Mwongozo Code.

Committee Recommendation:

- The Committee recommends that the Hospital Management Board should carry out an annual self-evaluation exercises and submit reports to the County Executive and Assembly for information and consideration.

3.1.25. Lack of an Approved Budget for the Hospital

The Hospital did not provide an approved budget for audit. Failure to prepare and approve the budget was contrary to Regulation 29(I) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that the draft estimates relating to his or her department are prepared in conformity with the Constitution, the Act and the Regulations.

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

Management Responses

The hospital often prepares the draft budget and submitted for approval in consistence with the PFM Act 2022, Section 118 Subsection 1 (a), (b) and the Finance Act 2023 & FIF Act 2023 Part IV Clause 16. Approved Authority to Incur Expenditure (AIE) file was availed. Refer to **appendix 26** for the HMTs' proposed budgets, request for AIEs' letters and the approved AIE's.

Committee Observation

The Committee noted that this issue was satisfactorily addressed.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

3.1.26. Lack of Quarterly Revenue Reports

The statement of financial performance reflects an amount of Kshs. 156,402,733 in respect to rendering of services- medical service income as disclosed in Note 6 to the financial statements. However, the Hospital did not provide evidence to show that the reports were prepared and submitted to the County Treasury with a copy to the Auditor-General contrary

to Regulation 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

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

Management Responses

In accordance with Article 226(2) of the Constitution of Kenya and Section 149(1) of the Act, and the Finance Act 2023 under FIF Part IV (19-21), the facility often disclosed total quarterly revenue to the Chief Officers' office as a request for AIE. The soft copy of the same reports was shared with the Auditor General. Refer to **appendix 27** for annual revenue collections and request for AIE's letters.

Committee Observation

The Board had not undertaken a performance evaluation as required by the Mwongozo Code.

Committee Recommendation

- **The Committee recommends that the Hospital Management Board should carry out an annual self-evaluation exercises and submit reports to the County Executive and Assembly for information and consideration.**

3.1.27. Inadequacies in Revenue Billing System

Review of the Hospital revenue processes revealed that the Hospital uses CHIS system. However, the following weakness were observed in regards to the billing system;

- a. Registration for the dead is done manually.
- b. Registration for the in-patients is done manually.
- c. Invoicing was done manually.
- d. The cashier has to key in the amount in the systems for all the services offered to an inpatient from the handwritten invoices.
- e. The reliance on manual invoicing increases the risk of revenue leakage, misappropriation, and errors due to the absence of automated records.
- f. Both revenue collection systems were not automated to any financial system because the Hospital manually prepare and report financial statements.

Revenue billing reports to establish the revenue earned in rendering of services-medical service income per the patients was not provided and as per the requirements of International Public Sector Accounting Standards (Accrual Basis).

In the circumstances, the effectiveness of the payroll system could not be confirmed.

Management Responses

The outpatient revenue system is fully operationalized. However, the Hospital management have noted the issues and will consider system enhancement to improve the services. They endeavor to digitalized/ automate the inpatient services in liaison with County headquarters as per Sec 68(1), Article 226(2) of the Constitution of Kenya.

Currently seven (8) cash points are effectively operating unlike the previous three (3) cash points. This has enhanced revenue due to non-delays. Patients are attended to instantly.

Committee Observation

Manual registration and invoicing increase risks of revenue leakage and errors.

Committee Recommendation

- **The Committee recommends that the Hospital Management should fully automate its billing and revenue collection system in line with best practices and collaborate with the County ICT department to improve system integration.**

3.1.28. Poor Management of Pharmaceuticals and Non-Pharmaceuticals Items

Review of management of pharmaceutical and non-pharmaceutical commodities at the Hospital revealed that stock cards used in issuance of drugs to various departments in the Hospital did not indicate the batch number and the expiry dates of the drugs. Further, medicines of undetermined value were found to have expired.

In the circumstances, it was not possible to establish whether the issuance of drugs was on a First Expiry First Out (FEFO) basis.

Management Responses

The issuance of drugs is done on First Expiry First Out to departments by the pharmacist in consideration of the date of expiry. Also, the process of disposal of expired drugs is ongoing.

An inventory management system is being put in place to remedy unforeseen risk in the store.

Committee Observation

The Committee noted that this issue has been addressed.

Committee Recommendation

The Committee therefore recommends that the matter be marked as resolved.

3.1.29. Ineffective Internal Audit and Audit Committee Function

Review of the Hospital's governance system revealed that it relied on the Internal Audit Unit of the County Executive and did not constitute an audit committee of the facility but relied on audit committee of the County Government. Further, although the internal audit

department carried out audits in the year under review, it did not submit any audit report on the operations of the Hospital to the Management. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to establish an effective Audit Committee.

In the circumstances, the Hospital did not benefit from the independent assurance over its financial reporting and risk management processes.

Management Responses

The facility has an established Audit Committee in compliance with PFM Act 2022 Sec 167 & 168. Their mandates are drawn from PFM Act 2022 Sec 168.

The Internal Audit Unit is established at the County Headquarters and periodically performs its duties. Internal audit reports were given to the Auditor General. Refer **appendix 30** for the internal audit report.

Committee Observation

The facility lacked an effective and independent audit committee and received no direct internal audit reports.

Committee Recommendation

- **The Committee recommends that the Hospital Management should establish a functional Audit Committee within sixty days after the adoption of this report as per PFM Regulations and ensure internal audit reports are reviewed and acted upon by Management.**

3.1.30. Lack of Risk Management Policy, Disaster Recovery Plan and Waiver Policy

During the financial year under review, the Hospital did not have a risk management strategy in place and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks. Consequently, the Management did not perform formal risk assessments on all key financial risk areas such as cash, revenue and expenditure. Further, it was noted that the Management lacked a disaster recovery plan/business continuity plan and therefore crucial information may never be recovered in the event of a disaster. In addition, the Hospital was operating without an approved waiver policy to show proper guidelines and procedures on waiver and therefore the effectiveness and sufficiency of the controls could not be confirmed.

In the circumstances, the Hospital may not achieve its desired objectives where crucial policy documents are non-existent.

Management Responses

The facility has done one of its first best strategic and investment plan FY 2025 – 2027. The SP entails the risk policy, recovery plan and mitigation measures. It is an ongoing implementation and thus the raised policies and culture exist. **Refer appendix 31.**

Committee Observation

The absence of these policies exposes the Hospital to operational, legal and financial risks.

Committee Recommendation

- **The Committee recommends that the Hospital Management should fast-track implementation of its strategic plan by finalizing and operationalizing the Risk Management Strategy, Disaster Recovery Plan, and Waiver Policy.**

3.1.31. Lack of an Approved Staff Establishment

The Hospital did not have an approved staff establishment. In the absence of an approved staff establishment, the Hospital may not have been able to determine the skills and optimal staffing levels required to achieve its goals and objectives.

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

Management Responses

The facility personnel are deployed from the County government.

The facility has approved staff establishment and is available for the AG inspection. Refer to **appendix 32** for approved staff establishment.

Committee Observation

The Committee noted that this matter was addressed upon providing approved staff establishment.

Committee Recommendations

- **The Committee recommends the matter be marked as resolved.**

4.0 CONSIDERATION OF REPORT OF THE AUDITOR-GENERAL ON MAMA LUCY KIBAKI-LEVEL 5 HOSPITAL-COUNTY GOVERNMENT OF NAIROBI CITY FOR THE YEAR ENDED 30TH JUNE, 2024

4.1.1. Presentation and Inaccuracies in the Financial Statements

Review of the financial statements for the year ended 30 June, 2024 revealed the following anomalies;

1. The table of contents pagination of the titles does not align with the reporting template pagination.
2. The financial statements do not have page numbers from acronyms and glossary of terms page up to operational performance statistical data table.
3. The corporate governance statement is misplaced in between the strategic pillars table just before pillar number 5 of the health care governance and leadership.
4. Statement of performance against predetermined objectives listed five pillars but the diagram has six pillars. Included is pillar number 5 in the diagram 'Health infrastructure and equipment' which is not among the listed pillars.
5. Management discussion and analysis is misplaced in between the corporate governance statement just before the board and member performance, board remuneration, ethics, conduct as well as governance audit.
6. Note 18 to the financial statements relating to trade and other payables does not include the ageing analysis as required in the reporting template.
Credit risks on page 27 of the financial statements reports that the entity has significant concentration of credit risk on amounts due from xxxx.
7. Sensitivity analysis on page 29 reports a decrease/increase of Kshs. xxxx. A rate increase/decrease of 5% would result in a decrease/increase in surplus of Kshs. Xxxx (20xx - xxx). The "xxx" has not been completed as required.
8. Page ii to the financial statements reports performance under financial analysis table as revenue of Kshs. 540,162,823 and expenditures of Kshs. 640,403,293, however, the statement of financial performance on page 1 reported total expenses as Kshs. 633,272,521 for 2023/2024 financial year. Further, expenditure for 2022/2023 is reported as Kshs. 382,847,065.32 while the statement of financial performance has total expenses as Kshs. 378,934,153.
9. The statement of comparison of budget and actual amounts for the year ended 30 June, 2024 reflects total expenses as Kshs. 640,403,293 while the statement of financial performance reflects total expense as Kshs. 633,272,521. The variances are as tabulated below:

Description	Budget (Kshs)	Statement of Financial Performance (Kshs)	Variance (Kshs)
Medical / Clinical costs	400,031,855	361,005,657	39,026,198
Repairs and Maintenance	63,538,851	10,986,384	52,552,467
General Expenses	71,772,348	76,716,207.99	(4,943,859.99)
Depreciation	89,391,753	-	89,391,753

10. The statement of financial position and statement of changes in net assets reflects capital fund of Kshs. 2,145,044,569 while the same amount is not reported under financing activities in the statement of cash flows.
11. Page 6 of the financial statements under the statement of compliance and basis of preparation reported the areas involving a higher degree of judgement, are disclosed in note xxx.
12. Page 12 of the financial statements under investment property, reports investment properties are measured using the cost model and are depreciated over a period of xxx years.
13. Page 16 of the financial statements under impairment reports that management in determining the credit or loss are set out in note xxx.
14. Page 20 to the financial statements under subsequent events reports that there have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 20xx. The “xxx” have not be customized.

In the circumstances, the accuracy, completeness, presentation and disclosures in the financial statements could not be confirmed.

Management Responses

The pagination of the document was rectified.

Committee Observations

The Committee noted that the financial statements were not prepared in full compliance with the reporting templates issued by the Public Sector Accounting Standards Board. Key sections such as page numbering, pillar inconsistencies, and financial data were either missing, misaligned, or included placeholders such as “xxx”, indicating a lack of due diligence in financial reporting.

Committee Recommendation

- **The Committee recommends that the Hospital Management should ensure that all financial statements are prepared in strict adherence to the prescribed templates and IPSAS accrual basis.**

4.1.2. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs. 91,682,970 as disclosed in Note 15 to the financial statements. However, the debtors' movement schedule and general ledgers were not provided for audit review.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs. 91,682,970 could not be confirmed.

Management Responses

The hospital has shared the soft copy schedule of the receivables to the Auditor General dated 10th December 2024 at 9.36AM. Refer to appendix 2 for proof of the shared schedules and the debtors age analysis.

Committee Observation

The Committee noted that this issue was satisfactorily addressed.

Committee Recommendation

- **The Committee recommends that this matter be marked as resolved.**

4.1.3. Misstatement of Rendering of Services-Medical Service Income

The statement of financial performance and statement of cash flows reflects rendering of services-medical service income amount of Kshs. 245,594,370. However, the statement of financial position reflects receivables from exchange transactions balance of Kshs. 91,682,970 which, according to the supporting schedule provided for audit, related to the year under review and which should have been accrued under the year under review. Therefore, the amount of Kshs. 245,594,370 is misstated by Kshs. 91,682,970.

In the circumstances, the accuracy and completeness of rendering of service-medical service income amount of Kshs. 245,594,370 could not be confirmed.

Management Responses

Misstatement in medical services income and accounts receivables is due to the transition from cash to accrual.

Committee Observations:

The medical service income reported was overstated by Kshs. 91,682,970 due to unaccrued receivables during the transitional period from cash to accrual accounting.

Committee Recommendations

- The Committee recommends that the Hospital Management should retrospectively correct the misstatement and adopt proper accrual accounting methods;
- That future statements should clearly distinguish accrued income to avoid revenue overstatements.

4.1.4. Failure to Maintain Revenue Cashbook

The income from rendering of services was collected through Mpesa Paybill and deposited in the Hospital's current account. However, the Hospital did not maintain a different account for collections. The current account was for both collections and operations accounts. Management did not maintain a revenue cash book with details on daily billings and collections (amount paid), transfers to the Facility Improvement Fund account, withdrawals through Authority to Incur Expenditure (AIEs) and revenue receivables.

In addition, the rendering of service - medical services income amount of Kshs. 245,594,370 and as disclosed in Note 6 to the financial statements was not supported with monthly departmental revenue schedules with detailed daily schedules on amount charged per patient. This was contrary to Regulation 100 of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting Officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall maintain such other books and registers as may be necessary for the proper maintenance and preparation of the accounts of the vote for which he or she is responsible.

In the circumstances, the accuracy and completeness of medical service income amount of Kshs. 245,594,370 could not be confirmed.

Management Responses

- The facility maintains one account for both collections and expenditure.
- the facility shared the softcopy of the detailed departmental/ service revenue. Refer to appendix 4 for the annual revenue collection, mpesa statements, cashbook and reconciliations.
- The facility maintained a cashbook, where all receipts and payments are recorded
- The Hospital also availed the cashbook, bank statements and bank reconciliation for the accounting period in question.

