

Laid on
\$/4/2026 by Hon. *Chag Njirau*
Ch \$/4/26

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY

(FIFTH SESSION)



NCCA/TJ/PL/2026(58)

8TH APRIL 2026

PAPER LAID

SUBJECT: REPORT OF COMMITTEE

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

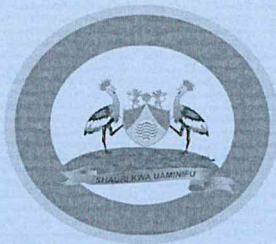
- THE REPORT OF THE SELECT COMMITTEE ON PUBLIC ACCOUNTS ON THE CONSIDERATION OF THE REPORTS OF THE AUDITOR-GENERAL ON PUMWANI MATERNITY LEVEL 5 HOSPITAL FOR THE YEARS ENDED 30TH JUNE, 2022, 2023 AND 2024

(Chairperson, Select Committee on Public Accounts)

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

NCCA/TJ/NTC/2026

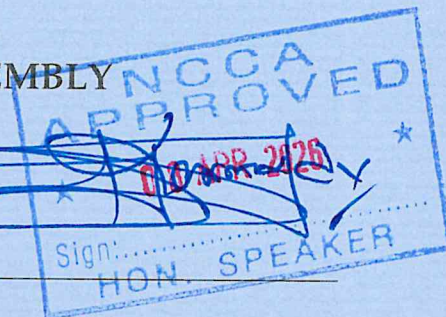
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THE NAIROBI CITY COUNTY ASSEMBLY

THIRD ASSEMBLY

(FIFTH SESSION)



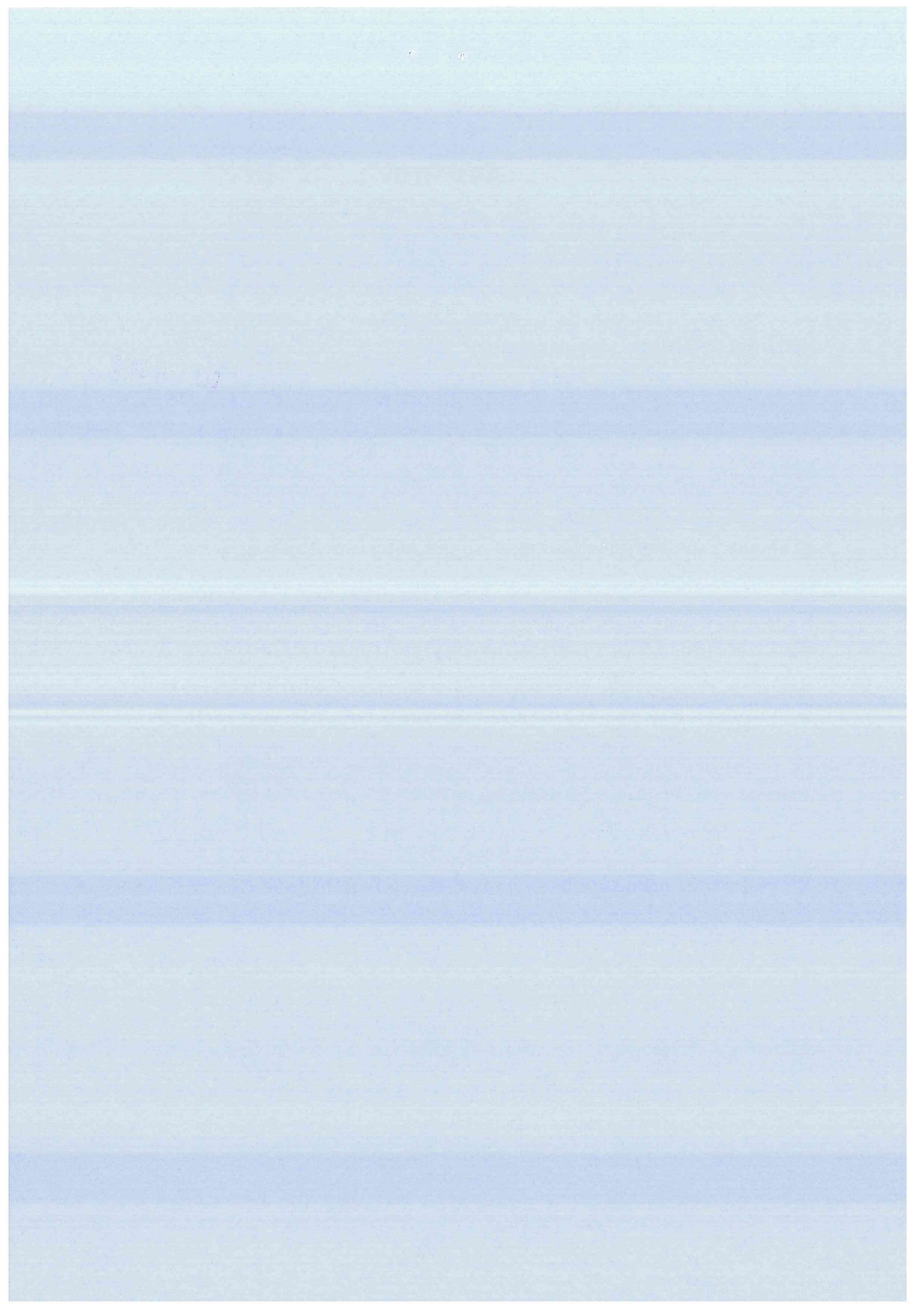
NOTICE OF MOTION

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 PUMWANI MATERNITY LEVEL 5 HOSPITAL FOR THE YEARS ENDED 30TH JUNE, 2022, 2023 AND 2024, laid on the Table of the Assembly today, Wednesday, 8th April, 2026.

(Chairperson, Select Committee on Public Accounts)



The Nairobi City County Government



Nairobi City County Assembly
Third Assembly – Fifth Session

The Report of the Select Committee on Public
Accounts

On

The Consideration of the Reports of the Auditor
General on Pumwani Maternity Hospital for the years
ended 30th June 2022, 2023 & 2024

Clerks Chambers
Nairobi City County Assembly
City Hall Buildings
Nairobi

April, 2026

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1.0. PREFACE

Hon. Speaker,

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

1.1. Mandate of the Public Accounts Committee

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

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

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

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

1.2. Guiding principles

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

(a) Constitutional Principles on Public Finance

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

(b) Direct Personal Liability

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

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

1.3. Obligations of the Accounting Officer

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

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

1.4. Committee Membership

The Committee comprises of the following Members: -

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

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

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

Pumwani Maternity Hospital

Pumwani Maternity Referral Hospital is a level 5 Hospital established under gazette notice number 786 and is domiciled in Nairobi City County under the Health Wellness and Nutrition Sector. The hospital is governed by a Board of Management.

1.6. Establishment of the Hospital Funds

The Pumwani Maternity 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 Pumwani Maternity 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,

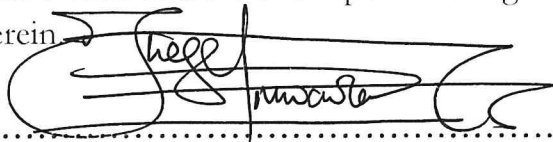
The Committee would like to thank the **Accounting Officer** for appearing before it and subsequently submitting written responses which provided valuable insights into the issues raised by the Auditor General.

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 Wed / 02th / April / 2026

2.0 CONSIDERATION OF REPORT OF THE AUDITOR GENERAL ON PUMWANI MATERNITY REFERRAL HOSPITAL FOR THE YEAR ENDED 30TH JUNE, 2022.

2.1.1. Inaccuracies of the Financial Statements

The statement of financial position reflects net assets and balance of Kshs. 12,142,395. However, the statement does not reflect any balances in respect of accumulated surplus/deficit. Further, the recalculated cash and cash equivalents as at 30 June, 2022 in the statement of cash flows is Kshs. 71,036,076 while the statement indicates Kshs. 59,359,010 resulting to an unexplained variance of Kshs. 11,677,066. Further, the beginning cash and cash equivalents as at 1 July, 2021 amounting to Kshs. 11,687,807 could not be confirmed.

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

Management response

The inability to report on accumulated surplus/deficit was due to the lack of a formal deed of novation from the previous Nairobi Metropolitan Services (NMS) administration. As a result, there was no clear handover of financial obligations, assets, and liabilities, making it difficult to reflect prior balances in the hospital's financial statements accurately.

Additionally, the variance in reported cash balances was caused by adjustments made during the financial reporting process, and we are conducting a comprehensive reconciliation to align all balances with supporting documentation. **See annexure 1(a)**

Committee Observation:

The Committee notes that the financial statements contained significant inaccuracies, including unexplained variances in cash balances and the absence of accumulated surplus/deficit. These issues stemmed from the lack of a formal deed of novation from the Nairobi Metropolitan Services (NMS) and reconciliation gaps.

Committee Recommendation:

- The Committee recommends that the Hospital Management should expedite the formalization of the deed of novation under the defunct Nairobi Metropolitan Services and conduct a comprehensive reconciliation of all financial balances;
- That future financial statements must be prepared in strict compliance with accounting standards and submitted with complete supporting documentation.

2.1.2. Variances in Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs. 58,225,460 as disclosed in Note 14 to the financial statements. The amount relates to dues from National Health Insurance Fund (NHIF) whose records indicated a balance of

Kshs. 15,503,850 resulting to an unexplained variance of Kshs. 42,721,610. Further, the amount was outstanding for more than twelve (12) months while the contract between the Hospital and NHIF provided for a payment period of thirty days from the date of submission of genuine claims.

In the circumstances, the accuracy and full recoverability of the outstanding receivables balance of Kshs. 58,225,460 could not be confirmed.

Management response:

Delayed NHIF remittances contributed to these variances. In line with this, as per note 14 of the financial statement, a detailed breakdown on the accumulated receivables throughout the years, and monthly NHIF Reconciliation reports attached to support the unexplained variance. **See note 14 of annexure 1(a)– Annual Report and Financial Statements for the year ended 30th June 2022.**

We are actively engaging NHIF to ensure all pending claims are resolved, as well as the ongoing implementation of a comprehensive health management information system. An engagement with the Nairobi County executive to fast-track the accumulated claims and ensure all pending claims are resolved as per the contract. **See annexure 1 (d) NHIF contract agreement.**

Committee Observation:

The Committee observes a significant variance between the Hospital’s receivables records and NHIF statements, with delayed remittances affecting cash flow and recoverability.

Committee Recommendation:

- **The Committee recommends that the Hospital Management should strengthen its engagement with NHIF/SHA to resolve pending claims;**
- **That the Hospital Management should develop and implement a robust health management information system for real-time tracking and reconciliation of receivables within ninety days after the adoption of this report.**

2.1.3. Cash and Cash Equivalents

The statement of financial position reflects a balance of Kshs. 59,359,010 in respect to cash and cash equivalents as disclosed in Note 13 to the financial statements. However, review of bank statement and bank reconciliations revealed the following anomalies;

- i. Management reported a bank balance of Kshs. 59,359,010 as per the bank statement instead of Kshs. 58,972,342 which was the bank balance as per the cashbook resulting to an overstatement by Kshs. 386,668.
- ii. Bank balance confirmation certificates for the National Bank Account were not provided.
- iii. Mpesa balance as at 30 June, 2022 was Kshs. 29,500. However, this was not disclosed in the financial statements. Further, Mpesa confirmation certificates from Safaricom,

Mpesa cash book and Mpesa monthly reconciliation statements were not provided for audit verification.

- iv. Monthly bank reconciliations submitted for audit were not checked and signed or approved.
- v. Bank reconciliations were not submitted to the Auditor-General on monthly basis as prescribed by the law.
- vi. There was no segregation of duties on recording of entries in cashbook and the preparation of bank reconciliations.

In the circumstances, the accuracy, completeness and existence of cash and cash equivalents balance of Kshs. 59,359,010 could not be confirmed.

Management response

We wish to clarify that the overstatement of Kshs. 386,668 was due to a technical error during the reporting process, leading to a variance between the bank statement and the cashbook balance. This has since been rectified in the financial statements, ensuring accuracy and alignment with supporting records. **See annexure 1(a)**

Additionally, due to the timing of the audit report and management transition, the location of the National Bank balance confirmation certificate could not be determined at the time of the audit. The hospital is actively working to retrieve and submit the missing confirmation certificate for verification.

Furthermore, to strengthen financial oversight, monthly bank reconciliations have been attached to our submission, demonstrating our commitment to ensuring proper reconciliation and internal controls. **See annexure 1(b)**

Committee Observation:

The Committee notes discrepancies in reported cash balances, lack of bank confirmations, and inadequate reconciliation processes, which undermined the reliability of financial reporting.

