

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

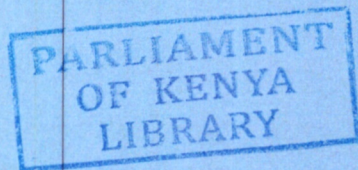
REPORT



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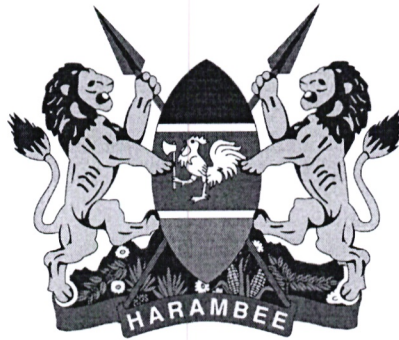
THE AUDITOR-GENERAL



ON

THE FINANCIAL STATEMENTS OF  
NAIROBI HEALTH MANAGEMENT  
BOARD

FOR THE FIFTEEN MONTH'S PERIOD  
ENDED 30 SEPTEMBER 2017



Nairobi Health Management  
Board  
P. O. BOX 48651-00100, GPO,  
Tel: 2710250 / 1  
Lady Northey Home  
State House Avenue  
Nairobi.

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**NATIONAL GOVERNMENT ENTITY  
NAIROBI HEALTH MANAGEMENT BOARD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE 15 MONTH PERIOD ENDED  
SEPTEMBER 30, 2017**

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

**NATIONAL GOVERNMENT ENTITY  
NAIROBI HEALTH MANAGEMENT BOARD  
Reports and Financial Statements For the 15 month period ended September 30, 2017**

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**NATIONAL GOVERNMENT ENTITY  
NAIROBI HEALTH MANAGEMENT BOARD  
Reports and Financial Statements For the 15 month period ended September 30, 2017**

**I. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

The **NAIROBI HEALTH MANAGEMENT BOARD** was formed on 26<sup>th</sup> July, 2000 by merging the health functions of Ministry of Local government and the Ministry of Health (in Nairobi) at cabinet level, the Nairobi Health Management Board is represented by the Cabinet Secretary for **DEVOLUTION AND PLANNING** who is responsible for the general policy and strategic direction of the entity.

**(b) Principal Activities**

The principal activity/mission of the Nairobi Health Management Board as per the Nairobi Health Management board Order, 2000 is to “administer, manage and development of provincial and district hospitals, Public health centres, dispensaries and clinics in Nairobi”. Currently due to the devolution process, the board is more of an advisory organ.

**(c) Key Management**

The Nairobi Health Management Board’s day-to-day management is under the following key organs:

- The Secretary to the Board/Nairobi County Chief Officer - Health
- The Ag. Chief Executive Officer/ Nairobi County Director of Medical Services: and
- The Administrator

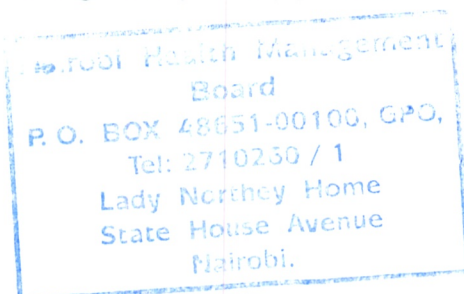
**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:-

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Chairman	Dr. Stephen Ochiel
2.	Ag. CEO/CO-H	Dr. Samuel Ochola
3.	Administrator	Mr. Gideon Gachuhi

**(e) Fiduciary Oversight Arrangements**

The Board provides the overall fiduciary oversight and receives regular reports from the Finance and General Purpose Committee and the Audit Committee. Internal controls are in place with Ag. CEO overseeing the day-to-day prudent management of finances supported by an internal auditor.



**NATIONAL GOVERNMENT ENTITY  
NAIROBI HEALTH MANAGEMENT BOARD  
Reports and Financial Statements For the 15 month period ended September 30, 2017**

**(f) Entity Headquarters**

P.O. Box 48651 00100 GPO  
Lady Northey Home  
State House Avenue  
Nairobi, KENYA

**(g) Nairobi Health Management Board**

Telephone: (020) 2710260  
E-mail: ceo@nairobihmb.co.ke

**(h) Entity Bankers**

Co-operative Bank of Kenya Limited  
Co-op House Branch  
P. O. Box 67881  
City Square 00200  
Nairobi, Kenya

**(i) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**(j) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya



II. BOARD MEMBERS

1.