Committee Observations:

The Committee observed that the hospital failed to maintain a dedicated revenue cashbook, contrary to Regulation 100 of the PFM (County Governments) Regulations, 2015. The

blending of operations and collections within one account poses risks of misappropriation and lack of accountability.

Committee Recommendations:

- The Committee recommends that the Hospital Management should maintain a separate revenue cashbook to track all inflows and outflows;
- That the Hospital Management should put in place measures to ensure proper financial reporting and compliance

4.1.5. Variance Between National Health Insurance Fund (NHIF) Claims Systems and Amount Paid in the Bank Statement

The statement of financial position reflects receivables from exchange transactions-medical services National Health Insurance Fund (NHIF) of Kshs. 91,682,970 and as disclosed in Note 15 to the financial statements. However, analysis of the NHIF systems on the claims made and what was paid revealed variances as highlighted below;

FY	Claims System (Kshs)	Paid System	Paid Bank	Balance (System) (Kshs)	Balance (Bank) (Kshs)
FY 2023/2024	149,035,970	57,668,200	106,295,132	91,367,770	42,740,838
Total	149,035,970	57,668,200	106,295,132	91,367,770	42,740,838

Further, Management of the Hospital did not provide monthly reconciliation, aging analysis and contract with NHIF for the financial year under review. In addition, Management did not provide evidence of the outstanding claims being cleared before the Hospital transitioned from NHIF to SHIF.

In the circumstances, the accuracy and completeness of receivables from NHIF of Kshs. 91,682,970 could not be confirmed.

Management Responses

The discrepancy on the system and the bank amount is due to historical issues precipitated by non-simultaneous transfer of reimbursement as per the claims dates. The facility settled the older claims with any incoming transfers such that the pending ones are the most recent claims comparatively. Thus, the previous years’ receivables had been taken into consideration. Refer appendix 5 for account receivables age-wise analysis and the NHIF contract.

Committee Observations:

The Committee noted a variance between NHIF claims (Kshs.149M) and bank receipts (Kshs.57M), with no monthly reconciliations, aging schedules, or contract documents provided to support the balance of Kshs.91.6M.

Committee Recommendations:

- The Committee recommends that the Hospital Management should conduct monthly reconciliations of NHIF/SHA claims and receipts and submit them to the County Treasury and Auditor-General;
- That a formal agreement with NHIF/SHA should be documented, signed, and filed;
- That outstanding claims should be actively followed up and disclosed in financial statements.

4.1.6. Inaccuracies in Accounts Receivables

The statement of financial position reflects receivables from exchange transactions balance of Kshs, 91,682,970 which, as disclosed in Note 15 to the financial statements relates to outstanding dues from National Health Insurance (NHIF) for the year under review. However, the receivables balance does not include the outstanding balances from the prior years and no explanation was provided on whether the prior year's claims were all cleared. Further, there was no provision for doubtful debts despite the Hospital granting waivers to patients who were not able to settle their bills.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs. 91,682,970 could not be confirmed.

Management Responses

The data for the period in question was generated from HICs. It's therefore a true reflection of the amount.

Category/Days	90 DAYS	180 DAYS	270 DAYS	360 DAYS	>360 DAYS	Total
NHIF	1,443,000.00	11,497,500.00	22,708,500.00	31,549,970.00	24,168,800.00	91,367,770.00
NCKK	311,735.00	-	-	-	-	311,735.00
KING Jesus	3,465.00	-	-	-	-	3,465.00
Total	1,758,200.00	11,497,500.00	22,708,500.00	31,549,970.00	24,168,800.00	91,682,970.00

Committee Observations:

Receivables were not supported by prior year balances, and no provision for doubtful debts was made despite waivers being granted to patients.

Committee Recommendations:

- The Committee recommends that the Hospital Management should incorporate provisions for doubtful debts in line with IPSAS standards;

- That the Hospital Management should establish a detailed aged analysis of all receivables for maintenance and reconciliation;
- That the County Treasury should guide the Hospital Management on proper management of receivables.

4.1.7. Undisclosed Donations

The statement of financial performance reflects a nil amount on grants from donors, the County Government, and the Ministry of Health as reported in the financial statements. However, Management explained that during the year under review, the Hospital received donations from ARVs and tuberculosis drugs from donors. Further, the Ministry of Health contributed in Kind Oxygen Gas to the Hospital but were not disclosed in the financial statements.

In addition, the Hospital received donations in respect of various equipment. However, review of the delivery notes revealed that the equipment was not included in the property, plant and equipment balance. Further, the values of the equipment were not indicated.

In the circumstances, the accuracy and completeness of grants from donors, development partners and the Ministry could not be confirmed.

Management Responses

The hospital maintains an updated donation schedule which was shared to the auditor for review. Refer appendix 7 for the donations schedule.

Committee Observations

The hospital received various donations, including ARVs, oxygen, and medical equipment, which were neither recorded in the books nor disclosed in the financial statements.

Committee Recommendation

- The Committee recommends that all donations in cash or kind must be disclosed in accordance with IPSAS 23 and IPSAS 1;
- That the Hospital Management should retrospectively update the Asset register with donated items;
- That Internal audit should review all in-kind receipts annually to ensure proper disclosure.

4.1.8. Unsupported Revenue

The statement of receipts and payments and as disclosed in Note 6 and Note 7 to the financial statements reflects an amount of Kshs. 631,845,793 in respect of revenue collected during the year under review. However, the revenue was not supported with Mpesa statements for the period under review, cashbook and reconciliations. Management explained that the revenue is collected through mpesa paybill number and the amount is automatically transferred to the

bank account. However, it was not possible to confirm the accuracy of the total revenue collection as the facility did not provide mpesa cashbook, reconciliations and mpesa statement.

In the circumstances, the accuracy of the revenue totaling Kshs. 631,845,793 could not be confirmed.

Management Responses

The facility shared the softcopy of the detailed departmental/ service revenue via email dated 10th December 2024. The Hospital also availed the cashbook, bank statements and bank reconciliation for the accounting period in question. Refer appendix 8

Committee Observation

The Committee noted that all receipts totaling to 631M was provided for audit review and the Committee was satisfied with the response.

Committee Recommendation

— **The Committee therefore recommends that this matter be marked as resolved.**

4.1.9. Unsupported Trade and Other Payable

The statement of financial position and as disclosed in Note 18 to the financial statements reflects current liabilities balance of Kshs. 298,043,299. However, the trade and other showing the opening balance, payable within the year, payable paid and the outstanding balance.

In the circumstances, the accuracy and completeness of the current liabilities of Kshs. 298,043,299 could not be confirmed.

Management Responses

The trade payables schedule was shared via email dated 10th December 2024 at 2.21pm. Refer to appendix 9.

Committee Recommendation

— **The Committee therefore recommends that this matter be marked as resolved.**

4.1.10. Unsupported Non-Current Liabilities

The statement of financial position and as disclosed in Note 18 to the financial statements reflects non-current liabilities balance of Kshs. 68,750,000. However, the liabilities were not supported with general ledgers, aging analysis and detailed schedules showing the opening balance, payable within the year, payable paid and the outstanding balance.

In the circumstances, the accuracy and completeness of the current liabilities of Kshs. 68,750,000 could not be confirmed.

Management Responses

The Noncurrent liabilities running balances schedule was shared via email dated 10th December 2024 at 2.21pm

The value in question relates to the purchase of the CT scan under hire purchase agreement. Refer table below for the running balances analysis.

BIOMEDICAL PAYMENTS FOR CT SCAN MACHINE AS AT 30TH JUNE 2024						
	PAYEE	DESCRIPTION	CHEQUE NUMBER	PAYMENT DATE	AMOUNT	OUTSTANDING BALANCE (Ksh)
OPENNING BALANCE						95,000,000.00
1	Biomed health care ltd	CT 1st instalment payment	005309	21/12/2023	10,000,000.00	85,000,000.00
2	Biomed health care ltd	CT 2nd instalment payment	005415	20/02/2024	5,625,000.00	79,375,000.00
3	Biomed health care ltd	CT 3rd instalment payment	005645	02/05/2024	10,625,000.00	68,750,000.00

Committee Observation

The Committee observed that The reported balance of Kshs.68.75M relating to a CT scan purchase under a hire purchase agreement was adequately supported with detailed schedules and general ledger extracts.

Committee Recommendation

— The Committee therefore recommends that this matter be marked as resolved.

4.1.11. Non-Disclosure of Employee Costs Paid by the County Government

The statement of financial performance reflects an amount of Kshs. 93,673,179 in respect to employee costs which relate to casuals and contractual staff as disclosed in Note 9 to the financial statements. The Hospital received services from 605 medical staff employed and paid by the County. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit review.

In the circumstances, the accuracy and completeness of employee costs of Kshs. 93,673,179 could not be confirmed.

Management Responses

Nairobi City County employee's payroll is handled by the centralized Human Resource Department.

Committee Observations:

The Committee noted that the financial statements only reported Kshs.93.6M for casuals and contract staff, excluding costs for 605 medical staff paid by the County Government. Payroll details were not disclosed or availed.

Committee Recommendations:

- The Committee recommends that the Hospital Management should disclose all employee costs, including those funded by the County Government, in line with IPSAS 25;
- That the Hospital Management should liaise with the County Public Service Board and Treasury to obtain and disclose this data annually;
- That the Hospital Management should ensure that subsequent financial reports reflect comprehensive staff costs to ensure full cost transparency.

4.1.12. Unsupported General Expenses

The statement of financial performance for the year ended 30 June, 2024 reflects general expenses amount of Kshs. 71,772,348 as disclosed in Note 13 to the financial statements. However, expenditure amounting to Kshs. 28,571,82 was not supported with schedules and payment vouchers, including other relevant documents as tabulated below;

Item	Amount (Kshs)
Contracted Services	6,932,854
Travel and Accommodation Allowances	7,180,015
Telephone and Mobile Services	2,653,692
Staff Training and Development	11,805,260
Total	28,571,821

In the circumstances, the accuracy and completeness of the expenditure totaling Kshs. 28,571,821 could not be confirmed.

Management Responses

In compliance with The Public Finance Management Act, 2015, Section 71 on records and returns; subsection 3 & 4 of the Act, and Section 21 of the Public Audit Act, 2015, the facility availed the soft copy schedule of all payments as per the email shared to the Auditor General dated 10th December 2024 at 10.01AM and further reshared same date at 10.33AM. Refer **appendix 12** for proof of the shared schedules, payment schedule and the payment vouchers.

Committee Observation

The Committee noted that Expenditure totaling Kshs.28.5M under general expenses was supported with adequate documentation such as payment vouchers and schedules.

Committee Recommendations

— The Committee therefore recommends that this matter be marked as resolved.

4.1.13. Unsupported Expenses

The Hospital incurred expenditure under various economic items as disclosed in the schedule provided for audit. However, the expenditures outlined below have not been supported with payment vouchers and other relevant supporting documents;

Item Description	Amount (Kshs)
Advertising and Publicity Expenses	1,360,100
Purchase of Other Fuel (Cooking Gas)	5,486,000
Contracted Services	6,932,854
Printing and Stationery	14,307,673
Purchase of Refined Fuel	7,480,000
Repair and Maintenance	10,111,100
Total	45,677,727

In the circumstances, the accuracy and completeness of the expenditure totaling Kshs. 45,677,727 could not be confirmed.

Management Responses

The facility availed the soft copy schedule of all payments as per the email shared to the Auditor General dated 10th December 2024 at 10.01AM and further reshared same date at 10.33AM. Refer appendix 12 for proof of the shared schedules, payment schedule and the payment vouchers.

Committee Observation

The Committee noted that Expenses totaling Kshs.45.6M were supported as verified by the auditor. This includes advertising, printing, fuel, and contracted services with payment vouchers and relevant documentation.

Committee Recommendations

— The Committee therefore recommends that this matter be marked as resolved.

4.1.14. Unsupported Pharmaceutical Costs

The statement of financial performance reflects medical/clinical costs of Kshs. 361,005,657 as disclosed in Note 8 to the financial statements. Included in the clinical costs is pharmaceutical expenditure of Kshs. 80,472,011 as reported in Note 8 to the financial statements. However, the payment vouchers presented for audit review only supported a total amount of Kshs. 46,855,791 resulting to unsupported expenditure of Kshs. 33,616,220.

In the circumstances, the accuracy and completeness of medical costs amount of Kshs. 361,005,657 could not be confirmed.

Management Responses

The facility furnished the Auditor with all the necessary documents for review. Refer appendix 13 for the payment schedule and the payment vouchers.

Committee Observation

The Committee noted that this issue was satisfactorily addressed upon providing supporting schedules and payment vouchers.

Committee Recommendation

— The Committee therefore recommends that this matter be marked as resolved.

4.1.15. Overstatement of Medical/Clinical Costs

The statement of financial performance reflects medical/clinical costs of Kshs. 361,005,657 as disclosed in Note 8 to the financial statements. However, the expenditure schedules presented for audit reflected Kshs. 359,122,057 resulting to an overstatement of medical/clinical costs by Kshs. 1,883,600. In the circumstances, the accuracy and completeness of medical costs amount of Kshs. 361,005,657 could not be confirmed.

Management Responses

The schedule shared on 10th December 2024 at 10.01AM and further reshared same date at 10.33AM, provides accurate and exact value as stated in the financial statement as per appendix....

S/no	Code case/Classification	Sum of Amount
1	15.1	1,988,963.00
2	15.2	49,424,033.00
3	15.3	3,943,960.00
4	15.4	38,196,921.00
5	15.5	1,082,050.00
6	15.6	138,058,125.00
7	15.7	80,472,011.00
8	15.8	8,967,648.00
9	15.9	10,627,140.00
10	15.10a	1,883,600.00
11	15.11	14,060,716.00
12	15.12	3,734,425.00
13	15.13	8,566,065.00
Grand Total		361,005,657.00

Committee Observations:

An overstatement of Kshs.1.88M was noted due to classification or rounding errors not addressed by management.