Committee Recommendation:

- **The Committee recommends that Hospital Management should enforce monthly bank reconciliations, ensure proper segregation of duties, and provide all necessary bank and M-Pesa confirmation certificates in future audits.**

2.1.4. Failure to Prepare an Approved Budget

The Hospital did not have an approved budget during the 2021/2022 financial year. In addition, the Hospital did not submit work plans for audit in respect to financial year under review. In the absence of an approved budget and work plans, the effectiveness of the activities of the Hospital as a tool for achieving the organizational goals on service delivery could not be confirmed.

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

Management response

The hospital has a county approved budget for the period reported. **See annexure 3(b)**

The hospital has a duly approved AIE budgets. **See annexure 3(c)**

Committee Observation:

The Committee acknowledges that the Hospital had county-approved and AIE budgets, though these were not initially availed for audit.

Committee Recommendation:

- **The Committee recommends that the Hospital Management should ensure that all approved budgets and work plans are aligned with organizational goals and readily available for audit.**

2.1.5. Staff Establishment

During the year, the Hospital employed permanent staff (administrative and healthcare workers) funded by the Nairobi City County Government, along with casual workers and locum clinical staff paid directly by the Hospital. However, the Hospital did not provide a detailed staff list or a return for audit verification. Further, the Hospital failed to disclose the total number of permanent staff, casual workers, and locum hires. In addition, no information was provided regarding employees' roles, job groups, departmental assignments, or personal identification numbers. The approved annual work plan for the year was also not provided. Without the approved staff establishment, it was impossible to determine the required number of employees or their distribution.

In the circumstances, the effectiveness in management of human resources could not be confirmed.

Management response

The hospital maintains a detailed staff establishment for the period ended 2024. **See annexure 4(a).**

Committee Observation:

The Committee notes that a detailed staff establishment exists but was not provided during the initial audit.

Committee Recommendation:

- **The Committee recommends that Hospital Management should maintain up-to-date staff registers, including roles, job groups, and deployment details, to ensure transparency in human resource management.**

2.1.6. Irregular Procurement of General Expenses

The statement of financial performance reflects general expenses amount of Kshs. 16,173,882 as disclosed in Note 12 to the financial statements. Included in this amount is an expenditure

of Kshs. 3,903,526 relating to printing and stationery which further includes Kshs. 808,500 for purchase of goods and services through direct procurement. This was contrary to Section 103(2)(a) of the Public Procurement and Asset Disposal Act, 2015 which states that a procuring entity may use direct procurement method if the goods, works or services are available only from a particular supplier or contractor, or a particular supplier or contractor has exclusive rights in respect of the goods, works or services, and no reasonable alternative or substitute exists.

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

Management response

We wish to clarify that the direct procurement was necessitated by urgent operational needs and unforeseen supply chain challenges at the time. While we recognize that direct procurement should only be used in exceptional circumstances as outlined in Section 103(2) of the Public Procurement and Asset Disposal Act, 2015, we assure that this decision was made in the hospital's best interest to prevent service disruptions.

Committee Observation:

While the Committee understands the operational pressures cited by management, the use of direct procurement for printing and stationery without a clear demonstration of the "exclusivity" required by law constitutes a breach.

Committee Recommendation:

- **The Committee recommends that the Hospital Management must ensure that all future procurements strictly adhere to the Public Procurement and Asset Disposal Act, 2015;**
- **That any resort to direct procurement must be thoroughly justified and documented with a professional opinion proving that no reasonable alternative existed.**

2.1.7. Irregularities on Board Management Expenses

The statement of financial performance reflects board of management expenses amount of Kshs. 400,000 as disclosed in Note 8 to the financial statements. However, Management did not provide documents and information confirming board meetings held in the year. This was contrary to Section E of Mwongozo which requires Board meetings to be held at least four (4) times a year and not more than four (4) months shall elapse between the date of one meeting and the date of the next meeting.

In the circumstances, Management was in breach of Mwongozo policy guidelines.

Management response

The Board of Management expenses, amounting to Kshs. 400,000 as disclosed in Note 8 to the financial statements, were incurred in full compliance with the stipulated guidelines. The

necessary approvals were followed, and all relevant payment vouchers and supporting documents are available as evidence. Additionally, records confirming that board meetings were held during the year can be provided to clarify any concerns. **See annexure 8(e) and (f).**

Committee Observation:

The Committee confirms that board expenses were properly incurred and supported, though meeting records were not initially provided.

Committee Recommendation:

- **The Committee recommends that the Hospital Management should maintain and avail all board meeting minutes and related documents for auditing to demonstrate compliance with Mwongozo guidelines.**

2.1.8. Non-Compliance with Procurement Requirements for Drugs and Medical Supplies

The statement of financial performance reflects medical costs amount of Kshs. 74,854,799 as disclosed in Note 7 to the financial statements. Included in this amount is Kshs. 59,086,848 for pharmaceutical supplies, dressing and non-pharmaceuticals, laboratory chemicals and reagents. However, review of the payment documents, schedules and procurement files, revealed that payments amounting to Kshs. 45,359,136 for supply and delivery of medical drugs were made to local suppliers for pharmaceutical and non-pharmaceutical. This was contrary to Section 6(3) and (4) of the Health Laws (Amendment) Act, 2019 which provides that national or county public health facility shall, in the procurement and distribution of drugs and medical supplies, obtain all such drugs and medical supplies from the Kenya Medical Supplies Authority (KEMSA). A person responsible for the procurement and distribution of drugs and medical supplies in a national or county public health facility and who contravenes provisions of this section, commits an offence liable on conviction to a fine not exceeding two million shillings or to imprisonment for a term not exceeding five years, or to both.

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

Management response

We wish to clarify that the hospital was unable to procure medical supplies from KEMSA due to an outstanding bill owed to them, which led to the closure of our accounts and suspension of further credit supplies. As a result, the hospital had no choice but to seek alternative suppliers to ensure continued patient care and uninterrupted service delivery. **See annexure 5(b).**

The decision to procure from prequalified local suppliers was made out of necessity to prevent stock outs of essential drugs, dressings, and laboratory reagents, which would have severely impacted healthcare services. **See annexure 5(a).**

Committee Observation:

The Committee acknowledges that the Hospital procured from local suppliers due to suspended KEMSA accounts but notes this was a breach of the Health Laws (Amendment) Act.

Committee Recommendation:

- The Committee recommends that the Hospital Management should settle outstanding KEMSA debts and resume procurement through KEMSA to comply with legal requirements within ninety days after the adoption of this report.

2.1.9. Non - Adherence to List of Registered Suppliers

The statement of financial performance reflects medical costs amount of Kshs. 74,854,799 as disclosed in Note 7 to the financial statements. However, Management did not maintain a list of pre-qualified suppliers for the year under audit review. This was contrary to Section 57(1) of the Public Procurement and Asset Disposal Act, 2015 which states that the head of the procurement function of a procuring entity shall maintain and update lists of registered suppliers, contractors and consultants in the categories of goods, works or services according to its procurement needs.

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

Management response

We wish to clarify that the hospital had a list of registered and prequalified suppliers, which was available at the time but was not availed for audit verification due to an administrative oversight. The procurement function has always ensured that suppliers are vetted, registered, and prequalified under the Public Procurement and Asset Disposal Act, 2015.

To support this, we will provide the prequalified suppliers' list in the next scheduled audit review as evidence of compliance with procurement regulations. **See annexure 5(c).**

Committee Observation:

The Committee accepts that a prequalified suppliers list exists but was not availed during the audit.

Committee Recommendation:

- The Committee recommends that the Hospital Management should maintain and regularly update the list of registered suppliers and ensure it is available for audit verification.

2.1.10. Irregular Procurement Procedures – Clinical Costs

The statement of financial performance reflects medical costs amount of Kshs. 74,854,799 as disclosed in Note 7 to the financial statements. Included in this amount is an expenditure of Kshs. 51,368,785 in relation to pharmaceutical supplies and dressing and non-pharmaceuticals

which further includes a payment of Kshs. 3,361,074 made to Meds-Mission for Essential Drugs for pharmaceuticals and non-pharmaceutical expenses. However, the following anomalies were noted;

- i. The medical drugs and non-pharmaceutical supplies were procured using direct procurement contrary to Section 103(2)(a) of the Public Procurement and Asset Disposal Act, 2015.
- ii. Management did not invite pre-qualified suppliers to present their quotes.
- iii. There was no record of appointment of Quotation opening and evaluation Committee members, and meeting minutes thereafter.
- iv. The procuring officer did not provide signed professional opinions for the procurement.
- v. Management did not provide award letter, acknowledgement letter or contract with the winning bidder.

This was contrary to Section 90(2) of the Public Procurement and Asset Disposal Regulations, 2020 which states that any direct procurement bid shall be evaluated in accordance with the provisions of the Act and these Regulations. Regulation 3 further states that the negotiations shall be conducted by the ad hoc evaluation committee appointed in accordance with section 104 (b) of the Act. In addition, Regulation 5 states that on completion of negotiations, the committee under paragraph (3) shall prepare a report and submit it to the head of procurement function for professional opinion and for onward submission to the accounting officer for approval and award of the contract.

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

Management response

We wish to clarify that the procurement process followed a competitive and transparent procedure in accordance with the Public Procurement and Asset Disposal Act, 2015. The hospital did not use direct procurement, as indicated in the audit findings, but rather engaged prequalified suppliers through a competitive process to ensure value for money and timely delivery of essential medical supplies.

Committee Observation:

The Committee acknowledges management's clarification that competitive procurement was used, contrary to the initial audit finding.

Committee Recommendation:

- The Committee recommends that the Hospital Management should ensure all procurement processes are fully documented, including quotations, evaluations, and award letters, to avoid perceptions of non-compliance and the same are availed for auditing.

2.1.11. Irregular Use of Framework Contracting

The statement of financial performance reflects medical costs amount of Kshs. 74,854,799 as disclosed in Note 7 to the financial statements. Included in this amount is Kshs. 1,100,000 in respect to supply of medical oxygen for a contract signed on 2018 but was still in use as at 30 June, 2022 for over three years. Further, after the first year of award, there was no evidence of conducting a value for money assessment to determine whether the terms designated in the framework agreement were still competitive. This was contrary to Paragraph 114 (1) and (2) of the Public Procurement and Asset Disposal Act, 2015 which states that; (1) A procuring entity may enter into a framework agreement through open tender if—(a) the procurement value is within the thresholds prescribed under Regulations to this Act; (b) the required quantity of goods, works or non- consultancy services cannot be determined at the time of entering into the agreement; and; (c) a minimum of seven alternative vendors are included for each category.

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

Management response

We wish to clarify that the contract remained in effect due to the supplier's continued ability to meet the hospital's needs under competitive pricing and quality standards. The supplier consistently delivered medical oxygen at reasonable rates, and there were no supply interruptions, which ensured continuous patient care and emergency response readiness. Attached is the project agreement documentation. **See annexure 5(d).**

Committee Observation:

The Committee notes that the oxygen supply contract remained active due to consistent service delivery, though no value-for-money assessment was conducted.

Committee Recommendation:

- **The Committee recommends that the Hospital Management should conduct regular value-for-money assessments for all framework contracts and ensure they are competitively tendered upon expiry.**

2.1.12. Stock-out of Medical Commodities

Review of inventory records indicated eleven commodities were stocked out for between thirty (30) and one hundred and fifty (150) days. In addition, there was no policy guidelines on the required reorder levels hence not possible to confirm whether commodities were procured within the required stock levels. This frequent stock outs affected availability of medical products at the Hospital which significantly affected the life of patients. The breakdown of the stock out was as follows:

No	Item Description	Stock Out (Days)
1	Hydrocortisone ointment	150
2	Cotrimoxazole suspension	100
3	Fentanyl citrate 500mg injection	100
4	A.L	60
5	Microlatin tablets	65
6	Losartan - H	60
7	Amitrptyllin tablets 25mg	30
8	Clotymazole pessales 200mg	30
9	Neostigmine 2.5mg injection	30

This was contrary to Regulation 133(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that an Accounting Officer shall be responsible for the proper custody, care and use of Government inventories under their control.

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

Management response

Implementation ongoing for the health management information system to update stock levels, real-time tracking.

To address this, we are implementing structured reorder level guidelines and strengthening inventory management systems to improve stock monitoring and prevent future disruptions in service delivery. **See annexure 7(b).**

Committee Observation:

The Committee notes that stock-outs affected service delivery due to the lack of reorder level policies.

Committee Recommendation:

- **The Committee recommends that the Hospital Management should develop and implement a digital inventory management system with defined reorder levels to prevent stock-outs and ensure continuous availability of essential medicines within ninety days after the adoption of this report.**

2.1.13. Lack of Formal Appointment Letters for Board Members

Appointment letters to committee Members of the Board were not provided for audit. In the circumstances, the Hospital may have made irregular payments to persons not appointed to the committee. This was contrary to Section 104(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that all receipts and payment vouchers of public moneys shall be properly supported with pre-numbered receipt and payment vouchers and shall be supported with the appropriate authority and documentation.

