

Laid on 4/4/2026  
by Hon. Choge Mwaure

GOVERNMENT OF NAIROBI CITY COUNTY

4/4/26



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY

(FIFTH SESSION)



NCCA/TJ/PL/2026(59)

8<sup>TH</sup> 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, 8<sup>th</sup> April, 2026

- THE REPORT OF THE SELECT COMMITTEE ON PUBLIC ACCOUNTS ON THE CONSIDERATION OF THE REPORTS OF THE AUDITOR-GENERAL ON MUTUINI DAGORETTI LEVEL 4 HOSPITAL FOR THE YEARS ENDED 30<sup>TH</sup> JUNE, 2022, 2023 AND 2024

(Chairperson, Select Committee on Public Accounts)

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





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 MUTUINI DAGORETTI LEVEL 4 HOSPITAL FOR THE YEARS ENDED 30<sup>TH</sup> JUNE, 2022, 2023 AND 2024, laid on the Table of the Assembly today, Wednesday, 8<sup>th</sup> April, 2026.

*(Chairperson, Select Committee on Public Accounts)*

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The Nairobi City County Government



Nairobi City County Assembly  
Third Assembly – Fifth Session

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The Report of the Select Committee on Public  
Accounts  
On  
Consideration of the Reports of the Auditor General  
on Mutuini Dagoretti Level 4 Hospital for the years  
ended 30<sup>th</sup> June 2022, 2023 & 2024

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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 Mutuini Dagoretti Level 4 Hospital for the year ended 30<sup>th</sup> June 2022, 2023 & 2024”*.

### 1.1. Mandate of the Public Accounts Committee

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

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

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

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

### 1.2. Guiding principles

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

#### **(a) Constitutional Principles on Public Finance**

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

### **(b) Direct Personal Liability**

Article 226(5) of the Constitution is unequivocal that: - *“If the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not”*. Consequently, Section 203(1) of the Public Finance Management Act, 2012 enacts that: - *“A public Officer is personally liable for any loss sustained by a county government that is attributable to-*

- (a) the fraudulent or corrupt conduct, or negligence, of the officer; or*
- (b) the officer’s having done any act prohibited by sections 196, 197 and 198”*

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

### **1.3. Obligations of the Accounting Officer**

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

- (a) lawful and authorized; and*
- (b) Effective, efficient, economical and transparent.”*

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

### **1.4. Committee Membership**

The Committee comprises of the following Members: -

1. **Hon. Chee Maura, MCA** - Chairperson
2. **Hon. Abel Sumba Alito, MCA** - Vice-Chairperson
3. Hon. Banter Jumna Oberon, MCA
4. Hon. Reason Oriento Onyango, MCA
5. Hon. John Rex Osmole, MCA
6. Hon. Stanza 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

### Mutuini Dagoretti Level 4 Hospital

Mutuini Dagoretti Sub-District Hospital is a Level 4 Hospital established under gazette notice number xx/License no. 606248 dated 19<sup>th</sup> November 2022 and is domiciled in Nairobi County under Health Department. The hospital is governed by a Board of Management.

### 1.6. Establishment of the Hospital Funds

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

### 1.7. Auditor-General's Responsibility

The Auditor General's responsibility was to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements in accordance with Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of

Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. The matters mentioned in the audit report were identified through tests considered necessary for the purpose of the audit and it is possible that there might be other matters and/or weaknesses that were not identified.

### 1.8. Evidence taken

The Committee held sittings of which it interrogated the County Executive Committee Member for Health Wellness and Nutrition, Chief Officer Health Facilities and Chief Executive Officer for Mutuini Dagoretti Level 4 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 .....

05 April 2020

## **2.0 CONSIDERATION OF REPORT OF THE AUDITOR GENERAL ON MUTUINI DAGORETTI LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

### **2.1.1. Inaccuracies in the Financial Statements**

Review of the financial statements revealed that the cash and cash equivalent is reported as Kshs. 939,902 while supporting Note 27 has an amount of Kshs 11,815,203 resulting to an unexplained variance of Kshs 10,875,30.0 Management did not provide the ledger and trial balance in support of the financial statements.

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

#### **Management Responses**

The balance of Kshs. 939,902, reflects the actual cash and bank balances as of 30<sup>th</sup> June 2022. This is supported by the attached bank statement in **Annex 1**. The management is strengthening the Financial reporting in the hospital to ensure timely rectification of inaccuracies.

#### **Committee Observation:**

The Committee notes the unexplained variance between the cash and cash equivalents in the financial statements and the supporting note. While management has provided a bank statement, the lack of a ledger and trial balance initially undermined the reliability of the financial reporting.

#### **Committee Recommendation:**

- The Committee recommends that the Hospital Management should ensure that all supporting documents, including ledgers and trial balances, are prepared and availed during the audit process;
- That regular reconciliations should be conducted to prevent such discrepancies in the future.

### **2.1.2. Unsupported Financial Statements**

The statements of financial performance reflect receipts and expenditure balances of Kshs. 15,121,311 and Kshs. 8,816,203. However, supporting ledger balances were not provided for audit.

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

#### **Management Responses**

The ledgers are available for audit review as attached in **Annex 2**. The management will ensure timely provision of ledgers during audit.

**Committee Observation:**

The Committee acknowledges that the ledgers were eventually provided but notes that their late submission delayed the audit process.

**Committee Recommendation:**

- The Committee recommends that the Hospital Management should establish a timeline for the preparation and submission of all financial documents to ensure timely and efficient audits.

**2.1.3. Non-Provision of Trial Balance**

The statements of financial performance reflect receipts and expenditure balances of Kshs.15,121,311 and Kshs.8,816,203. Further, statement of financial position reflects total assets and liabilities of Kshs.939,902 and Kshs.326,342. The management has not prepared trial balance to support the balances disclosed in the financial statements. In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

We acknowledge that the trial balance was not prepared to support the balances disclosed in the financial statements, including receipts of Kshs. 15,121,311, expenditures of Kshs. 8,816,203, total assets of Kshs. 939,902, and liabilities of Kshs. 326,342. This omission was due to an oversight during the financial reporting process. We have since prepared the trial balance and attached it as **Annex 3** for your reference. To ensure this does not recur, we have implemented a policy requiring the preparation and review of the trial balance before finalizing financial statements.

**Management Response**

The trial balance is available for audit review and is attached in Annex 3. The management will ensure timely provision of trial balance during audit.

**Committee Observation:**

The Committee observes that the trial balance was available but not initially provided, which affected the audit's progress.

**Committee Recommendation:**

- The Committee recommends that the Hospital Management should preparation and submission of the trial balance alongside the draft financial statements for future audits.

**2.1.4. Double Reporting of Expenses and Omission of Expenses from the Financial Statements**

The statement of financial performance Includes board of management expenses amounting to Kshs. 342,000. However, supporting note 17 to the financial statements reflects board of management expenses amounting to Kshs. 538,000 causing a variance of Kshs196,000.

Further, included in this amount is Kshs342,000, Kshs161,600 and Kshs34,400 relating to board sitting allowances, airtime allowances and travel and accommodation allowances respectively. However, these expenses have also been recorded under general expenses supported under note 21 to the financial statements causing double reporting of the expenditure.

Further, the following expenses were not included in the financial statements:

Expense	Document Reference	Date	Amount (Kshs.)
Supply and delivery of LPG gas	0049	21/6/2022	48,720
Supply and delivery of cooking gas	0052	30/6/2022	72,384
Medical Waivers	Not provided	Not available	6,021,556

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

### **Management Responses**

The management is strengthening the Financial reporting in the hospital through capacity building and review of financial statement through internal audit to ensure the Financial Statements are accurate and timely.

### **Committee Observation:**

The Committee is concerned about the double reporting of expenses and the omission of significant expenditures, which indicates weaknesses in the accounting system.

### **Committee Recommendation:**

- **The Committee recommends that the Hospital Management should strengthen internal controls and implement regular reviews of expense reporting to ensure accuracy and completeness.**

### **2.1.5. Unsupported Medical Services Contract Losses and Omission in the Statement of Financial Performance**

Note 25 to the financial statements reflects medical services contract loss of Kshs. 6,021,556 under Linda mama program. However, the supporting schedule with details of contract loss and the authority was not provided for audit. The authenticity and accuracy of the reported amount could therefore not be confirmed. Further, the loss was not included as an expense in the statement of financial performance as required by the approved template.

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

## **Management Responses**

Supporting schedule is attached in **Annex 5**. The management will ensure strengthening of financial reporting to ensure accuracy in financial reports.

## **Committee Observation:**

The Committee notes that the supporting schedule for the medical services contract loss was provided but not initially available, and the loss was not correctly reported in the financial performance statement.

## **Committee Recommendation:**

- **The Committee recommends that the Hospital Management should ensure all losses and expenses are recorded in the appropriate statements as per the approved reporting template and**
- **That all supporting documents should be readily available for auditing.**

### **2.1.6. Variances in Rendering Services**

The statements of financial performance of the financial statements reflect rendering of services medical services income balance of Kshs. 15,121,311. Confirmation of Note 1 Ito the financial statement for rendering of services-medical services income reflect nil balances. Further, review of the cashbook revealed total posted receipts of Kshs. 10,698,134 during the year under review resulting to a variance of Kshs. 4,423,177.

In addition, review of the Kenya Commercial Bank Account statement a collection account revealed that total collection of revenue as at 30 June, 2022 was Kshs. 16,949,185 resulting to unexplained variance of Kshs. 1,827,874

In the circumstances, the accuracy and completeness of the Rendering of services an amount of Kshs, 15,121,311 could not be confirmed.

## **Management Responses**

The management is strengthening the Financial reporting including review of Cash book and bank reconciliation statement to ensure accuracy in reporting. The county will ensure review of financial statements through internal audit to ensure inaccuracies are addressed in time.

## **Committee Observation:**

The Committee identifies significant variances between the reported income and the cashbook and bank records, indicating possible misreporting.

## **Committee Recommendation:**

- **The Committee recommends that the Hospital Management should institutionalize regular cashbook and bank reconciliation reviews to ensure consistency and accuracy in revenue reporting.**

### **2.1.7. Unaccounted for Medical/ Clinical Cost**

The statement of financial performance and as disclosed in Note 15 of the financial statements reflects medical or clinical costs balance of Kshs. 6,190,416. The balance has not been supported by the schedules and the ledgers. Further, examination of the payment vouchers revealed that seven payment vouchers related to medical expenses amounting to Kshs, 975,702 were provided while the payments for medical expenses totaling to Kshs. 5,214,714 were not supported by the payment vouchers, LPOs, Invoices and procurement records. In the circumstances, the accuracy and completeness of the medical/clinical cost an amount of Kshs. 6,190,416 could not be confirmed.

#### **Management Responses**

The payment vouchers to confirm the accuracy and completeness of the medical/clinical costs are provided in **Annex 6**. The management has strengthened the documentation processes and implemented regular reviews to ensure all expenses are properly supported and recorded.

#### **Committee Observation:**

The Committee acknowledges that payment vouchers were provided but notes that a substantial portion of medical costs lacked supporting documents initially.

#### **Committee Recommendation:**

- The Committee recommends that the Hospital Management should ensure all payments are supported by duly approved vouchers, LPOs, invoices, and procurement records;
- That periodic internal audit should be undertaken by the relevant Internal Audit Department to verify compliance.

### **2.1.8. Unaccounted for Employee Costs**

The statement of financial performance and as disclosed in Note 16 of the financial statement reflects employee costs balance of Kshs. 782,988. Review of the records reveals that the management did not prepare payrolls, payment vouchers, ledgers, staff establishment, appointment letters and employees cash plan.

In the circumstances, the accuracy and completeness of the employee cost an amount of Kshs. 782,988 could not be confirmed.

#### **Management Responses**

The payment vouchers to support the employee costs are provided in **Annex 6**. The management has strengthened documentation processes and implemented regular reviews to ensure all employee-related expenses are properly recorded and filed.

#### **Committee Observation:**

The Committee notes that payrolls and appointment letters were not initially available, which raised questions about the legitimacy of employee costs.

**Committee Recommendation:**

- The Committee recommends that the Hospital Management should maintain a complete and up-to-date staff payroll system and all employee-related documents must be filed and accessible for audit.

**2.1.9. Variances in Cash and Cash Equivalents**

The statement of financial position of the financial statements reflects cash and cash equivalent balance of Kshs. 939,902 while the disclosure Note 27 for cash and cash equivalents reflect a balance of Kshs. 11,815,202 resulting to a variance of Kshs. 10,875,300. Further, verification of the cashbook revealed cash and bank balances of Kshs. 99,985 and Kshs, 8,621,201 totaling to Kshs. 8,721,186 resulting to a variance of Kshs. 7,781,284. In addition, the cash in hand balance of Kshs. 99,985 in the cashbook has not been supported by cash count report.

In the circumstances, the accuracy and completeness of the cash and cash equivalent an amount of Kshs. 939,902 could not be confirmed.

**Management Responses**

The management is strengthening the Financial reporting in the hospital to ensure timely rectification of inaccuracies. The management will ensure cash count are done at the end of each financial year.

**Committee Observation:**

The Committee observes persistent variances in cash reporting and the lack of cash count reports, which undermines the credibility of cash balances.

**Committee Recommendation:**

- The Committee recommends that the Hospital Management should undertake a mandatory Monthly cash counts and reconciliations, and any discrepancies are investigated and resolved promptly.

**2.1.10. Lack of Bank Reconciliation Statements**

The statement of financial position of the financial statements reflects cash and cash equivalent balance of Kshs. 939,902 while the disclosure Note 27 for cash and cash equivalents reflect a balance of Kshs. 11,815,202. Verification of cashbook provided for Kenya Commercial bank revealed cashbook balance of Kshs. 8,721, 186 and bank statement balance of Kshs, 11,573,228. The Co-operative bank account statement reflect balance of Kshs.241 ,975. Review of the bank records revealed that the management has not prepared bank reconciliation statements for the bank accounts.

In the circumstances, the accuracy and completeness of the cash and cash equivalent an amount of Kshs. 939,902 could not be confirmed.

### **Management Responses**

The management is strengthening the Financial reporting in the hospital to ensure timely and accurate preparation of cash books and bank reconciliation statement.

### **Committee Observation:**

The Committee notes the absence of bank reconciliation statements, which is a fundamental accounting practice.

### **Committee Recommendation:**

- **The Committee recommends that the Hospital Management should prepare monthly Bank reconciliations and reviewed by the Hospital Board to ensure accuracy.**

### **2.1.11. Unsupported Payables**

The statement of financial position reflects payables amounting to Kshs. 326,342. However, supporting note 34 to the financial statements reflects nil balances. Further, the schedule of payables including details of the pending payments were not provided for. In the circumstances audit could not confirm the accuracy and authenticity of the reported balance.

### **Management Responses**

Payables of Kshs 326,342 relate to amounts payable to the County Health Office as a percentage of collections.

Payment Schedule/Ledger is attached in **Annex 6**.

### **Committee Observation:**

The Committee acknowledges that the payables schedule was provided but notes that it was not initially available for audit.