Committee Recommendations:

- The Committee recommends that the Hospital Management should ensure all misstatements are corrected before finalizing financial statements;
- That the Hospital Management should ensure strict data validation before submission;
- That the Hospital Management should ensure end of year statements are audited internally before being submitted for the external auditing.

4.1.16. Misclassification of Items in Medical/Clinical Costs

The statement of financial performance reflects medical/clinical costs of Kshs. 361,005,657 as disclosed in Note 8 to the financial statements. However, analysis of the payment schedules presented for audit revealed that expenses of Kshs. 673,920 in respect to repairs and maintenance were misclassified under medical/clinical costs as tabulated below;

Cheque No.	Description	Amount (Kshs)
005153	Payment for repair of mortuary body trays	322,920
005081	Repair and service of radiology items	351,000
Total		673,920

In the circumstances, the accuracy and completeness of medical costs amount of Kshs. 361,005,657 could not be confirmed.

Management Responses

The facility noted the error and was rectified appropriately. The error was necessitated by independent judgement during classification of the expenses from the source document. However, the grand total expenditure remains the same.

Committee Observations:

The facility noted the error and was rectified appropriately.

Committee Recommendations:

- The Committee recommends that the Hospital Management should ensure all misclassified items are reclassified and corrected in the final books;
- That the Hospital Management should develop and implement a training program for accounts staff on economic classification of expenditures;
- That County Executive Committee Member for Health and Nutrition should a formal request to Internal Audit for regular reviews to strengthen internal systems

4.1.17. Irregularities in the Property, Plant and Equipment

The statement of financial position and as disclosed in Note 17 to the financial statements reflects property, plant and equipment (PPE) net book value balance of Kshs. 2,349,097,433. Included in the balance is Kshs. 165,272,525 in respect of additional assets acquired during the year which include medical equipment of Kshs. 113,434,648. However, supporting schedule reflects Kshs. 44,684,648 resulting to variance of Kshs. 68,750,000. Further, the property, plant and equipment brought forward values were not supported with valuation reports since they were inherited from the County Government.

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

Management Responses

The hospital's PP&E valuation was not done as at the close of the reporting year. The reported values were of current market values. The facility availed a letter made to the CECM seeking valuation of PPE which has since been acted upon and valuation done awaiting the report Refer to appendix 17a

BIOMEDICAL PAYMENTS FOR CT SCAN MACHINE AS AT 30TH JUNE 2024

	PAYEE	DESCRIPTION	CHEQUE NUMBER	PAYMENT DATE	AMOUNT	OUTSTANDING BALANCE (Ksh)
OPENNING BALANCE						95,000,000.00
1	Biomed health care ltd	CT 1st instalment payment	005309	21/12/2023	10,000,000.00	85,000,000.00
2	Biomed health care ltd	CT 2nd instalment payment	005415	20/02/2024	5,625,000.00	79,375,000.00
3	Biomed health care ltd	CT 3rd instalment payment	005645	02/05/2024	10,625,000.00	68,750,000.00

Committee Observations:

PPE balances lacked supporting schedules. A variance of Kshs.68.75M was noted and brought-forward balances had no valuation reports.

Committee Recommendations:

- The Committee recommends that the Hospital Management should maintain an updated PPE register backed by current valuation reports;
- That the County Valuer must expedite the valuation of inherited and newly acquired assets;
- That the Hospital Management should ensure PPE disclosures comply with IPSAS 17 and reflect accurate net book values.

4.1.18. Unsupported Inventory

The statement of financial position and as disclosed in Note 16 to the financial statements reflects inventories totaling to Kshs. 57,910,448. However, the balance was not supported with stock take and stock valuation report.

In the circumstances, the accuracy and completeness of the inventory balance could not be confirmed.

Management Responses

The facility provided a summary of the inventories was availed. Refer **appendix 18** for the inventory summary.

The annual stock take was done in line with the PFM Act and the report is available.

The facility shall develop the inventory policy that is in line with the provision of IPSAS 12 to enhance accuracy and completeness of the inventory.

Committee Observations:

The facility provided a summary of the inventories. Refer appendix 18

Committee Recommendations:

- The Committee recommends that the Hospital Management should develop and adopt an inventory management policy in line with IPSAS 12 and submit a report to the County Assembly within ninety days after the adoption of this report;
- That the Management should automate the Inventory management to enhance controls.

4.1.19. Irregularities in Bank Reconciliation Statement

The statement of financial position and as disclosed in Note 14 to the financial statements reflects cash and cash equivalents balance of Kshs. 73,054,079. The reconciliation reflected transactions in the bank not reflected in cash book totaling Kshs 62,202,195 which included pesa link deposits of Kshs. 16,699,655 referred to as NHIF Rebates. However, the amount could not be traced to the bank statement. Therefore, the cash and cash equivalents balance is misstated

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance could not be confirmed.

Management Responses

The amount in question relates to NHIF rebates reimbursement with grand totaling Ksh. 16,699,655. Refer appendix 19 for detailed receipts, bank reconciliation and the bank statement.

Committee Observations:

Unexplained transactions worth Kshs.62.2M were noted in the bank reconciliation, including NHIF rebates of Kshs.16.6M not traceable in the bank statements.

Committee Recommendations:

- The Committee recommends that the Hospital Management should ensure monthly bank reconciliations are accurate, reviewed, and signed off.

4.1.20. Inaccuracies in Budget

The statement of comparison of budget and actual amounts reflects the Hospital spent an amount of Kshs. 640,403,292 against actual receipts of Kshs. 540,162,823. However, these amounts differ with the reported revenue and expenditure of Kshs. 631,845,793 and Kshs. 611,716,487 respectively resulting to unexplained variance of Kshs. 91,682,970 and Kshs. 28,686,805 respectively.

In the circumstances, the accuracy and completeness of the amounts disclosed in the statement of comparison of budget and actual amount could not be confirmed

Management Responses

The difference is as a result of the shortfall from the NHIF receivables.

Committee Observations:

Unexplained variances of Kshs.91.6M in revenue and Kshs.28.6M in expenditures were identified between budget versus actual reporting and the financial statements.

Committee Recommendations:

- The Committee recommends that the Hospital Management should reconcile all financial reports with budget allocations to avoid material inconsistencies;
- That the Hospital Management should train the Head of Finance on IPSAS 24 to ensure correct presentation of budget information.

4.1.21. Unsupported Health Sector Service Fund

The statement of financial performance for the year ended 30 June, 2024 reflects general expenses amount of Kshs. 71,772,348. Included in this amount is Health Sector Service Fund of Kshs. 5,246,132 as disclosed in Note 13 to the financial statements. Management indicated that the payment was 5% of Facility Improvement Fund (FIF) collection. However, Management did not have a facility improvement fund account for collection of the payments.

In the circumstances, the existence of the FIF funds could not be confirmed.

Management Responses

The HSSF was provided under the FIF guideline. The hospital has been paying the 5% evidenced appendix 21

Committee Observations

The Committee notes management's explanation that the HSSF payment was based on the FIF guideline. However, the absence of a dedicated Facility Improvement Fund account, as required by the very same guidelines, creates a fundamental control weakness and makes it impossible to verify the accuracy of the 5% calculation or the existence of the earmarked funds.

Committee Recommendation

- The Committee recommends that the Hospital Management must immediately operationalize a dedicated Facility Improvement Fund (FIF) bank account in full compliance with the FIF Act, 2023;
- That all future HSSF allocations and related transactions must be processed through this account to ensure transparency and proper fund tracking.

4.1.22. Budgetary Control and Performance

The statement of comparison of budget and actual amounts indicates that the Hospital spent an amount of Kshs. 640,403,292 against actual receipts of Kshs. 540,162,823 resulting to an over-utilization of Kshs. 100,240,469 or 19% of the actual receipts.

My opinion is not modified in respect of this matter.

Management Responses

The facility complied with FIF Act 2023-part IV clause 23. The facility's actual absorption rate is 100%; the AGs' computation didn't consider CAPEX absorption and the capital allowances of the PP&Es'.

Committee Observations

The Committee observes a significant over-expenditure against actual receipts. While management's explanation regarding the absorption rate and capital expenditure has merit, the core issue of spending exceeding cash inflows remains a serious financial risk that could lead to liquidity problems and accumulation of pending bills.

Committee Recommendation

- The Committee recommends that Hospital Management in conjunction with the County Treasury, must strengthen its budgetary control mechanisms;
- That future budgets must be realistic, cash-based, and strictly adhered to;
- That a variance analysis report for any significant deviation must be prepared and submitted to the Board for review.

4.1.23. Lack of Quarterly Revenue Reports

The statement of financial performance reflects Kshs. 245,594,370 in respect to rendering of services-medical service income as disclosed in Note 6 to the financial statements. However,

the Hospital did not provide evidence to show that quarterly reports were prepared and submitted to the County Treasury with a copy to the Auditor General as required under Regulation 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

Management Responses

The facility prepares quarterly reports and has been shared to the auditor for review. appendix 23.

Committee Observations

The Committee acknowledges that the reports were prepared and shared with the auditor. However, the audit query specifically highlights the submission to the County Treasury and the Auditor General as per the legal deadline. Management's response does not confirm adherence to this statutory timeline.

Committee Recommendation

- **The Committee recommends that the Hospital Management should ensure that all quarterly revenue reports are prepared and submitted to the County Treasury and the Auditor General no later than the 15th day after the end of each quarter, as mandated by the Public Finance Management Regulations, 2015.**

4.1.24. Lack of an Approved Budget for the Hospital

The statement of comparison of budget and actual amounts reflects total expenditure budget of Kshs. 640,403,292 which was approved under the County Ministry of Health overall budget, however, the said approved budget was not provided for audit. Failure to prepare and approve the budget was contrary to Regulation 29(I) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that the draft estimates relating to his or her department are prepared in conformity with the Constitution, the Act and the Regulations.

Management Responses

The facility's expenditure is based on approved budgets. Refer to appendix 24 for the HMTs' proposed budgets, request for AIEs' letters and the approved AIE's.

Committee Observations

The Committee notes that the facility's expenditure is based on approved budgets. However, the failure to provide the specific, approved budget for the Hospital during the audit is a procedural lapse that undermines accountability.

Committee Recommendation

- The Committee recommends that for future audits, the Hospital Management should maintain and make readily available its own approved, detailed budget. While it may be part of the County Ministry of Health's overall budget, a distinct, hospital-level budget document is essential for effective oversight and accountability.

4.1.25. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness. However, Management had not resolved the issues as at 30 June, 2024.

Management Responses

The audit reviews for the year FY 2023/2024 and the previous year reviewed were executed at the same time as well as the matters in question were raised at the same time. Thus, time limit was the factor. However, moving forward the facility will adhere to the raised concerns and work on resolving the issues on time.

Committee Observations

The Committee acknowledges the time constraints cited by management for not resolving prior year issues. However, allowing audit matters to accumulate undermines the institution's financial health and governance.

Committee Recommendation

- The Committee recommends that the Hospital Management must develop and implement a time-bound Audit Action Plan to systematically clear all outstanding prior year audit issues;
- That the Hospital Board should monitor the implementation of the Audit Action plan on quarterly basis.

4.1.26. Failure to Open a Facility Improvement Account

The statement of financial performance and as disclosed in Note 6 and 7 to the financial statements reflects an amount of Kshs. 631,845,793 in respect of revenue collected during the year under review. Management explained that revenue is collected using mpesa paybill number which is automatically transferred to the Hospital's current account. However, the Hospital did not open a facility improvement fund account as provided in the Facility Improvement Fund Act, 2023, rather the collection account is still the operation account. In the circumstances, Management was in breach of law.

Management Responses

The facility maintains one account for both collections and expenditure as per the Facility improvement fund act 2023

Committee Observations

The Committee finds management's response contradictory. Maintaining one operational account for both collections and expenditures is a direct violation of the Facility Improvement Fund Act, 2023, which requires a separate FIF account.

Committee Recommendation

- The Committee recommends that the Hospital Management must comply unconditionally with the FIF Act, 2023, by opening a separate Facility Improvement Fund account without further delay;
- That all FIF collections must be channeled through the established account.

4.1.27. Deficiencies in Implementation of Universal Health Coverage

Review of Hospital records at the time of the audit revealed that the Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficit of 242 staff requirements or 75% of the authorized staff establishment as detailed below;

Staff requirements	Level Standard	Number in Hospital	Variance
Medical officers	50	48	2
Anesthesiologist	7	2	5
General Surgeons	4	2	2
Gynecologists	4	11	
Pediatricians	4	0	4
Radiologist	4	6	(2)
Registered Nurse	250	188	62
Total	323		

In addition, physical verification revealed that the Hospital had four (4) functional Intensive Care Unit (ICU) and two (2) High Dependence Unit (HDU) beds against the recommended six (6) respectively, representing 33% deficit and two (2) new born HDU cots against the recommended five (5) representing 60% deficit.

The Hospital was not operating at desired levels anticipated by the Universal Health Coverage under Quality Health Model. These deficiencies contravene the First Schedule of the Health Act, 2017 and imply that accessing the highest attainable standards of health may not be achieve.

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

Management Responses

The human personnel working at the facility are engaged by the county government through the County Public Service Board. The facility engaged casual and locum staff on contractual basis to cover the gap as per the hospital check-list.

Committee Observations

The Committee recognizes that staff recruitment falls under the County Public Service Board. However, the severe staff shortages and inadequate critical care units significantly compromise the quality of healthcare and the Hospital's ability to achieve Universal Health Coverage objectives.