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

Management response

All Board Members have duly signed appointment letters. See annexure 8 (b) and have been officially gazetted. See annexure 8 (a).

Committee Observation

The committee noted that the appointment letters and gazette notices which were not provided during the audit were later provided during the interrogations.

Committee Recommendation

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

2.1.14. Shortage of Healthcare Workers and Unavailable Services

The statement of financial performance reflects employee costs of Kshs. 5,079,226. According to Kenya Quality Model for Health Checklist a level 5 hospital is required to have fifty (50) Medical Officers, seven (7) Anesthesiologists, four (4) General Surgeons, four (4) Gynecologists, four (4) Pediatricians, four (4) Radiologists, and two hundred and fifty (250) Kenya Registered Community Health Nurses, alongside other essential professions. However, the Hospital has an excess in some grades such as medical officers while experiencing a shortage in others as detailed below.

Grades	Level Standard	5 No in the Hospital	Shortage
Medical officers	50	58	-
Anaesthesiologist	7	2	5
General surgeons	4	0	4
Gynaecologists	4	8	-
Paediatrics	4	7	-
Radiologists	4	1	3
Kenya Registered Community Health nurses	250	154	96
Total	323	233	108

In addition, the Hospital had the following facility status as compared to expected standards:

Services Offered	Requirement for Level 5 Hospitals	Observation	Shortage
Radiology	Should be in place	Not in place	
Renal/Dialysis	Should be in place	Not in place	
Mortuary and autopsy services.	Should be in place	Not in place	
Chemotherapy	Should be in place	Not in place	
Bed Capacity	500	228	272

Equipment & Machines			
Intensive Care Unit with at least 12 ICU beds	12	0	12
High dependency Unit with at least 12 beds	12	0	12
Services Offered	Requirement for Level 5 Hospitals	Observation	Shortage
Maternity department ward with 6 delivery coaches	6	2	4
Operating theatres	7	3	4
Incubators in the New Born Unit	10	7	3
HDU cots in the New Born Unit	6	0	6
Land Size	10 acres	Not provided	

This was contrary to Section 149(1) of the Public Finance Management Act, 2012 which states that the responsibilities of Accounting Officer are to ensure that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized; and effective, efficient, economical and transparent.

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

Management response:

Pumwani maternity hospital is semi-autonomous to the Nairobi city county government; however, the rationalization of staff is conducted by the respective county chief officer.

The recruitment of full-time specialized professionals falls under the county-level mandate. However, hiring approvals, along with the engagement of locum doctors, nurses, and other healthcare workers, have been instrumental in addressing staffing gaps, particularly in high-demand areas. This approach has been crucial in ensuring uninterrupted service delivery, especially given our role as a specialized maternal and neonatal healthcare provider.

See annexure 4 (a).

Committee Observation:

The Committee acknowledges that staff rationalization and recruitment are managed at the county level, and locum staff have been engaged to bridge gaps.

Committee Recommendation:

- The Committee recommends that the Hospital Management in liaison with the County Executive and County Public Service Board should fast-track the recruitment of specialized staff and upgrade hospital facilities to meet Level 5 standards within ninety days after the adoption of this report.

2.1.15. Late Submission of Financial Statements for Audit

During the year under review, Management submitted the financial statements to the Auditor-General on 18 December, 2024 instead of the statutory deadline of 30 September, 2022. This was contrary to Section 47(1) of the Public Audit Act, 2015 which requires public entities to submit their financial statements to the Auditor General three (3) months after the closure of the fiscal year.

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

Management response

We wish to clarify that this delay was due to the absence of prior external audits at the facility, necessitating the bundling of audit reports for three consecutive financial years.

Committee Observation:

The Committee acknowledges that the delay was due to the bundling of multiple years' audits.

Committee Recommendation:

- The Committee recommends that the Hospital Management should ensure timely submission of financial statements in compliance with the Public Audit Act.

2.1.16. Existence and Independence of Pumwani Midwifery College

During the audit, the Hospital Management stated that Pumwani Midwifery College operates independently from the Hospital. However, there was no documentary evidence to support this claim, despite the College being located in the Hospital premises. Further, the College was not registered under the Ministry of Education or the Technical and Vocational Education and Training Authority raising concerns about its official status.

In addition, the College charged fees to students and incurred various expenditures, yet these financial activities were not disclosed in the Hospital's financial statements. Further, the College had a separate bank account as at December 2024, although both the College and the Hospital shared a single bank account for financial transactions up until five years ago.

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

Management response

The College is located within the hospital premises; however, its operations are fully separate from the hospital's management and financial administration, we wish to clarify that the College operates as an independent institution, governed by a Gazette Independent Board that

oversees its financial management, administration, and academic affairs. Currently, the Nairobi City County Government oversees the institution, as indicated in the Nairobi City County Finance Act, 2023, which references the college in its provisions.

Committee Observation:

The Committee notes that the College operates under a gazetted board and is recognized under the Nairobi City County Finance Act, 2023.

Committee Recommendation:

- The Committee recommends that the College Management should formalize its registration with the relevant education authorities;
- That the College Management should ensure its financial transactions are transparent and auditable;
- That an independent annual audit for the College be undertaken.

2.1.17. Non-Compliance with the Public Sector Accounting Standards Board (PSASB) Reporting Requirements

The financial statements presented for audit does not include all information provided in the format prescribed and published by the Public Sector Accounting Standards Board (PSASB) as follows;

- i. There were no disclosures for in kind contribution from Nairobi City County Government for salaries paid to technical staff, contracted guard services, pharmaceuticals and non-pharmaceuticals procured on their behalf together with stationery and catering supplies.
- ii. Passport photos of key management team (Head of pharmacy, Head of Gynecology, Head of hospitality and Head of dental) are missing.
- iii. The Board Secretary is the Hospital CEO while the financial reporting template requires the secretary to be a member of ICPS as required by Mwongozo Code of Conduct. However, the secretary is not a member of Institute of Certified Public Secretaries of Kenya (ICPSK).
- iv. The Management did not prepare the statement of changes in net assets.
- v. The guiding information in different pages were not edited or deleted.
- vi. Related party balances are not completed as required and instead has xxx.
- vii. Head of Finance ICPAK number not indicated.
- viii. Note 42 analyzing the cash flow net income is blank and incomplete.
- ix. The financial statements are not well paginated.

In the circumstances, the financial statements do not comply with the PSASB guidelines. Further, lack of relevant information may affect users' reliance on the financial statements for decision making.

Management response:

It is important to note that the responsibility for these disclosures does not primarily fall on the management of the facility but rather on the respective sector accounting officer, who is mandated to ensure accurate and complete reporting of such in-kind contributions in compliance with the prescribed financial reporting standards.

The missing passport photo was an error of omission

The hospital board is not an executive board. As a semi-autonomous institution, the hospital is overseen by the County Assembly subcommittees on Health and Finance, with the sector Chief Officer serving as the accounting officer. Additionally, the in-charge of the health facility serves as an ex officio member and acts as the Secretary to the Committee, as stipulated in Section 17(1)(a) of the FIF Act of 2023. **See annexure 3(a).**

On the pagination typo error. Attach well-paginated. **See annexure 1(a).**

Committee Observation:

The Committee noted multiple omissions and non-compliance with PSASB reporting standards.

Committee Recommendation:

- **The Committee recommends that the Hospital Management should ensure full compliance with PSASB guidelines, including complete disclosures, proper formatting, and accurate pagination in all future financial statements.**

2.1.18. Lack of Internal Audit function and Audit Committee

Review of the operations of Pumwani Maternity Referral Hospital revealed that the Hospital did not establish an internal audit unit to oversee its governance mechanisms and promote transparency and accountability in the management of its resources during the year under review. Also, the Hospital did not constitute an audit committee contrary to Regulation 167(1) of the Public Financial Management (County Governments) Regulations, 2015.

In the circumstances, the Hospital did not benefit from the oversight role and advice from the audit committee and the internal audit function.

Management response:

We wish to clarify that the hospital has a sub-committee under the full board that is mandated to perform the audit and performance oversight role, as well as provide advisory support.

An audit report from the internal auditor is available for verification. **See annexure 8(d).**

To support its existence and functions, the management will provide meeting minutes and memos documenting its deliberations and oversight activities. **See annexure 8(c).**

Committee Observation

The committee noted that, management provided evidence towards of having audit department and audit Committee.

Committee Recommendation

— The Committee recommends that the matter be marked as addressed.

2.1.19. Lack of Key Management Policies

The Pumwani Maternity Referral Hospital does not have key policies like Human Resource Policy Manual, Debt policy, Finance Manual, Risk Management policy, and Business Continuity Plan in place.

In the circumstances, the existence and effectiveness of the internal controls on key management policies could not be confirmed.

Management response:

We wish to clarify that as a county hospital, our operations are primarily guided by policies set by the executive unit of the Nairobi City County Government, which provide overarching frameworks for governance, financial management, and human resources.

See annexure 9

Committee Observation:

The Committee noted the absence of key policies such as HR, Debt, Finance, Risk Management, and Business Continuity.

Committee Recommendation:

— The Committee recommends that the Hospital Management should develop and adopt all key management policies in consultation with the Nairobi City County Executive within six months after the adoption of this report.

2.1.20. Weak Controls on Inventories

Review of the records maintained at the facility and physical verification revealed that the storage area for pharmaceuticals was adequate with the supplies well-arranged and with bin cards to control the receipt and issues of the supplies. However, storage area for non-pharmaceuticals and food supplies was not well-arranged in terms of item classifications. Further, the storage area for food supplies was not tidy, thus posing danger on the meals provided to patients. In addition, there were expired non-pharmaceutical supplies with undetermined value in the stores.

In the circumstances, the existence and effectiveness of the internal controls on inventory management could not be confirmed.

Management response:

We wish to clarify that the hospital's food storage facility is an old structure built in the 1940s, and due to natural wear and tear, it has become difficult to maintain optimal storage conditions. In conjunction with the Nairobi City County Government, we are actively working

toward constructing a modern kitchen and food store to meet current hygiene and safety standards.

Additionally, the non-pharmaceutical storage challenges arose from a fire incident that affected the main store, leading to the temporary relocation of supplies to an alternative setup. Investigations into the fire incident are ongoing, and once completed, the hospital will work toward restoring a permanent storage facility. **See annexure 10(a)**

See annexure 10(b).

Committee Observation:

The Committee observed poor storage conditions for non-pharmaceuticals and expired items in stores.

Committee Recommendation:

- **The Committee recommends that the Hospital Management should ensure immediate improvement in storage conditions, disposal of expired items, and construction of a modern storage facility as planned.**

2.1.21. Unconfirmed Dispensing of Drugs to Patients

Review of the Hospital's drugs management system revealed that a patient first registers, examination and diagnostic tests are done and drugs are prescribed and dispensed at the outpatient pharmacy at a fee. However, there was no evidence to show drugs issued were dispensed to specific patients based on doctor's prescription. The pharmacy could only account for about 70% of the instances where patient files were used. Further medical commodities were issued from the store to the laboratory, maternity ward and comprehensive care clinic but were not supported with utilization reports.

In the circumstances, the existence and effectiveness of the internal controls on inventory management could not be confirmed.

Management response:

As a specialized maternal and neonatal hospital, drug dispensing in ward areas is done through patient files rather than individual prescriptions, ensuring proper tracking of administered medications.

To support this, copies of patient files will be provided as evidence of how dispensing is conducted, **See annexure 11(a)**. Additionally, the hospital is enhancing documentation and reconciliation processes to ensure that all medical commodities issued to various departments are supported with utilization reports for improved accountability and audit compliance.

Committee Observation:

The Committee noted inadequate documentation for drug dispensing and utilization.

Committee Recommendation:

- The Committee recommends that the Hospital Management should develop and implement a robust drug tracking system, supported by utilization reports and patient files within ninety days after the adoption of this report to ensure accountability and compliance.

3.0 CONSIDERATION OF REPORT OF THE AUDITOR-GENERAL ON PUMWANI MATERNITY REFERRAL HOSPITAL FOR THE YEAR ENDED 30TH JUNE, 2023

3.1.1. Inaccuracies of the Financial Statements

Review of financial statements revealed the following anomalies;

- i. The statement of financial position reflects net assets balances of Kshs. 61,565,841. However, the statement does not reflect accumulated surplus under the represented by section.
- ii. The cash and bank balance reported in the financial statements is inaccurate since Management relied on the bank balance of Kshs. 100,735,440 instead of the cash book balance of Kshs. 94,170,539. This resulted to an overstatement of Kshs. 6,564,901 of cash and cash equivalents.
- iii. The recalculated cash and cash equivalents as at 30 June, 2023 in the statement of cash flows is Kshs. 111,833,557 while the statement indicates Kshs. 100,735,440 resulting to an unexplained variance of Kshs. 1,098,117.