### **Committee Recommendation:**

- **The Committee recommends that the Hospital Management should maintain a detailed schedule of payables to be reviewed regularly to ensure all liabilities are accurately reported.**

### **2.1.12. Non-Receipting of the Revenue Collection**

The statements of financial performance of the financial statements reflect rendering of services medical services Income balance of Kshs. 15,121,311. Review of the receipts posted in the cashbook revealed that receipts amounting to Kshs. 395,672 were receipted in receipt book series numbers 24912 to 26842 whose counterfoil receipt vouchers were not provided. In addition, receipts collection amounting to Kshs. 10,302,462 reported in the cashbook were not receipted.

In the circumstances, the accuracy and completeness of the Rendering of services an amount of Kshs. 15,121 ,311 could not be confirmed.

### **Management Responses**

Ledgers to confirm the accuracy and completeness of the rendering of services income are provided in **Annex 12**. The management has strengthened receipting processes to ensure all collections are properly documented.

### **Committee Observation:**

The Committee is concerned about the lack of proper receipting for significant revenue collections, which exposes the hospital to risks of misappropriation.

### **Committee Recommendation:**

- The Committee recommends the Hospital Management should ensure strict adherence to receipting procedures, and all collections must be receipted and recorded promptly.

### **2.1.13. Non-Compliance with Public Sector Accounting Standards Board Reporting Template**

Review of financial statements for Mutuini Dagoretti IA Hospital for the year ended 30 June,2022 revealed the following anomalies:

- i. The cover page of the financial statements does not have the national logo.
- ii. The name of the hospital on the cover page could not be confirmed as the certificate of incorporation was not provided for audit.
- iii. The page headers that should contain the hospital name and the county government name has XX marks that should be omitted.
- iv. Nil balances reported in the financial statements recorded as XX should be replaced with O (Zero).
- v. There were variances between reported figures in the financial statements and the supporting Notes.
- vi. The financial statements were not approved by Chairman of the board and the medical superintendent.
- vii. The head of finance did not indicate his ICPAK number.
- viii. The comparative opening balances for the previous year should be recorded as Nil since 2021 /2022 was a first-time adoption of the IPSAS reporting template.
- ix. The statement of comparison of budget and actual amounts for the year under review has been omitted.
- x. The reported figures should be in Kenya shillings and not up to cents

In the circumstances, the preparation and presentation of the annual reports and financial statements is not as per the standards prescribed and published template by the Public Sector Accounting Standards Board.

### **Management Responses**

The management will ensure strengthening of financial reporting through capacity building to ensure compliance with Public Sector Accounting Standards Board reporting template.

### **Committee Observation:**

The Committee notes multiple formatting and compliance issues with the prescribed reporting template.

### **Committee Recommendation:**

- The Committee recommends that the Hospital Management should train the finance team on the Public Sector Accounting Standards Board template;
- That all financial statements should be pre-reviewed for compliance before submission.

### **2.1.14. Spending Revenue at Source**

Review of the revenue collection bank account-KCB revealed that receipts totaling to Kshs. 16,949,185 were collected and banked in the bank account but payments totaling to Kshs. 6,315,860 were made directly to the various vendors without transferring funds to an operation account.

In the circumstances, Management was in breach of law.

### **Management Responses**

The hospital fully complied with the provisions of the **Facilities Improvement Financing Act, 2023**. Section 21(1) of the Act states:

*"There shall be opened and operated a special purpose account for every entity into which all monies received by and on behalf of the entities for the facility improvement financing shall be paid into."* The Kenya Commercial Bank (KCB) account referenced in the audit is the hospital's designated special purpose account, established in compliance with this legal requirement.

Furthermore, Section 23 of the Act outlines the permitted uses of funds deposited in the special purpose account, which include:

- Improvement of health facilities.
- Purchase of medical equipment.
- Capacity building of health personnel.
- Maintenance of health facilities.

While the PFM Act generally mandates the transfer of funds to the Consolidated Fund (CRF), the **Facilities Improvement Financing Act, 2023** provides a legal exception for funds retained in the special purpose account for the improvement of health facilities.

To ensure the hospital runs smoothly and continues to provide critical healthcare services, funds could not be transferred to the CRF as they were legally retained and utilized for the purposes outlined in the **Facilities Improvement Financing Act, 2023**.

**Committee Observation:**

The Committee acknowledges management's explanation regarding compliance with the Facilities Improvement Financing Act, 2023, but emphasizes the need for transparency in expenditure.

**Committee Recommendation:**

- **The Committee recommends that the Hospital Management should ensure all expenditures from the special purpose account are properly authorized, documented, and reported to ensure accountability.**

**2.1.15. Lack of Internal Audit Department**

During the year under review, it was observed that the hospital does not have an internal audit department. As a result, no internal audits were conducted across any of the hospital's departments in the year under audit, leading to a lack of independent oversight and potential exposure to financial, operational, and compliance risks.

In the circumstances the lack of internal auditor function exposes the hospital to fraudulent activities, errors, or inefficiencies to go undetected.

**Management Responses**

The management has budgeted for the establishment of an internal audit function. The hospital will also liaise with County Internal Audit for the provision of audit and advisory services to help strengthen internal controls, enhance accountability, and mitigate risks.

**Committee Observation:**

The Committee recognizes that the hospital has budgeted for an internal audit function but notes the current lack of independent oversight.

**Committee Recommendation:**

- **The Committee recommends that the Hospital Management should establish internal audit system including Internal Audit Department within sixty days after the adoption of this report.**

**2.1.16. Lack of Policies and Manuals**

Review of Mutuini Level 4 ICT environment during the year ended 30 June, 2022 revealed that there was no formal approved ICT policy in place to enable the hospital manage business processes for the delivery of services to the stakeholders in an effective and efficient manner. Further, it was noted that the hospital lacks an approved Risk Management policy thus it does not have a framework for management of risk and hence not possible to identify, assess

and control risk. As a result, it is not possible to define the entity's risk appetite and set the risk tolerance levels by identifying boundaries against unacceptable exposure to risk. In addition, during the year under review, the hospital did not have an approved audit policy. In the circumstances, the effectiveness of management by the Board could not be confirmed.

### **Management Responses**

The hospital adopted Nairobi County policies on ICT and risk management to guide its operations. The management will ensure timely delivery of the policies for audit review.

### **Committee Observation:**

The Committee notes the adoption of county policies but stresses the need for hospital-specific policies to address unique risks.

### **Committee Recommendation:**

- The Committee recommends that the Hospital Management should establish hospital-specific policies for ICT, risk management, and audit within ninety days after the adoption of this report and such policies to be approved by the Hospital Board.

### **2.1.17. Lack of a Staff Establishment**

During audit, it was revealed that Mutuini Hospital does not maintain a staff establishment showing the required number of staff and positions required to be filled.

In the circumstances, the effectiveness of management of staff could not be confirmed.

### **Management Responses**

The hospital staff establishment is provided in **Annex 11**. This document outlines the required staffing structure and positions for the hospital.

The management will ensure that all relevant documents, including the staff establishment, are readily available for audit purposes.

### **Committee Observation:**

The Committee acknowledges that the staff establishment was provided but notes it was not initially available.

### **Committee Recommendation:**

- The Committee recommends that the Hospital Management should ensure the staff establishment is regularly updated and made readily available for audit and planning purposes.

### **2.1.18. Irregularities in Board Composition and Governance**

The statement of financial performance reflects Board of Management Expenses amounting to Kshs. 342,000. However, the following anomalies were observed;

- i. Appointment letters, Gazette Notices and Acceptance of board members in writing were not availed for audit therefore the composition and terms of service could not be confirmed.
- ii. The expenditure was not supported by payment vouchers to support the balance reported.
- iii. Full board minutes supported by attendance registers were not availed for audit.
- IV. The audit could not confirm the existence of sub committees.
- iv. The Hospital did not avail the implemented Board Charter.
- v. The approved board work plan was not availed for audit.

In the circumstances, the effectiveness of management by the Board could not be confirmed.

#### **Management Responses**

Gazette Notice and payment vouchers supporting the expenditure of Kshs. 342,000 are provided in **Annex 6**.

The management will ensure that all supporting documents, including appointment letters, board minutes, and the Board Charter, are readily available for audit purposes.

#### **Committee Observation:**

The Committee notes that key governance documents such as appointment letters, board minutes, and the Board Charter were not initially available.

#### **Committee Recommendation:**

- The Committee recommends that the Hospital Management should ensure all governance documents are properly maintained, approved, and accessible for audit;
- That regular Hospital Board evaluations should be conducted to assess effectiveness.

### **3.0 CONSIDERATION OF REPORT OF THE AUDITOR GENERAL ON MUTUINI DAGORETTI LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2023**

#### **3.1.1. Inaccuracies in the Financial Statements**

Review of the financial statements submitted for audit revealed the following inconsistencies;

- I.** In the statement of financial performance management did not compute the net surplus / (deficit) for the year for the year ended and the comparative balances.

#### **Management Responses**

The inaccuracy has been rectified as shown in **Annex 1**

- II.** In the statement of financial performance employee cost is Kshs. 874,802 however, note 16 on employee cost is Kshs. 987,802 resulting to a variance of Kshs. 113,000.

#### **Management Responses**

Employee cost is Kshs. 874,802, as reflected in the statement of financial performance. The management will ensure review of Financial Statements through Internal Audit and rectify any inaccuracies noted within the timelines.

- III.** In the statement of financial performance board of management expenses is Kshs. 390,000 however, note 17 on board of management expenses is Kshs. 696,565 resulting to a variance of Kshs. 306,565.

#### **Management Responses**

The correct board of management expenses is Kshs. 390,000, as reflected in the statement of financial performance. The management will ensure review of Financial Statements through Internal Audit and rectify any inaccuracies noted within the timelines.

- IV.** In the statement of financial performance repair and maintenance is Kshs. 1,344,343 however, Note 19 on repair and maintenance Kshs. 1,215,540 resulting to a variance of Kshs. 128,803.

#### **Management Responses**

The correct repair and maintenance expense is Kshs. 1,344,343, as reflected in the statement of financial performance. The management will ensure review of Financial Statements through Internal Audit and rectify any inaccuracies noted within the timelines.

- V.** In the statement of financial position management did not compute the total net asset and liabilities for the year for the year ended and the comparative balances.

#### **Management Responses**

The inaccuracy has been rectified, and the correct figures are presented in **Annex 1**.

- VI.** Statement of financial position reflects cash and cash equivalents is kshs. 6,301,725. However, note 27 on cash and cash equivalents is kshs. 6,543,700 resulting to a variance of kshs. 241,975. Further, cash and cash equivalent as at 30 June 2023 in the statement of cash flow is NIL.

### **Management Responses**

The correct cash and cash equivalents balance is Kshs. 6,301,725, as reflected in the statement of financial position.

Regarding the statement of cash flows, the balance of cash and cash equivalents as of 30 June 2023 is Kshs. 6,301,725, as per the statement of financial position.

**VII.** The statement of changes in net asset has been left blank and should be filled appropriately.

### **Management Responses**

The filled statement is provided in **Annex 2**. The management will ensure that all required financial statements are complete and accurately prepared in compliance with the prescribed reporting standards

**VIII.** In the statement of cash flow management did not compute the cash and cash equivalent for the year ended 30 June,2023.

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

### **Management Responses**

The correct cash and cash equivalents balance of Kshs. 6,301,725, as reflected in the statement of financial position, has been included in the statement of cash flows and provided in **Annex 3**.

The management will ensure that all financial statements are complete and accurately prepared in compliance with the prescribed reporting standards.

### **Committee Observations**

The Committee observed that the initial financial statements contained numerous and material inaccuracies, including incorrect calculations of totals, significant variances between statements and their corresponding notes, and incomplete statements. While management has rectified these errors in the referenced annexes, the high volume of basic accounting errors points to a serious weakness in the financial reporting process and a lack of rigorous internal review prior to submission for audit.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should implement a mandatory pre-submission checklist and a multi-layered review process (involving the Head of Finance, Internal Audit, and the Board's Finance Committee) for all future financial statements to ensure accuracy and completeness;
- That the Hospital Management should provide training to the accounts staff on the specific requirements for preparing the statement of financial performance, position, changes in net assets, and cash flows.

### **3.1.2. Failure to Provide Ledgers**

The statement of financial performance reflects total income of Kshs. 24,319,713 and total expenses of Kshs. 14,916,173. However, supporting ledger balances were not provided for audit.

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

#### **Management Responses**

The relevant supporting ledgers are attached in Annex 4.

#### **Committee Observations**

The Committee notes that the failure to provide fundamental accounting records like the trial balance and supporting ledgers during the initial audit hampered the auditors' work and cast doubt on the entire financial reporting process. The subsequent provision of these documents in Annexure 4, while resolving the immediate query, indicates a significant procedural failure in audit preparedness.

#### **Committee Recommendations**

- The Committee recommends that the Hospital Management should maintain a permanent "Audit File" throughout the financial year, to contain all key supporting documents, including the trial balance and ledger summaries, to be readily available for internal and external audits;
- That the Internal Auditor should conduct a quarterly review to ensure the audit file is complete and up-to-date.

### **3.1.3. Non-Provision of Trial Balance**

The statement of financial performance reflects total Income of Kshs. 24,319,713 and total expenses of Kshs. 14,916,173. However, supporting trial balance was not provided for audit. In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

#### **Management Responses**

The trial balance is provided it in Annex 5.

The Committee notes that the failure to provide fundamental accounting records like the trial balance and supporting ledgers during the initial audit hampered the auditors' work and cast doubt on the entire financial reporting process. The subsequent provision of these documents in Annexure 5, while resolving the immediate query, indicates a significant procedural failure in audit preparedness.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should ensure that a complete and signed trial balance is prepared and submitted with financial statements as a standard requirement to support accountability and auditability.

#### **3.1.4. Unsupported Linda Mama Program Expense**

Note 25 to the financial statements reflects Medical Services Contracts Gains/Losses a balance of Kshs. 10,080,912. The balance related to Linda Mama Program that was not supported. The audit could therefore not confirm the reported balance. Further the balance was omitted as an expense in the statement of financial performance. In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

### **Management Responses**

We acknowledge that the medical services contracts gains/losses balance of Kshs. 10,080,912 related to the Linda Mama Program, as reflected in Note 25, was not supported during the audit. Additionally, the balance was omitted as an expense in the statement of financial performance.

We have since retrieved the supporting documentation for the Linda Mama Program transactions and will provide it in Annex 6 to confirm the accuracy and completeness of the reported balance.

### **Committee Observations**

The Committee is concerned that a substantial expense of Kshs. 10,080,912 related to the Linda Mama Program was initially unsupported and incorrectly omitted from the statement of financial performance. The provision of documentation in Annex 6 is noted, but the initial lapse raises questions about the accounting for significant, program-specific funds.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should ensure all program-specific income and expenses, especially those from National Government initiatives like Linda Mama are tracked and accounted for in a separate cost center from the point of transaction;
- That a reconciliation between program activity reports and financial records should be performed monthly and reviewed by the Internal Audit.