**DR. STEPHEN OCHIEL, MBS - Chairman**  
Profession: Medical Practitioner  
Academic/Professional Qualifications:  
M.B,Ch.B.; M.Med.; Consultant Gynaecologist

Nairobi Health Management  
Board  
P. O. BOX 43651-00100, GPO,  
Tel: 2710260 / 1  
Lady Natchoy Home  
State House Avenue  
Nairobi.

**DOB: 7<sup>th</sup> January, 1949**

Experience: 40 years' experience in the medical field. Lecturer, University of Nairobi; Member - Tobacco Control Board; Past Chief Medical Officer, University of Nairobi; Consultant Gynaecologist, Kenyatta National Hospital. Author and co-author of several publications.

**Past Chairman of:-**

- i) Medical Sciences Advisory Research Committee
- ii) Kenya Medical Investment Company Limited Board
- iii) Private Practice Committee of Medical Practitioner and Dentist Board
- iv) Kisumu Town East Constituency Development Fund Committee
- v) President, Federation of Medical Association of East Africa (FEMDA)
- vi) Kenya Medical Association Housing Co-operative Society
- vii) National Chairman of Kenya Medical Association
- viii) Kenya Obstetrical and Gynaecological Society

**Past Board/Council Member/Trustee:-**

- ix) Medical Practitioners & Dentists Board
- x) National Hospital Insurance Fund
- xi) National Aids Control Council
- xii) NHIF Retirement Benefit Scheme
- xiii) National Economic and Social Council (NESC)
- xiv) Association of Professional Societies of East Africa (APSEA)
- xv) Kenya Medical Association
- xvi) Nairobi Health Management Board
- xvii) Reproductive Health Advisory Board

**NATIONAL GOVERNMENT ENTITY  
 NAIROBI HEALTH MANAGEMENT BOARD  
 Reports and Financial Statements For the 15 month period ended September 30, 2017**

2.



**ELIZABETH OYWER**

Profession: Nursing  
 Director of Nursing (designate) – Ministry of Health  
 Academic/Professional Qualifications: Master of Arts (Mental Health) and Master of Nursing (Nursing Education); KRN, KRPN, DAN, BsCN,

**DOB: 13th March, 1958**

Experience: 35 years in Nursing, Clinical nursing, Lecturer, Administrator at Ministry of Health Headquarters and Registrar/Chief Executive Officer, Nursing Council of Kenya.

3.



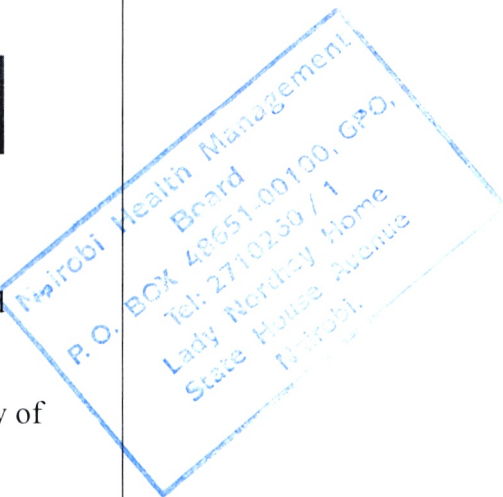
**Dr. Annah Wanjugu Wamae, OGW**

Profession: Medical Practitioner  
 Academic/Professional Qualifications: M.B,Ch.B.; M.Med.(Paediatrics and Child Health);  
 Deputy Director of Medical Services  
 Representing Principal Secretary, Ministry of Health

**DOB 8th May 1962**

Experience: 25 years' work experience in the Health sector providing leadership and coordinating the formulation and implementation of policies and guidelines in both Preventive/Promotive Health and Clinical Services

Attended several local and international short courses in Health Policy, Leadership and Maternal and Child Health and Nutrition.



**NATIONAL GOVERNMENT ENTITY  
NAIROBI HEALTH MANAGEMENT BOARD**

**Reports and Financial Statements For the 15 month period ended September 30, 2017**

4.