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

Management response:

The omission of the accumulated surplus in the statement of financial position and the inconsistency in reported cash balances have been noted. Additionally, the variance in the statement of cash flows has been amended as per the annexure. A comprehensive review has already been conducted to ensure accuracy in financial reporting and compliance with accounting standards. **See annexure 1(a).**

Committee Observation:

The Committee acknowledges Management's corrective actions but notes that the initial errors undermined the reliability of the financial statements.

Committee Recommendation:

- **The Committee recommends that the Hospital Management should strengthen internal controls over financial reporting and ensure continuous compliance with accounting standards to prevent recurrence.**

3.1.2. Variances in Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs. 65,933,070 as disclosed in Note 14 to the financial statements. The amount relates to dues from National Health Insurance Fund (NHIF) whose records indicated a balance of Kshs. 17,195,150 resulting to an unexplained variance of Kshs. 48,737,920. Further, the amount was outstanding for more than twelve (12) months while the contract between the

Hospital and NHIF provided for a payment period of thirty days from the date of submission of genuine claims.

In the circumstances, the accuracy and full recoverability of the outstanding receivables balance of Kshs. 65,933,070 could not be confirmed.

Management response:

Delayed NHIF remittances contributed to these variances. In line with this, as per note 14 of the financial statement, a detailed breakdown on the accumulated receivables throughout the years, and monthly NHIF Reconciliation reports attached to support the unexplained variance. **See note 14, page 27-28 of annexure 1(a)– Annual Report and Financial Statements for the year ended 30th June 2023.**

We are actively engaging NHIF to ensure all pending claims are resolved, as well as the ongoing implementation of a comprehensive health management information system. An engagement with the Nairobi County executive to fast-track the accumulated claims and ensure all pending claims are resolved as per the contract. **See annexure 1 (d) NHIF contract agreement.**

Committee Observation:

The Committee recognizes the historical nature of NHIF receivables and notes ongoing reconciliation efforts.

Committee Recommendation:

- **The Committee recommends that the Hospital Management should expedite the resolution of pending NHIF claims and ensure future claims are submitted and reconciled promptly.**

3.1.3. Lack of Annual Stock Take

The statement of financial position reflects inventories balance of Kshs. 65,953,152 as disclosed in Note 15 to the financial statements. During the year, the Hospital received food items, pharmaceuticals, lab supplies, stationery, non-pharmaceuticals, health stationery, sanitary materials and clothing supplies amounting to Kshs. 94,365,064 as reflected under medical/ clinical costs. However, the inventory balances were not supported with ledgers and annual stock take reports to confirm the closing balances as at 30 June, 2023. Further, the inventories were valued at cost contrary to Paragraph 15 and 16 of IPSAS 12 which requires inventories to be measured at the lower of cost and net realizable value.

In the circumstances, the accuracy and completeness of inventories balance of Kshs. 65,953,152 could not be confirmed.

Management response:

The management is cognizant of the wrong valuation of inventory contrary to IPSAS 12 which requires inventories to be measured at the lower of cost and net realizable value, and has since implemented the practice moving forward.

We wish to clarify that inventory management at Pumwani Maternity Hospital has been conducting internal control measures, and stock movement records are maintained through bin cards, delivery notes, and stock issue records. The hospital conducts periodic stock verifications at the departmental level. See annexure 7(b) Sample Stock Issue Records (S11), Bin Cards.

Committee Observation:

The Committee observed that the Hospital's inventory records are not supported by annual stock-taking exercises or proper ledgers, and the valuation method used is non-compliant with IPSAS 12, raising serious doubts about the reported inventory value of Kshs. 65.9 million.

Committee Recommendation:

- The Committee recommends that the Hospital Management should conduct an immediate physical stock count, reconcile it with bin cards and financial records, and adopt the "lower of cost and net realizable value" for inventory valuation. A certified stock-taking report must be submitted to the County Assembly and office of the Auditor-General for audit review within ninety days after the adoption of this report.

3.1.4. Unresolved Prior Year Matters

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

Management response:

The hospital transitioned from Nairobi Metropolitan Services (NMS) back to Nairobi City County Government, but there was no deed of novation of pending audit issues, leaving management with limited historical records to guide resolutions.

To also add on the same, the facility had an unresolved prior year matter because the facility was undergoing audits for the two previous years at the same time as the current audit period. This overlap made it challenging to fully address the prior issues before the current audit was conducted. Moving forward, the management intends to work closely with the office of the auditor general to systematically resolve the outstanding matters, ensuring better coordination and timely follow-ups to prevent similar delays in the future.

Committee Observation

The committee noted that, the management did not address prior year audit issues as required by public audit act because the audits for the three years were done concurrently.

Committee Recommendation

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

3.1.5. Failure to Prepare an Approved Budget

The Hospital did not have an approved budget during the year. In addition, no work plans were provided for audit review. In the absence of an approved budget and work plans, the effectiveness of the activities of the Hospital as a tool for achieving the organizational goals on service delivery could not be confirmed. This was contrary to Section 149(2)(g) and (h) of the Public Finance Management Act, 2012 which states that an accounting officer shall prepare a strategic plan for the entity in conformity with the medium-term fiscal framework and financial objectives of the County Government.

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

Management response:

The hospital has a county approved budget for the period reported. **See annexure 3(b)**

The hospital has a duly approved AIE budgets. **See annexure 3(c)** and work plans, **see annexure 3(d)** as per the section 18 (a) & (b) FIF Act of 2023 **See annexure 3(a)**.

Committee observation and recommendations

- **The Committee recommends that the Hospital Management should ensure that all approved budgets and work plans are aligned with organizational goals and readily available for audit.**

3.1.6. Non-Compliance with Procurement Requirements for Drugs and Medical Supplies

The statement of financial performance reflects an amount of Kshs. 94,365,064 in respect to medical/clinical costs as disclosed in Note 7 to the financial statements. Included in the amount is Kshs. 68,398,146 spent on pharmaceutical supplies, dressing and non-pharmaceuticals and laboratory chemicals and reagents during the year. However, review of the payment vouchers, schedules and procurement files, revealed that all the payments were made to local suppliers for lab reagents, pharmaceutical and non-pharmaceutical items. This was contrary to Section 6(3) and (4) of the Health Laws (Amendment) Act, 2019 which provides that national or county public health facility shall, in the procurement and distribution of drugs and medical supplies, obtain all such drugs and medical supplies from the Kenya Medical Supplies Authority (KEMSA).

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

Management response:

We wish to clarify that the hospital was unable to procure medical supplies from KEMSA due to an outstanding bill owed to them, which led to the closure of our accounts and suspension of further credit supplies. As a result, the hospital had no choice but to seek alternative suppliers to ensure continued patient care and uninterrupted service delivery. **See annexure 5(b)**.

The decision to procure from prequalified local suppliers was made out of necessity to prevent stock outs of essential drugs, dressings, and laboratory reagents, which would have severely impacted healthcare services. See annexure 5(a).

Committee Observation:

The Committee acknowledges the necessity-driven procurement from alternative suppliers due to KEMSA account suspension.

Committee Recommendation:

- The Committee recommends that the Hospital Management should settle outstanding KEMSA dues and resume procurement through approved channels as soon as possible.

3.1.7. Out of Stock Medical Commodities (Drugs)

The statement of financial position reflects inventories balance of Kshs. 65,953,152 as disclosed in Note 15 to the financial statements. Inventory records indicated eleven (11) commodities (drugs) were out of stock for between thirty (30) and one hundred and fifty (150) days. In addition, there were no policy guidelines on the required reorder levels hence not possible to confirm whether commodities were procured within the required stock levels. The frequent stock outs affected availability of medical products at the Hospital which significantly affected the life of patients. The breakdown of the stock out was as follows:

No	Item Description	Stock Out (Days)
1	Hydrocortisone ointment	150
2	Cotrimoxazole suspension	100
3	Fentanyl citrate 500mg injection	100
4	A.L	60
5	Microlatin tablets	65
6	Losartan - H	60
7	Amitrptyllin tablets 25mg	30
8	Clotymazole pessales 200mg	30
9	Neostigmine 2.5mg injection	30

This was contrary to Regulation 133(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that accounting officer shall be responsible for the proper custody, care and use of Government inventories under their control.

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

Management response:

Implementation ongoing for the health management information system to update stock levels, real-time tracking.

To address this, we are implementing structured reorder level guidelines and strengthening inventory management systems to improve stock monitoring and prevent future disruptions in service delivery. See annexure 7(b).

Committee Observation:

The Committee notes the ongoing implementation of a health management information system to improve stock control.

Committee Recommendation:

- The Committee recommends that the Hospital Management should finalize and implement reorder level policies to minimize stock outs and ensure continuous availability of essential drugs.

3.1.8. Unsupported Board Expenses

The statement of financial performance reflects board of management expenses amount of Kshs. 950,000 as disclosed in Note 8 to the financial statements. However, Management did not provide documents and information confirming board meetings held in the year. In the circumstances, Management was in breach of Mwongozo policy guidelines. This was contrary to Section E of Mwongozo which requires Board meetings to be held at least four (4) times a year and not more than four (4) months shall elapse between the date of one meeting and the date of the next meeting.

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

Management response:

The Board of Management expenses, amounting to Kshs. 950,000 as disclosed in Note 8 to the financial statements, were incurred in full compliance with the stipulated guidelines. The necessary approvals were followed, and all relevant payment vouchers and supporting documents are available as evidence. Additionally, records confirming that board meetings were held during the year can be provided to clarify any concerns. See annexure 8(e) and (f).

Committee Observation:

The Committee observed that despite the audit query in the prior year, the Hospital again failed to provide minutes and documentation to substantiate board meetings and the related expenditures, which have more than doubled.

Committee Recommendation:

- The Committee recommends that the Hospital Board of Management should strictly adhere to Mwongozo guidelines, ensure all meetings are properly documented, and that no expenditure is incurred without supporting minutes and approvals. The Board Chairman must certify compliance to this effect.

3.1.9. Lack of Formal Appointment Letters for Board Members

Appointment letters to Committee Members of the Board were not provided for audit. In the circumstances, the Hospital may have made irregular payments to persons not appointed to the committee. This was contrary to Section 104(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that all receipts and payment vouchers of public moneys shall be properly supported with pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.

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

Management response:

All Board Members have duly signed appointment letters. **See annexure 8 (b)** and have been officially gazetted. **See annexure 8 (a)**.

Committee observation and recommendations

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

3.1.10. Lack of Key Management Policies

The Hospital did not have key policies like Human Resource Policy Manual, Debt policy, Finance Manual, Risk Management policy, and Business Continuity Plan in place. This was contrary to Regulation 158(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that the National Government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

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

Management response

We wish to clarify that as a county hospital, our operations are primarily guided by policies set by the executive unit of the Nairobi City County Government, which provide overarching frameworks for governance, financial management, and human resources.

Committee Observation:

The Committee observed that the Hospital continues to operate without key institutional policies, relying solely on county-wide frameworks, which are insufficient for addressing the specific risks and operational needs of a Level 5 hospital.

Committee Recommendation:

— **The Committee recommends that the Hospital Management, in consultation with the County Executive, should develop and adopt specific policies for Human Resources, Debt Management, Finance, Risk, and Business Continuity and status report submitted to the County Assembly within six months after the adoption of this report.**

3.1.11. Shortage of Healthcare Workers and Unavailable Services

The statement of financial performance reflects employee costs amount of Kshs. 4,297,356. According to Kenya Quality Model for Health Checklist, a level 5 hospital is required to have fifty (50) Medical Officers, seven (7) Anesthesiologists, four (4) General Surgeons, four (4) Gynecologists, four (4) Pediatricians, four (4) Radiologists, and two hundred and fifty (250) Kenya Registered Community Health Nurses, alongside other essential professions. However, the Hospital has an excess in some grades such as medical officers while experiencing a shortage in others as detailed below.