#### **3.1.5. Irregularities with Reported in Kind Contributions from the County Government**

The statement of financial performance and Note 7 to the financial statements reflects in Kind Contributions from the County Government a balance of Kshs. 7,756,000. The following anomalies were observed;

- i. The balance related to pharmaceutical and non-pharmaceutical supplies. The balance was not supported by inspection and acceptance reports, receipts in stores and further the contributions could not be traced to the cash book.
- ii. The income was not expensed in the statement of financial performance.
- iii. The salaries and wages paid by the county Government of Nairobi were disclosed as nil under in kind contributions. However, records from the County revealed that Kshs. 299,185,348 were paid to the hospital resulting to an unexplained variance of Kshs.299.185,348. The audit could therefore not confirm the correct balance to be used. In the circumstances the accuracy and completeness kshs. 7,756,000 could not be ascertained.

### **Management Responses**

**Inspection and acceptance reports and store receipts** to support the in-kind contributions are provided in **Annex 7**. The management will ensure that all in-kind contributions are properly documented, recorded, and expensed in the financial statements.

To enhance accuracy and completeness in reporting, the management will engage the County Government to ensure timely sharing of relevant documentation for proper recognition and disclosure.

### **Committee Observations**

The Committee observed major discrepancies in accounting for in-kind contributions, particularly the failure to recognize Kshs. 299,185,348 in salaries paid by the County Government. This, along with a lack of supporting documents for other contributions, indicates a systemic breakdown in communication and accounting coordination with the County Government.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should formally engage the County Treasury and Health Service Sector to establish a clear, monthly reporting mechanism for all in-kind contributions, including salaries, supplies, and other support;
- That all in-kind contributions received must be recorded in the stores ledger upon receipt, supported by inspection and acceptance reports, and promptly expensed in the financial statements.

#### **3.1.6. Failure to Account for Revenue from Exchange Transaction**

The statement of financial performance and Note 11 reflects a balance of Kshs, 16,799,930 as Income from rendering of services (Medical Service Income). The income recorded has not been supported by any billing report, invoices raised and receipts. Therefore, the accuracy cannot be confirmed.

In the circumstances, the accuracy and completeness of the rendering services an amount of Kshs. 16,799,930 could not be confirmed.

### **Management Responses**

The billing reports and bank statements to support the income is provided in **Annex 4**. The management will ensure that all income from rendering of services is properly documented and supported in the financial statements.

### **Committee Observations**

The Committee is alarmed that the hospital's primary revenue stream, Medical Service Income of Kshs. 16,799,930, lacked basic supporting documentation such as billing reports and invoices. This is a critical control failure that exposes the hospital to revenue leakage and misstatement.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should fully implement and utilize its Health Management Information System (HMIS) to generate automated billing reports and invoices for all services rendered;
- That the Hospital Management should ensure a daily reconciliation between the HMIS billing report, cash/MPESA collections, and bank deposits is performed and signed off by a supervisor.

#### **3.1.7. Irregularities with Employee Costs**

The statement of financial performance and Note 16 to the financial statement reflects employee costs a balance of Kshs. 874,802. The following anomalies were observed;

**I.** The balance was only supported by manual payroll data for 6 Months-January 2023 to June 2023 a total amount of Kshs. 477,268 resulting in an unreconciled variance of Kshs. 397,534. Payroll for the months of July, 2022 to December, 2022 were not provided.

### **Management Responses**

Master Roll and payment vouchers for the employee costs are provided in **Annex 9**. The management will ensure that all payroll records are complete and readily available for audit purposes.

- II.** Personal files of the staff who served during the year and their remuneration terms and employee benefits were not availed for audit.

### **Management Responses**

The management will ensure that all employee-related documentation are properly maintained and readily available for audit purposes.

- III.** During the months of April, 2023 and May, 2023 two new staff came on board. The audit could not confirm how the recruitment was done as need assessments, approved

recruitment budget, advertisements, interviews, rankings of the Interviews and how the staff were employed

### **Management Responses**

The management will ensure that all recruitment processes are properly documented and comply with the required procedures.

IV. The staff establishment, staff organogram, human resource policy guiding the hospital were not availed for audit.

### **Management Responses**

The required documents are provided in **Annex 11**. The management will ensure that all HR-related documents are properly maintained and readily available for audit purposes.

V. The audit could not confirm how much was the in-kind contributions from the County Government of Nairobi.

In the circumstances, the reported balance of Kshs. 874,802 could not be ascertained.

### **Management Responses**

Supporting payment vouchers on the reported employee cost balance of Kshs. 874,802 is provided in **Annex 9**.

### **Committee Observations**

The Committee identified severe weaknesses in the management of payroll and human resources. These include incomplete payroll records, missing personal files, unverified recruitment processes for new staff, and a lack of foundational HR documents. These deficiencies create a high risk of fraud, unauthorized payments, and non-compliance with labor laws.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should ensure a comprehensive review and documentation of all HR policies, staff establishment, and organogram is finalized and approved by the Hospital Board within sixty days after the adoption of this report;
- That the Internal Auditor must verify the completeness of payroll records and personnel files for all staff bi-annually;
- That all future recruitments must strictly adhere to a formal, documented process, with records maintained for each stage (needs assessment, advertisement, interviews, etc.).

#### **3.1.8 Double Charging of Expenses**

The statement of financial performance and Note 21 to the financial statements reflects General Expenses a balance of Kshs. 2,383,576. Included in the balance is Kshs. 696,565 relating to conferences and delegations, Travel and Accommodation Allowance and

Telephone and Mobile Phone Allowances amounts of kshs. 390,000,96,280 and Kshs. 210,285 respectively. It was Noted that the same amounts were charged under Board of Management expenses. The general expenses were therefore overstated.

In the circumstances, the accuracy and completeness of general expenses an amount of Kshs. 2,383,576 could not be confirmed.

### **Management Responses**

The management ensure quality review of Financial Statements is done to ensure inaccuracies are rectified within the timelines.

### **Committee Observations**

The Committee noted that expenses totaling Kshs. 696,565 were incorrectly charged to both General Expenses and Board of Management expenses, indicating a lack of understanding of accounting classifications and weak review controls.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management through the Finance Department should develop and disseminate a clear chart of accounts with definitions to prevent misclassification of transactions;
- That the Internal Auditor should specifically test for duplicate postings during monthly reviews.

### **3.1.9 Unsupported Medical/ Clinical Cost**

The statement of financial performance and Note 15 to the financial statement reflects medical/clinical cost a balance of kshs. 9,657,547. The payment was not supported by ledgers, payment vouchers and procurement documents. The audit could therefore not confirm the reported balance.

In the circumstances, the accuracy and completeness of Medical/ clinical expenses an amount of Kshs. 9,657,547 could not be confirmed.

### **Management Responses**

The payment schedule supporting the medical/clinical costs are provided in **Annex 12**. The management will ensure that all medical/clinical expenses are properly documented and supported in the financial statements.

### **Committee Observations**

The Committee is troubled that the largest expense category, medical/clinical costs of Kshs. 9,657,547, was initially unsupported by payment vouchers and procurement documents. This represents a significant risk of misappropriation of funds.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should ensure all medical and clinical procurement are documented properly and readily availed for audit;
- That the Procurement procedures should be followed and records securely stored for review and audit.

#### **3.1.10 Failure to Carry Forward Cashbook Opening Balances**

During the audit, it was observed that the opening balances of the cashbook were not carried forward accurately from the closing balances of the previous period. This misalignment between opening and closing balances affects the integrity of financial reports and may result in discrepancies between the cashbook and the corresponding general ledger accounts.

#### **Committee Management**

The management will ensure quality review of Financial statements to ensure the inaccuracies are identified and rectified within the given timelines.

#### **Committee Observations**

The Committee observed fundamental errors in cashbook management, including incorrect opening balances and a failure to reconcile the cashbook with bank statements. This undermines the reliability of all cash-based transactions.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should prepare a monthly bank reconciliation statement for review and sign-off by the relevant officer within the first week of the subsequent month;
- That any unreconciled items older than 30 days must be escalated to the Hospital Administrator and the Board's Finance Committee.

#### **3.1.11 Lack of Proper Documentation**

During the year under audit, the transactions recorded in the cashbook were not supported by adequate documentation, including invoices, receipts, and payment vouchers thus exposing the hospital to the risk of unauthorized or fraudulent transactions.

#### **Management Responses**

The management has instituted measures to strengthen the hospital's records management, including establishment of a centralized filing system to ensure proper custody of all payment vouchers and supporting documents.

#### **Committee Observations**

The audit revealed a pervasive culture of poor documentation, where transactions were not supported by invoices, receipts, or payment vouchers. This weakens accountability and increases the risk of fraud.

### **Committee Recommendations**

- **The Committee recommends that the Hospital Management should ensure all financial transactions are accompanied by full supporting documents and filed systematically for audit verification.**

#### **3.1.12 Cashbook Reconciliation Issues**

During the year under review, it was noted that the cashbook balances did not match the bank statements due to unrecorded deposits and withdrawals. The non-reconciliation of the cashbook and the bank statements exposes the hospital to financial discrepancies and hinders accurate reporting.

#### **Management Responses**

The management will ensure preparation of monthly bank reconciliations to ensure alignment of cashbook balances with bank statements and address any discrepancies.

#### **Committee Observations**

Discrepancies existed between cashbook balances and bank statements due to unrecorded transactions, indicating poor reconciliation practices.

### **Committee Recommendations**

- **The Committee recommends that the Hospital Management should conduct monthly bank reconciliations without exception and document all outstanding items to ensure consistency between books and bank records.**

#### **3.1.13 Lack of Internal Controls**

During the year under review, weak internal control measures such as inadequate segregation of duties and regular supervisory reviews were observed. The lack of controls increases the potential for fraud and errors.

#### **Management Responses**

The management has ensured that duties have since been restructured to enhance segregation, ensuring that initiation, authorization, and recording of transactions are handled by different officers, regular supervisory checks have been introduced, with monthly reviews conducted by the Head of Finance and Administration, an internal controls checklist has been developed to guide staff in adhering to standard operating procedures and plans are underway to strengthen the Internal Audit function to provide independent assurance on compliance with internal controls.

#### **Committee Observations**

The Committee acknowledges management's detailed response on restructuring duties and introducing supervisory reviews. The weaknesses identified, such as inadequate segregation of duties, were at the core of many of the financial inaccuracies found.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should fully establish robust measures to strengthen the internal control systems;
- That the Hospital Board should ensure that the Internal Audit function is adequately resourced and empowered to provide independent and objective assurance on the effectiveness of these new controls.

#### **3.1.14 Failure to Close the Cashbook at the End of the Financial Year**

The cashbook for the financial year ending June 2023 was not formally closed, resulting in transactions from subsequent periods being erroneously included in the previous year's accounts, leading to inaccurate financial reports.

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

### **Management Responses**

The management will enhance quality review of Financial statements and supporting documents to ensure that anomalies are identified and rectified. The ensure closing of Cash book is done at the end of the financial year.

### **Committee Observations**

The Committee notes that the failure to close the cashbook is a fundamental procedural lapse that compromises the integrity of the financial reporting period. Management's response, while positive, is a forward-looking promise and does not address the specific inaccuracies already introduced into the FY 2022/23 financial statements.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should implement and enforce a strict month-end and year-end closing schedule;
- That the Hospital Management should develop a detailed standard operating procedure (SOP) for cashbook closure;
- That the Hospital Management should through its finance team should perform a retrospective review to identify and correct the misposted transactions in the relevant accounting periods.

#### **3.1.15 Failure to Depreciate Assets**

The statement of financial position reflects nil balance in relation to property, plant and equipment. However, the hospital has not provided for depreciation of the assets.

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

### **Management Responses**

The assets belong to the County Government of Nairobi and are not recorded in the hospital's books.

### **Committee Observations**

The Committee observes that while the assets are owned by the County Government, the hospital, as the custodian and user of these assets, has a responsibility to account for their consumption (depreciation) in its financial statements to reflect a true and fair view. The current practice of showing a nil balance is misleading.

### **Committee Recommendations**

- **The Committee recommends that the Hospital Management consultation with the County Executive should develop a framework for capitalizing and depreciating assets in the hospital's books. This should be treated as a critical agenda item in the next County Health Management Team meeting to ensure compliance with accounting standards.**

#### **3.1.16 Unconfirmed Stock Balances**

Reported in the statements of financial position reflect an inventory of nil balance. The amount is not supported by annual stock sheets thus cannot ascertain if an annual stock take was conducted to confirm the closing balances of inventories as at 30 June, 2023. It is therefore not clear how the Hospital determined the inventory values disclosed in the financial statements. Further the entity did not invite the office of the auditor general during the annual stock take.

In the circumstances, the valuation, accuracy, and completeness of the Inventory balance of nil balance not be confirmed.

### **Management Responses**

The management will ensure proper stock-taking processes and documentation at the end of the financial year.

### **Committee Observations**

The Committee is deeply concerned by the lack of evidence for inventory valuation and the failure to involve the Auditor-General in the stock-taking exercise. This represents a significant control weakness over a key hospital asset.

### **Committee Recommendations**

- **The Committee recommends that the Hospital Management should formalize and document a robust stock-taking procedure. This must include mandatory participation of internal audit (once established) and invitation to the Office of the Auditor-General. The procedure should be approved by the Hospital Board before the next financial year-end.**

### **3.1.17 Failure to Prepare an Approved Budget**

Management did not provide approved budget for Mutuini District Hospital for the financial year 2022/2023. Further, it was not possible to confirm whether Management complied with the process of preparation and submission of annual estimates for approval by the Board required by law.

#### **Management Responses**

Approved budget is provided in **Annex 13**.

#### **Committee Observations**

The Committee acknowledges that the approved budget was provided in an annex. The initial failure to present it during the audit, however, indicates a lapse in the preparation and submission process for audit documentation.

#### **Committee Recommendations**

- **The Committee recommends that for all future audits, the Hospital Management should prepare a comprehensive audit pack that includes the approved budget, board minutes authorizing it, and any supporting schedules, ensuring it is readily available at the start of the audit exercise.**

### **3.1.18 Under Funding and Over Expenditure of the Budget**

**Key Audit Matters** The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs 23,240,000 and Kshs. 15,578,335 respectively, resulting in under-funding of Kshs. 7,661,665 or 33 % of the budget. Similarly, the Hospital spent Kshs.14,260,269 against an approved budget of Kshs.19,425,000, resulting in an under expenditure of Kshs. 5,164,731 or 27% of the budget. The under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

#### **Management Responses**

The management will liaise with relevant stakeholders to ensure adequate funding and efficient utilization of resources to minimize such discrepancies.

#### **Committee Observations**

The Committee observes that the significant under-funding and under-expenditure directly impact the hospital's ability to achieve its strategic objectives and deliver services to the public. Management's response is generic and lacks a concrete action plan.

#### **Committee Recommendations**

- **The Committee recommends that the Hospital Management should prepare a detailed variance analysis report for the Board, explaining the reasons for the under-funding and under-expenditure. This report should form the basis for a**

revised, more realistic budget and a proactive resource mobilization strategy for the forthcoming financial year.