Committee Recommendation

- The Committee recommends that the Hospital Management should formally and persistently engage the County Public Service Board to prioritize the recruitment of the deficit staff;
- That the Hospital Management should develop a strategic plan, to be presented to the County Government, for the progressive acquisition of the required ICU/HDU beds and cots to meet the national standards.

4.1.28. Irregular Engagement of Casuals

Records provided by Management revealed that the Hospital engaged casuals at a cost of Kshs. 24,801,483 across several departments. However, the casuals were engaged for more than three (3) continuous months contrary to the Employment Act, 2007. Further, review of records provided by Management revealed that the number of casuals increased from the month of October, 2023 due to introduction of new services. However, Management did not provide for audit, requisitions for extra personnel and subsequent approval from the County Public Service Board authorizing recruitment of temporary workers. Further, review of seasonal contract for the temporary staff did not include terms of engagement, prescribed rate on remunerations of casuals and whether the rate paid were approved.

In the circumstances, value for money for the expenditure could not be confirmed.

Management Responses

The facility, through the approval of the Hospital board of management engaged casual employees. The budget is always available via board approval. They signed a 3-month contract and broke for a month as per the minimum wage gazette notice 2022. Refer appendix 29 for the board minutes and gazette notice.

Committee Observations

The Committee notes the Board's approval and the practice of breaking contracts. However, engaging casuals for continuous periods exceeding three months through repeated short-term

contracts is a circumvention of the Employment Act, 2007, and denies employees their rightful benefits.

Committee Recommendation

- The Committee recommends that the Hospital Management must regularize its staff engagement practices;
- That for roles that are perennial, positions should be established and forwarded to the County Public Service Board for formal recruitment;
- That the use of casuals should be limited to genuinely temporary and seasonal needs.

4.1.29. Failure to Deduct and Remit Statutory Deductions

The statement of financial performance for the year ended 30 June, 2024 reflects employee costs amount of Kshs. 93,673,179 in respect to casuals and contractual employees as disclosed in Note 9 to the financial statements. However, the following audit observations were noted;

- a. Review of casual payroll records revealed that the Hospital deducted NHIF totaling to Kshs. 655,200 from the casual's salary, however, there was no evidence to indicate that it was remitted to the Fund.
- b. Review of payroll records revealed that locum officers were paid a total of Kshs. 71,871,002, however, Management did not deduct and remit PAYE, NHIF and NSSF in respect of the payment. In addition, the casual payment was not subjected to statutory deductions including PAYE as required by law.

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

Management Responses

The facility has no KRA pin that can be used to open NSSF account for remittance. However, we are in the process of acquiring a KRA branch pin evidenced by the attached request letter.

Committee Observations

The Committee is deeply concerned by the failure to deduct and remit statutory deductions (PAYE, NHIF, NSSF). The reason provided lack of a KRA pin is unacceptable, as it is a basic requirement for any entity employing staff. The Hospital has exposed itself to significant penalties and legal action.

Committee Recommendation

- The Committee recommends that the Hospital Management should commence process of acquiring a KRA branch pin within shortest time possible;
- That upon receipt of the pin, the Hospital Management must immediately calculate and remit all outstanding statutory deductions to the respective authorities, including any accrued penalties.

— That future payroll processing must ensure full and timely compliance with all statutory obligations.

4.1.30. Failure to Withhold Income Taxes

Review of payment records provided for audit revealed that payments amounting to Kshs. 237,598,629 were not subjected to withholding value added tax contrary to Section 42A.(4C) (a) (b) of Tax Procedure Act, 2015 which provides that it's an offense for withholding agent not to withhold and remit withholding VAT by twentieth day of the month following that in which the deduction was made;

Item Description	Amount (Kshs)
Medical/Clinical Costs	211,092,815
Repair and Maintenance	12,299,457
Advertising and Publicity Expenses	238,430
Catering Expenses	299,750
Purchase of ICT/Computers Related Items	2,649,100
Printing and Stationery	6,102,720
Purchase of Refined Fuel	4,916,357
Total	237,598,629

Further, Management did not withhold income tax of 3% on contracted services amounting to Kshs. 12,542,502 contrary to Section 5(F) of the Income Tax Act Cap 470 which requires withholding income tax of 3% on contracted services to be withheld and remitted to Kenya Revenue Authority. In the circumstances, Management was in breach of the law.

Management Responses

The facility has no KRA pin that can be used for remittance however, we are in the process of acquiring a KRA branch pin evidenced by the attached request letter

Committee Observations

The Committee finds the repeated use of the "lack of a KRA pin" excuse for failing to withhold taxes on payments to suppliers to be a severe governance failure. This has resulted in a significant loss of revenue for the national government and potential liabilities for the Hospital.

Committee Recommendation

- The Committee recommends that the Hospital Management should finalize the acquisition of the KRA branch pin immediately;
- That Management must ensure that all future payments to suppliers are subjected to the correct withholding VAT and income tax as required by law, and these amounts must be remitted promptly to KRA.

4.1.31. Payments without Electronic Tax invoices

The statement of financial performance reflects total expenses amount of Kshs. 611,716,487. Included in this amount is Kshs. 413,078,613 relating to payments made to suppliers and which were not supported with electronic tax invoices or the attached tax invoices were not authentic contrary to the provisions of Regulation 6(1) of Value Added Tax (Electronic Tax Invoices) Regulations, 2020.

Item Description	Amount (Kshs)
Medical/Clinical Costs	361,005,657
Repair and Maintenance	10,986,384
Advertising and Publicity Expenses	1,360,100
Catering Expenses	3,071,697
Purchase of ICT/ Computers Related Items	150,000
Contracted Services	6,932,854
Printing and Stationery	14,307,673
Purchase of Refined Fuel	7,480,000
Internet Expenses	1,018,248
Purchase of Other Fuel	6,766,000
Total	413,078,613

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

Management Responses

The facility has no KRA pin that can be used for generating electronic tax invoices however, we are in the process of acquiring a KRA branch pin evidenced by the attached request letter.

Committee Observations

The reliance on the "lack of a KRA pin" to explain the lack of authentic electronic tax invoices is not tenable. This non-compliance with tax regulations undermines the integrity of procurement and expenditure.

Committee Recommendation

- The Committee recommends that upon acquiring the KRA pin, the Hospital Management must insist that all suppliers provide compliant electronic tax invoices for every supply;
- That the Hospital Management should develop and implement a system to verify the authenticity of the e-invoices before payments are processed.

4.1.32. Unsupported Repairs and Maintenance

The statement of financial performance reflects an amount of Kshs. 10,986,384 in respect of repairs and maintenance expenditure as disclosed in Note 12 to the financial statements. However, the following anomalies were noted;

- a. The payments were not supported with a list of appointed inspections and acceptance committee.
- b. Post-inspection report was not prepared as a basis for acceptance or rejection of services to ensure compliance with the terms and specifications. This was contrary to Regulation 35(6) of the Public Procurement and Asset Disposal Regulations, 2020 which states that the inspection and acceptance committee shall prepare and issue a report, interim or completion of inspection and acceptance certificate and submit to the head of procurement function.
- c. Further, there were no records of counter receipt voucher (S.13) showing the receipt or the disposal of the returned spare parts after repair and maintenance of the assets.

In the circumstances, the value for money for the expenditure could not be confirmed.

Management Responses

The vouchers concerned on repairs and maintenance have inspection and acceptance reports prepared by the inspection and acceptance committee in accordance with PPADA 2015 section (48). Refer **appendix 33** for the memos for appointment of the inspection and acceptance committee and inspections and acceptance reports which were done in accordance with PPPADA 2015 section 48 (2).

Committee Observations

The vouchers concerned on repairs and maintenance have inspection and acceptance reports prepared by the inspection and acceptance committee. Refer appendix 33 for the memos for appointment of the inspection and acceptance committee and inspections and acceptance reports.

Committee Recommendation

- **The Committee recommends that the Hospital Management should ensure that all supporting documents for expenditures, including inspection and acceptance committee reports, are properly filed and readily availed during audits to avoid such queries.**

4.1.33. Irregular Procurement of Medical and Clinical Items

The statement of financial performance reflects medical/clinical costs amount of Kshs. 361,005,657 as disclosed in Note 8 to the financial statements. Analysis of the payment vouchers presented for audit review revealed the following issues:

Review of payment voucher number 975 of Kshs. 961,999 to a company for the supply of public health items revealed that the quotation attracted four bidders, evaluation report and professional opinion were signed on 8 March, 2024. However, the following issues were identified;

- a. Bidder number 4 was not in list of suppliers presented for audit review.
- b. The requisition dated 6 March, 2024 had a budget estimate of Kshs. 2,999,800. However, the evaluation committee on their recommendation irregularly split the tender and awarded to a company at Kshs. 2,039,499 and another company at Kshs. 961,999.
- c. The opening minutes reported that all the bidders had quoted above the quotation threshold of Kshs. 3,000,000 and therefore non-responsive. Therefore, all the quotations needed to be rendered non-responsive.
- d. Instruction number 15 of the quotation document stated that unsuccessful tenderer who responded would be notified of the accepted quotation, indicating the name and the amount of the accepted quotation but none of the acceptance letters were provided for audit.
- e. Delivery of the items was to be done within one day as per the quotation document but on the contrary it was done after a month.

Review of payment voucher number 4453 of Kshs. 2,999,100 to a company for the supply of pharmaceuticals and medical supplies revealed that the quotations were invited, opened and evaluated on 11 March, 2023. However, the following anomalies were identified;

- a. The professional opinion showed that quotations were invited on 11 March, 2023. This was inconsistent with the quotation document which indicated an invitation date of 8 March, 2024.
- b. Quotation validity was three days and the supplier committed to deliver within four days from the date of acceptance but delivery was done after one month on 17 April, 2024.

Review of payment voucher number 3214 in respect of a payment of Kshs. 558,540 to a company for the supply of laboratory requirements revealed the following anomalies;

- a. The opening and evaluation committee constituted consisted of the same members.
- b. The evaluation committee in its recommendation irregularly split tender and irregularly awarded the quotation to a company at Kshs. 139,000 and another company at Kshs. 558,540.
- c. The first company had not filled all the categories of the quotation schedule and should have been evaluated as non-responsive but the committee went ahead and awarded the bidder on the few quoted items.

- d. The second company had quoted a total of Kshs. 741,850 but was awarded Kshs. 533,540 irregularly.
- e. Budget estimate was Kshs. 636,680 hence the evaluation committee awarded above budget at Kshs. 697,540.
- f. A company that was irregularly awarded was not in the list of registered suppliers together with another company that was invited.

Review of payment voucher number 4445 revealed a payment of Kshs. 2,876,800 to a company for the supply of non-pharmaceuticals and medical supplies. However, the supporting documents had the following anomalies:

- a. The inspection report was signed by a company that was not among the appointed members of acceptance and inspection committee.
- b. A company that was invited to quote was not in the list of registered suppliers presented for audit review.
- c. Another company was the lowest evaluated and responsive bidder with a quotation of Kshs. 2,997,844. However, the evaluation committee on its recommendation irregularly awarded the tender as a split to both Companies at Kshs. 2,876,800 and Kshs. 3,002,858.
- d. Members of the committees were appointed on 27 February one day before the invitation of quotation to bidders.
- e. A company's quotation document had signed to deliver the goods within three days after LPO but the inspection and acceptance report indicated that the goods were delivered after one and half months from the date of the LPO.
- f. Quotation by a supplier who was also invited to quote was a photocopy and dated 26th February one day before requisition by the user department. Further, form of quotation on page four states that the quotation was issued on 27th February and therefore not possible to confirm why the supplier had their quotation issued earlier than the other bidders and a day before requisition by user department.

In the circumstances, the value for money for the expenditure could not be confirmed.

Management Responses

The response to the Statement of Financial Performance was as follows;

Voucher number	Response
975	<ul style="list-style-type: none"> i. The bidder is in the registered list of suppliers. Registration was done as per section 71 of the PPADA. ii. Splitting of contracts as per section 54(1) of the Act meant splitting to avoid a procurement method. It applies at the first stage of the procurement process when choosing the method of procurement in

	<p>consideration of the value of requisition. Splitting clause above therefore is not meant to apply at the award stage of evaluation. The award to the bidders was done to the lowest evaluated price per item as per section 105(3) of the act</p> <p>iii. The threshold of quotation applies at the beginning of the procurement process in choosing the method to use. It applies to the requisition amount, not the evaluated amounts.</p> <p>iv. Unsuccessful bidders were notified of outcome and successful ones were issued with an LPO as per PPPADA 2015 section 106 (5).</p> <p>v. The delivery of items is not bound by the date of quotation document but by the date of LPO</p>
4453	<ul style="list-style-type: none"> • This was a typo of the dates • The delivery of items is not bound by the date of quotation document but by the date of LPO
3214	<p>i. The chairperson of all the committees was different in opening and evaluation</p> <p>ii. Splitting of contracts as per section 54(1) of the Act meant splitting to avoid a procurement method. It applies at the first stage of the procurement process when choosing the method of procurement in consideration of the value of requisition. Splitting clause above therefore is not meant to apply at the award stage of evaluation. The award to the bidders was done to the lowest evaluated price per item as per section 105(3) of the act</p> <p>iii. The evaluation and award was done per item and not per bunch or category and was awarded to the lowest evaluated price for the items quoted as per PPADA 2015 section106(3) which states that “The successful quotation shall be the quotation with the lowest price that meets the requirements set out in the request for quotations”</p> <p>iv. The evaluation and award was done per item and not per bunch or category and was awarded to the lowest evaluated price for the items quoted as per PPADA 2015 section106(3) which states that “The successful quotation shall be the quotation with the lowest price that meets the requirements set out in the request for quotations”</p> <p>v. The requisition is normally based on an estimated value which is an approximate value close to the correct value. In this case the committee did not exceed the allocated value.</p> <p>vi. The bidders are in the registered list of suppliers</p>

4445	<ul style="list-style-type: none"> i. Being the secretary, she was appointed in accordance with section 46 of PPADA and was in attendance. ii. The bidder is in the registered list of suppliers. Registration was done as per section 71 of the PPADA. iii. Splitting of contracts as per section 54(1) of the Act meant splitting to avoid a procurement method. It applies at the first stage of the procurement process when choosing the method of procurement in consideration of the value of requisition. Splitting clause above therefore is not meant to apply at the award stage of evaluation. The award to the bidders was done to the lowest evaluated price per item as per section 105(3) of the act iv. Members of the committees were appointed on 27th February, the same day quotations were issued. v. Delivery of goods is bound by the LPO and not the date on the quotation. vi. The quotation from the supplier was dated 28th February.
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- Refer appendix 34.