Grades	Level Standard	5 No in the Hospital	Shortage
Medical officers	50	58	-
Anaesthesiologist	7	2	5
General surgeons	4	0	4
Gynaecologists	4	8	-
Paediatrics	4	7	-
Radiologists	4	1	3
Kenya Registered Community Health nurses	250	154	96
Total	323	233	108

In addition, the Hospital had the following facility status as compared to expected standards:

Services Offered	Requirement for Level 5 Hospitals	Observation	Shortage
Radiology	Should be in place	Not in place	
Renal/Dialysis dialysis,	Should be in place	Not in place	
Mortuary and autopsy services.	Should be in place	Not in place	
Chemotherapy	Should be in place	Not in place	
Bed Capacity	500	228	272
Equipment & Machines			
Intensive Care Unit with at least 12 ICU beds	12	0	12
High dependency Unit with at least 12 beds	12	0	12
Services Offered	Requirement for Level 5 Hospitals	Observation	Shortage
Maternity department ward with 6 delivery coaches	6	2	4
Operating theatres	7	3	4
Incubators in the New Born Unit	10	7	3

HDU cots in the New Born Unit	6	0	6
Land Size	10 acres	Not provided	

This was contrary to Section 149(1) of the Public Finance Management Act, 2012 which states that the responsibilities of accounting officer are to ensure that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized; and effective, efficient, economical and transparent. The Kenya Quality Model for Health Checklist provides the standards expected of a Level 5 hospital.

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

Management response:

Pumwani maternity hospital is semi-autonomous to the Nairobi city county government; however, the rationalization of staff is conducted by the respective county chief officer.

The recruitment of full-time specialized professionals falls under the county-level mandate. However, hiring approvals, along with the engagement of locum doctors, nurses, and other healthcare workers, have been instrumental in addressing staffing gaps, particularly in high-demand areas. This approach has been crucial in ensuring uninterrupted service delivery, especially given our role as a specialized maternal and neonatal healthcare provider.

See annexure 4 (a).

Committee Observation:

The Committee is alarmed that the critical shortages of specialized staff and the lack of essential services and equipment identified in 2022 have not been addressed, meaning the Hospital is still operating far below its mandated Level 5 standards.

Committee Recommendation:

- The Committee recommends that the Hospital Management in conjunction with Nairobi City County Executive and the County Public Service Board should treat this as a matter of extreme urgency and develop a funded Staff Rationalization and Facility Upgrade Plan to bridge the identified gaps within the 2026/2027 financial year.

3.1.12. Late Submission of Financial Statements for Audit

During the year under review, Management submitted the financial statements to the Auditor-General on 27 September, 2024 instead of the statutory deadline of 30 September, 2023. This was contrary to Section 47(1) of the Public Audit Act, 2015 which requires public entities to submit their financial statements to the Auditor General three (3) months after the closure of the fiscal year.

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

Management response

We wish to clarify that this delay was due to the absence of prior external audits at the facility, necessitating the bundling of audit reports for three consecutive financial years.

Committee Observation:

The Committee noted that while the submission was only three days late in 2023, the excuse of "bundling audits" is no longer acceptable.

Committee Recommendation:

- **The Committee recommends that the Hospital Management should ensure strict adherence to the statutory deadline of 30th September for all future submissions of financial statements to the Auditor-General.**

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

The financial statements presented for audit did not include all information required in the format prescribed and published by the Public Sector Accounting Standards Board (PSASB) as follows;

- i. There were no disclosures for in kind contribution from Nairobi City County Government for salaries paid to technical staff, contracted guard services, pharmaceuticals and non-pharmaceuticals procured on the Hospital behalf together with stationery and catering supplies.
- ii. Passport photos of key management team (Head of Pharmacy, Head of Gynecology, Head of Hospitality and Head of Dental) are missing.
- iii. The Board Secretary is the Hospital CEO while the financial reporting template requires the secretary to be a member of ICS as required by Mwongozo Code, however, the secretary is not a member of the Institute of Certified Secretaries (ICS).
- iv. Head of Finance ICPAK number is not indicated.
- v. Note 42 analyzing the cash flow net income is blank and incomplete.

In the circumstances, Management was in breach of the PSASB guidelines. Further, lack of relevant information may affect users' reliance on the financial statements for decision making.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Management response:

It is important to note that the responsibility for these disclosures does not primarily fall on the management of the facility but rather on the respective sector accounting officer, who is mandated to ensure accurate and complete reporting of such in-kind contributions in compliance with the prescribed financial reporting standards.

The missing passport photo was an error of omission

The hospital board is not an executive board. As a semi-autonomous institution, the hospital is overseen by the County Assembly subcommittees on Health and Finance, with the sector Chief Officer serving as the accounting officer. Additionally, the in-charge of the health facility serves as an ex officio member and acts as the Secretary to the Committee, as stipulated in Section 17(1)(a) of the FIF Act of 2023. **See annexure 3(a).**

On the pagination typo error. Attach well-paginated. **See annexure 1(a).**

Committee Observation:

The Committee observed recurring non-compliance with PSASB reporting standards, including missing disclosures and incomplete notes, which reduces the usefulness of the financial statements.

Committee Recommendation:

- **The Committee recommends that the Hospital Management should ensure full compliance with all PSASB guidelines in the preparation of the 2024 financial statements;**
- **That the County Chief Officer for Health Facilities as the Accounting Officer, must take ultimate responsibility for the accuracy and completeness of these reports.**

3.1.14. Drug Management Weaknesses

The statement of financial position reflects inventories balance of Kshs. 65,953,152 as disclosed in Note 15 to the financial statements. Review of the bin cards and stock cards used to issue the products to various departments in the Hospital did not indicate the batch numbers and the expiry dates for each drug recorded. Hence, it was not possible to establish whether the issuance of the products followed the principal of First Expiry First Out (FEFO). Further, there were no policy guidelines on the required reorder levels hence not possible to confirm whether commodities were procured within the required stock levels. This resulted to frequent stock outs of medical products at the Hospital which significantly affected the life of patients.

In the circumstances, the effectiveness of internal controls in place to safeguard the drugs from loss, misuse or theft could not be confirmed.

Management response

An active inventory management system is currently in place to enhance drug management and stock control. Additionally, the implementation of the Health Products and Technologies (HPT) Guidelines 2022 is ongoing to ensure compliance with best practices in procurement, storage, and distribution. Furthermore, the development of Standard Operating Procedures (SOPs) is underway to strengthen internal controls and streamline inventory management processes. **See annexure 7(a).**

Committee Observation:

The Committee notes the ongoing efforts to implement HPT Guidelines and develop SOPs.

Committee Recommendation:

- **The Committee recommends that the Hospital Management should expedite the rollout of the inventory management system and enforce First Expiry First Out (FEFO) principles in drug issuance.**

3.1.15. Weak Controls on Inventories - Non-Pharmaceuticals

The statement of financial position reflects inventories balance of Kshs. 65,953,152 as disclosed in Note 15 to the financial statements. Review of the records maintained at the facility and physical verification revealed that the storage area for pharmaceuticals was adequate with the supplies well-arranged and with bin cards to control the receipt and issues of the supplies. However, storage area for non-pharmaceuticals and food supplies was not well-arranged in terms of item classifications. Further, the storage area for food supplies was not tidy, and this posed danger on the meals provided to patients. In addition, there were expired non-pharmaceutical supplies with undetermined value in the stores.

In the circumstances, the existence and effectiveness of the internal controls on inventory Management could not be confirmed.

Management response:

We wish to clarify that the hospital's food storage facility is an old structure built in the 1940s, and due to natural wear and tear, it has become difficult to maintain optimal storage conditions. In conjunction with the Nairobi City County Government, we are actively working toward constructing a modern kitchen and food store to meet current hygiene and safety standards.

Additionally, the non-pharmaceutical storage challenges arose from a fire incident that affected the main store, leading to the temporary relocation of supplies to an alternative setup. Investigations into the fire incident are ongoing, and once completed, the hospital will work toward restoring a permanent storage facility. **See annexure 10(a)**

See annexure 10(b).

Committee Observation:

The Committee acknowledges the structural and incident-related challenges affecting storage conditions.

Committee Recommendation:

- The Committee recommends that the Hospital Management should prioritize the construction of a modern storage facility and ensure expired items are regularly identified and disposed off in line with the Public Procurement and Asset Disposal Act 2015 and all other laws and policy.

3.1.16. Unconfirmed Dispensing of Drugs to Patients

The statement of financial position reflects inventories balance of Kshs. 65,953,152 as disclosed in Note 15 to the financial statements. The Hospital system indicated a patient first register at a registration counter after which examination and diagnostic tests are done and drugs are prescribed to be dispensed at the outpatient pharmacy at a fee. However, there was no evidence to show drugs issued were dispensed to specific patients based on doctor's prescription. The pharmacy could only account for 70% of the instances where patient files were used. Further, medical commodities were issued from the store to the laboratory, maternity ward and comprehensive care clinic but were not supported with utilization reports. This was contrary to Regulation 132(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer of a County Government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

In the circumstances, the existence and effectiveness of the internal controls in prescription and dispensing of drugs to patients could not be confirmed.

Management response:

As a specialized maternal and neonatal hospital, drug dispensing in ward areas is done through patient files rather than individual prescriptions, ensuring proper tracking of administered medications.

To support this, copies of patient files will be provided as evidence of how dispensing is conducted, **See annexure 11(a)**. Additionally, the hospital is enhancing documentation and reconciliation processes to ensure that all medical commodities issued to various departments are supported with utilization reports for improved accountability and audit compliance.

Committee Observation:

The Committee notes that dispensing is tracked through patient files but reconciliation processes need strengthening.

Committee Recommendation:

- The Committee recommends that the Hospital Management should fully implement the Health Management Information System (HMIS) to electronically track prescriptions and dispensations from the point of prescription to the patient within sixty days after the adoption of this report;
- That utilization reports for all departments must be generated and reviewed monthly.

3.1.17. Staff Establishment

During the year under review, the Hospital employed permanent staff (administrative and healthcare workers) funded by the Nairobi City County Government, and casual workers and locum clinical staff paid by the Hospital. However, the Management did not provide a detailed staff list for audit verification. Further, the Hospital did not disclose the total number of permanent staff, casual workers, and locum hires. In addition, no information was provided regarding employees' roles, job groups, departmental assignments, or personal identification numbers. In addition, the approved annual work plan for the year was not provided. In the circumstances, the existence and effectiveness of the internal controls on staff establishment could not be confirmed.

Management response:

The hospital maintains a detailed staff establishment for the period ended 2023. See annexure 4(a).

Committee Observation:

The Committee confirms that a detailed staff establishment was provided.

Committee Recommendation:

- The Committee recommends that Hospital Management should ensure staff records are regularly updated and readily available for audit.

3.1.18. Lack of Internal Audit function and Audit Committee

During the year under review, the Hospital had not constituted an audit committee and an internal audit unit as required by Regulation 153(1)(a) of Public Finance Management (County Governments) Regulations, 2015 which states that internal auditors shall review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in National Government entities. Further, Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 states in part that each County Government entity shall establish an audit committee.

In the circumstances, the Hospital did not benefit from the oversight role and advice from the audit committee and the internal audit function.

Management response:

The hospital has a sub-committee under the full board that is mandated to perform the audit and performance oversight role, as well as provide advisory support.

An audit report from the internal auditor is available for verification. **See annexure 8(d).**

To support its existence and functions, the management will provide meeting minutes and memos documenting its deliberations and oversight activities. **See annexure 8(c).**

Committee Observation:

The Committee confirms that a board sub-committee and internal audit reports are in place.

Committee Recommendation:

- The Committee recommends that Hospital Management should formalize the internal audit function and ensure the audit committee operates in line with PFM regulations.

4.0 CONSIDERATION OF REPORT OF THE AUDITOR-GENERAL ON PUMWANI MATERNITY REFERRAL HOSPITAL FOR THE YEAR ENDED 30TH JUNE, 2024

4.1.1. Inaccuracies in the Financial Statements

The statement of financial position reflects net assets totaling Kshs. 65,082,900 while the represented by amount consisting of accumulated surplus/deficit, capital fund and revaluation reserve reflects Kshs. 24,646,528 resulting to a variance of Kshs. 40,436,372 whereby the net assets and represented by items should be equal. Further, the recalculated cash and cash equivalents as at 30 June, 2024 in the statement of cash flows is Kshs. 13,459,152 while the statement indicates an amount of Kshs. 28,405,684 resulting to an unexplained variance of Kshs. 14,946,532.

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

Management response:

The net asset variance arose from misclassification of revaluation balances and prior-year adjustments, while the cash and cash equivalents variance resulted from ongoing reconciliations. As a certificate has already been issued for the year, the necessary adjustments will be effected in the next audit period to realign the statements.

Annexure 1(a)– Annual Report and Financial Statements for the year ended 30th June 2024. See annexure 1(b)-Bank Reconciliation Statements.

Committee Observation and Committee Recommendation

- **The Committee noted that this issue has been adequately addressed and recommends that the matter be marked as resolved**

4.1.2. Variances in Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs. 127,012,370 as disclosed in Note 14 to the financial statements. The amount relates to dues from National Health Insurance Fund (NHIF) whose records indicated a balance of Kshs. 47,487,250 resulting to an unexplained variance of Kshs. 79,525,120. Further, the amount was outstanding for more than twelve (12) months while the contract between the Hospital and NHIF provided for a payment period of thirty days from the date of submission of genuine claims.