### 3.1.19 Non-Compliance with Public Sector Accounting Standards Board Reporting Template

Review of financial statements for Mutuini Dagoretti Sub-District Hospital revealed the following anomalies on non-compliance issues with the reporting template;

- i. The certificate of incorporation was not provided for audit therefore; the audit could not confirm the name of the institution.
- ii. The institution should include the logo of the hospital.
- iii. The header on the front page should be removed.
- iv. The running header stating the institution and the financial year has been partly omitted further it has not been properly filled with the hospital name and the correct financial year.
- v. Page roman ii the instruction note should be removed and the page left blank
- vi. On the Table of Contents, the wrong financial year has been indicated.
- vii. The section of the financial statement should be aligned correctly to start at the beginning of the sentence.
- viii. The foot note Instructions on the submitted financial statement should amended to suit the hospital and what is not needed should be removed.
- ix. The Key Entity information and Management section should be properly and dully filled.
- x. The entity contacts do not have an official phone number and an email address.
- xi. The Entity Bankers should be properly listed.
- xii. The County Attorney should be dully filled.
- xiii. The board of management Information on page (vii) should be tailored to the hospital's specifics and should not be a copy-paste of the template as is.
- xiv. The management team should Indicate the main area of responsibility and Insert each key manager's passport-size photo and name, and key profession/ academic qualifications.
- xv. The chairman statement report, report of Chief Executive Office should be Inserted appropriately as per the template.
- xvi. The Chairman's Statement has not been signed by the board chairman.
- xvii. Section 6 is the report of the chief executive officer has been omitted. However, the management has inserted the report of the chief executive officer contrary to the reporting template. Further, the report has not been signed. In addition, the report of inserted recommended in the template.

- xviii. The Statement of Performance Against Predetermined Objectives on page (x) to be tailored to the hospital's specifics and should not be a copy-paste of the template as is the case in the financial statements for the Mutuini Dagoretti Sub County Hospital.
- xix. The Corporate Governance Statement on page (xi) be tailored to xix. The hospital's specifics and should not be a copy-paste of the template as is the case in the financial statements for the Mutuini Dagoretti Sub County Hospital.
- xx. The management discussion and analysis on page (xi) be tailored to hospital's specifics and should not be a copy-paste of the template as is the case in the financial statements for the Mutuini Dagoretti Sub County Hospital. Further the report of the management discussion and analysis should be on a new page.
- xxi. The environmental and sustainability reporting on page be tailored to the hospital's specifics and should not be a copy-paste of the template as is the case in the financial statements for the Mutuini Dagoretti Sub County Hospital.
- xxii. Report of the board of management on page (xv) be tailored to the hospital's specifics and should not be a copy-paste of the template as is the case in the financial statements for the Mutuini Dagoretti Sub County Hospital and has not been signed by the secretary of the board.
- xxiii. Statement of board of management responsibility on page (xvi) be tailored to the hospital's specifics and should not be a copy-paste of the template as is the case in the financial statements for the Mutuini Dagoretti Sub County Hospital and has not been signed by the clansperson of board of management and the accounting officer.
- xxiv. Report of the independent Auditor should be left blank and correctly aligned.
- xxv. The Statement of Financial Performance, statement of financial position, statement of changes in net assets, statement of cash flows and notes of the financial state the management should replace cell that have xx and replace them with zero (0).
- xxvi. The Statement of Financial Performance page should be numbered page 1 and not page xviii. Further the foot note should be properly filled. The management should state the date when the board approved the FS and should be signed by the chairman of the board of management, head of finance and medical superintendent. The head of finance has not Indicated his ICPAK Number.
- xxvii. Page number 2, 5 and 7 are blank and should be deleted.
- xxviii. The statement of financial position foot note should properly fill as required. The management should state the date when the board approved the FS and should be signed by the chairman of the board of management, head of finance and medical superintendent. The head of finance has not indicated his ICPAK Number.
- xxix. The statement of financial position management reported ksh. 16,799,930 for Rendering of Services-Medical Service Income however review of Note 11 the

management did not record any amount for Rendering of Services-Medical Service Income.

- xxx. The statement of financial position management reported ksh.828,250 for Trade and other payables however review of Note 34 the management did not record any amount for Trade and other payables..
- xxxi. The statement of changes in net assets on page (6) be tailored to the hospital's specifics and should not be a copy-paste of the template as is the case in the financial statements for the Mutuini Dagoretti Sub County Hospital. The management should state the date when the board approved the FS and should be signed by the chairman of the board of management, head of finance and medical superintendent. The head of finance has not indicated his ICPAK Number.
- xxxii. The statement of cash flow on page (8) the foot note. The foot note should properly fill as required. The management should state the date when the board approved the FS and should be signed by the chairman of the board of management, head of finance and medical superintendent. The head of finance has not indicated his ICPAK Number.
- xxxiii. The statement of comparison of budget and actual amount on page 10 The foot note should properly fill as required. The management should state the date when the board approved the FS and should be signed by the chairman of the board of management, head of finance and medical superintendent. The head of finance has not indicated his ICPAK Number. Further management should provide an explanation of differences between actual and budgeted amount. Of over and under 10%.
- xxxiv. The note of the financial statement the management should remove the foot note and fill where appropriate to suit the hospital's specifics.
- xxxv. Note 25 reflects Kshs. 10,080,912 for medical service contract gain/losses. However, the amount has not been recorded either in the statement of financial performance.
- xxxvi. Appendix iv inter entity confirmation letter has not no name, date and signature.
- xxxvii. The reported figures should be in Kenya shillings and not up to cents.

In the circumstances, the preparation and presentation of the annual reports and financial statements is not as per the standards prescribed and published template by the Public Sector Accounting Standards Board.

### **Management Responses**

The management will ensure compliance with reporting template issued by Public Sector Reporting Standards through ensuring quality review of Financial Statements to enhance compliance.

### **Committee Observations**

The Committee observes that the sheer number of non-compliance issues indicates a systemic failure in the financial reporting process and a lack of quality control. This reflects poorly on the institution's governance and professionalism.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should assign a qualified individual or team the responsibility of using the latest PSASB template as a checklist in financial statement preparation process;
- That a pre-submission review by an external or County-level technical advisor is strongly advised before the next audit.

### **3.1.20 Non-Compliance with Remittance of Statutory Dues and Other Deductions**

The statement of financial performance and Note 16 to the financial statements reflects employee costs a balance of Kshs. 874,802. Review of availed payroll data for the months of January 2023 to June 2023 and bank statements revealed that the hospital did not have a regular practice of remitting and filling statutory deductions i.e. NHIF, NSSF and PAYE to KRA. In the circumstances, the hospital was not in compliance with the law.

### **Management Responses**

The management will ensure timely remittance of all statutory deductions in compliance with the law.

### **Committee Observations**

The Committee views the non-remittance of statutory dues as a serious legal and ethical breach, exposing the hospital to penalties and damaging its reputation with employees and regulatory bodies.

### **Committee Recommendations**

- The Committee recommends that the Head of Finance provides immediate confirmation to the Hospital Board that all outstanding statutory dues have been remitted, with proof of payment and submit a report to the County Assembly within thirty days after the adoption of this report;
- That the Hospital Management should establish a mandatory standing order for future remittances to prevent any recurrence.

### **3.1.21 Incompleteness of Asset Register**

The statement of financial position reflects a nil balance. However, review of the asset register provided for audit revealed the following irregularities.

- i. The supporting schedule have not been provided for audit. Therefore, the accuracy of the plant property and equipment's figure could be confirmed.

- ii. The asset register availed for audit did not disclose the land owned and the ownership document was not availed for audit.
- iii. Some asset recorded in the register availed for audit lacked the monetary values for the listed asset items, which impedes accurate valuation.
- iv. Certain items on the Asset register did not date of purchase leading to incomplete data that may result in misstatements in Asset register.

### **Management Responses**

The management is preparing a comprehensive and accurate asset register, which will include supporting schedules, land ownership details, monetary values for all assets, and purchase dates. This will ensure completeness and accuracy in future financial reporting.

### **Committee Observations**

The Committee notes that the asset register in its current state is unreliable and unfit for purpose. Management's response to create a new one is appropriate but must be executed urgently.

### **Committee Recommendations**

- The Committee recommends that the "comprehensive and accurate asset register" as proposed by the Hospital Management should be completed and presented to the Hospital Board for review and approval and a status report submitted to the County Assembly within sixty days after the adoption of this report. This exercise must be physically verified against existing assets.

#### **3.1.22 Ownership of Land**

The statement of financial position reflects a nil balance in relation to Property, Plant and Equipment. However, ownership documents of the parcel of land where the hospital sits were not provided for audit.

### **Management Responses**

Ownership of hospital land is by the County Government of Nairobi. We have engaged the County Government to obtain relevant ownership documents for proper disclosure in the financial statements.

### **Committee Observations**

The Committee acknowledges management's engagement with the County Government. However, the lack of ownership documents remains a critical gap in the hospital's asset records and long-term security.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should formally write to the County Executive, requesting the certified copies of the land ownership documents. The Hospital Chief Executive Officer should follow

up on this matter until it is conclusively resolved and the documents are filed within ninety days after the adoption of this report.

### **3.1.23 Untagging of Assets**

Review of the fixed asset register and physical verification revealed that the hospitals assets were not tagged for ease of identification and movement. Consequently, it was not possible to ascertain the ownership, existence, security, valuation and location of fixed assets.

In the circumstances, Management was in breach of law.

#### **Management Responses**

The management will implement an asset tagging system for proper identification and tracking of fixed assets.

#### **Committee Observations**

The Committee agrees that the lack of an asset tagging system makes accountability, verification, and safeguarding of assets nearly impossible.

#### **Committee Recommendations**

- The Committee recommends that the Hospital Management should develop and implement an asset tagging system as an integral part of the ongoing asset register verification project;
- That all assets should be tagged, and the register updated with the tag IDs within three months after the adoption of this report.

### **3.1.24 Deficiencies in Implementation of Universal Health Coverage (UHC)**

Audit review of service output from the Kenya Health Information System (KHIS) against some of the basic essential healthcare services that Mutuini hospital offers revealed that the hospital does not offer some of the services accredited to a Level 4 hospital as evidenced in the attached Appendix 1. In overall, the hospital fails to actualize its role in universal health care through offering primary services. There is need therefore for the hospital to re look its service delivery pillars. The attached Appendix shows the services offered against the requirements of a level 4 hospital.

In the circumstances, Management was in breach of law.

#### **Management Responses**

The management will work closely with the County Government of Nairobi and other stakeholders to address these gaps and ensure the hospital is adequately equipped to meet the requirements of a Level 4 facility.

#### **Committee Observations**

The Committee is gravely concerned that the hospital is not fulfilling its mandate as a Level 4 facility, thereby failing its role in the national UHC agenda and shortchanging the community it serves.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management in liaison with the County Executive should conduct an urgent gap analysis against the Level 4 service requirements;
- That the Hospital Management should develop a prioritized action plan with clear timelines and resource requirements and submit to the Hospital Board for endorsement and advocacy within ninety days after the adoption of this report.

#### **3.1.25 Long Outstanding Trade and Other Payables**

The statement of financial performance report Kshs. 828,250 as trade and other payables however Note 34 of the TS has a nil balance. However, Management has not provided a schedule of payments that were done from the previous year vote. Management has not provided reasons as to why there was an increase in trade and other payable from F/Y 2021 /2022 of Ksh. 326,342 to F/Y 2022/2023 of Ksh. 828,250 resulting to an increase of Kshs. 501,908(61%). In addition, the aging analysis has not been provided for audit. It was not possible to ascertain if management budgeted payable as first charge as required in law. In the circumstances, Management was in breach of law.

#### **Management Responses**

Schedule of payments, reasons for the increase, and aging analysis are provided in **Annex 14**. The management will ensure that payables are budgeted as a first charge, as required by law, and all supporting documentation are readily available for audit purposes.

#### **Committee Observations**

The Committee acknowledges that the supporting schedules were provided in an annex. The initial discrepancy between the statement and the notes, however, points to underlying weaknesses in the accounts payable reconciliation process.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should implement a monthly aging analysis report for all payables. This report should be reviewed by management and presented to the Board's Finance Committee quarterly to ensure payables are managed as a first charge on the budget.

#### **3.1.26 Spending of Revenue at the Source**

Review of the revenue collection bank statement account-KCB revealed that receipts totaling to Kshs. 12,459,233 collected and banked in the bank account but payments totaling to Kshs. 17,730,735 were made directly to the various vendors without transferring funds to an operation account.

In the circumstances, Management was in breach of law.

## Management Responses

The hospital fully complied with the provisions of the Facilities Improvement Financing Act, 2023. Section 21(1) of the Act states:

"There shall be opened and operated a special purpose account for every entity into which all monies received by and on behalf of the entities for the facility improvement financing shall be paid into."

The Kenya Commercial Bank (KCB) account referenced in the audit is the hospital's designated special purpose account, established in compliance with this legal requirement.

Furthermore, Section 23 of the Act outlines the permitted uses of funds deposited in the special purpose account, which include:

- Improvement of health facilities.
- Purchase of medical equipment.
- Capacity building of health personnel.
- Maintenance of health facilities.

While the PFM Act generally mandates the transfer of funds to the Consolidated Fund (CRF), the Facilities Improvement Financing Act, 2023 provides a legal exception for funds retained in the special purpose account for the improvement of health facilities.

To ensure the hospital runs smoothly and continues to provide critical healthcare services, funds could not be transferred to the CRF as they were legally retained and utilized for the purposes outlined in the Facilities Improvement Financing Act, 2023.

## Committee Observations

The Committee has reviewed management's response and finds it to be legally sound. The hospital's actions were in compliance with the Facilities Improvement Financing Act, 2023, which takes precedence for these specific funds.

## Committee Recommendations

- **The Committee recommends that the Hospital Management should ensure all expenditures from the special purpose account are strictly for the purposes allowed under the Act and are properly documented. The Board should receive a quarterly report on the income and expenditure of this fund.**

### 3.1.27 Lack of Internal Audit Department

During the year under review, it was observed that the hospital does not have an internal audit department. As a result, no internal audits were conducted across any of the hospital's departments in the year under audit, leading to a lack of independent oversight and potential exposure to financial, operational, and compliance risks.

In the circumstances, the lack of an Internal auditor function exposes the hospital to fraudulent activities, errors, of inefficiencies to go undetected.

### **Management Responses**

The management is in the process of establishing of an internal audit function. The management will liaise with County Internal Audit for the provision of audit and advisory services.

### **Committee Observations**

The Committee considers the absence of an internal audit function as a major governance deficiency that leaves the hospital vulnerable to undetected risks and control failures.

### **Committee Recommendations**

- **The Committee recommends that the Hospital Management should establish internal audit system including Internal Audit Department within sixty days after the adoption of this report.**

### **3.1.28 Lack of Policies and Manuals**

Review of Mutuini Level 4 ICT environment during the year ended 30 June 2023 revealed that there was no formal approved ICT policy in place to enable the hospital manage business processes for the delivery of services to the stakeholders in an effective and efficient manner. Further, it was noted that the hospital lacks an approved Risk Management policy thus it does not have a framework for management of risk and hence not possible to identify, assess and control risk. As a result, it is not possible to define the entity's risk appetite and set the risk tolerance levels by identifying boundaries against unacceptable exposure to risk. In addition, during the year under review, the hospital did not have an approved audit policy.