Committee Observations

The Committee has reviewed the extensive queries and management's uniform defense, which largely hinges on a specific interpretation of "splitting" and assertions that all bidders were registered and notified. While some explanations on the technicalities of the law may have merit, the sheer volume and pattern of irregularities including date inconsistencies, delivery delays, and committee composition issues point to significant weaknesses in the procurement function that require urgent address.

Committee Recommendation

- The Committee recommends that the Hospital Management should ensure the procurement unit undergoes comprehensive retraining on the Public Procurement and Asset Disposal Act, 2015, and its regulations, with emphasis on the roles of different committees, document completion, and the spirit of the law which abhors tender splitting to avoid due process;
- That the Hospital Board should mandate a special internal audit of the procurement function for the next financial year to ensure compliance and value for money;
- That the Hospital Management should enforce and ensure strict adherence to procurement timelines and documentation requirements.

4.1.34. Irregular Award of Tenders to Non-Registered Suppliers

The Hospital awarded tenders totaling to Kshs. 16,421,977 to a company during the financial year 2023/2024 as tabulated below:

PV No.	Description	Amount
005112	Supply of non-pharmaceuticals	14,090,000
005555	Supply of Non-pharmaceuticals	2,331,977
Total		16,421,977

However, analysis of the supporting documents and list of registered supplies presented for audit revealed that the company was not a registered supplier to the Hospital. Therefore, it was not possible to confirm how the Hospital identified the company and why the Hospital could not rely on the approved list of registered suppliers.

In the circumstances, the value for money for the expenditure could not be confirmed.

Management Responses

The bidders are in the list of suppliers registered. Registration was done as per section 71 of the PPADA. Refer appendix 35.

Committee Observation

The Committee noted that the list of registered suppliers was provided for audit review upon verification by the auditor, the Committee was satisfied with the response.

Committee Recommendation

— The Committee therefore recommends that this matter be marked as resolved.

4.1.35. Irregular Procurement of Goods and Services

The statement of financial performance reflects medical/clinical costs of Kshs. 361,005,657 as disclosed in Note 8 to the financial statements. Review of the procurement process for various payments revealed several irregularities, e.g., some tender opening minutes were not signed by all committee members, and not all pages of the minutes were initialed. In addition, unsuccessful bidders were not formally notified of the outcomes of their bids and there was evidence of tender splitting amounting to Kshs. 12,551,090, as detailed in the table below. These lapses raise concerns about the integrity and transparency of the procurement process. In the circumstance, it was not possible to confirm the validity of the procurement procedures conducted for these expenditures;

Firm Name	Details	PV No	Amount
A	Being delivery of non-pharmaceuticals items	004438	2,331,977
B	Being payment for supply and delivery of pharmaceuticals for level 4 hospitals	004441	707,513
C	Being payment for supply and delivery of printed stationery items in the hospital	004454	1,908,700
D	Being payment for supply and delivery of printed stationery in the hospital	004456	179,800
E	Being payment for external panting a TA&E wall OPD general wall, corridor from registry to emergency in the hospital	004461	1,497,680
F	Being payment for painting and tiling in the hospital	004462	2,168,620
G	Being payment for the supply and delivery of public health items in hospitals	004463	566,000
H	Being Payment for painting internal walls (inside OPD general health records, registration area inside pharmacy)	004430	776,950
I	Payment for the supply and delivery of radiology items	004429	1,395,000
J	Payment for the supply and delivery of cups and thermos flask	004127	193,500
K	Payment for the supply and delivery of essential medicines	004134	148,350
L	Payment for supply and delivery of Public Health system	004425	677,000
Total			12,551,090

Further, analysis of payment voucher number 004425 being payment for supply and delivery of public health items amounting to Kshs. 677,000 paid to firm revealed the following anomalies;

- a. There was no evidence of each committee member initialization on each page of the minutes.
- b. Tender opening minutes were not signed by each committee members and all members did not initialize each page of the minutes as required under Section 78(11) of the Public Procurement and Asset and Disposal Act, 2015.
- c. No evidence was provided to show the unsuccessful bidders were notified about the outcome of their bids as required under Regulation 82 of the Public Procurement and Asset Disposal Regulations, 2020.

- d. Appointment of same members in the tender opening, tender evaluation and acceptance committee.
- e. According to the delivery note, goods were delivered on 8 March, 2024. However, the acceptance of the goods was done on 28 March, 2024 which is twenty days after delivery was done. This was contrary to Section 48 of the Public Procurement and Asset Disposal Act, 2015.
- f. Analysis of the evaluation report revealed that the tender was split into smaller quantities that were later awarded to different bidders contrary to Regulation 43 of the Public Procurement and Asset Disposal Regulations, 2020.

Review of voucher number 004134 paid to a supplier being payment for supply and delivery of essential medicine amounting to Kshs. 148,350 revealed the following;

- a. According to the delivery note, goods were delivered on 27 November, 2023. However, the acceptance report indicated that the goods were accepted on 20 September, 2023. Therefore, the goods were inspected before delivery.
- b. A supplier did not signify in writing the acceptance of the award within the time frame specified in the notification of award of within 14 days.
- c. No evidence of each committee member initialization on each page of the minutes.
- d. Tender opening minutes were not signed by each committee member and all members did not initialize each page of the minutes as required by Section 78(11) of Public Procurement and Asset and Disposal Act, 2015.
- e. No evidence was provided to show that the unsuccessful bidders were notified about the outcome of their bids as required in Section 82 of Public Procurement and Asset Disposal Regulations, 2020.

Review of voucher number 004127 being payment for supply and delivery of cups and thermos flask made to Company amounting to Kshs. 193,500 revealed the following anomalies;

- a. The Company did not signify in writing the acceptance of the award within the time frame specified in the notification of award of within 14 days.
- b. No evidence of each committee member initialization on each page of the minutes.
- c. Tender opening minutes was not signed by each committee members and all members did not initialize each page of the minutes as required by Section 78(11) of Public Procurement and Asset Disposal Act, 2015.
- d. No evidence was provided to show that the unsuccessful bidders were notified about the outcome of their bids as required in Section 82 of Public Procurement and Asset Disposal Regulations, 2020.
- e. Management provided an acceptance report. However, there was no evidence of appointment letters of acceptance committee which contravenes Regulation 48 of

Public Procurement and Asset Disposal Regulations, 2020 and Section 35 of Public Procurement and Asset Disposal Act, 2015.

- f. Management split a single tender into smaller portions and awarded the contracts to two suppliers. This was contrary to Regulation 43 of the Public Procurement and Asset Disposal Regulations, 2020 which prohibits splitting of tenders to evade procurement thresholds or requirements. The splitting of tenders raises concerns about compliance with public procurement laws, transparency, and value for money.

Review of voucher number 004429 being payment for the supply and delivery of radiology items paid to a supplier amounting to Kshs. 1,395,000 revealed the following anomalies;

- a. The two suppliers did not signify in writing the acceptance of the award within the time frame specified in the notification of award of within 14 days.
- b. No evidence of each committee member initialization on each page of the minutes.
- c. Tender opening minutes was not signed by each committee members and all members did not initialize each page of the minutes as required by Section 78(11) of Public Procurement and Asset Disposal Act, 2015.
- d. No evidence was provided to show that the unsuccessful bidders were notified about the outcome of their bids as required in Section 82 of Public Procurement and Asset Disposal Regulations, 2020.
- e. Management provided an acceptance report, however, no evidence was provided to confirm the appointment of the acceptance committee. This omission was contrary to Section 35 of the Public Procurement and Asset Disposal Regulations, 2020 and Section 48 of the Public Procurement and Asset Disposal Act, 2015.
- f. Management split the single tender number REF: Q-226 FY 2023-2024 into smaller portions, awarding contracts to two suppliers at Kshs. 1,395,000 and Kshs. 446,000, respectively. This was contrary to Section 43 of the Public Procurement and Asset Disposal Regulations, 2020, which prohibits tender splitting to circumvent procurement thresholds or requirements.

Review of voucher number 004430 being payment for internal walls (inside OPD general, health records, registration area, inside pharmacy) paid to a firm amounting to Kshs. 776,950 revealed the following;

- a. The firm did not signify in writing the acceptance of the award within the time frame specified in the notification of award of within 14 days.
- b. No evidence of each committee member initialization on each page of the minutes.
- c. Tender opening minutes was not signed by each committee members and all members did not initialize each page of the minutes as required by Section 78(11) of Public Procurement and Asset Disposal Act, 2015.

- d. No evidence was provided to show that the unsuccessful bidders were notified about the outcome of their bids as required by Regulation 82 of Public Procurement and Asset Disposal Regulations, 2020.
- e. Management provided an acceptance report, however, no evidence was provided to confirm the appointment of the acceptance committee. This omission was contrary to the requirements of Regulation 35 of the Public Procurement and Asset Disposal Regulations, 2020 and Section 48 of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, value for money for the expenditure amounts could not be confirmed.

Management Responses

Voucher number	Response
004438	a) Opening minutes were signed by all committee members as per PPPADA 2015 section 78 (9).
004441	
004464	b) Unsuccessful bidders were notified of outcome and successful ones were issued with an LPO as per PPPADA 2015 section 106 (5).
004456	
004461	c) Splitting of contracts as per section 54(1) of the Act meant splitting to avoid a procurement method. It applies at the first stage of the procurement process when choosing the method of procurement in consideration of the value of requisition. Splitting clause above therefore is not meant to apply at the award stage of evaluation. The award to the bidders was done to the lowest evaluated price per item as per section 105(3) of the act
004462	
004463	
004425	
004425	<ul style="list-style-type: none"> i. All minutes were initialized in accordance with section 78(11) and 80 (7) of the PPADA. ii. Opening minutes were signed by all committee members as per PPPADA 2015 section 78 (9). iii. Unsuccessful bidders were notified of outcome and successful ones were issued with an LPO iv. In the case of composition of opening and evaluation committees, all committees comprised of different chairpersons for opening and evaluation members as per PPPADA 2015 section (46) and (78). v. Delivery and inspection of goods was done on 08th March 2024. vi. Splitting of contracts as per section 54(1) of the Act meant splitting to avoid a procurement method. It applies at the first stage of the procurement process when choosing the method of procurement in consideration of the value of requisition. Splitting clause above therefore is not meant to apply at the award

	stage of evaluation. The award to the bidders was done to the lowest evaluated price per item as per section 105(3) of the act
004134	<ul style="list-style-type: none"> i. Delivery of goods was done on 14th and 20th September. Inspection was done on 20th September after the last delivery and the supplier invoiced on 27th November, 2023. ii. Unsuccessful bidders were notified of outcome and successful ones were issued with an LPO iii. All minutes were initialized in accordance with section 78(11) and 80 (7) of the PPADA iv. Opening minutes were signed by all committee members v. Unsuccessful bidders were notified of outcome and successful ones were issued with an LPO
004427	<ul style="list-style-type: none"> i. Unsuccessful bidders were notified of outcome and successful ones were issued with an LPO ii. All minutes were initialized iii. Opening minutes were signed by all committee members iv. Unsuccessful bidders were notified of outcome and successful ones were issued with an LPO v. Acceptance committee were appointed vi. Splitting of contracts as per section 54(1) of the Act meant splitting to avoid a procurement method. It applies at the first stage of the procurement process when choosing the method of procurement in consideration of the value of requisition. Splitting clause above therefore is not meant to apply at the award stage of evaluation.
004429	<ul style="list-style-type: none"> i. Unsuccessful bidders were notified of outcome and successful ones were issued with an LPO ii. All minutes were initialized iii. Opening minutes were signed by all committee members iv. Unsuccessful bidders were notified of outcome and successful ones were issued with an LPO v. Acceptance committee were appointed vi. Splitting of contracts as per section 54(1) of the Act meant splitting to avoid a procurement method. It applies at the first stage of the procurement process when choosing the method of procurement in consideration of the value of requisition. Splitting clause above therefore is not meant to apply at the award stage of evaluation. The award to the bidders was done to the lowest evaluated price per item as per section 105(3) of the act

004430	<ul style="list-style-type: none"> i. Unsuccessful bidders were notified of outcome and successful ones were issued with an LPO ii. All minutes were initialized in accordance with section 78(11) and 80 (7) of the PPADA iii. Opening minutes were signed by all committee members iv. Unsuccessful bidders were notified of outcome and successful ones were issued with an LPO. v. The inspection and acceptance committee were appointed in accordance with section 48 of PPADA 2015.
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Refer appendix 36.

Committee Observations

The Committee has reviewed the extensive queries and management's uniform defense, which largely hinges on a specific interpretation of "splitting" and assertions that all bidders were registered and notified. While some explanations on the technicalities of the law may have merit, the sheer volume and pattern of irregularities including date inconsistencies, delivery delays, and committee composition issues point to significant weaknesses in the procurement function that require urgent address.