**PROF: ISAAC KIBWAGE, HSC**  
Principal, Collage of Health Sciences, UoN

Profession: Pharmacist; Professor of  
Pharmaceutical Chemistry  
Academic/Professional Qualifications: B.Pharm,  
M.Pharm, Ph.D, C.Sci, C.Chem, MRSC, FPSK

**DOB: August 1954**

Experience: 36 years as a Pharmacist. Lecturer, consultant on pharmaceutical quality systems and analytical sciences. Chair of Board of Management, National Quality Control Laboratory; Past Council member, University of Nairobi; Committee on Drug Registration, Ministry of Health; Fellow and past Chairman of the Pharmaceutical Society of Kenya; Board of Governors, Menyenya High School and Kisii Teaching and Referral Hospital. Member: Board of Directors, Kenyatta National Hospital; Board of Management, Kenya Medical Training College; School Equipment Production Unit, Ministry of Education; National Constitutional Conference, World Health Organization Expert Committee on the International Pharmacopoeia and Pharmaceutical Preparations; Pharmacy and Poisons Board, Ministry of Health. Author and co-author of several publications.

5.



**SAMUEL M. MACHARIA**  
Profession: Finance and Budget Officer  
Academic/Professional Qualifications: EMBA  
(JKUAT), B.COMM (UoN), CPA (K).



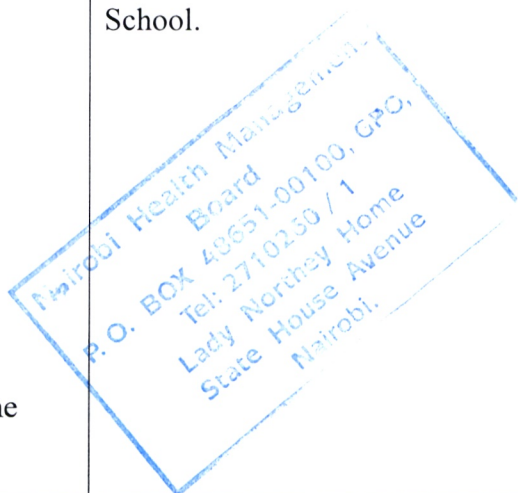
Representing Principal Secretary, The National  
Treasury

**DOB 4<sup>th</sup> May 1971**

Experience- 15 years in Financial Management



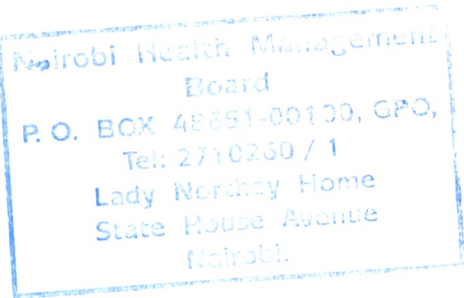


**NATIONAL GOVERNMENT ENTITY  
 NAIROBI HEALTH MANAGEMENT BOARD  
 Reports and Financial Statements For the 15 month period ended September 30, 2017**



<p>6.</p>  <p><b>PAULINE MURIITHIA</b>          Profession: Advocate          Academic/Professional Qualifications: LLB; Dip. Law; Certificate in Strategic Leadership Development; Certificate in Strategic Planning and Management</p> <p>Representing Principal Secretary, State Department of Devolution</p>	<p><b>DOB: 2<sup>nd</sup> August 1968</b>          21 years' experience in the public service</p>
<p>7.</p>  <p><b>DR. WALTER OWEN OGONY.</b>          Profession: Medical Practitioner          Academic/Professional Qualifications: M.B,Ch.B., M.Med.; Dip. CEH. Fellow of the Eastern Africa College of Ophthalmology (FEACO); Management &amp; Leadership,</p>	<p><b>DOB: 26<sup>th</sup> Sep. 1957</b>          Medical practitioner for 33 years of which 26 as a Specialist Ophthalmologist at Kenyatta National Hospital; Past Head of department for 10 years. Past Assistant Director, Specialised Surgical Services. Past Chair of Performance Contract Committee. Member of the Corruption Prevention Committee. Past BOG Chair - Sidindi Secondary School.</p> 

NATIONAL GOVERNMENT ENTITY  
NAIROBI HEALTH MANAGEMENT BOARD

Reports and Financial Statements For the 15 month period ended September 30, 2017