In the circumstances, the effectiveness of management by the Board could not be confirmed.

### **Management Responses**

The relevant policies are provided in **Annex 15**. The management will ensure that all required documentation is readily available for audit purposes.

### **Committee Observations**

The Committee acknowledges that the policies were provided in an annex. The initial absence of critical policies like ICT, Risk Management, and Audit indicates a previous lack of a structured control environment.

### **Committee Recommendations**

- **The Committee recommends that the Hospital Board should consider and approve all the policies submitted to it and submit a report to the County Assembly within sixty days after the adoption of this report;**
- **That the Hospital Management should undertake an annual review cycle for all key policies to strengthen their effectiveness.**

### **3.1.29 Lack of a Staff Establishment**

During audit, it was revealed that Mutuini Hospital does not maintain a staff establishment showing the required number of staff and positions required to be filled.

In the circumstances, the effectiveness of management of staff could not be confirmed.

#### **Management Responses**

Staff establishment is provided in **Annex 16**. This document outlines the required staffing structure and positions for the hospital.

The will ensure that all relevant documents, including the staff establishment, are readily available for audit purposes.

#### **Committee Observations**

The Committee notes that the staff establishment was provided. Its initial absence made strategic human resource planning and budgeting difficult.

#### **Committee Recommendations**

- The Committee recommends that the Hospital Management should use the approved staff establishment as the basis for all recruitment and workforce planning;
- That the staff establishment should be reviewed and updated annually in line with the hospital's strategic plan and service demands.

### **3.1.30 Irregularities in Board Composition and Governance**

The statement of financial performance and Note 17 to the financial statement reflects Board of Management Expenses a balance of Kshs 696,565. The following anomalies were observed;

- i. Appointment letters, Gazette Notices and Acceptance of board members in writing were not availed for audit therefore, the composition and terms of service could not be confirmed.
- ii. The expenditure was not supported by payment vouchers to support the balance reported.
- iii. Only one set of full board meetings held on 14 April 2023 was availed for audit. All other meetings held were not supported by board meetings and attendance registers.
- iv. Minutes were not supported by Notices of meetings at least 14 days before the meeting.
- v. The audit could not confirm the existence of sub committees.
- vi. The Hospital did not avail the implemented Board Charter.
- vii. The approved board work plan was not availed for audit.

In the circumstances, the effectiveness of management by the Board could not be confirmed.

### **Management Responses**

**Gazette Notice, payment vouchers, and board meeting documents** are provided in **Annex 17**. The management will ensure all board-related documentation are complete and readily available for audit purposes.

### **Committee Observations**

The Committee acknowledges that the documents were provided in an annex. The initial failure to have these basic governance documents in order was a serious oversight that called into question the Board's legitimacy and operational effectiveness.

### **Committee Recommendations**

- The Committee recommends that appointing authority should undertake a full governance review of the Hospital Board;
- That the Hospital Board should develop a Board Charter and work plan for adoption within sixty days after the adoption of this report;
- That the Hospital Board should develop and publish a calendar of meetings for the full year in advance;
- That the Boards' Secretariat must ensure all meetings are properly convened, minuted, and documented properly and availed during auditing.

## **4.0 CONSIDERATION OF REPORT OF THE AUDITOR GENERAL ON MUTUINI DAGORETTI LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2024**

### **4.1.1. Unsupported Financial Statements**

The statement of financial performance reflects total income of Kshs. 24,319,713 and total expenses of Kshs. 14,916,173. However, supporting ledger balances were not provided for audit.

#### **Management Response**

The management will have internal audit checklist in order to avoid omissions in all future subsequent audits. Quality review of Financial statements will be done before submission to Auditor General.

#### **Committee Observations**

The committee notes that the financial statements were initially submitted without supporting ledger balances, which hindered the audit process.

#### **Committee Recommendations**

- **The Committee recommends that the Hospital Management should implement an internal audit checklist and conduct a quality review of all financial statements before submission to the Auditor General.**

### **4.1.2. Statement of Financial Performance**

Reported in the statement of financial position is nil balances of revenue from non-exchange transaction of in-kind contributions. However, Note 6 reports Kshs. 3,206,623 being in kind contributions.

Reported in the statement of financial performance is Kshs. 20,892 in respect to Finance cost. However, Note 16 reports nil balances of finance cost.

#### **Management Responses**

The management has rectified this error though amending Note 6 in the financial statements to read nil balances. The error on note 6 of nil balances in respect of finance cost has been amended in the financial statements to reflect the correct position of kshs 20,892. however, amended note 6 in the financial statements.

#### **Committee Observations**

The committee acknowledges that discrepancies in Note 6 and Note 16 have been rectified by management.

#### **Committee Recommendations**

- **The Committee recommends that the Hospital Management should ensure all notes to the financial statements are thoroughly reviewed and reconciled with the primary statements before finalization.**

#### **4.1.3. Statement of Financial Position**

The total Assets is reported as Kshs. 440,306,700 but after recasting the figure is found to be Kshs. 452,618,498 resulting to unreconciled balances of Kshs. 12,311,798.

##### **Management Response**

The correct position of total assets is kshs 452,618,498. This has however been rectified and amended in the accounts.

##### **Committee Observations**

The Committee notes that an error in the total assets figure was identified and rectified. The corrected figure has been verified.

##### **Committee Recommendations**

- The Committee recommends that the Hospital Management should ensure a reconciliation between trial balances and financial statements is performed and signed off before audit engagements.

#### **4.1.4. Statement of Changes in Net Assets**

The statement of changes in net assets has been omitted in the financial statements.

##### **Management Response**

The statement of changes in Net Assets has been included in the accounts. The management will ensure compliance with the prescribed reporting format.

##### **Committee Observations**

The Committee acknowledges that the omission of this statement was an error and has been corrected.

##### **Committee Recommendations**

- The Committee recommends that the Hospital Management should ensure a complete set of financial statements is verified against international public sector accounting standards (IPSAS) before approval.

#### **4.1.5. Statement of Cash Flow**

- i. The total payments are reported as Kshs. 14,916,173 against a recasted amount of Kshs. 14,148,021 resulting to unreconciled balances of Kshs. 768,152.
- ii. The net cash flow from operating activities is reported as Kshs. 12,609,540. However, after re casting the figure is found to be Kshs. 9,403,540 resulting to unreconciled variance of Kshs. 3,206,000.
- iii. The net increase/decrease in cash and cash equivalents is reported as Kshs. 12,609,540. However, prior year balances are reported as xx.
- iv. Cash and cash equivalents as at July 1, is reported as Kshs. 6,301,725. However, the descriptive Note 27 is reported balances of xx.

- v. The cash and cash equivalents as at June 30, is reported as Kshs. 6,587,848. However, after recasting the figure is found to be Kshs. 6,307,815 resulting to unreconciled balances of Kshs. 280,033.

### **Management Response**

The management has addressed the variances in statement of cash flow as highlighted below;

- There was omission in error of General expenses of kshs 768,092 (note 7) from the payments therefore the variance.  
This has been rectified in the cash flow statement.
- We confirm that cash flow statement included medical service income contribution in kind of Kshs 3,206,000.  
The management will institute a proper internal control measure to insure that all in kind contributions are well documented as they usually affect the cash flow statement.
- The previous year's cash and cash equivalents balance of ~~xx~~ was an oversight. The financial statements have been rectified to kshs 6,301,725. This is also supported by the bank statements.
- In reference to note (iii) above descriptive note 27 has been amended to reflect cash and cash equivalents as at July 1 to Kshs. 6,301,725
- We confirm that with the above amendments rectification our cash flow statement will reflect the correct cash and cash equivalent as at the end of the financial year.

### **Committee Observations**

The Committee acknowledges that all variances in the cash flow statement have been addressed and rectified by management.

### **Committee Recommendations**

- **The Committee recommends that the Hospital Management should establish and implement stronger internal controls to ensure all transactions, including in-kind contributions, are accurately reflected in the cash flow statement.**

#### **4.1.6. Statement of Comparison of Budget and Actual Amounts**

- i. The original budget of rendering of services is reported as Kshs. 1,700,000. However, the final budget reflects Kshs. 17,000,000 without adjustments resulting to unreconciled variances of Kshs. 15,300,000.
- ii. The original budget of employee cost is reported as Kshs. 5,101,275 and the final budget as Kshs. 5,180,000 without adjustments resulting to unreconciled variance of Kshs. 78,725.

- iii. The performance difference on employee cost is reported as Kshs. 885,286. However, after recasting the figure is found to be incorrect.
- iv. The performance difference on repairs and maintenance, general expenses and finance cost is reported as xx balances.

### **Management Response**

We acknowledge oversight on comparison of budget and actual amounts. Our response is as below;

- i. We confirm that error of original error occurred in typing kshs 1,700,000 in the original budget instead of ksh 17,000,000. This has been rectified.
- ii. The original budget of employee cost budget is Kshs. 5,101,275. This budget remains the correct one. The difference arose when transferring the budget by using another line item in medical/clinical cost. This has however been rectified.
- iii. This is an error brought by the reference (ii.) above. This is now amended in the financial statements.
- iv. The performance difference on repairs and maintenance, general expenses and finance cost kshs xx Values has been rectified and reported in figures.

### **Committee Observations**

The Committee observes that budget errors were due to data entry mistakes and misclassification, which have been corrected.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should ensure budget preparation and reporting are automated where possible to minimize manual errors;
- That budget transfers between line items should require approval by the relevant office.

#### **4.1.7 Notes to the Financial Statements**

- i. Reported in Note 15 to the financial statements is General expenses of Kshs. 768,092.
- ii. However, after recasting the figure is found to be Kshs. 770,092 resulting to unreconciled variance of Kshs. 2,000.
- iii. The Notes describing the employee cost has been omitted from the financial statements.
- iv. The Notes describing the movement of plant, property and equipment has been omitted from the financial statements.

### **Management Response**

Management has noted the observation and made the following:

- i. The general expenses costs correct cost is kshs 768,092.

- ii. This error has been rectified by including Note 15 on employee cost has now been.
- iii. Note 31 on the movement of plant, property and equipment has now been included. This was omitted in error.

#### **Committee Observations**

The Committee notes omissions and inaccuracies in the notes, which have been addressed.

#### **Committee Recommendations**

- The Committee recommends that the Hospital Management to adopt a standardized checklist for financial statement notes and be reviewed by the audit committee.

#### **4.1.8 Inaccuracies in Cash and Cash Equivalents**

The Management did not disclose one bank account. The account had a balance of Kshs. 1,995 whose bank certificate, cashbook and reconciliation statement was not availed for audit. In the circumstances the accuracy and completeness of the financial could not be confirmed.

#### **Management Response**

The management acknowledges that there was an oversight in disclosure of one account. This is a dormant account with account balance of kshs 1,995. This has been rectified in the financial statements and also the bank statement has also been provided in **appendix 1**

#### **Committee Observations**

The Committee acknowledges that a bank account was omitted but has since been included and verified.

#### **Committee Recommendations**

- The Committee recommends that the Hospital Management should ensure all bank accounts are centrally registered and reconciled on monthly basis;
- That any new accounts must be reported to the CECM for Finance.

#### **4.1.9 Non-Provision of Trial Balance**

The statement of financial performance reflects total income of Kshs. 24,319,713 and total expenses of Kshs. 14,916,173. However, supporting trial balance was not provided for audit. In the circumstances, the financial statements presented for audit may not be accurate and complete to reflect the activities of the hospital.

#### **Management Response**

We have provided the trial balance as shown in **Appendix 2**. The management will have internal audit checklist in order to avoid omissions in all subsequent audits.

#### **Committee Observations**

The Committee notes the trial balance was available but not submitted a procedural lapse.

## **Committee Recommendations**

- **The Committee recommends that the Hospital Management should ensure the trial balance is submitted alongside draft financial statements for internal review before audits.**

### **4.1.10 Omission of in-kind Contribution from the County Government**

Reported in the statement of financial performance is Kshs. 6,986,561 in respect to Employee costs for the year under audit. A further review of the documents provided for audit reveals that the hospital did not report in Kind contribution from the county government relating to salaries for the hospital's employees.

In the circumstances, the accuracy and completeness of the in kind contribution could not be confirmed.

### **Management Response**

The employee cost of Kshs. 6,986,561 relates to casuals and locum employees paid by the hospital directly.

The management will liaise with county government for provision of the information on in kind contribution.

### **Committee Observations**

The Committee notes that in-kind salary contributions were not reported due to lack of information from the county.

## **Committee Recommendations**

- **The Committee recommends that the Hospital Management should establish a formal communication channel with the County Executive for timely sharing of payroll and in-kind contribution data.**

### **4.1.11 Unconfirmed Stock Balances**

Reported in the statements of financial position reflect an inventory of nil balance.

The figure is not supported by annual stock sheets thus cannot ascertain if an annual stock take was conducted to confirm the closing balances of inventories as at 30 June, 2024. It is therefore not clear how the Hospital determined the inventory values disclosed in the financial statements. Further the entity did not invite the office of the auditor general during the annual stock take

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

### **Management Response**

The management will ensure proper stock-taking processes and documentation in the future, including inviting the Office of the Auditor General for oversight.

### **Committee Observations**

The Committee notes that inventory was reported as nil without supporting documentation.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should conduct an annual stock-taking and submit a report to the Hospital Board for validation and proper filing.

#### **4.1.12 Irregularities with reported in Kind Contributions from the County Government**

Note 7 to the financial statement reflects in Kind Contributions from the County Government an amount of Kshs. 3,206,623. The following anomalies were observed;

- i. Included in the amount is Kshs. 2,550,069 relating to pharmaceutical and non-pharmaceutical supplies. The balance was not supported by inspection and acceptance reports, receipts in stores and further the contributions could not be traced to the cash book and the inventory.
- ii. Included in the amount is Kshs. 656,554 relating to medical supplies – drawings rights (KEMSA). The balance was not supported by inspection and acceptance reports, receipts in stores and further the contributions could not be traced to the cash book and the inventory.
- iii. The income was not expensed in the statement of financial performance.
- iv. The salaries and wages paid by the county Government of Nairobi were disclosed as nil under in kind contributions. However, records from the County revealed that Kshs. 24,319,713 were paid to the hospital resulting to an unexplained variance of Kshs. 24,319,713. The audit could therefore not confirm the correct balance to be used.
- v. iv.) The disclosure of county salaries in kind from county government as nil is an error. The financial statements presented with kshs 24,319,713 represent the correct financial performance.

In the circumstances, the accuracy and completeness of **In-Kind contributions from the County Government** an amount of Kshs. 3,206,623 could not be confirmed.

### **Management Response**

The in-kind contributions were expensed in the cashbook; however, we acknowledge the oversight of not having acceptance receipts in the store. This error will be corrected and implemented in future audits.