Committee Recommendation

- The Committee recommends that the Hospital Management should ensure the procurement unit undergoes comprehensive retraining on the Public Procurement and Asset Disposal Act, 2015, and its regulations, with emphasis on the roles of different committees, document completion, and the spirit of the law which abhors tender splitting to avoid due process;
- That the Hospital Board should mandate a special internal audit of the procurement function for the next financial year to ensure compliance and value for money;
- That the Hospital Management should enforce and ensure strict adherence to procurement timelines and documentation requirements.

4.1.36. Stalled Projects

Review of projects records indicated that the Hospital entered into a contract with a Construction Company on 15 December, 2023 to design, finance, construct and operate a canteen in the facility. The Company was contracted to operate the canteen for a period of ten years with an option of an extension of five more years. The canteen was to be completed by the end of the month of May, 2024. However, the tender opening and evaluation documents, including a letter of award indicating the contract sum, were not provided for audit. Further, physical verification of the project in the month of December 2024 revealed

that the project was 40% complete. In addition, the total amount paid to the contractor was not provided.

In the circumstances, the value for money for the expenditure amounts could not be confirmed.

Management Responses

The vendor entered the contract with Nairobi City County Government under design, construct, operate and transfer with the approval of the county government. This criterion does not have any financial obligation on the facility as all costs will be incurred by the vendor. Refer appendix 37 for the opening minutes, evaluation minutes, letter of award and the contract.

Committee Observations

The Committee accepts management's clarification that the canteen project is a Design, Build, Operate, and Transfer (DBOT) arrangement with no financial obligation to the Hospital. The provided documents satisfactorily explain the nature of the contract.

Committee Recommendation

- **The Committee recommends that the Hospital Board should monitor the project's progress to ensure it delivers the intended service to the hospital community.**

4.1.37. Unconfirmed Ownership of Land

The property, plant, and equipment balance of Kshs. 2,349,097,433 includes value of land amounting to Kshs. 2,010,000,000 which was not supported with ownership documents.

In the circumstances, the ownership of the land could not be confirmed.

Management Responses

- The necessary documents were provided in compliance with The Public Finance Management Act, 2015, Section 71 on records and returns; subsection 3 & 4 of the Act, and Section 21 of the Public Audit Act, 2015.
- In relation to valuation, Section 6 of the Valuers Act (Cap 532) requires that only registered valuers under the Act can legally perform property valuations in Kenya. This includes valuations of Property, Plant, and Equipment (PP&E) for public and private entities. The valuation of property should be done by the qualified County Valuers. The facility availed a letter made to the CECM seeking valuation of PPE. Through this, adherence to international standards, such as the International Valuation Standards (IVS) and International Financial Reporting Standards (IFRS), particularly IFRS 16 for property, plant, and equipment shall be met, and thus shall avoid understatement or

overstatement of assets. The reported values were of current market values and the NBV's.

- The facility had requested a proper valuation through a letter to CECM. Refer to appendix 38 for the letter requesting valuation.
- The Nairobi City County Government owns the county government properties and thus is the custodian of the ownership documents.

Committee Observations

The Committee notes that the ownership documents are held by the Nairobi City County Government as the custodian. However, the Hospital, as the user of the asset, has a responsibility to ensure its records are complete. The lack of a current professional valuation is also a concern.

Committee Recommendation

- The Committee recommends that the Hospital Management should obtain and keep certified copies of the land ownership documents from the County Government.
- That the Hospital Management should follow up on the request to the CECM to ensure the valuation of all Property, Plant, and Equipment is conducted by a qualified valuer as a matter of priority.

4.1.38. Failure to Maintain Complete Asset Register

The statement of financial position and as disclosed in Note 17 to the financial statements reflects property, plant and equipment balance of Kshs 2,329,097,433. The assets were not supported with a complete asset register indicating assets description, asset number, year of acquisition, location, accumulated depreciation, depreciation charge for the year and netbook value of the asset. Management maintained a manual inventory book which did not contain the above important information.

In the circumstances, the existence, valuation and completeness of the assets register could not be confirmed.

Management Responses

The spreadsheet of the asset registry is available; however, this will be updated upon completion of the valuation as per the PFM Act, 2015 Section 163. Refer to appendix 39 for the asset registry schedule.

Committee Observations

The Committee acknowledges that a spreadsheet exists but notes that it is incomplete and does not meet the standards for a proper asset register. Linking its update to the pending valuation is not a sufficient reason for this deficiency.

Committee Recommendation

- The Committee recommends that the Hospital Management should immediately begin populating a proper asset register with all required details (description, asset number, location, depreciation, etc.) and submit a report to the County Assembly within sixty days after the adoption of this report. This process should not wait for the completion of the valuation, which can be used to update the values at a later stage.

4.1.39. Expired Drugs

Review of stores and stores records revealed that an assortment of drugs which had different expiry dates running from year 2020 to 2023 expired while still unused and in the store. Some drugs were donated while others were purchased by the Hospital. However, the value of the drugs could not be determined. Although Management indicated that the drugs were removed from the store, there was no information on whether the drugs were destroyed or not. It was also not explained why Management did not take necessary action including but not limited to transferring them to any other deserving facility instead of allowing them to expire. Further, the Hospital did not provide records of all drugs/medicine in the store and stock outs of essential drugs.

In the circumstances, the Hospital's proper management of drugs could not be confirmed.

Management Responses

The PPADA, 2015 prescribed disposal procedures which the facility is following up. This will allow for appropriate disposal to avoid breaching the environmental law.

The spreadsheet for the drugs/medicine is available.

Committee Observations

The Committee was alarmed by the presence of expired drugs dating back to 2020. This represents a significant waste of public resources and a potential health and environmental hazard. The Committee was also concerned that drugs were left to expire while patients are routinely sent to pharmacies to purchase drugs.

Committee Recommendation

- The Committee recommends that the Hospital Management must expedite the disposal of all expired drugs in strict compliance with the PPADA and environmental laws and submit a status report to the County Assembly within thirty days after the adoption of this report;
- That the Hospital Management through the Pharmacy Department must establish and implement a robust drug inventory management system that includes stock-level monitoring, a first-expiry-first-out (FEFO) issuing system, and proactive measures to prevent future drug expiries; and

- That the Hospital Management invest in capacity building and constant training of officers and in this case the supply chain and stores officers.

4.1.40. Non-Compliance with the Financial Reporting Template

The financial statements submitted for audit were not prepared in compliance with the financial reporting template approved and issued by the Public Sector Accounting Standards Board. This was contrary to Section 81(3) of the Public Finance Management Act, 2012 which requires Accounting Officers to prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Public Sector Accounting Standards Board.

In the circumstances, Management was in breach of the law

Management Responses

The revised financial statement is in compliance with IPSAS

Committee Observations

The Committee notes management's response that the revised statement is IPSAS compliant. This suggests the initial non-compliance was rectified.

Committee Recommendation

- The Committee recommends that to prevent a recurrence, the Hospital Management through the Finance Department must ensure that from the outset, all financial statements are prepared using the latest template issued by the Public Sector Accounting Standards Board.

4.1.41. Inadequacies in Revenue Billing System

Review of the Hospital's revenue processes revealed that the Hospital uses Afya Kenya Systems for registration and billing of the outpatients and CHIS System is used to bill the inpatient and mortuary. However, the following weaknesses were observed in regards to billing of the inpatient and mortuary system;

- a. Registration for the dead was done manually by the mortuary attendant.
- b. Registration for the inpatients was done manually.
- c. Invoicing of outpatient and dead was done manually.
- d. The cashier had to key in the amount in the systems for all the services offered to an inpatient from the handwritten invoices.
- e. The reliance on manual invoicing increased the risk of revenue leakage, misappropriation, and errors due to the absence of automated records.

In addition, revenue billing reports to establish the revenue earned in rendering of services-medical service income per the patients was not provided and as per the requirements of International Public Sector Accounting Standards (Accrual Basis).

In the circumstances, the effectiveness of internal controls in revenue billing and Management of patients with accumulated bills could not be confirmed.

Management Responses

Patients are registered digitally.

The hospital has several cash points which has effectively enhanced the queue management.

Committee Observations

The Committee finds a contradiction between management's response that "patients are registered digitally" and the audit findings which detailed extensive manual processes for inpatients, mortuary, and invoicing. This indicates significant system gaps and a high risk of revenue leakage.

Committee Recommendation

- **The Committee recommends that the Hospital Management should conduct a comprehensive review of its revenue cycle systems with the goal of achieving full digital integration from patient registration to billing and payment for all services (OPD, inpatient, and mortuary).**

4.1.42. Irregular Constitution of Board Members

According to the Kenya Gazette Notice dated 28 April, 2023 the Governor Nairobi County appointed six (6) persons as Board members of Mama Lucy Kibaki Level 5 Hospital. However, the Board lacked essential members required under the Nairobi City County Guidelines for Operations of Hospital Management Boards, Health Centers, and Dispensary Management. The absence of these key members` raises concerns about the hospital board`s compliance with the established governance framework.

In the circumstances, the non-compliance indicated that the Hospital Board was improperly constituted, potentially affecting its operational and decision-making efficiency. The irregularity undermined adherence to the stipulated guidelines and could impact the overall Management and service delivery of the Hospital.

Management Responses

The appointment and gazettelement of the Hospital Management was done in compliance with FIF Act and in this case scenario there is a community member who sits in that Hospital Management Board.

Committee Observations

The Committee acknowledges that appointments were gazetted. However, the Board's composition does not fully align with the Nairobi City County Guidelines, which may affect the diversity of skills and community representation on the Board.

Committee Recommendation

- The Committee recommends that the Hospital Board should formally communicate with the Governor's office, highlighting the gaps in its composition as per the County Guidelines, and request that future appointments ensure full compliance.

4.1.43. Lack of Performance Evaluation

Review of records of the Board revealed no evidence of the Board having prepared periodic performance reports on mission fulfillment, strategic plan fulfillment, financial performance, service delivery, quality and safety, client satisfaction, hospital staffing, risk management and legal and regulatory compliance as provided in the Nairobi City County Guidelines for Operations of Hospital Management Boards, Health Center and Dispensary Management.

In the circumstances, the Board performance was viewed as not having fulfilled its obligatory mandate of providing oversight to the hospital Management

Management Responses

The facility has a strategic and investment plan FY 2025-2029 which guides on the performance evaluation procedures. Refer appendix 44.

Committee Observations

The existence of a strategic plan is a positive step, but it is not a substitute for periodic performance evaluation. The Board has not demonstrated that it is actively tracking and evaluating its own performance or that of the hospital against set targets.

Committee Recommendation

- The Committee recommends that the Hospital Board should develop and implement a Board and Hospital Performance Evaluation Framework, based on the strategic plan, to regularly assess mission fulfillment, financial performance, service delivery, and risk management and submit a report to the Assembly within ninety days after the adoption of this report.

4.1.44. Failure to Establish an Audit Committee and Operational Internal Audit Unit

During the year under review, the Hospital did not establish an audit committee. Further, there was no evidence to confirm that the Hospital was audited by the Internal Audit Unit from the County Executive of Nairobi. This was contrary to Regulation 167(1) of the Public

Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to establish an Audit Committee.

In the circumstances, the Hospital operated without a mechanism for assessing and mitigating financial and operational risks.

Management Responses

The Internal Audit Unit is established at the County Headquarters and periodically performs its duties. Internal audit reports were given to the Auditor. Refer appendix 45b for the internal audit report.

Committee Observations

The Committee notes that internal audit functions are performed at the county level. However, the absence of a dedicated, hospital-level Audit Committee, as required by law, deprives the Hospital of a crucial layer of independent governance oversight and risk assurance.

Committee Recommendation

- The Committee recommends that the Hospital Management should liaise with the County Executive to establish a functional Audit Committee for the Hospital as mandated by the Public Finance Management Regulations, 2015 within sixty days after the adoption of this report.

4.1.45. Lack of an Approved Staff Establishment

Audit review revealed that there was no approved staff establishment. In the absence of an approved staff establishment, the Hospital may not be able to determine the skills and optimal staffing levels required to achieve its goals and objectives.

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

Management Responses

The facility has an approved staff establishment and was availed to the Auditor. Refer to appendix 46.

Committee Observations

The Committee has verified that an approved staff establishment was availed to the auditor. This query has been adequately addressed.

Committee Recommendation

- The Committee recommends that the Hospital Management should ensure approved staff establishment is always up-to-date and readily available for reference and audit purposes.

5.0 CONCLUSION

The Committee having considered “the Reports of the Auditor-General on the Mama Lucy Kibaki 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. SUMMARY OF ALL RECOMMENDATIONS

Following the Committee's consideration of "the Reports of the Auditor General on Mama Lucy Kibaki Hospital for the years ended 30th June 2022,2023 &2024" and the responses from the Management, the Committee urges the County Assembly to resolve as follows:-

SUMMARY OF ALL RECOMMENDATIONS - AUDIT REPORT OF THE AUDITOR GENERAL MAMA LUCY KIBAKI LEVEL 5 HOSPITAL FOR THE YEAR ENDED 30TH JUNE 2022.

1. Unsupported Employee Costs

— The Committee recommends that this matter be marked as resolved.

2. Unsupported Expenditure on General Expenses

— The Committee recommends that this matter be marked as resolved.

3. Irregularities in property, plant and Equipment.

— The Committee recommends that the Hospital Management must expedite professional valuation and maintain verifiable asset registers as required under IPSAS and the Valuers Act. The County Valuer should prioritize this valuation and submit status report to the County Assembly within ninety days after the adoption of this report.