In the circumstances, the accuracy and full recoverability of the outstanding receivables balance of Kshs. 127,012,370 could not be confirmed.

Management response:

The variance arose from timing differences between submitted claims from the hospital and NHIF's multi-stage approval process before EFT payment, as well as delays in updating claim

reversals and rejections. See note 14, page 27-28 of annexure 1(a)– Annual Report and Financial Statements for the year ended 30th June 2024.

Committee Observation:

The Committee acknowledges that timing differences and NHIF’s approval process contributed to the variance in receivables.

Committee Recommendation:

- The Committee recommends that the Hospital Management in conjunction with the County Executive through the Department of Health should urgently and formally engage the National Health Insurance Fund (NHIF)/SHA to enforce the contractual agreement requiring payment within ninety days of claim submission.

4.1.3. Undisclosed Property, Plant and Equipment

The statement of financial position reflects Nil balance in respect to property, plant, and equipment in the financial statements. However, the following anomalies were noted;

- i. The Hospital has movable and immovable assets which include land, buildings, motor vehicles, medical equipment, and computers. However, no values were disclosed in the financial statements.
- ii. The Hospital did not maintain an asset register.
- iii. Ownership documents for land and motor vehicles were not provided for audit verification.
- iv. Physical verification of buildings and land which was conducted in December, 2024 at Pumwani areas revealed that some staff houses belonging to Pumwani Hospital were turned to miraa market by Nairobi City County.

In the circumstances, the accuracy, completeness and existence of non-current assets could not be confirmed.

Management response:

A letter has been written to the Chief Officer Lands to engage professional valuers, and the report is awaited. An asset register has been established, and the verified asset values will be incorporated into the 2024/2025 financial statements in accordance with IPSAS 17 and the Public Finance Management (PFM) Act, 2012. Logbooks for motor vehicles are held by the County Mobility Sector and can be availed for verification upon request. See annexure 5(b)

Committee Observation:

The Committee recognizes that steps have been initiated to value assets and establish an asset register.

Committee Recommendation:

- The Committee recommends that Hospital Management should expedite the valuation process through County Executive and ensure all assets are recorded in the register and disclosed in the subsequent financial statements.

4.1.4. Unsupported Trade Payables

The statement of financial position reflects trade and other payables balance of Kshs. 185,178,554 as disclosed in Note 16 to the financial statements. However, the schedule provided for audit did not indicate details such as contract number, local purchase order/local service order for the payables. Further, review of the records provided revealed that payables amounting to Kshs. 105,442,075 inherited from Nairobi Metropolitan Service (NMS) were outstanding for more than three (3) years. In addition, ledgers and other supporting documents were not provided to support the movement from Kshs. 171,055,821 reported as at 30 June, 2023 to Kshs. 185,178,554 as at 30 June, 2024. This was contrary to Regulation 42(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which provides that debt service payments shall be a first charge on the County Revenue Fund and the accounting officer shall ensure this is done to the extent possible that the County Government does not default on debt obligations.

In the circumstances, the accuracy and existence of trade and other payables balance of Kshs. 185,178,554 could not be confirmed.

Management response:

The movement in balances is fully supported by supplier statements and hospital payable ledgers, which will be provided for audit verification. The hospital has initiated a reconciliation exercise to confirm and validate all outstanding payables, including those inherited from the defunct Nairobi Metropolitan Service (NMS). Additionally, the hospital is working closely with the Social Health Authority (SHA) to fast-track claim processing and enhance liquidity for timely settlement of obligations. Verified balances will be appropriately reflected in the next audit period in line with Regulation 42(1)(a) of the Public Finance Management Act, 2020, Regulations, 2015. See annexure 2(a) Supplier Statements and Payable Ledgers.

Committee Observation:

The Committee notes that unsupported payables have increased significantly, with over Kshs. 105 million inherited from NMS remaining unresolved for over three years, creating a significant contingent liability for the County.

Committee Recommendation:

- The Committee recommends that the Hospital Management in liaison with the County Treasury should conduct a thorough validation exercise of all payables. All unsubstantiated payables must be written off, and a structured payment plan for legitimate pending bills must be developed and incorporated into the next budget cycle.

4.1.5. Lack of Annual Stock Take

The statement of financial position reflects a balance of Kshs. 94,843,400 in respect to inventories as disclosed in Note 15 to the financial statements. During the year under review, the Hospital received food items, pharmaceuticals, lab supplies, stationery, non-pharmaceuticals, health stationery, sanitary materials and clothing supplies amounting to Kshs. 153,474,133 as reflected under medical/ clinical costs. However, the inventory balances were not supported with ledgers and annual stock take reports to confirm the closing values of the inventories as at 30 June, 2024. Further, the inventories were valued at cost contrary to Paragraph 15 and 16 of IPSAS 12 which requires inventories to be measured at the lower of cost and net realizable value.

In the circumstances, the accuracy and completeness of inventories balance of Kshs. 94,843,400 could not be confirmed.

Management response:

Inventories are now being valued in accordance with IPSAS 12, at the lower of cost and net realizable value. A comprehensive stock verification and reconciliation exercise has been initiated to ensure accuracy and completeness of inventory records in subsequent reporting periods. See annexure 7(b) Sample Stock Issue Records (S11), Bin Cards.

Committee Observation:

The Committee acknowledges the commitment to comply with IPSAS 12 and conduct stock verification.

Committee Recommendation:

- **The Committee recommends that the Hospital Management should conduct and document annual stocks and ensure inventory is valued at the lower cost and net realizable value.**

4.1.6. Unresolved Prior Year Matters

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

Management response:

The facility had an unresolved prior year matter because it was undergoing audits for the two previous years at the same time as the current audit period. This overlap made it challenging to fully address the prior issues before the current audit was conducted.

Committee Observation:

The Committee notes the audit overlap challenge but emphasizes the need for timely resolution of prior-year issues.

Committee Recommendation:

- The Committee recommends that the Hospital Management should develop a clear action plan to address all prior year audit matters before the next audit cycle.

4.1.7. Failure to Prepare an Approved Budget

The Hospital did not have an approved budget during the 2023/2024 financial year. In addition, the Hospital did not submit work plans for audit in respect to financial year under review. In the absence of an approved budget and work plans, the effectiveness of the activities of the Hospital as a tool for achieving the organizational goals on service delivery could not confirmed.

In the circumstances, the effectiveness of the Hospital's delivery of services could not be confirmed.

Management response:

The hospital has a county approved budget for the period reported. See annexure 3(b)

The hospital has a duly approved AIE budgets. See annexure 3(a) and work plans, See annexure 3(b) as per the section 18 (a) & (b) FIF Act of 2023.

Committee Observation:

The Committee confirms that an approved budget and work plans exist as per management's response.

Committee Recommendation:

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

4.1.8. Lack of Staff Establishment

During the year under review, the Hospital employed permanent staff (administrative and healthcare workers) funded by the Nairobi City County Government, along with casual workers and locum clinical staff paid directly by the Hospital. However, the Hospital did not provide a detailed staff list or a return for audit verification, which led to several concerns. Further, the Hospital failed to disclose the total number of permanent staff, casual workers, and locum hires. In addition, no information was provided regarding employees' roles, job groups, departmental assignments, or personal identification numbers. The approved annual work plan for the year was also not provided to enable verification of whether the staffing levels were adequate for efficient service delivery. Without the approved staff establishment, it was impossible to determine the required number of employees or their distribution.

In the circumstances, the effectiveness in management of human resources could not be confirmed.

Management response:

The hospital maintains a detailed staff establishment for the period ended 2024. As a specialized mother and neonatal center, Pumwani has engaged locum staff to address workload gaps. The KQMH provides minimum staffing standards, which may be increased based on workload, and the hospital continues to align staffing levels with the Nairobi City County Public Service Board. See annexure 4(a).

Committee Observation:

The Committee acknowledges the existence of a staff establishment and the use of locum staff to address gaps.

Committee Recommendation:

- **The Committee recommends that the Hospital Management and the County Public Service Board should align its staffing structure with KQMH minimum standards.**

4.1.9. Payment of Allowance to Locum Personnel

The statement of financial performance reflects an amount of Kshs. 51,810,926 in respect to general expenses which includes Kshs. 27,958,653 relating to contracted services as disclosed in Note 12 to the financial statements. Included in the amount is an expenditure of Kshs. 10,395,153 paid to locum clinical doctors, nurses and other health workers.

Review of the records maintained revealed that the Hospital engaged contractual staff hired on locum basis who received allowance of Kshs.700 per hour with maximum of 40 hours per week based on the cadre for the number of days worked. However, the Management did not provide an approved policy to confirm how the rates were arrived at.

Further, there was no needs assessment and staff rationalization report provided indicating the department or sections with vacancies or shortage to justify the need for hiring of locum employees.

In the circumstances, the regularity and validity of Kshs. 27,958,653 for contracted services could not be confirmed.

Management response:

Hiring and payment of locum doctors, nurses, and health workers were approved by the hospital's Full Board, whose minutes document the justification for the engagement, payment structure, and budget allocation for locum services. See annexure 4(b).

Attached is a detailed staff establishment for the period with gaps identified. See annexure 4(a).

Committee Observation:

The Committee confirms that locum engagements were approved by the Full Board and are justified.

Committee Recommendation:

- The Committee recommends that the Hospital Management in conjunction with the County Public Service Board should develop a locum staff policy within sixty days after the adoption of this report;
- That the Hospital Management should ensure future engagements are supported by needs assessment and approval by the Hospital Board.

4.1.10. Non-Compliance with Procurement Requirements for Drugs and Medical Supplies

The statement of financial performance reflects an amount of Kshs. 153,474,133 in respect to medical/clinical costs as disclosed in Note 7 to the financial statements. Included in this amount is Kshs. 96,970,372 spent on pharmaceutical supplies, dressing and non-pharmaceuticals and laboratory chemicals and reagents during the financial year under audit. However, review of the payment vouchers, schedules and procurement files, revealed that the payments were made to local suppliers for lab reagents, pharmaceutical and non-pharmaceutical items contrary to Section 6(3) and (4) of the Health Laws (Amendment) Act, 2019 which requires that all drugs and medical supplies be sourced from KEMSA.

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

Management response:

Procurement from other suppliers was done in line with Sections 3 and 53(8) of the PPADA, 2015, which promote fairness, competition, and value for money. The hospital engaged prequalified suppliers through approved procedures to ensure timely and cost-effective delivery of essential medical items, consistent with the law and uninterrupted service delivery. See annexure 5(a).

Committee Observation:

The Committee acknowledges that procurement from other suppliers was done under PPADA provisions.

Committee Recommendation:

- The Committee recommends that the Hospital Management should ensure future procurements prioritize KEMSA where possible and maintain clear justifications for alternative sourcing.

4.1.11. Lack of Formal Appointment Letters for Board Members

Appointment letters to the committee Members of the Board were not provided. In the circumstances, the Hospital may have made irregular payments to persons not appointed to the committee.

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

Management response:

All Board Members have duly signed appointment letters. See annexure 8 (b) and have been officially gazetted. See annexure 8 (a).

Committee Observation:

The Committee confirms that appointment letters exist and have been gazetted.

Committee Recommendation:

- The Committee recommends that the Hospital Management in liaison with the County Executive Committee Member for Health should ensure all appointment letters are readily available for audit;
- That future appointments are gazetted promptly.

4.1.12. Shortage of Healthcare Workers and Unavailable Services

The statement of financial performance reflects employee costs of Kshs. 9,677,437. According to Kenya Quality Model for Health Checklist, a level 5 hospital is required to have fifty (50) Medical Officers, seven (7) Anesthesiologists, four (4) General Surgeons, four (4) Gynecologists, four (4) Pediatricians, four (4) Radiologists, and two hundred and fifty (250) Kenya Registered Community Health Nurses, alongside other essential professionals. However, the Hospital had an excess in some grades such as medical officers while experiencing a shortage in others as detailed below;

Grades	Level 5 standard	No in the hospital	Shortage
Medical officers	50	58	-
Anesthesiologist	7	2	5
General surgeons	4	0	4
Gynecologists	4	8	-
Pediatrics	4	7	-
Radiologists	4	1	3
Kenya Registered Community Health nurses	250	154	96
Total	323	233	108

In addition, the Hospital had the following facility status as compared to expected standards:

Services Offered	Requirement for Level 5 Hospitals	Observation	Shortage
Radiology	Should be in place	Not in place	
Renal/Dialysis	Should be in place	Not in place	
Mortuary and autopsy services	Should be in place	Not in place	
Chemotherapy	Should be in place	Not in place	
Bed Capacity	500	228	272

Equipment and Machines			
Intensive Care Unit with at least 12 ICU beds	12	0	12
High dependency Unit with at least 12 beds	12	0	12
Services Offered	Requirement for Level 5 Hospitals	Observation	Shortage
Maternity department ward with 6 delivery coaches	6	2	4
Operating theatres	7	3	4
Incubators in the New Born Unit	10	7	3
HDU cots in the New Born Unit	6	0	6
Land Size	10 acres	Not provided	

This was contrary to Section 149(1) of the Public Finance Management Act, 2015 which states that the responsibilities of accounting officer are to ensure that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized; and effective, efficient, economical and transparent. The Kenya Quality Model for Health Checklist provides the standards expected of a Level 5 hospital.