To enhance accuracy and completeness in future reporting, we will engage the County Government to ensure timely sharing of relevant documentation for proper recognition and disclosure.

### Committee Observations

The Committee notes inadequate documentation and disclosure of in-kind contributions, though corrections have been made.

### Committee Recommendations

- The Committee recommends that the Hospital Management should ensure all in-kind contributions are recorded with supporting documents (inspection reports, store receipts) and reflected in both income and expense statements and availed for audit.

#### 4.1.13 Variance between Financial Statements and the Payroll

The financial statements presented for audit revealed variances with the ledger schedules submitted for audit as detailed below: -

Item	Financial Statements Amount (Kshs)	Payroll Manual Additions (Kshs)	Ledger Amounts (Kshs)
Employee Cost	6,986,561	3,086,740	3,929,581

During the audit of employee costs reported in the financial statements, an amount of Kshs. 6,986,561 was disclosed. However, the figure varied with the Manual payroll additions totaling Kshs. 3,086,740 and ledger amount of Kshs. 3,929,581.

In the circumstances, the accuracy and completeness of employee cost an amount of Kshs. 6,986,561 could not be confirmed.

### Management Response

The correct employee cost is Kshs.6, 986,561 as provided in **Appendix 3**.

### Committee Observations

The Committee acknowledges that the payroll variance was reconciled and the correct figure confirmed.

### Committee Recommendations

- The Committee recommends that the Hospital Management should conduct periodic reconciliation between payroll records and the general ledger, with explanations for variances.

#### 4.1.14 Failure to Depreciate Assets

The statement of financial position reflects an amount of Kshs. 440,306,700 in relation to property, plant and equipment. However, the hospital has not provided depreciation for the assets.

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

### **Management Response**

The ownership documents are at still under the management of Nairobi City County Executive. The management will engage the county government on the same.

### **Committee Observations**

The Committee notes that depreciation was not provided due to pending ownership documents.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should follow up with the County Executive to secure asset ownership documents and compute depreciation accordingly.

#### **4.1.15 Unauthorized Alterations**

During the year under audit, there were instances of manual alterations in the cashbook records which were noted without any formal authorization or explanation. This raises concerns about data manipulation and fraud. Further, there was no formal approval process for all record adjustments, including clear documentation of reasons and authorizations.

### **Management Response**

The management will be ensuring accuracy and proper approvals in the preparation of cash books.

### **Committee Observations**

The Committee notes manual alterations in records without authorization.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should ensure all alterations in financial records are approved in writing by the finance manager and documented with reasons.

#### **4.1.16 Lack of Proper Documentation**

During the year under audit, the transactions recorded in the cashbook were not supported by adequate documentation, including invoices, receipts, and payment vouchers thus exposing the hospital to the risk of unauthorized or fraudulent transactions.

### **Management Response**

The management will ensure provision of all the relevant documentations during the audit.

### **Committee Observations**

The Committee acknowledges that documents were provided during the audit.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should ensure all transactions are supported by duly approved vouchers, invoices, and receipts before payment and same is properly documented for auditing.

#### **4.1.17 Non-compliance with Accounting Policies**

During the year under review, it was noted that certain entries were overwritten and had white-out corrections which are not in compliance with the standard procedures of cashbook maintenance.

#### **Management Response**

The management will ensure adherence to standard procedures of cash book maintenance.

#### **Committee Observations**

The Committee notes the use of white-out and overwriting in records.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should ensure all corrections are made using the double-line method with initials and dates;
- That the relevant Hospital Staff should be trained on record-keeping standards.

#### **4.1.18 Cashbook Reconciliation Issues**

During the year under review, it was noted that the cashbook balances did not match the bank statements due to unrecorded deposits and withdrawals. The non-reconciliation of the cashbook and the bank statements exposes the hospital to financial discrepancies and hinders accurate reporting.

#### **Management Response**

The management has addressed this issue to ensure reconciliation is done for complete confirmation of the bank transactions and cashbook accuracy.

#### **Committee Observations**

The Committee notes that reconciliation issues have been addressed.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should ensure monthly bank reconciliations are reviewed and signed by the finance officer and head of accounts.

#### **4.1.19 Lack of Internal Controls**

During the year under review, weak internal control measures such as inadequate segregation of duties and regular supervisory reviews were observed. The lack of controls increases the potential for fraud and errors.

In the circumstances, the errors or fraudulent transactions in the cashbook records could result to incorrect financial statements. In addition, the lack of controls can enable unauthorized transactions.

#### **Management Response**

The management is addressing the gaps to ensure that there are internal control measures in place.

#### **Committee Observations**

The Committee acknowledges that management has begun addressing control gaps.

#### **Committee Recommendations**

- The Committee recommends that the Hospital Management should ensure an internal control framework is developed, including segregation of duties and regular internal audits.

#### **4.1.20 Variance Between the Cashbook and the Financial Statements**

The statement of financial position of the financial statements and as supported by disclosure Note 27 reflects cash and cash equivalent balance of Kshs. 6,587,848. Verification of the cashbook revealed cash and bank balances of Kshs. 11,424,450 resulting to unreconciled variance of Kshs. 4,836,602. In addition, the cash in hand balance of Kshs. 99,985 in the cashbook has not been supported by cash count report.

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

#### **Management Response**

The correct position of cash and cash equivalent is kshs 6,587,858. The management will ensure monthly reconciliation in cashbook for accuracy & completeness of financial statements and cash in hand balances are supported by cash count report.

#### **Committee Observations**

The Committee notes the variance was due to unreconciled items and has been resolved.

#### **Committee Recommendations**

- The Committee recommends that the Hospital Management should ensure the cashbook is reconciled with the bank statement and general ledger on monthly basis;
- That unreconciled items should be escalated to relevant office for further action.

#### **4.1.21 Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis totaling Kshs. 17,000,000 and Kshs. 24,319,713 respectively, resulting to an under budgeted amount of Kshs. 7,319,713 of the budget. Similarly, the

statement reflects final expenditure budget and actual on comparable basis totaling to Kshs. 15,024,610 and Kshs. 14,916,173 respectively, resulting to under expenditure of Kshs. 108,437 of the budget.

#### **Management Response**

The management will work closely with relevant stakeholders to ensure correct budget is prepared to enable efficient utilization of resources in future.

#### **Committee Observations**

The Committee notes significant under-budgeting and minor under-expenditure.

#### **Committee Recommendations**

- **The Committee recommends that the Hospital Management should ensure budgeting process is more data-driven and involve all department;**
- **That a quarterly budget performance reviews should be instituted.**

#### **4.1.22 Non-Compliance with Public Sector Accounting Standards Board Reporting Template**

Review of the financial statements submitted for audit revealed the following:

- i. The name of the entity is described as Dagoretti Sub County Level 5 Hospital instead of Mutuini Dagoretti sub county hospital.
- ii. There is inconsistency in the page nation of the financial statements.
- iii. Some pages of the financial statements lack headers.
- iv. The Fiduciary Oversight Arrangements provides for high level description of key fiduciary but the financial statements are not detailed.
- v. The board of management does not include each director's passport size photo and key academic qualifications.
- vi. The board of management details lack a concise description of each Director's age, key qualifications, and work experience and an indication on whether the director is independent or an executive director and which committee of the Board the director chairs where applicable.
- vii. The key management team lack passport-size photo and name, and key profession/academic qualifications of each member.
- viii. On key management team, the medical superintendent is not listed as part of the management team.
- ix. The report of the medical superintendent is omitted, instead a report of the Chief Executive officer is inserted.
- x. The officer listed as the secretary to the board is different from the name of the medical superintendent.
- xi. The statement of performance against predetermined objectives is a copy paste of the financial template.

- xii. On the management discussion analysis, the report on clinical performance has been omitted from the financial statements.
- xiii. The report of the board of management is a copy and paste of the template.
- xiv. The statement of board of management responsibilities
- xv. The statement of financial performance does not describe the year under review.
- xvi. The description items differ from the accompanying notes. xvii. The ICPAK number of the head of finance is not included in the financial statements.
- xviii. The statement of financial performance has been whited out.
- xix. The statements set out on pages 2 to 6 have been signed by the Chief Executive officer instead of the medical superintendent as prescribed in the template.
- xx. The statement of financial position, current liabilities together with the opening balances of non-current assets and current liabilities are presented as xx figures instead of nil balances.
- xxi. The revaluation reserve is reported as xx instead of nil balances.
- xxii. The statement of financial position is signed by the chief executive officer instead of the medical superintendent.
- xxiii. The statement of cash flow, cash flow from investing activities is reported as xx instead of nil balances.
- xxiv. The notes to the financial statements (continued) has descriptions of xx instead of relating to the current year under audit.
- xxv. The opening balances of the previous year are reported as xxx instead of the actual balances.
- xxvi. The progress of auditor's recommendation has been omitted from the financial statements.
- xxvii. The reported figures should be in Kenya shillings and not up to cents.

In the circumstances, Management is not in compliance with the recommended template.

### **Management Response**

The errors and omissions were rectified and the changes were effected in the financial report submitted on 7<sup>th</sup> January 2025.

### **Committee Observations**

The Committee observes that the initial submission of the financial statements was severely non-compliant with the prescribed PSASB template, containing numerous formatting, labeling, and disclosure errors. While management has rectified these errors, the initial submission indicates a lack of diligence and familiarity with mandatory reporting standards.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should ensure the finance team undergo mandatory training on the PSASB reporting template.
- That the Hospital Management should implement a pre-submission review checklist, aligned with the template and certified by the Hospital's Chief Executive Officer the Head of Finance before any future audits.

#### **4.1.23 Non-Compliance with Remittance of Statutory Dues and Other Deductions**

The statement of financial performance reports Employee costs amounts of Kshs. 6,986,561. Review of ledgers and documents availed for audit revealed the below anomalies;

- i. The hospital did not deduct or remit PAYE for the employees in the year under audit
- ii. NSSF and NHIF was deducted for the months of April, May and June only.
- iii. Housing levy was not deducted neither remitted in the financial year under audit.

In the circumstances, the delayed remittances may attract penalties or interest charges and could impact employee benefits or regulatory compliance.

### **Management Response**

The management will ensure timely remittance of all statutory deductions.

### **Committee Observations**

The Committee notes with serious concern the hospital's failure to deduct and remit PAYE, NSSF, NHIF, and the Housing Levy in a timely manner. This constitutes a significant legal and regulatory breach, exposing the hospital to penalties and negatively impacting employee welfare.

### **Committee Recommendations**

- The Committee recommends that the Hospital management should regularize all outstanding statutory deductions, including the payment of any accrued penalties within thirty days after the adoption of this report;
- That a system of monthly reconciliation and certification of statutory remittances should be implemented, with reports submitted to the Board's Finance Committee for oversight.

#### **4.1.24 Failure to Provide Approved Budget**

Management did not provide approved budget for Mutuini level 4 hospital for the financial year 2023/2024. Further, it was not possible to confirm whether Management complied with the process of preparation and submission of annual estimates for approval by the County Assembly as required by law.

Failure to provide the approved budget cast doubt on the expenditure.

### **Management Response**

The management will ensure provision of the approved budget in subsequent audits.

### **Committee Observations**

The Committee acknowledges management's assurance that an approved budget existed but regrets that it was not provided for audit. This failure undermines the basis for budgetary control and performance evaluation.

### **Committee Recommendations**

- **The Committee recommends that the County Executive Committee Member for Health Services should ensure final, County Assembly-approved budget is formally communicated to the Hospital Management and filed as a key governing document. This document must be readily available for all internal and external audit exercises.**

#### **4.1.25 Untagging of Assets**

Review of the fixed asset register and physical verification revealed that the assets amounting to Kshs. 440,306,700 were not tagged for ease of identification and movement. Consequently, it was not possible to ascertain the ownership, existence, security, valuation and location of fixed assets

In the circumstances, it was not possible to ascertain the hospital's assets.

### **Management Response**

The management will ensure the tagging system is in place through allocation of resources when budgeting.

### **Committee Observations**

The Committee observes that the lack of an asset tagging system severely compromises the hospital's ability to safeguard, track, and manage its significant investment in property, plant, and equipment.

### **Committee Recommendations**

- **The Committee recommends that the Hospital Management should urgently include funding for a comprehensive asset tagging and verification exercise in the next budget. This process must be completed within the next financial year, with a report on progress presented to the Board.**

#### **4.1.26 Deficiencies in Implementation of Universal Health Coverage (UHC)**

Audit review of service output from the Kenya Health Information System (KHIS) against some of the basic essential healthcare services that Mutuini hospital offers revealed that the hospital does not offer some the services accredited to a Level 4 hospital as evidenced in the attached **Appendix 1**.

In overall, the hospital fails to actualize its role in universal health care through offering primary services. There is need therefore for the hospital to re look its service delivery pillars. The attached Appendix shows the services offered against the requirements of a level 4 hospital.

### **Management Response**

The management will work closely with the County Government of Nairobi and other stakeholders to address these gaps and ensure the hospital is adequately equipped to meet the requirements of a Level 4 facility.

### **Committee Observations**

The Committee is deeply concerned that the hospital is not offering all essential services required of a Level 4 facility, thereby failing to fully actualize its role in the national Universal Health Coverage agenda and short-changing the community it serves.

### **Committee Recommendations**

- **The Committee recommends that the Hospital Management in collaboration with the County Executive should develop and present a time-bound Service Gap Analysis and Improvement Plan within ninety days after the adoption of this report. This plan should outline the steps, resources, and partnerships required to achieve full compliance with Level 4 service accreditation.**

#### **4.1.27 Lack of Internal Audit Department**

During the year under review, it was observed that the hospital does not have an internal audit department. As a result, no internal audits were conducted across any of the hospital's departments in the year under audit, leading to a lack of independent oversight and potential exposure to financial, operational, and compliance risks.

Without internal audits, there is limited oversight, making it easier for fraudulent activities, errors, or inefficiencies to go undetected.

### **Management Response**

The management will facilitate the establishment of an internal audit function. The management will liaise with the County Internal Audit to offer audit and advisory services.

### **Committee Observations**

The absence of an internal audit department has resulted in a critical gap in the hospital's governance framework. This lack of independent and continuous assessment of controls and processes exposes the institution to unchecked risks, potential misuse of funds, and non-compliance with applicable laws and regulations.

## **Committee Recommendations**

- The Committee recommends that the Hospital Management should prioritize the establishment of an internal audit function, either through recruitment or by secondment from the County Executive Internal Audit unit.

### **4.1.28 Lack of Policies and Manuals**

Review of Mutuini Level 4 ICT environment during the year ended 30 June 2024 revealed that there was no formal approved ICT policy in place to enable the hospital manage business processes for the delivery of services to the stakeholders in an effective and efficient manner. Further, it was noted that the hospital lacks an approved Risk Management policy thus it does not have a framework for management of risk and hence not possible to identify, assess and control risk. As a result, it is not possible to define the entity's risk appetite and set the risk tolerance levels by identifying boundaries against unacceptable exposure to risk.

In addition, during the year under review, the hospital did not have an approved audit policy.

### **Management Response**

The hospital adopted the **Nairobi County policies** to guide its operations. The management will ensure provision of these policies during audits.