<p>Performance Contract, Corporate Governance.</p> <p>Representing Director, Kenyatta National Hospital</p>	
<p>8</p>  <p><b>WASONGA SIJEYO OGOLA</b> Profession: Advocate Academic/Professional Qualifications: LLB; Dip. Law;  Legal Officer, Nairobi County</p>	<p><b>DOB: 2<sup>nd</sup> July 1970</b> Experience: Legal practitioner for the past 12 years; Part time lecturer – Kenya Institute of Management and Collage of Human Resource Management. Board Member – Pumwani Maternity Hospital. Member – Law Society of Kenya; Kenya Institute of Management</p>
<p>9.</p>  <p><b>DR. RONALD MWENDE INYANGALA</b> Director, Business Support Services Pharmacy and Poisons Board.</p> <p>Profession: Pharmacist Academic/Professional Qualifications: Msc.</p>	<p><b>DOB: 6<sup>th</sup> December, 1962</b> Experience: 27 years' experience in both the public and private sectors of which 12 years have been served in the Pharmacy and Poisons Board.</p>  <p>Nairobi Health Management Board P. O. BOX 48851-00100, GPO, Tel: 2710260 / 1 Lady Natchoy Home State House Avenue Nairobi.</p>

**NATIONAL GOVERNMENT ENTITY  
 NAIROBI HEALTH MANAGEMENT BOARD  
 Reports and Financial Statements For the 15 month period ended September 30, 2017**

<p>(Pharm); MPSK. Certificate in Strategic Leadership Development; Certified GMP and ISO 9001 Lead Auditor</p>	
<p>10.</p>  <p><b>DR. ROBERT AYISI, OGW, MBS</b>  <b>Ag. County Secretary and Secretary to the Board</b></p> <p>Profession: Medical Practitioner          Academic/Professional Qualifications:          M.B,Ch.B., M.Med. (Paediatrics and Child Health); MPH. Specialist in Family Health and Nutrition.</p>	<p><b>DOB 27<sup>th</sup> April 1957</b>          Experience: 32 years' work experience, inclusive of being a Provincial Medical Officer in Kakamega and Nairobi Provinces; Medical Officer of Health – Nairobi Province; Chief Officer – Health, Nairobi County.</p>
<p>11.</p>  <p><b>DR. SAMUEL OCHOLA</b>  <b>Ag. CEO/Ag. County Chief Officer – Heal</b></p>	<p><b>DOB: 3<sup>rd</sup> January, 1958</b>          Experience: 31 years' work experience inclusive of Medical officer of health in two districts, Head National Malaria control program, Provincial Director of health in Nairobi and Chief Officer of Health Nairobi          Profession: Medical Practitioner          Academic/Professional Qualifications: M.B,Ch.B., Master's in Public Health, Dip. HSM</p> <p><i>Nairobi Health Management Board          P.O. BOX 48651-00100, CHANARY ROAD          TEL: 2770013471          1st Floor, 1st Floor Home</i></p>

III. MANAGEMENT TEAM

1.



**DR. ROBERT AYISI, OGW, MBS**

DOB 27<sup>th</sup> April 1957

Profession: Medical Practitioner

Academic/Professional Qualifications: M.B,Ch.B.,  
M.Med. (Paediatrics and Child Health); MPH;  
Specialist in Family Health and Nutrition.

Experience: 32 years' work experience, inclusive of  
being a Provincial Medical Officer in Kakamega and  
Nairobi Provinces; Medical Officer of Health –  
Nairobi Province; Chief Officer – Health, Nairobi  
County.

Secretary to the Board/Ag. County  
Secretary

2.




**DR. SAMUEL OCHOLA**

Ag. Chief Executive Officer/Ag. County  
Chief Officer - Health

Nairobi Health Management  
Board  
P. O. BOX 48651-00100, GPO,  
Tel: 2710250 / 1  
Lady Northey Home  
State House Avenue  
Nairobi.