4. Use of incorrect rates for Depreciation

— The Committee recommends that the Hospital Management should adopt rates provided by the National Treasury and PSASB;

— That the Hospital staff should receive training on IPSAS and depreciation accounting.

5. Unsupported inventory

— The Committee recommends that the Hospital Management should standardize annual stocktaking and promptly submit related reports within the stipulated time;

— That the Management to develop an inventory policy to be aligned with IPSAS 12 within ninety days after the adoption of this report.

6. Unsupported Expenses

— The Committee recommends that this matter be marked as resolved.

7. Overstated Expenditure

— The Committee recommends that the Hospital Management must implement IPSAS 12 strictly;

— That the Management to seek a support from the National Treasury for technical training on inventory valuation.

8. Unsupported Receivables from exchange Transactions

— The Committee recommends that this matter be marked as resolved.

9. Misstatement of Rendering of Services-Medical service income.

— The Committee recommends this matter be marked as resolved

10. Failure to Maintain Revenue Cashbook

— The Committee recommends that this matter be marked as resolved.

11. Variance Between National Health Insurance Fund (NHIF) Claims and Paid Amount in the Bank Statement.

— The Committee recommends that the Hospital Management should establish a Memorandum of Understanding with NHIF/SHA outlining obligations and timelines and have a mandatory monthly reconciliation of NHIF/SHA claims.

12. Inaccuracies in Accounts Receivables

- The Committee recommends that Hospital Management should undertake a thorough reconciliation of both current and prior year NHIF claims and ensure full disclosure in the financial statements to reflect the accurate receivables position;
- That the Management should develop and apply a policy for provisioning doubtful debts, particularly in cases where waivers are granted or claims remain unsettled for extended periods;
- That the Management should establish a robust internal controls over receivables, including routine aging analysis, follow-up mechanisms, and timely engagement with NHIF and other debtors.

13. Undisclosed Donations.

- The Committee recommends that all donations must be disclosed per IPSAS 23;
- That the County Treasury should establish standard procedures for reporting of all donations in the County.

14. Unsupported Revenue

— The Committee recommends that this matter be marked as resolved.

15. Unsupported Trade and Other Payables

— The Committee recommends that the Hospital Management must maintain a detailed, updated payables ledger and provide periodic reports to the County Treasury.

16. Unsupported Health Sector Service Fund

- The Committee recommends that the Hospital Management should expedite the establishment of a separate Facility Improvement Fund (FIF) account at the facility level in strict compliance with the FIF Act, 2023 and the PFM Act within sixty days after the adoption of this report;
- That the County Treasury and the Department of Health Services should ensure all public health facilities operate distinct FIF accounts to enhance transparency, accountability, and compliance with statutory provisions;
- That the Auditor-General should closely monitor subsequent financial statements to ensure proper classification and support for all general expenses related to HSSF or FIF.

17. Non-Disclosure of Employee Costs Paid by the County Government

- The Committee recommends that the County Public Service Board must share payroll summaries with all facilities for auditing purposes;
- That all disclosures must follow IPSAS 25.

18. Budgetary Control and Performance

- The Committee recommends that the Hospital Management should ensure that future financial reports clearly distinguish between recurrent and capital expenditure and provide a reconciled computation of absorption rates aligned with the approved budget structure;
- That the Hospital Management should develop and implement stronger budget execution and monitoring mechanisms to minimize under-utilization of funds and ensure timely delivery of essential services.

19. Lack of Quarterly Revenue Reports

- The Committee recommends that the Hospital Management should adhere strictly to Regulation 64(1) of the Public Finance Management (County Governments) Regulations, 2015 by preparing and submitting formal quarterly revenue reports not later than the 15th day after each quarter;
- That evidence of submission (e.g., acknowledgment receipts or email correspondences) should be retained and availed for audit.

20. Lack of an Approved Budget for the Hospital

- The Committee recommends that the County Department of Health should ensure that Mama Lucy Kibaki Hospital prepares a standalone budget that is formally approved and submitted in compliance with Regulation 29(1) of the Public Finance Management (County Governments) Regulations, 2015;

- That the Hospital's budget should be integrated into the County's Programme-Based Budget (PBB) format and uploaded to the Integrated Financial Management Information System (IFMIS).

21. Late Submission of Financial Statements for Audit

- The Committee recommends that the Hospital Management should institutionalize a financial calendar and assign timelines to staff; the County Treasury should monitor compliance on monthly basis.

22. Unconfirmed Ownership of Land and Motor Vehicles

- The Committee recommends that the County Executive should transfer ownership documentation to the Hospital and title deed audit be conducted within ninety days after the adoption of this report.

23. Failure to Maintain a Complete Asset Register

- The Committee recommends that the Hospital Management should implement an electronic asset register with an Asset tagging to be part of the reform.

24. Irregular Procurement of Medical and Clinical items

- The Committee recommends that all procurement committees must ensure that bid prices are disclosed in opening minutes and duly captured in tender documents to foster transparency;
- That procurement evaluations must adhere strictly to Section 86 of the PPADA by awarding contracts to the lowest evaluated bidder per item, unless justifiable exceptions are documented;
- That evaluation and tender documents should be reviewed thoroughly to eliminate misleading references unless the legal basis (e.g., framework contracts) is established;
- That any future use of restricted tendering must be supported by clear documentation as required under Section 102 of the PPADA, including the rationale, category, and approval;
- That Heads of procurement and CEOs should act within the one-day requirement following the professional opinion to issue LPOs. Any deviation should be documented and justified;
- That Inspection committees should sign and submit their reports promptly after delivery to ensure verification before payment processing;
- That all procurement files must include approved requisition budgets and estimates to confirm that awards do not exceed available funding;

- That the Hospital Management should reconcile payment records with the audit figures and submit an official clarification, including supporting documents, to the Auditor General.

25. Payments without Electronic Tax invoices

- The Committee recommends that the Hospital Management must register with KRA and adopt e-invoicing practice;
- That suppliers should also be pre-qualified based on tax compliance.

26. Lack of Proper Management of Fuel

- The Committee recommends that the Hospital Management should adopt fuel management systems including GPS, e-fuel cards, and logbook verification.

27. Failure to Withholding Income Taxes

- The Committee recommends that the Hospital Management should obtain a KRA PIN and act as a withholding agent within sixty days after the adoption of this report;
- That the County Treasury should supervise tax compliance.

28. Irregular Procurement Process

- The Committee recommends that this matter be marked as resolved.

29. Failure to Transfer Funds to County Revenue Fund

- The Committee recommends that this matter be marked as resolved.

30. Presentation and Disclosure of the Financial Statements

- The Committee recommends that the County Treasury should train the hospital accountants on IPSAS formats and enforce compliance.

31. Inadequacies in Revenue Billing System

- The Committee recommends that the Hospital Management should automate inpatient billing and link systems to the finance department;
- That audit trails should be maintained by the Hospital Management.

32. Lack of Hospital Board of Management

- The Committee recommends that this matter be marked as resolved.

33. Lack of an Approved Staff Establishment

- The Committee recommends that this matter be marked as resolved.

34. Failure to Establish an Audit Committee and Operationalize Internal Audit Unit

- The Committee recommends that the Hospital Management to establish a functional Internal Audit Committee to undertake quarterly internal audits and submit a report to the County Assembly and the County Treasury.

REPORT OF THE AUDITOR-GENERAL ON MAMA LUCY KIBAKI-LEVEL 5 HOSPITAL-COUNTY GOVERNMENT OF NAIROBI CITY FOR THE YEAR ENDED 30TH JUNE, 2023.

1. Presentation and Inaccuracies in the Financial Statements

- The Committee recommends that the Hospital’s finance team should undergo training on the public sector reporting framework; and
- That all future financial statements be thoroughly reviewed by an independent internal audit unit before submission.

2. Unsupported Receivables from Exchange Transactions

- The Committee recommends that this matter be marked as resolved.

3. Misstatement of Rendering of Services-Medical Service Income

- The Committee recommends that the County Executive should support the Hospital with technical accounting expertise to ensure a smooth and accurate transition to the accrual basis of accounting.

4. Unsupported Revenue and Failure to Maintain Revenue Cash Book

- The Committee recommends that the Hospital Management should establish a dedicated revenue account and maintain a detailed daily revenue cashbook as required by the Public Finance Management Regulations, 2015.

5. Variance Between National Health Insurance Fund(NHIF) Claims and Paid Amount in the Bank Statement

- The Committee recommends that the Hospital Management should perform monthly reconciliations of NHIF claims and payments and maintain an up-to-date aging schedule to support the receivables balance.

6. Undisclosed Donations

- The Committee recommends that all donations whether in cash or kind should be properly valued, recorded, and disclosed in the financial statements in compliance with IPSAS.

7. Unsupported Current Liabilities

- The Committee recommends the Hospital Management to develop and implement a system for daily reconciliation of M-Pesa collections with bank transfers and ensure all digital transaction records are securely stored and easily retrievable.

8. Misstatement of Medical/Clinical Costs

— The Committee therefore recommends that this matter be marked as resolved.

9. Unsupported Expenses

— The Committee therefore recommends that this matter be marked as resolved.

10. Understatement of Refined Fuel

— The Committee therefore recommends that this matter be marked as resolved.

11. Irregularities in the Property, Plant and Equipment

— The Committee recommends that the Hospital Management should liaise with the County Executive Government to obtain and submit certified copies of all asset ownership documents;

— That a comprehensive valuation of all assets must be commissioned without delay from a registered valuer to ensure compliance with IPSAS and establish a reliable baseline for the Fixed Asset Register.

12. Use of Incorrect Depreciation Rate

— The Committee recommends that the Hospital Management should recalculate and adjust the depreciation for all asset classes to align with the rates prescribed in the National Treasury's National Assets and Liability Management Policy. The financial statements for the period should be restated to correct this error.

13. Unsupported Health Sector Service Fund

— The Committee recommends that the Hospital Management should operationalize a dedicated Facility Improvement Fund (FIF) bank account as mandated by the FIF Act, 2023 within sixty days after the adoption of this report;

— That all future remittances must be strictly governed by approved legal frameworks and supported by clear, documented policies.

14. Unsupported Employee Costs

— The Committee recommends that the Hospital Management should formally engage with the County HR and Treasury to obtain the necessary data on the cost of County-employed staff working at the facility. This information must be fully disclosed in the financial statements as required by IPSAS.

15. Budgetary Control and Performance

— The Committee recommends that the Hospital Management must enhance its budgetary planning, monitoring, and execution processes;

— That a detailed cash flow forecast and project implementation plan should be developed within ninety days after the adoption of this report to ensure timely utilization of both operational and development funds.

16. Unresolved Prior Year Matters

- The Committee recommends that the Hospital Management should establish a robust Audit Action Tracking System within ninety days after the adoption of this report to monitor the implementation of all audit recommendations;
- That the Hospital Management should submit quarterly progress reports on the status of unresolved matters to the County Assembly.

17. Late Submission of Financial Statements

- The Committee recommends that the Hospital Management must put in place measures, including early preparation and internal deadlines, to ensure timely submission of financial statements in adherence to statutory reporting deadlines;
- That the County Treasury should consider disciplinary action for any future delays.

18. Non-Compliance with the Financial Reporting Template

- The Committee recommends that the Hospital Management should ensure all financial statements are prepared in strict compliance with the approved PSASB reporting template;
- That the Accounting Officer should ensure that the finance team receives periodic training on public sector accounting standards and reporting requirements.

19. Unsupported Repairs and Maintenance

- The Committee recommends that the Hospital Management should enforce full compliance with the Public Procurement and Asset Disposal Act for all repairs and maintenance activities. This includes mandatory pre-inspection reports, proper documentation of the disposal of replaced parts, and the use of all requisite vouchers.

20. Lack of Proper Management of Fuel

- The Committee recommends that the Hospital Management should develop and implement a comprehensive Fuel Management Policy within ninety days after the adoption of this report. This should include vehicle-specific logbooks with odometer readings, spending limits on fuel cards, and a monitoring system to track consumption and mileage for each vehicle.

21. Failure to Withhold Income Taxes

- The Committee recommends that the Hospital Management should register for tax purposes and fully comply with tax laws within sixty days after the adoption of this report;
- That the County Treasury should facilitate the Hospital Management in securing a KRA PIN and compliance.

22. Payments Without Electronic Tax Invoices

- The Committee recommends that the Hospital Management should enforce use of electronic tax invoices and ensure suppliers are compliant with e-TIMS regulations before payments are processed.

23. Irregular Procurement of Goods and Services

- The Committee recommends that the Hospital Management should fully comply with all provisions of the PPADA, 2015. This includes ensuring all procurement records are properly documented, signed, and securely archived for audit and transparency purposes;
- That the Hospital Management should ensure that tender opening and evaluation committees are composed of entirely separate personnel to avoid conflict of interest and uphold procurement integrity;
- That procurement planning should be done holistically to avoid apparent tender splitting. The County Procurement Department should regularly audit procurement plans to enforce compliance with Section 54 of the PPADA, 2015;
- That the Management should ensure that all bidders, successful or otherwise, are formally and timely notified of the outcome of procurement processes in writing, with evidence of delivery maintained on file; and
- That officers responsible for the observed procurement irregularities should be subjected to disciplinary measures as per the Human Resource guidelines and relevant procurement regulations.

24. Lack of Board Performance Evaluation

- The Committee recommends that the Hospital Management Board should carry out an annual self-evaluation exercises and submit reports to the County Executive and Assembly for information and consideration.

25. Lack of an Approved Budget for the Hospital

- The Committee recommends that this matter be marked as resolved.

26. Lack of Quarterly Revenue Reports

- The Committee recommends that the Hospital Management Board should carry out an annual self-evaluation exercises and submit reports to the County Executive and Assembly for information and consideration.