### **Committee Observations**

The hospital lacked formal, approved policies and manuals in key operational areas such as ICT, risk management, and internal audit. This absence limits institutional governance, hinders risk mitigation, and affects consistency in decision-making. Reliance on general County policies without internal adoption creates ambiguity and weakens accountability.

## **Committee Recommendations**

- The Committee recommends that the Hospital Management should establish hospital-specific policies for ICT, risk management, and audit within ninety days after the adoption of this report and such policies to be approved by the Hospital Board.

### **4.1.29 Lack of a Staff Establishment**

During audit, it was revealed that Mutuini Hospital does not maintain a staff establishment showing the required number of staff and positions required to be filled.

In the circumstances, it could not be confirmed whether the hospital is overstaffed or understaffed.

### **Management Response**

The management acknowledges the existence of staff establishment and will ensure provision of the relevant documents outlining the required staffing structure and positions for the hospital.

### **Committee Observations**

The Committee observes that operating without a clear and accessible staff establishment hinders effective human resource planning, budgeting, and accountability.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should submit the existing staff establishment to the Hospital Board for review;
- That the Hospital Management to establish measures for regular review and update of the Staff Establishment to ensure it meets the evolving needs of the hospital.

#### **4.1.30 Irregularities in Board Composition and Governance**

Reported in the statement of financial performance and Note 17 to the financial statement reflects Board of Management Expenses of Kshs. 473,970. The following anomalies were observed;

- i. Appointment letters, Gazette Notices and Acceptance of board members in writing were not availed for audit therefore the composition and terms of service could not be confirmed.
- ii. The expenditure was not supported by payment vouchers to support the balance reported.
- iii. Only one set of full board meetings held on 14 July 2023 was availed for audit. All other meetings held were not supported by board meetings and attendance registers.
- iv. Minutes were not supported by Notices of meetings at least 14 days before the meeting.
- v. The audit could not confirm the existence of sub committees.
- vi. The Hospital did not avail the implemented Board Charter.
- vii. The approved board work plan was not availed for audit.

### **Management Responses**

The management confirms the availability of the Gazette Notice, payment vouchers, and board meeting documents. The management will ensure all board-related documentation is complete and readily available for audit purposes.

### **Committee Observations**

The Committee is alarmed by the serious governance lapses, including inadequate documentation of board appointments, meetings, and expenditures. This undermines the legitimacy and accountability of the Board of Management.

### **Committee Recommendations**

- The Committee recommends that appointing authority should undertake a full governance review of the Hospital Board;
- That the Hospital Board should develop a Board Charter and work plan for adoption within sixty days after the adoption of this report;
- That the Hospital Board should develop and publish a calendar of meetings for the full year in advance;
- That the Boards' Secretariat must ensure all meetings are properly convened, minuted, and documented properly and availed during auditing.

#### **4.1.31 Poor Stores Management**

A physical audit inspection conducted on December 5, 2024 in the hospital's stores revealed that the store was congested, not properly ventilated and supplies were not well-arranged making it difficult to access all the items in the store.

In the circumstances, the existence of some of the items could not be confirmed.

### **Management Response**

The management is addressing the gaps in the institutions stores department to ensure its efficiency.

### **Committee Observations**

The Committee notes that the poor physical state of the stores poses a risk to the integrity and usability of medical supplies, potentially leading to stockouts or spoilage.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should initiate a reorganization of the stores to ensure proper ventilation, layout, and access;
- That a stores management protocol should be developed and enforced to maintain these standards.

#### **4.1.32 Expired Medical Supplies**

Reported in the statements of financial position reflect an inventory of nil balance.

Review of the store records on pharmaceuticals at the hospital revealed that there were units of various drugs of undetermined value that had expired. In addition, there was limitation of scope as the drug status report together with the expired drugs and method of disposal was not provided for audit.

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

#### **Management Response**

The management will put in place strong internal control measures to ensure the anomalies are rectified as per the recommendation.

#### **Committee Observations**

The Committee views the presence of expired drugs and the lack of a clear disposal protocol as a critical failure in patient safety and resource management, in addition to being a breach of law.

#### **Committee Recommendations**

- The Committee recommends that the Hospital Management should conduct an immediate audit of all medical supplies, safely dispose of all expired items as per legal guidelines, and implement a robust system for stock rotation and expiry date monitoring.

#### **4.1.33 Spending of revenue at the Source**

Review of records revealed that the hospital gets its revenue mainly from rendering of services. The hospital received Kshs. 24,319,713 during the year in its Kenya commercial bank. Audit revealed that various payments amounting Kshs. 14,916,173 were made from the same account.

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

#### **Management Response**

The hospital fully complied with the provisions of the Facilities Improvement Financing Act, 2023. Section 21(1) of the Act states:

"There shall be opened and operated a special purpose account for every entity into which all monies received by and on behalf of the entities for the facility improvement financing shall be paid into.

#### **Committee Observations and Recommendations**

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

#### **4.1.34 Ownership of Land**

The statement of financial position reflects an amount of Kshs. 440,306,700 in relation to Property, Plant and Equipment. However, ownership documents of the parcel of land where the hospital sits were not availed for audit.

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

#### **Management Response**

The ownership documents are at still under the management of City hall, we will engage the county government for compliance in future.

### **Committee Observations**

The Committee notes the ongoing issue regarding the ownership documentation for the hospital land, which creates uncertainty over the hospital's asset base.

### **Committee Recommendations**

- The Committee recommends that the Hospital Board in liaison with the County Executive should formally prioritize the resolution of the land ownership issue. A progress report on engagements with City Hall should be submitted to the County Assembly within three months after the adoption of this report.

#### **4.1.35 Incompleteness of Asset Register**

The statement of financial position reflects property, plant and equipment of Kshs. 440,306,700. However, review of the asset register provided for audit revealed the following irregularities.

- i. The supporting schedule have not been provided for audit. Therefore, the accuracy of the plant property and equipment's figure could be confirmed.
- ii. The asset register availed for audit did not disclose the land owned and the ownership document was not availed for audit.
- iii. Some asset recorded in the register availed for audit lacked the monetary values for the listed asset items, which impedes accurate valuation.
- iv. Certain items on the Asset register did not date of purchase leading to incomplete data that

may result in misstatements in Asset register.

In the circumstance, the completeness of the plant, property and equipment could not be confirmed.

### **Management Response**

The management is preparing a comprehensive and accurate asset register, which will include supporting schedules, land ownership details, monetary values for all assets and purchase dates. This will ensure completeness and accuracy in future financial reporting.

### **Committee Observations**

The Committee observes that the absence of a comprehensive and accurate asset register is a fundamental failure in fixed asset management, affecting financial reporting and control.

### **Committee Recommendations**

- The Committee recommends that the Hospital Management should updating complete a detailed asset register within thirty days after the adoption of this report. That the register must include all required details (value, location, purchase date) and be reconciled with the physical assets.
- That the final register should be presented to the Hospital Board for approval.

## 5. CONCLUSION

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

## **6. SUMMARY OF ALL RECOMMENDATIONS**

Following the Committee's consideration of the "Reports of the Auditor General on Mutuini Dagoreti Level 4 Hospital for the years ended 30<sup>th</sup> June 2022, 2023 & 2024" and having considered responses from the Hospital Management, the Committee urges the County Assembly to resolve as follows:

### **REPORT OF THE AUDITOR GENERAL ON MUTUINI DAGORETTI LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

#### **1. Inaccuracies in the Financial Statements**

- The Committee recommends that the Hospital Management should ensure that all supporting documents, including ledgers and trial balances, are prepared and availed during the audit process;
- That regular reconciliations should be conducted to prevent such discrepancies in the future.

#### **2. Unsupported Financial Statements**

- The Committee recommends that the Hospital Management should establish a timeline for the preparation and submission of all financial documents to ensure timely and efficient audits.

#### **3. Non-Provision of Trial Balance**

- The Committee recommends that the Hospital Management should preparation and submission of the trial balance alongside the draft financial statements for future audits.

#### **4. Double Reporting of Expenses and Omission of Expenses from the Financial Statements**

- The Committee recommends that the Hospital Management should strengthen internal controls and implement regular reviews of expense reporting to ensure accuracy and completeness.

#### **5. Unsupported Medical Services Contract Losses and Omission in the Statement of Financial Performance**

- The Committee recommends that the Hospital Management should ensure all losses and expenses are recorded in the appropriate statements as per the approved reporting template and
- That all supporting documents should be readily available for auditing.

## **6. Variances in Rendering Services**

- The Committee recommends that the Hospital Management should institutionalize regular cashbook and bank reconciliation reviews to ensure consistency and accuracy in revenue reporting.

## **7. Unaccounted for Medical/ Clinical Cost**

- The Committee recommends that the Hospital Management should ensure all payments are supported by duly approved vouchers, LPOs, invoices, and procurement records;
- That periodic internal audit should be undertaken by the relevant Internal Audit Department to verify compliance.

## **8. Unaccounted for Employee Costs**

- The Committee recommends that the Hospital Management should maintain a complete and up-to-date staff payroll system and all employee-related documents must be filed and accessible for audit.

## **9. Variances in Cash and Cash Equivalents**

- The Committee recommends that the Hospital Management should undertake a mandatory Monthly cash counts and reconciliations, and any discrepancies are investigated and resolved promptly.

## **10. Lack of Bank Reconciliation Statements**

- The Committee recommends that the Hospital Management should prepare monthly Bank reconciliations and reviewed by the Hospital Board to ensure accuracy.

## **11. Unsupported Payables**

- The Committee recommends that the Hospital Management should maintain a detailed schedule of payables to be reviewed regularly to ensure all liabilities are accurately reported.

## **12. Non-Receipting of the Revenue Collection**

- The Committee recommends the Hospital Management should ensure strict adherence to receipting procedures, and all collections must be receipted and recorded promptly.

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

- The Committee recommends that the Hospital Management should train the finance team on the Public Sector Accounting Standards Board template;
- That all financial statements should be pre-reviewed for compliance before submission.

#### **14. Spending Revenue at Source**

— The Committee recommends that the Hospital Management should ensure all expenditures from the special purpose account are properly authorized, documented, and reported to ensure accountability.

#### **15. Lack of Internal Audit Department**

— The Committee recommends that the Hospital Management should establish internal audit system including Internal Audit Department within sixty days after the adoption of this report.

#### **16. Lack of Policies and Manuals**

— The Committee recommends that the Hospital Management should establish hospital-specific policies for ICT, risk management, and audit within ninety days after the adoption of this report and such policies to be approved by the Hospital Board.

#### **17. Lack of a Staff Establishment**

— The Committee recommends that the Hospital Management should ensure the staff establishment is regularly updated and made readily available for audit and planning purposes.

#### **18. Irregularities in Board Composition and Governance**

- The Committee recommends that the Hospital Management should ensure all governance documents are properly maintained, approved, and accessible for audit;
- That regular Hospital Board evaluations should be conducted to assess effectiveness.

**REPORT OF THE AUDITOR GENERAL ON MUTUINI DAGORETTI LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2023**

**1. Inaccuracies in the Financial Statements**

- The Committee recommends that the Hospital Management should implement a mandatory pre-submission checklist and a multi-layered review process (involving the Head of Finance, Internal Audit, and the Board's Finance Committee) for all future financial statements to ensure accuracy and completeness;
- That the Hospital Management should provide training to the accounts staff on the specific requirements for preparing the statement of financial performance, position, changes in net assets, and cash flows.

**2. Failure to Provide Ledgers**

- The Committee recommends that the Hospital Management should maintain a permanent "Audit File" throughout the financial year, to contain all key supporting documents, including the trial balance and ledger summaries, to be readily available for internal and external audits;
- That the Internal Auditor should conduct a quarterly review to ensure the audit file is complete and up-to-date.

**3. Non-Provision of Trial Balance**

- The Committee recommends that the Hospital Management should ensure that a complete and signed trial balance is prepared and submitted with financial statements as a standard requirement to support accountability and auditability.

**4. Unsupported Linda Mama Program Expense**

- The Committee recommends that the Hospital Management should ensure all program-specific income and expenses, especially those from National Government initiatives like Linda Mama are tracked and accounted for in a separate cost center from the point of transaction;
- That a reconciliation between program activity reports and financial records should be performed monthly and reviewed by the Internal Audit.

**5. Irregularities with Reported in Kind Contributions from the County Government**

- The Committee recommends that the Hospital Management should formally engage the County Treasury and Health Service Sector to establish a clear, monthly reporting mechanism for all in-kind contributions, including salaries, supplies, and other support;
- That all in-kind contributions received must be recorded in the stores ledger upon receipt, supported by inspection and acceptance reports, and promptly expensed in the financial statements.

## **6. Failure to Account for Revenue from Exchange Transaction**

- The Committee recommends that the Hospital Management should fully implement and utilize its Health Management Information System (HMIS) to generate automated billing reports and invoices for all services rendered;
- That the Hospital Management should ensure a daily reconciliation between the HMIS billing report, cash/MPESA collections, and bank deposits is performed and signed off by a supervisor.

## **7. Irregularities with Employee Costs**

- The Committee recommends that the Hospital Management should ensure a comprehensive review and documentation of all HR policies, staff establishment, and organogram is finalized and approved by the Hospital Board within sixty days after the adoption of this report;
- That the Internal Auditor must verify the completeness of payroll records and personnel files for all staff bi-annually;
- That all future recruitments must strictly adhere to a formal, documented process, with records maintained for each stage (needs assessment, advertisement, interviews, etc.).

## **8. Double Charging of Expenses**

- The Committee recommends that the Hospital Management through the Finance Department should develop and disseminate a clear chart of accounts with definitions to prevent misclassification of transactions;
- That the Internal Auditor should specifically test for duplicate postings during monthly reviews.

## **9. Unsupported Medical/ Clinical Cost**

- The Committee recommends that the Hospital Management should ensure all medical and clinical procurement are documented properly and readily availed for audit;
- That the Procurement procedures should be followed and records securely stored for review and audit.

## **10. Failure to Carry Forward Cashbook Opening Balances**

- The Committee recommends that the Hospital Management should prepare a monthly bank reconciliation statement for review and sign-off by the relevant officer within the first week of the subsequent month;
- That any unreconciled items older than 30 days must be escalated to the Hospital Administrator and the Board's Finance Committee.

### **11. Lack of Proper Documentation**

- The Committee recommends that the Hospital Management should ensure all financial transactions are accompanied by full supporting documents and filed systematically for audit verification.

### **12. Cashbook Reconciliation Issues**

- The Committee recommends that the Hospital Management should conduct monthly bank reconciliations without exception and document all outstanding items to ensure consistency between books and bank records.

### **13. Lack of Internal Controls**

- The Committee recommends that the Hospital Management should fully establish robust measures to strengthen the internal control systems;
- That the Hospital Board should ensure that the Internal Audit function is adequately resourced and empowered to provide independent and objective assurance on the effectiveness of these new controls.