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

Management response:

The Board of Management, as mandated by the Facility Improvement Fund (FIF) Regulations and the Nairobi City County Government, continues to oversee the hospital's operations to ensure resources are utilized efficiently and in compliance with the PFM Act, 2012. As a specialized maternal and neonatal center, the hospital's staffing and infrastructure differ from the general Level 5 standards under the KQMH. The Board is working with the County Government to address identified gaps through phased recruitment, resource mobilization, and infrastructure enhancement to sustain quality service delivery. See annexure 4 (a).

Committee Observation:

The Committee acknowledges the specialized nature of the hospital but notes significant gaps in staffing and infrastructure.

Committee Recommendation:

- The Committee recommends that the Hospital Management should liaise with the County Executive to address staffing and infrastructure gaps through phased recruitment and resource mobilization.

4.1.13. Existence and Independence of Pumwani Midwifery College

During the audit, the Hospital Management stated that Pumwani Midwifery College operates independently from the Hospital. However, there is no documentary evidence to support this claim, despite the College being located on the Hospital premises. Further, the College was not registered under the Ministry of Education or the Technical and Vocational Education and Training Authority, raising concerns about its official status. In addition, the College charged fees to students and incurred various expenditures, however, the financial activities were not disclosed in the Hospital's financial statements.

In addition, while the College now has a separate bank account as of December 2024, both the College and the Hospital shared a single bank account for financial transactions up until five years ago.

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

Management response:

By the time of audit, the facility was operating independently. See annexure 6(a).

Committee Observation:

The Committee notes the management's assertion of independence but remains concerned about the lack of registration and past financial integration.

Committee Recommendation:

- The Committee recommends for establishment of a clear and auditable separation of finances and operations between the Hospital and the College within forty-five (45) days after adoption of this report.

4.1.14. Stock out of Medical Commodities

The statement of financial position reflects a balance of Kshs. 94,843,400 in respect to inventories as disclosed in Note 15 to the financial statements. The inventory records indicated eleven commodities were stocked out for between thirty (30) and one hundred and fifty (150) days. In addition, there were no policy guidelines on the required reorder levels hence not possible to confirm whether commodities were procured within the required stock levels. This frequent stock outs affected availability of medical products at the Hospital which significantly affected the life of patients. The breakdown of the stock out was as follows:

No	Item Description	Stock Out (Days)
1	Hydrocortisone ointment	150
2	Cotrimoxazole suspension	100
3	Fentanyl citrate 500mg injection	100
4	A. L	60
5	Microlatin tablets	65
6	Losartan – H	60

7	Amitrptyllin tablets 25mg	30
8	Clotymazole pessales 200mg	30
9	Neostigmine 2.5mg injection	30

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

Management response:

Implementation ongoing for the health management information system to update stock levels, real-time tracking. To address this, we are implementing structured reorder level guidelines and strengthening inventory management systems to improve stock monitoring and prevent future disruptions in service delivery. See annexure 7(b).

Committee Observation:

The Committee accepts that drugs were available per bin cards at the period end but notes the reported stock-outs during the year.

Committee Recommendation:

- The Committee recommends that the Hospital Management in conjunction with the County ICT department should develop and implement an electronic inventory management system with automatic re-order points within sixty days after the adoption of this report;
- That the Hospital Management should provide a weekly stock status report for all critical drugs to the CECM for Health.

4.1.15. Non-Compliance with the Public Sector Accounting Standards Board (PSASB) Reporting Requirements

The financial statements presented for audit did not include all information required in the format prescribed and published by the Public Sector Accounting Standards Board as follows;

- i. There were no disclosures for in kind contribution from Nairobi City County Government for salaries paid to technical staff, contracted guard services, pharmaceuticals and non-pharmaceuticals procured on the Hospital’s behalf together with stationery and catering supplies.
- ii. Passport photos for Head of Pharmacy, Head of Gynecology, Head of Hospitality and Head of Dental) are missing.
- iii. The Board Secretary is the Hospital CEO while the financial reporting template requires the secretary to be a member of ICS as required by Mwongozo Code, however, the secretary is not a member of Institute of Certified Secretaries of Kenya (ICSK).
- iv. Head of Finance ICPAK number is not indicated.
- v. Financial statements are not well paginated as pages iii to vi are missing.

In the circumstances, Management was in breach of the PSASB guidelines. Further, lack of relevant information may affect users’ reliance on the financial statements for decision making.

Management response:

- As the audit certificate for the period under review has already been issued, the disclosures will be incorporated and presented in the subsequent financial year's financial statements, in compliance with the Public Sector Accounting Standards Board (PSASB) financial reporting guidelines.
- The omission was inadvertent. The affected officers have since provided their passport photographs, which will be included in the revised and future submissions of financial statements.
- The hospital board is not an executive board. Additionally, the in-charge of the health facility serves as an ex officio member and acts as the Secretary to the Committee, as stipulated in Section 17(1)(a) of the FIF Act of 2023.
- On the pagination typo error. Attach well-paginated. See annexure 1(a).

Committee Observation:

The Committee acknowledges the commitment to correct omissions in the next reporting cycle.

Committee Recommendation:

- **The Committee recommends that the Hospital Management should ensure full compliance with PSASB guidelines in all future financial statements, including all required disclosures and pagination.**

4.1.16. Drug Management Weaknesses

The statement of financial position reflects a balance of Kshs. 94,843,400 in respect to inventories as disclosed in Note 15 to the financial statements. Review of the bin cards and stock cards used to issue the products to various departments in the Hospital did not indicate the batch numbers and the expiry dates for each drug recorded. It was therefore not possible to establish whether the issuance of the products followed the principal of First Expiry First Out (FEFO). Further, there were no policy guidelines on the required reorder levels hence not possible to confirm whether commodities were procured within the required stock levels. This resulted to frequent stock outs of medical products at the Hospital which significantly affected the life of patients.

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

Management response:

Bin cards are available and updated regularly to support accurate tracking of medical supplies. Standard Operating Procedures (SOPs) are being put in place to ensure compliance with best practices in the procurement, storage, and distribution of health products in line with the Health Products and Technologies (HPT) Guidelines, 2022. **See annexure 7(a).**

Committee Observation:

The Committee notes the availability of bin cards and ongoing SOP development.

Committee Recommendation:

- The Committee recommends that the Hospital Management should ensure batch numbers and expiry dates are recorded and that FEFO principles are strictly followed, and report to the County Assembly progress made within sixty days after the adoption of this report.

4.1.17. Weak Controls on Inventories

The statement of financial position reflects a balance of Kshs. 94,843,400 in respect to inventories as disclosed in Note 15 to the financial statements. Review of the records maintained at the facility and physical verification revealed that the storage area for pharmaceuticals was adequate with the supplies well-arranged and with bin cards to control the receipt and issues of the supplies. However, storage area for non-pharmaceuticals and food supplies was not well arranged in terms of item classifications. Further, the storage area for food supplies was not tidy, which posed danger on the meals provided to patients. In addition, there were expired non-pharmaceutical supplies with undetermined value in the stores.

In the circumstances, the existence and effectiveness of the internal controls on inventory Management could not be confirmed.

Management response:

The hospital's food storage facility is an old structure, and due to natural wear and tear. Plans are underway, with a budgetary allocation provided, to construct a modern kitchen and food store.

The non-pharmaceutical storage challenges arose from a fire incident that affected the main store, leading to the temporary relocation of supplies to an alternative setup. Investigations into the fire incident are ongoing.

Expired non-pharmaceutical items have been secured in a temporary storage area pending disposal in accordance with the Public Procurement and Asset Disposal Act (PPADA), 2015, and related guidelines. See annexure 10(b) See annexure 10(b)

Committee Observation:

The Committee acknowledges the challenges due to old infrastructure and a fire incident.

Committee Recommendation:

- The Committee recommends that the Hospital Management should expedite the construction of a modern kitchen and store and ensure expired items are disposed of in accordance with the Public Procurement and Asset Disposal Act (PPADA), 2015.

4.1.18. Lack of Internal Audit function and Audit Committee

Review of the operations of the Hospital revealed that the Hospital did not establish an internal audit unit to oversee its governance mechanisms and promote transparency and accountability in the management of its resources during the year under review. Also, the Hospital did not constitute an audit committee contrary to Regulation 167(1) of the Public Financial Management (County Governments) Regulations, 2015.

In the circumstances, the Hospital did not benefit from the oversight role and advice from the audit committee and the internal audit function.

Management response:

The hospital has a sub-committee under the full board that is mandated to perform the audit and performance oversight role, as well as provide advisory support.

An audit report from the internal auditor is available for verification. See annexure 8(d).

To support its existence and functions, the management will provide meeting minutes and memos documenting its deliberations and oversight activities. See annexure 8(c).

Committee Observation:

The Committee confirms that a sub-committee of the board performs audit oversight and that internal audit reports exist.

Committee Recommendation:

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

4.1.19. Lack of Key Management Policies

The Hospital does not have key policies like Human Resource Policy Manual, Debt policy, Finance Manual, Risk Management policy, and Business Continuity Plan in place.

In the circumstances, the existence and effectiveness of the internal controls on key management policies could not be confirmed.

Management response:

We wish to clarify that as a county hospital, our operations are primarily guided by policies set by the executive unit of the Nairobi City County Government, which provide overarching frameworks for governance, financial management, and human resources.

See annexure 9

Committee Observation:

The Committee notes that the Hospital relies on county-level policies.

Committee Recommendation:

— The Committee recommends that the Hospital Management should develop institution-specific policies for HR, Debt, Finance, Risk, and Business Continuity, to be approved by the Hospital Board and the County Executive within six months after the adoption of this report.

4.1.20. Unconfirmed Dispensing of Drugs to Patients

The statement of financial position reflects a balance of Kshs. 94,843,400 in respect to inventories as disclosed in Note 15 to the financial statements. A walkthrough of the hospital system indicated a patient first registered at a registration counter after which examination and diagnostic tests were done and drugs were prescribed to be dispensed at the outpatient pharmacy at a fee. However, there was no evidence to show drugs issued were dispensed to specific patients based on doctor's prescription. The pharmacy could only account for averagely 70% of the instances where patient files were used. Further, medical commodities were issued from the store to the laboratory, maternity ward and comprehensive care clinic but were not supported with utilization reports.

In the circumstances, the existence and effectiveness of the internal controls on dispensing of drugs to patients could not be confirmed.

Management response:

Pumwani Maternity Referral Hospital is a specialized maternal and neonatal facility that mainly operates as an inpatient hospital. Drug dispensing in wards is done through patient files rather than individual prescriptions, ensuring proper tracking and accountability of medications administered to patients as part of routine inpatient care. See annexure 11(a).

Committee Observation:

The Committee acknowledges that drug dispensing is tracked through patient files.

Committee Recommendation:

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

5.0 CONCLUSION

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

6.0 SUMMARY OF ALL RECOMMENDATIONS

Following the Committee's consideration of "the Reports of the Auditor General on Pumwani Maternity Hospital for the years ended 30th 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 PUMWANI MATERNITY REFERRAL HOSPITAL FOR THE YEAR ENDED 30TH JUNE, 2022

1. Inaccuracies of the Financial Statements

- The Committee recommends that the Hospital Management should expedite the formalization of the deed of novation under the defunct Nairobi Metropolitan Services and conduct a comprehensive reconciliation of all financial balances;
- That future financial statements must be prepared in strict compliance with accounting standards and submitted with complete supporting documentation.

2. Variances in Receivables from Exchange Transactions

- The Committee recommends that the Hospital Management should strengthen its engagement with NHIF/SHA to resolve pending claims;
- That the Hospital Management should develop and implement a robust health management information system for real-time tracking and reconciliation of receivables within ninety days after the adoption of this report.

3. Cash and Cash Equivalents

- The Committee recommends that Hospital Management should enforce monthly bank reconciliations, ensure proper segregation of duties, and provide all necessary bank and M-Pesa confirmation certificates in future audits.

4. Failure to Prepare an Approved Budget

- The Committee recommends that the Hospital Management should ensure that all approved budgets and work plans are aligned with organizational goals and readily available for audit.