27. Inadequacies in Revenue Billing System

- The Committee recommends that the Hospital Management should fully automate its billing and revenue collection system in line with best practices and collaborate with the County ICT department to improve system integration.

28. Poor Management of Pharmaceuticals and Non-Pharmaceuticals Items

— The Committee therefore recommends that this matter be marked as resolved.

29. Ineffective Internal Audit and Audit Committee Function

— The Committee recommends that the Hospital Management should establish a functional Audit Committee within sixty days after the adoption of this report as per PFM Regulations and ensure internal audit reports are reviewed and acted upon by Management.

30. Lack of Risk Management Policy, Disaster Recovery Plan and Waiver Policy

— The Committee recommends that the Hospital Management should fast-track implementation of its strategic plan by finalizing and operationalizing the Risk Management Strategy, Disaster Recovery Plan, and Waiver Policy.

31. Lack of an Approved Staff Establishment

— The Committee recommends that the matter be marked as resolved.

REPORT OF THE AUDITOR-GENERAL ON MAMA LUCY KIBAKI-LEVEL 5 HOSPITAL-COUNTY GOVERNMENT OF NAIROBI CITY FOR THE YEAR ENDED 30TH JUNE, 2024

1. Presentation and Inaccuracies in the Financial Statements

— The Committee recommends that the Hospital Management should ensure that all financial statements are prepared in strict adherence to the prescribed templates and IPSAS accrual basis.

2. Unsupported Receivables from Exchange Transactions

— The Committee therefore recommends that this matter be marked as resolved.

3. Misstatement of Rendering of Services-Medical Service Income

— The Committee recommends that the Hospital Management should retrospectively correct the misstatement and adopt proper accrual accounting methods;

— That future statements should clearly distinguish accrued income to avoid revenue overstatements.

4. Failure to Maintain Revenue Cashbook

— The Committee recommends that the Hospital Management should maintain a separate revenue cashbook to track all inflows and outflows;

— That the Hospital Management should put in place measures to ensure proper financial reporting and compliance.

5. Variance Between National Health Insurance Fund (NHIF) Claims Systems and Amount Paid in the Bank Statement

— The Committee recommends that the Hospital Management should conduct monthly reconciliations of NHIF/SHA claims and receipts and submit them to the County Treasury and Auditor-General;

— That a formal agreement with NHIF/SHA should be documented, signed, and filed;

— That outstanding claims should be actively followed up and disclosed in financial statements.

6. Inaccuracies in Accounts Receivables

— The Committee recommends that the Hospital Management should incorporate provisions for doubtful debts in line with IPSAS standards;

— That the Hospital Management should establish a detailed aged analysis of all receivables for maintenance and reconciliation;

— That the County Treasury should guide the Hospital Management on proper management of receivables.

7. Undisclosed Donations

- The Committee recommends that all donations in cash or kind must be disclosed in accordance with IPSAS 23 and IPSAS 1;
- That the Hospital Management should retrospectively update the Asset register with donated items;
- That Internal audit should review all in-kind receipts annually to ensure proper disclosure.

8. Unsupported Revenue

- The Committee therefore recommends that this matter be marked as resolved.

9. Unsupported Trade and Other Payable

- The Committee therefore recommends that this matter be marked as resolved.

10. Unsupported Non-Current Liabilities

- The Committee therefore recommends that this matter be marked as resolved.

11. Non-Disclosure of Employee Costs Paid by the County Government

- The Committee recommends that the Hospital Management should disclose all employee costs, including those funded by the County Government, in line with IPSAS 25;
- That the Hospital Management should liaise with the County Public Service Board and Treasury to obtain and disclose this data annually;
- That the Hospital Management should ensure that subsequent financial reports reflect comprehensive staff costs to ensure full cost transparency.

12. Unsupported General Expenses

- The Committee therefore recommends that this matter be marked as resolved.

13. Unsupported Expenses

- The Committee therefore recommends that this matter be marked as resolved.

14. Unsupported Pharmaceutical Costs

- The Committee therefore recommends that this matter be marked as resolved.

15. Overstatement of Medical/Clinical Costs

- The Committee recommends that the Hospital Management should ensure all misstatements are corrected before finalizing financial statements;
- That the Hospital Management should ensure strict data validation before submission;
- That the Hospital Management should ensure end of year statements are audited internally before being submitted for the external auditing.

16. Misclassification of Items in Medical/Clinical Costs

- The Committee recommends that the Hospital Management should ensure all misclassified items are reclassified and corrected in the final books;
- That the Hospital Management should develop and implement a training program for accounts staff on economic classification of expenditures;
- That County Executive Committee Member for Health and Nutrition should a formal request to Internal Audit for regular reviews to strengthen internal systems.

17. Irregularities in the Property, Plant and Equipment

- The Committee recommends that the Hospital Management should maintain an updated PPE register backed by current valuation reports;
- That the County Valuer must expedite the valuation of inherited and newly acquired assets;
- That the Hospital Management should ensure PPE disclosures comply with IPSAS 17 and reflect accurate net book values.

18. Unsupported Inventory

- The Committee recommends that the Hospital Management should develop and adopt an inventory management policy in line with IPSAS 12 and submit a report to the County Assembly within ninety days after the adoption of this report;
- That the Management should automate the Inventory management to enhance controls.

19. Irregularities in Bank Reconciliation Statement

- The Committee recommends that the Hospital Management should ensure monthly bank reconciliations are accurate, reviewed, and signed off.

20. Inaccuracies in Budget

- The Committee recommends that the Hospital Management should reconcile all financial reports with budget allocations to avoid material inconsistencies;
- That the Hospital Management should train the Head of Finance on IPSAS 24 to ensure correct presentation of budget information.

21. Unsupported Health Sector Service Fund

- The Committee recommends that the Hospital Management must immediately operationalize a dedicated Facility Improvement Fund (FIF) bank account in full compliance with the FIF Act, 2023;
- That all future HSSF allocations and related transactions must be processed through this account to ensure transparency and proper fund tracking.

22. Budgetary Control and Performance

- The Committee recommends that Hospital Management in conjunction with the County Treasury, must strengthen its budgetary control mechanisms;
- That future budgets must be realistic, cash-based, and strictly adhered to;
- That a variance analysis report for any significant deviation must be prepared and submitted to the Board for review.

23. Lack of Quarterly Revenue Reports

- The Committee recommends that the Hospital Management should ensure that all quarterly revenue reports are prepared and submitted to the County Treasury and the Auditor General no later than the 15th day after the end of each quarter, as mandated by the Public Finance Management Regulations, 2015.

24. Lack of an Approved Budget for the Hospital

- The Committee recommends that for future audits, the Hospital Management should maintain and make readily available its own approved, detailed budget. While it may be part of the County Ministry of Health's overall budget, a distinct, hospital-level budget document is essential for effective oversight and accountability.

25. Unresolved Prior Year Matters

- The Committee recommends that the Hospital Management must develop and implement a time-bound Audit Action Plan to systematically clear all outstanding prior year audit issues;
- That the Hospital Board should monitor the implementation of the Audit Action plan on quarterly basis.

26. Failure to Open a Facility Improvement Account

- The Committee recommends that the Hospital Management must comply unconditionally with the FIF Act, 2023, by opening a separate Facility Improvement Fund account without further delay;
- That all FIF collections must be channeled through the established account.

27. Deficiencies in Implementation of Universal Health Coverage

- The Committee recommends that the Hospital Management should formally and persistently engage the County Public Service Board to prioritize the recruitment of the deficit staff;
- That the Hospital Management should develop a strategic plan, to be presented to the County Government, for the progressive acquisition of the required ICU/HDU beds and cots to meet the national standards.

28. Irregular Engagement of Casuals

- The Committee recommends that the Hospital Management must regularize its staff engagement practices;
- That for roles that are perennial, positions should be established and forwarded to the County Public Service Board for formal recruitment;
- That the use of casuals should be limited to genuinely temporary and seasonal needs.

29. Failure to Deduct and Remit Statutory Deductions

- The Committee recommends that the Hospital Management should commence process of acquiring a KRA branch pin within shortest time possible;
- That upon receipt of the pin, the Hospital Management must immediately calculate and remit all outstanding statutory deductions to the respective authorities, including any accrued penalties;
- That future payroll processing must ensure full and timely compliance with all statutory obligations.

30. Failure to Withhold Income Taxes

- The Committee recommends that the Hospital Management should finalize the acquisition of the KRA branch pin immediately;
- That Management must ensure that all future payments to suppliers are subjected to the correct withholding VAT and income tax as required by law, and these amounts must be remitted promptly to KRA.

31. Payments without Electronic Tax invoices

- The Committee recommends that upon acquiring the KRA pin, the Hospital Management must insist that all suppliers provide compliant electronic tax invoices for every supply;
- That the Hospital Management should develop and implement a system to verify the authenticity of the e-invoices before payments are processed.

32. Unsupported Repairs and Maintenance

- The Committee recommends that the Hospital Management should ensure that all supporting documents for expenditures, including inspection and acceptance committee reports, are properly filed and readily availed during audits to avoid such queries.

33. Irregular Procurement of Medical and Clinical Items

- The Committee recommends that the Hospital Management should ensure the procurement unit undergoes comprehensive retraining on the Public Procurement and Asset Disposal Act, 2015, and its regulations, with emphasis on the roles of different committees, document completion, and the spirit of the law which abhors tender splitting to avoid due process;
- That the Hospital Board should mandate a special internal audit of the procurement function for the next financial year to ensure compliance and value for money;
- That the Hospital Management should enforce and ensure strict adherence to procurement timelines and documentation requirements.

34. Irregular Award of Tenders to Non-Registered Suppliers

- The Committee recommends that this matter be marked as resolved.

35. Irregular Procurement of Goods and Services

- The Committee recommends that the Hospital Management should ensure the procurement unit undergoes comprehensive retraining on the Public Procurement and Asset Disposal Act, 2015, and its regulations, with emphasis on the roles of different committees, document completion, and the spirit of the law which abhors tender splitting to avoid due process;
- That the Hospital Board should mandate a special internal audit of the procurement function for the next financial year to ensure compliance and value for money;
- That the Hospital Management should enforce and ensure strict adherence to procurement timelines and documentation requirements.

36. Stalled Projects

- The Committee recommends that the Hospital Board should monitor the project's progress to ensure it delivers the intended service to the hospital community.

37. Unconfirmed Ownership of Land

- The Committee recommends that the Hospital Management should obtain and keep certified copies of the land ownership documents from the County Government.
- That the Hospital Management should follow up on the request to the CECM to ensure the valuation of all Property, Plant, and Equipment is conducted by a qualified valuer as a matter of priority.

38. Failure to Maintain Complete Asset Register

- The Committee recommends that the Hospital Management should immediately begin populating a proper asset register with all required details (description, asset number, location, depreciation, etc.) and submit a report to the County Assembly within sixty days after the adoption of this report. This process should not wait for the completion of the valuation, which can be used to update the values at a later stage.

39. Expired Drugs

- The Committee recommends that the Hospital Management must expedite the disposal of all expired drugs in strict compliance with the PPADA and environmental laws and submit a status report to the County Assembly within thirty days after the adoption of this report;
- That the Hospital Management through the Pharmacy Department must establish and implement a robust drug inventory management system that includes stock-level monitoring, a first-expiry-first-out (FEFO) issuing system, and proactive measures to prevent future drug expiries;
- That the Hospital Management invest in capacity building and constant training of officers and in this case the supply chain and stores officers.

40. Non-Compliance with the Financial Reporting Template

- The Committee recommends that to prevent a recurrence, the Hospital Management through the Finance Department must ensure that from the outset, all financial statements are prepared using the latest template issued by the Public Sector Accounting Standards Board.

41. Inadequacies in Revenue Billing System

- The Committee recommends that the Hospital Management should conduct a comprehensive review of its revenue cycle systems with the goal of achieving full digital integration from patient registration to billing and payment for all services (OPD, inpatient, and mortuary).

42. Irregular Constitution of Board Members

- The Committee recommends that the Hospital Board should formally communicate with the Governor's office, highlighting the gaps in its composition as per the County Guidelines, and request that future appointments ensure full compliance.

43. Lack of Performance Evaluation

- The Committee recommends that the Hospital Board should develop and implement a Board and Hospital Performance Evaluation Framework, based on the strategic plan, to regularly assess mission fulfillment, financial performance, service delivery, and risk management and submit a report to the Assembly within ninety days after the adoption of this report.

44. Failure to Establish an Audit Committee and Operational Internal Audit Unit

- The Committee recommends that the Hospital Management should liaise with the County Executive to establish a functional Audit Committee for the Hospital as mandated by the Public Finance Management Regulations, 2015 within sixty days after the adoption of this report.

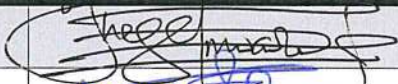




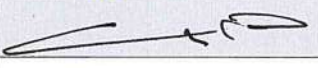


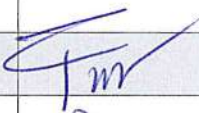
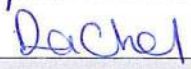

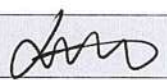



45. Lack of an Approved Staff Establishment

- The Committee recommends that the Hospital Management should ensure approved staff establishment is always up-to-date and readily available for reference and audit purposes.

7. 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	 EK Isalambo
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	

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. Eutyclus 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

DATE

CHAIRPERSON

A large, stylized handwritten signature in black ink, written over a set of horizontal lines. The signature is somewhat illegible but appears to contain the name 'Emmy Khatemeshi'.

A handwritten date '17/FEB/2026' written in black ink over a set of horizontal lines.