**NATIONAL GOVERNMENT ENTITY  
 NAIROBI HEALTH MANAGEMENT BOARD  
 Reports and Financial Statements For the 15 month period ended September 30, 2017**

<p>DOB: 3<sup>rd</sup> January, 1958                  Profession: Medical Practitioner                  Academic/Professional Qualifications: M.B,Ch.B.,                  Master's in Public Health, Dip. HSM                  Experience: 31 years' work experience inclusive of                  Medical officer of health in two districts, Head                  National Malaria control program, Provincial                  Director of health in Nairobi and Chief Officer of                  Health Nairobi</p>	
<p>3.</p>  <p><b>GIDEON MACHARIA GACHUHI</b>                  DOB: 23<sup>rd</sup> September, 1957</p> <p>Profession: Health Administration                  Academic/Professional Qualifications: BA (Econ;                  Govt.); Advanced Dip. Health Services                  Administration.                  Experience: 32 years' experience in health services                  management in the public sector</p>	<p><b>Administrator</b></p>

Nairobi Health Management Board  
 P. O. Box 42651-00100, G.  
 Tel: 2710229 / 1  
 Lady Northey Home  
 State House Avenue  
 Nairobi.

**NATIONAL GOVERNMENT ENTITY  
NAIROBI HEALTH MANAGEMENT BOARD**

**Reports and Financial Statements For the 15 month period ended September 30, 2017**

**IV. CHAIRMAN'S STATEMENT**

The Chairman, the Board, and staff of the Nairobi Health Management Board wish to extend their appreciation to State Department of Devolution, Ministry of Health, and Nairobi City County Government, through the County Executive Committee Member for Health (CECM), for their continued support.

Through 2016 – 2017 Financial year, the Board continued with its support to Nairobi City County Government through its various committees offering advice to County management on matters of health. Further, through several supervisory tours to sub-county facilities, the Board extended its advisory role to operational levels.

However, the Board was faced with several constraints in its composition and mandate due to full implementation of the devolution process in the county as prescribed in the constitution. The Board thus undertook to engage the Nairobi City County Government on its future role, which also included future funding. In July, the Board received communication to the effect it was prudent to wind-up the current Board in anticipation of a new Board being set up with a different mandate other than that set out in the Legal Notice No. 99 of 2000.

  
**Dr. Stephen Ochiel, MBS**



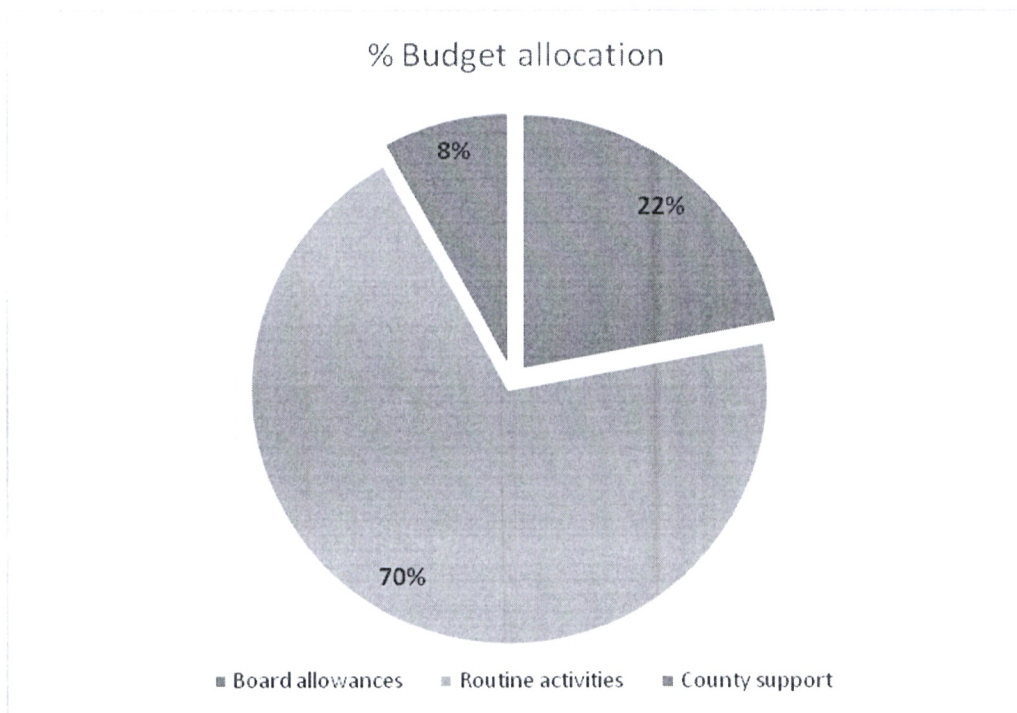
**NATIONAL GOVERNMENT ENTITY  
NAIROBI HEALTH MANAGEMENT BOARD  
Reports and Financial Statements For the 15 month period ended September 30, 2017**

**V. REPORT OF THE CHIEF EXECUTIVE OFFICER**


The Ag. Chief Executive Officer and the Secretariat would wish to thank the Chairman, the Board and the Nairobi City County Health Sector management for their continued support during the year under review.