5. Staff Establishment

- The Committee recommends that Hospital Management should maintain up-to-date staff registers, including roles, job groups, and deployment details, to ensure transparency in human resource management.

6. Irregular Procurement of General Expenses

- The Committee recommends that the Hospital Management must ensure that all future procurements strictly adhere to the Public Procurement and Asset Disposal Act, 2015;

— That any resort to direct procurement must be thoroughly justified and documented with a professional opinion proving that no reasonable alternative existed.

7. Irregularities on Board Management Expenses

— The Committee recommends that the Hospital Management should maintain and avail all board meeting minutes and related documents for auditing to demonstrate compliance with Mwongozo guidelines.

8. Non-Compliance with Procurement Requirements for Drugs and Medical Supplies

— The Committee recommends that the Hospital Management should settle outstanding KEMSA debts and resume procurement through KEMSA to comply with legal requirements within ninety days after the adoption of this report.

9. Non - Adherence to List of Registered Suppliers

— The Committee recommends that the Hospital Management should maintain and regularly update the list of registered suppliers and ensure it is available for audit verification.

10. Irregular Procurement Procedures – Clinical Costs

— The Committee recommends that the Hospital Management should ensure all procurement processes are fully documented, including quotations, evaluations, and award letters, to avoid perceptions of non-compliance and the same are availed for auditing.

11. Irregular Use of Framework Contracting

— The Committee recommends that the Hospital Management should conduct regular value-for-money assessments for all framework contracts and ensure they are competitively tendered upon expiry.

12. Stock-out of Medical Commodities

— The Committee recommends that the Hospital Management should develop and implement a digital inventory management system with defined reorder levels to prevent stock-outs and ensure continuous availability of essential medicines within ninety days after the adoption of this report.

13. Lack of Formal Appointment Letters for Board Members

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

14. Shortage of Healthcare Workers and Unavailable Services

— The Committee recommends that the Hospital Management in liaison with the County Executive and County Public Service Board should fast-track the

recruitment of specialized staff and upgrade hospital facilities to meet Level 5 standards within ninety days after the adoption of this report.

15. Late Submission of Financial Statements for Audit

— The Committee recommends that the Hospital Management should ensure timely submission of financial statements in compliance with the Public Audit Act.

16. Existence and Independence of Pumwani Midwifery College

— The Committee recommends that the College Management should formalize its registration with the relevant education authorities;

— That the College Management should ensure its financial transactions are transparent and auditable;

— That an independent annual audit for the College be undertaken.

17. Non-Compliance with the Public Sector Accounting Standards Board (PSASB) Reporting Requirements

— The Committee recommends that the Hospital Management should ensure full compliance with PSASB guidelines, including complete disclosures, proper formatting, and accurate pagination in all future financial statements.

18. Lack of Audit function and Audit Committee

— The Committee recommends that the matter be marked as addressed.

19. Lack of Key Management Policies

— The Committee recommends that the Hospital Management should develop and adopt all key management policies in consultation with the Nairobi City County Executive within six months after the adoption of this report.

20. Weak Controls on Inventories

— The Committee recommends that the Hospital Management should ensure immediate improvement in storage conditions, disposal of expired items, and construction of a modern storage facility as planned.

21. Unconfirmed Dispensing of Drugs to Patients

— The Committee recommends that the Hospital Management should develop and implement a robust drug tracking system, supported by utilization reports and patient files within ninety days after the adoption of this report to ensure accountability and compliance.

REPORT OF THE AUDITOR-GENERAL ON PUMWANI MATERNITY REFERRAL HOSPITAL FOR THE YEAR ENDED 30TH JUNE, 2023

1. Inaccuracies of the Financial Statements

— The Committee recommends that the Hospital Management should strengthen internal controls over financial reporting and ensure continuous compliance with accounting standards to prevent recurrence.

2. Variances in Receivables from Exchange Transactions

— The Committee recommends that the Hospital Management should expedite the resolution of pending NHIF claims and ensure future claims are submitted and reconciled promptly.

3. Lack of Annual Stock Take

— The Committee recommends that the Hospital Management should conduct an immediate physical stock count, reconcile it with bin cards and financial records, and adopt the "lower of cost and net realizable value" for inventory valuation. A certified stock-taking report must be submitted to the County Assembly and office of the Auditor-General for audit review within ninety days after the adoption of this report.

4. Unresolved Prior Year Matters

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

5. Failure to Prepare an Approved Budget

— The Committee recommends that the Hospital Management should ensure that all approved budgets and work plans are aligned with organizational goals and readily available for audit.

6. Non-Compliance with Procurement Requirements for Drugs and Medical Supplies

— The Committee recommends that the Hospital Management should settle outstanding KEMSA dues and resume procurement through approved channels as soon as possible.

7. Out of Stock Medical Commodities (Drugs)

— The Committee recommends that the Hospital Management should finalize and implement reorder level policies to minimize stock outs and ensure continuous availability of essential drugs.

8. Unsupported Board Expenses

— The Committee recommends that the Hospital Board of Management should strictly adhere to Mwongozo guidelines, ensure all meetings are properly documented, and that no expenditure is incurred without supporting minutes and approvals. The Board Chairman must certify compliance to this effect.

9. Lack of Formal Appointment Letters for Board Members

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

10. Lack of Key Management Policies

— The Committee recommends that the Hospital Management, in consultation with the County Executive, should develop and adopt specific policies for Human Resources, Debt Management, Finance, Risk, and Business Continuity and status report submitted to the County Assembly within six months after the adoption of this report.

11. Shortage of Healthcare Workers and Unavailable Services

— The Committee recommends that the Hospital Management in conjunction with Nairobi City County Executive and the County Public Service Board should treat this as a matter of extreme urgency and develop a funded Staff Rationalization and Facility Upgrade Plan to bridge the identified gaps within the 2026/2027 financial year.

12. Late Submission of Financial Statements for Audit

— The Committee recommends that the Hospital Management should ensure strict adherence to the statutory deadline of 30th September for all future submissions of financial statements to the Auditor-General.

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

— The Committee recommends that the Hospital Management should ensure full compliance with all PSASB guidelines in the preparation of the 2024 financial statements;

— That the County Chief Officer for Health Facilities as the Accounting Officer, must take ultimate responsibility for the accuracy and completeness of these reports.

14. Drug Management Weaknesses

— The Committee recommends that the Hospital Management should expedite the rollout of the inventory management system and enforce First Expiry First Out (FEFO) principles in drug issuance.

15. Weak Controls on Inventories - Non-Pharmaceuticals

- The Committee recommends that the Hospital Management should prioritize the construction of a modern storage facility and ensure expired items are regularly identified and disposed off in line with the Public Procurement and Asset Disposal Act 2015 and all other laws and policy.

16. Unconfirmed Dispensing of Drugs to Patients

- The Committee recommends that the Hospital Management should fully implement the Health Management Information System (HMIS) to electronically track prescriptions and dispensations from the point of prescription to the patient within sixty days after the adoption of this report;
- That utilization reports for all departments must be generated and reviewed monthly.

17. Staff Establishment

- The Committee recommends that Hospital Management should ensure staff records are regularly updated and readily available for audit.

18. Lack of Internal Audit function and Audit Committee

- The Committee recommends that Hospital Management should formalize the internal audit function and ensure the audit committee operates in line with PFM regulations.

REPORT OF THE AUDITOR-GENERAL ON PUMWANI MATERNITY REFERRAL HOSPITAL FOR THE YEAR ENDED 30TH JUNE, 2024

1. Inaccuracies in the Financial Statements

— The Committee noted that this issue has been adequately addressed and recommends that the matter be marked as resolved.

2. Variances in Receivables from Exchange Transactions

— The Committee recommends that the Hospital Management in conjunction with the County Executive through the Department of Health should urgently and formally engage the National Health Insurance Fund (NHIF)/SHA to enforce the contractual agreement requiring payment within ninety days of claim submission.

3. Undisclosed Property, Plant and Equipment

— The Committee recommends that Hospital Management should expedite the valuation process through County Executive and ensure all assets are recorded in the register and disclosed in the subsequent financial statements.

4. Unsupported Trade Payables

— The Committee recommends that the Hospital Management in liaison with the County Treasury should conduct a thorough validation exercise of all payables. All unsubstantiated payables must be written off, and a structured payment plan for legitimate pending bills must be developed and incorporated into the next budget cycle.

5. Lack of Annual Stock Take

— The Committee recommends that the Hospital Management should conduct and document annual stocks and ensure inventory is valued at the lower cost and net realizable value.

6. Unresolved Prior Year Matters

— The Committee recommends that the Hospital Management should develop a clear action plan to address all prior year audit matters before the next audit cycle.

7. Failure to Prepare an Approved Budget

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

8. Lack of Staff Establishment

— The Committee recommends that the Hospital Management and the County Public Service Board should align its staffing structure with KQMH minimum standards.

9. Payment of Allowance to Locum Personnel

- The Committee recommends that the Hospital Management in conjunction with the County Public Service Board should develop a locum staff policy within sixty days after the adoption of this report;
- That the Hospital Management should ensure future engagements are supported by needs assessment and approval by the Hospital Board.

10. Non-Compliance with Procurement Requirements for Drugs and Medical Supplies

- The Committee recommends that the Hospital Management should ensure future procurements prioritize KEMSA where possible and maintain clear justifications for alternative sourcing.

11. Lack of Formal Appointment Letters for Board Members

- The Committee recommends that the Hospital Management in liaison with the County Executive Committee Member for Health should ensure all appointment letters are readily available for audit;
- That future appointments are gazetted promptly.

12. Shortage of Healthcare Workers and Unavailable Services

- The Committee recommends that the Hospital Management should liaise with the County Executive to address staffing and infrastructure gaps through phased recruitment and resource mobilization.

13. Existence and Independence of Pumwani Midwifery College

- The Committee recommends for establishment of a clear and auditable separation of finances and operations between the Hospital and the College within forty-five (45) after adoption of this report.

14. Stock out of Medical Commodities

- The Committee recommends that the Hospital Management in conjunction with the County ICT department should develop and implement an electronic inventory management system with automatic re-order points within sixty days after the adoption of this report;
- That the Hospital Management should provide a weekly stock status report for all critical drugs to the CECM for Health.

15. Non-Compliance with the Public Sector Accounting Standards Board (PSASB) Reporting Requirements

- The Committee recommends that the Hospital Management should ensure full compliance with PSASB guidelines in all future financial statements, including all required disclosures and pagination.

16. Drug Management Weaknesses

- The Committee recommends that the Hospital Management should ensure batch numbers and expiry dates are recorded and that FEFO principles are strictly followed, and report to the County Assembly progress made within sixty (60) days after the adoption of this report.

17. Weak Controls on Inventories

- The Committee recommends that the Hospital Management should expedite the construction of a modern kitchen and store and ensure expired items are disposed of in accordance with the Public Procurement and Asset Disposal Act (PPADA), 2015.

18. Lack of Internal Audit function and Audit Committee

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

19. Lack of Key Management Policies

- The Committee recommends that the Hospital Management should develop institution-specific policies for HR, Debt, Finance, Risk, and Business Continuity, to be approved by the Hospital Board and the County Executive within six months after the adoption of this report.

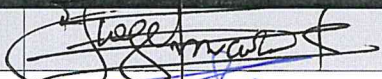




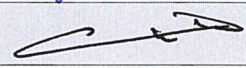


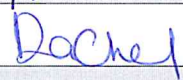
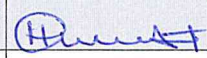
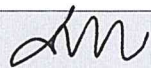

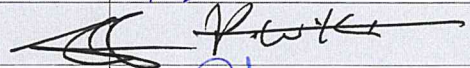
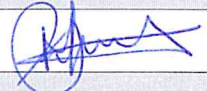
20. Unconfirmed Dispensing of Drugs to Patients

- Committee recommends that this matter be marked as resolved.

7.0 ANNEXURES

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

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

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

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

MEMBERS PRESENT:

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

MEMBERS ABSENT:

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

SECRETARIAT

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

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

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

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

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

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

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

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

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

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

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

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

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

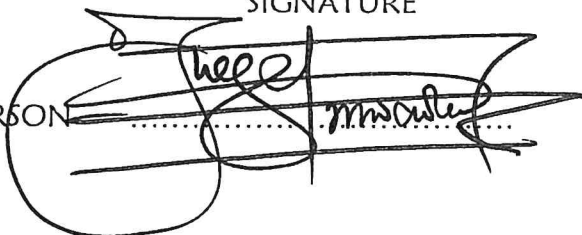
MIN.014/NCCA/PAC/FEB/2026 – A.o.B

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

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

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

CONFIRMED AS A TRUE RECORD OF THE PROCEEDINGS

	SIGNATURE	DATE
CHAIRPERSON		17/FEB/2026