### **14. Failure to Close the Cashbook at the End of the Financial Year**

- The Committee recommends that the Hospital Management should implement and enforce a strict month-end and year-end closing schedule;
- That the Hospital Management should develop a detailed standard operating procedure (SOP) for cashbook closure;
- That the Hospital Management should through its finance team should perform a retrospective review to identify and correct the misposted transactions in the relevant accounting periods.

### **15. Failure to Depreciate Assets**

- The Committee recommends that the Hospital Management consultation with the County Executive should develop a framework for capitalizing and depreciating assets in the hospital's books. This should be treated as a critical agenda item in the next County Health Management Team meeting to ensure compliance with accounting standards.

### **16. Unconfirmed Stock Balances**

- The Committee recommends that the Hospital Management should formalize and document a robust stock-taking procedure. This must include mandatory participation of internal audit (once established) and invitation to the Office of the Auditor-General. The procedure should be approved by the Hospital Board before the next financial year-end.

### **17. Failure to Prepare an Approved Budget**

- The Committee recommends that for all future audits, the Hospital Management should prepare a comprehensive audit pack that includes the approved budget, board minutes authorizing it, and any supporting schedules, ensuring it is readily available at the start of the audit exercise.

### **18. Under Funding and Over Expenditure of the Budget**

- The Committee recommends that the Hospital Management should prepare a detailed variance analysis report for the Board, explaining the reasons for the under-funding and under-expenditure. This report should form the basis for a revised, more realistic budget and a proactive resource mobilization strategy for the forthcoming financial year.

### **19. Non-Compliance with Public Sector Accounting Standards Board Reporting Template**

- The Committee recommends that the Hospital Management should assign a qualified individual or team the responsibility of using the latest PSASB template as a checklist in financial statement preparation process;
- That a pre-submission review by an external or County-level technical advisor is strongly advised before the next audit.

### **20. Non-Compliance with Remittance of Statutory Dues and Other Deductions**

- The Committee recommends that the Head of Finance provides immediate confirmation to the Hospital Board that all outstanding statutory dues have been remitted, with proof of payment and submit a report to the County Assembly within thirty days after the adoption of this report;
- That the Hospital Management should establish a mandatory standing order for future remittances to prevent any recurrence.

### **21. Incompleteness of Asset Register**

- The Committee recommends that the "comprehensive and accurate asset register" as proposed by the Hospital Management should be completed and presented to the Hospital Board for review and approval and a status report submitted to the County Assembly within sixty days after the adoption of this report. This exercise must be physically verified against existing assets.

## **22. Ownership of Land**

- The Committee recommends that the Hospital Management should formally write to the County Executive, requesting the certified copies of the land ownership documents. The Hospital Chief Executive Officer should follow up on this matter until it is conclusively resolved and the documents are filed within ninety days after the adoption of this report.

## **23. Untagging of Assets**

- The Committee recommends that the Hospital Management should develop and implement an asset tagging system as an integral part of the ongoing asset register verification project;
- That all assets should be tagged, and the register updated with the tag IDs within three months after the adoption of this report.

## **24. Deficiencies in Implementation of Universal Health Coverage (UHC)**

- The Committee recommends that the Hospital Management in liaison with the County Executive should conduct an urgent gap analysis against the Level 4 service requirements;
- That the Hospital Management should develop a prioritized action plan with clear timelines and resource requirements and submit to the Hospital Board for endorsement and advocacy within ninety days after the adoption of this report.

## **25. Long Outstanding Trade and Other Payables**

- The Committee recommends that the Hospital Management should implement a monthly aging analysis report for all payables. This report should be reviewed by management and presented to the Board's Finance Committee quarterly to ensure payables are managed as a first charge on the budget.

## **26. Spending of Revenue at the Source**

- The Committee recommends that the Hospital Management should ensure all expenditures from the special purpose account are strictly for the purposes allowed under the Act and are properly documented. The Board should receive a quarterly report on the income and expenditure of this fund.

## **27. Lack of Internal Audit Department**

- The Committee recommends that the Hospital Management should establish internal audit system including Internal Audit Department within sixty days after the adoption of this report.

## **28. Lack of Policies and Manuals**

- The Committee recommends that the Hospital Board should consider and approve all the policies submitted to it and submit a report to the County Assembly within sixty days after the adoption of this report;
- That the Hospital Management should undertake an annual review cycle for all key policies to strengthen their effectiveness.

## **29. Lack of a Staff Establishment**

- The Committee recommends that the Hospital Management should use the approved staff establishment as the basis for all recruitment and workforce planning;
- That the staff establishment should be reviewed and updated annually in line with the hospital's strategic plan and service demands.

## **30. Irregularities in Board Composition and Governance**

- The Committee recommends that appointing authority should undertake a full governance review of the Hospital Board;
- That the Hospital Board should develop a Board Charter and work plan for adoption within sixty days after the adoption of this report;
- That the Hospital Board should develop and publish a calendar of meetings for the full year in advance;
- That the Boards' Secretariat must ensure all meetings are properly convened, minuted, and documented properly and availed during auditing.

## **REPORT OF THE AUDITOR GENERAL ON MUTUINI DAGORETTI LEVEL 4 HOSPITAL FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2024**

### **1. Unsupported Financial Statements**

— The Committee recommends that the Hospital Management should implement an internal audit checklist and conduct a quality review of all financial statements before submission to the Auditor General.

### **2. Statement of Financial Performance**

— The Committee recommends that the Hospital Management should ensure all notes to the financial statements are thoroughly reviewed and reconciled with the primary statements before finalization.

### **3. Statement of Financial Position**

— The Committee recommends that the Hospital Management should ensure a reconciliation between trial balances and financial statements is performed and signed off before audit engagements.

### **4. Statement of Changes in Net Assets**

— The Committee recommends that the Hospital Management should ensure a complete set of financial statements is verified against international public sector accounting standards (IPSAS) before approval.

### **5. Statement of Cash Flow**

— The Committee recommends that the Hospital Management should establish and implement stronger internal controls to ensure all transactions, including in-kind contributions, are accurately reflected in the cash flow statement.

### **6. Statement of Comparison of Budget and Actual Amounts**

— The Committee recommends that the Hospital Management should ensure budget preparation and reporting are automated where possible to minimize manual errors;  
— That budget transfers between line items should require approval by the relevant office.

### **7. Notes to the Financial Statements**

— The Committee recommends that the Hospital Management to adopt a standardized checklist for financial statement notes and be reviewed by the audit committee.

### **8. Inaccuracies in Cash and Cash Equivalents**

— The Committee recommends that the Hospital Management should ensure all bank accounts are centrally registered and reconciled on monthly basis;  
— That any new accounts must be reported to the CECM for Finance.

## **9. Non-Provision of Trial Balance**

— The Committee recommends that the Hospital Management should ensure the trial balance is submitted alongside draft financial statements for internal review before audits.

## **10. Omission of in-kind Contribution from the County Government**

— The Committee recommends that the Hospital Management should establish a formal communication channel with the County Executive for timely sharing of payroll and in-kind contribution data.

## **11. Unconfirmed Stock Balances**

— The Committee recommends that the Hospital Management should conduct an annual stock-taking and submit a report to the Hospital Board for validation and proper filing.

## **12. Irregularities with reported in Kind Contributions from the County Government**

— The Committee recommends that the Hospital Management should ensure all in-kind contributions are recorded with supporting documents (inspection reports, store receipts) and reflected in both income and expense statements and availed for audit.

## **13. Variance between Financial Statements and the Payroll**

— The Committee recommends that the Hospital Management should conduct periodic reconciliation between payroll records and the general ledger, with explanations for variances.

## **14. Failure to Depreciate Assets**

— The Committee recommends that the Hospital Management should follow up with the County Executive to secure asset ownership documents and compute depreciation accordingly.

## **15. Unauthorized Alterations**

— The Committee recommends that the Hospital Management should ensure all alterations in financial records are approved in writing by the finance manager and documented with reasons.

## **16. Lack of Proper Documentation**

— The Committee recommends that the Hospital Management should ensure all transactions are supported by duly approved vouchers, invoices, and receipts before payment and same is properly documented for auditing.

### **17. Non-compliance with Accounting Policies**

- The Committee recommends that the Hospital Management should ensure all corrections are made using the double-line method with initials and dates;
- That the relevant Hospital Staff should be trained on record-keeping standards.

### **18. Cashbook Reconciliation Issues**

- The Committee recommends that the Hospital Management should ensure monthly bank reconciliations are reviewed and signed by the finance officer and head of accounts.

### **19. Lack of Internal Controls**

- The Committee recommends that the Hospital Management should ensure an internal control framework is developed, including segregation of duties and regular internal audits.

### **20. Variance Between the Cashbook and the Financial Statements**

- The Committee recommends that the Hospital Management should ensure the cashbook is reconciled with the bank statement and general ledger on monthly basis;
- That unreconciled items should be escalated to relevant office for further action.

### **21. Budgetary Control and Performance**

- The Committee recommends that the Hospital Management should ensure budgeting process is more data-driven and involve all department;
- That a quarterly budget performance reviews should be instituted.

### **22. Non-Compliance with Public Sector Accounting Standards Board Reporting Template**

- The Committee recommends that the Hospital Management should ensure the finance team undergo mandatory training on the PSASB reporting template.
- That the Hospital Management should implement a pre-submission review checklist, aligned with the template and certified by the Hospital's Chief Executive Officer the Head of Finance before any future audits.

### **23. Non-Compliance with Remittance of Statutory Dues and Other Deductions**

- The Committee recommends that the Hospital management should regularize all outstanding statutory deductions, including the payment of any accrued penalties within thirty days after the adoption of this report;
- That a system of monthly reconciliation and certification of statutory remittances should be implemented, with reports submitted to the Board's Finance Committee for oversight.

#### **24. Failure to Provide Approved Budget**

- The Committee recommends that the County Executive Committee Member for Health Services should ensure final, County Assembly-approved budget is formally communicated to the Hospital Management and filed as a key governing document. This document must be readily available for all internal and external audit exercises.

#### **25. Untagging of Assets**

- The Committee recommends that the Hospital Management should urgently include funding for a comprehensive asset tagging and verification exercise in the next budget. This process must be completed within the next financial year, with a report on progress presented to the Board.

#### **26. Deficiencies in Implementation of Universal Health Coverage (UHC)**

- The Committee recommends that the Hospital Management in collaboration with the County Executive should develop and present a time-bound Service Gap Analysis and Improvement Plan within ninety days after the adoption of this report. This plan should outline the steps, resources, and partnerships required to achieve full compliance with Level 4 service accreditation.

#### **27. Lack of Internal Audit Department**

- The Committee recommends that the Hospital Management should prioritize the establishment of an internal audit function, either through recruitment or by secondment from the County Executive Internal Audit unit.

#### **28. Lack of Policies and Manuals**

- The Committee recommends that the Hospital Management should establish hospital-specific policies for ICT, risk management, and audit within ninety days after the adoption of this report and such policies to be approved by the Hospital Board.

#### **29. Lack of a Staff Establishment**

- The Committee recommends that the Hospital Management should submit the existing staff establishment to the Hospital Board for review;
- That the Hospital Management to establish measures for regular review and update of the Staff Establishment to ensure it meets the evolving needs of the hospital.

### **30. Irregularities in Board Composition and Governance**

- The Committee recommends that appointing authority should undertake a full governance review of the Hospital Board;
- That the Hospital Board should develop a Board Charter and work plan for adoption within sixty days after the adoption of this report;
- That the Hospital Board should develop and publish a calendar of meetings for the full year in advance;
- That the Boards' Secretariat must ensure all meetings are properly convened, minuted, and documented properly and availed during auditing.

### **31. Poor Stores Management**

- The Committee recommends that the Hospital Management should initiate a reorganization of the stores to ensure proper ventilation, layout, and access;
- That a stores management protocol should be developed and enforced to maintain these standards.

### **32. Expired Medical Supplies**

- The Committee recommends that the Hospital Management should conduct an immediate audit of all medical supplies, safely dispose of all expired items as per legal guidelines, and implement a robust system for stock rotation and expiry date monitoring.

### **33. Spending of revenue at the Source**

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

### **34. Ownership of Land**

- The Committee recommends that the Hospital Board in liaison with the County Executive should formally prioritize the resolution of the land ownership issue. A progress report on engagements with City Hall should be submitted to the County Assembly within three months after the adoption of this report.

### **35. Incompleteness of Asset Register**

- The Committee recommends that the Hospital Management should updating complete a detailed asset register within thirty days after the adoption of this report. That the register must include all required details (value, location, purchase date) and be reconciled with the physical assets.
- That the final register should be presented to the Hospital Board for approval.

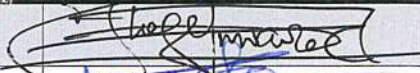





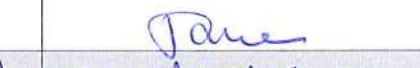

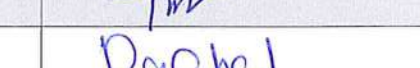
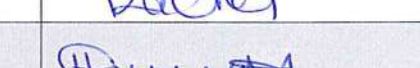
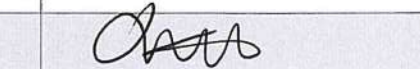
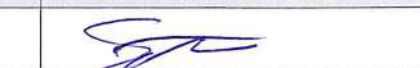
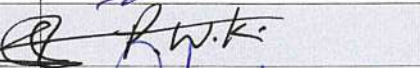


## 7. ANNEXURES

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

**Annex 1: Minutes**

**Annex 2: Written responses to all audit queries by the Accounting Officer**

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

S/N	Honourable Member	Signature
1.	Hon. Chege Mwaura, MCA - Chairperson	
2.	Hon. Abel Osumba Atito, MCA - Vice -Chairperson	
3.	Hon. Benter Juma Obiero, MCA	
4.	Hon. Redson Otieno Onyango, MCA	
5.	Hon. John Rex Omolleh, MCA	
6.	Hon. Stazo Omung'ala Ang'ila, MCA	
7.	Hon. Richardo Nyantika Billy, MCA	
8.	Hon. John Ndile Musila, MCA	
9.	Hon. Cyrus Mugo Mubea, MCA	
10.	Hon. Jane Musangi Muthembwa, MCA	
11.	Hon. Emmy Khatemeshi Isalambo, MCA	
12.	Hon. Fuad Hussein Mohamed, MCA	
13.	Hon. Fatuma Abduwahid Abey, MCA	
14.	Hon. 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 3<sup>RD</sup> SITTING OF THE NAIROBI CITY COUNTY ASSEMBLY SELECT COMMITTEE ON COUNTY PUBLIC ACCOUNTS HELD ON WEDNESDAY, 11<sup>TH</sup> 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 – 1<sup>st</sup> & 2<sup>nd</sup> Sitzings,
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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> June, 2022, 2023 & 2024. The Committee deliberated on the report and adopted the same for tabling in the Assembly as proposed by Hon. John Ndile, MCA and seconded by Hon. Martin Mbugua, MCA.


MIN.014/NCCA/PAC/FEB/2026 – A.o.B

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

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

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

CONFIRMED AS A TRUE RECORD OF THE PROCEEDINGS

SIGNATURE  
CHAIRPERSON 

DATE  
17/FEB/2026