This being the last year of the transition period as prescribed in the constitution; the Board has engaged the Nairobi City County Government on its future function and has proposed a transition to an advisory entity within the County health system.

At the beginning of the financial year 2016 -2017, the Board developed a budget, work-plan, and a procurement plan based on a projected amount of Ksh. 9,433,000 being balances of funds carried forward from the previous year 2015-2016. No Grant was anticipated from the State Department of Devolution. The expenditure pattern for the year was 70% for Operations and Maintenance; 22% for Board allowances; and 8% for support to the County. This contrasted with that of the previous your where Board allowances accounted for 40%; Operations and Maintenance 50%; and support to the County 10%.



The Board, having received communication from the County Government of its imminent dissolution with effect from 1<sup>st</sup> October 2017, has thus put in the necessary mechanisms to wind-up the operations of the Board and hand over its assets to the County Government. This is thus the Final report and Financial Statement for the 15 month period from 1<sup>st</sup> July 2016 to 30<sup>th</sup> September 2017.

  
**Dr. Samuel Ochola,**  
**Ag. CEO/County Chief Officer – Health**

Nairobi Health Management Board  
P.O. BOX 48651-00100, GPO,  
Tel: 2710250 / 1  
State House Avenue  
Nairobi.

**NATIONAL GOVERNMENT ENTITY  
NAIROBI HEALTH MANAGEMENT BOARD  
Reports and Financial Statements For the 15 month period ended September 30, 2017**

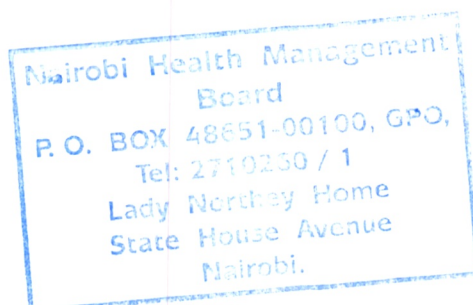
**VI. CORPORATE GOVERNANCE STATEMENT**

The mandate of the Board, as per provisions of Legal Notice 99 of 2000 was to “administer, manage and development of provincial and district hospitals, Public health centres, dispensaries and clinics in Nairobi”. In order to achieve this, the Minister for Local Government, in consultation with the Minister for Health, between July 2001 and October 2010, appointed, through a gazette notice, 14 members of the Board. Each Board term lasting for a period of three years, with an option of re-appointment for a further three years for a maximum of two terms.

The Legal Notice 99 of 2000 provided for a Board Secretary. However, with more involvement of the Ministry of Health in a reorganized and a rejuvenated Board in 2003, the Nairobi Provincial Medical Officer was appointed to act as the Board’s Chief Executive Officer.

The current Board was appointed on 15<sup>th</sup> October 2010; its first term expired on 11<sup>th</sup> October 2013. The Board has since been operating under the transition clauses of the constitution. The continued existence of the Board, after the transition period, has therefore been, and will continue to be, the prerogative of the Nairobi City County Government in its membership, mandate, and operations.

As expected, the governance structures that were embedded in the Legal Notice continued to apply in as far as they were not in conflict with the Constitution. The Board operates through its four (4) committees and the Full Board, which meets quarterly.



**NATIONAL GOVERNMENT ENTITY  
NAIROBI HEALTH MANAGEMENT BOARD  
Reports and Financial Statements For the 15 month period ended September 30, 2017**

**VII. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES**

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a national government entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

The **Ag. Chief Executive Officer** of **Nairobi Health Management Board** is responsible for the preparation and presentation of the **Board's** financial statements, which give a true and fair view of the state of affairs of the **Board** for and as at the end of the **15 month** period ended on **September 30, 2017**. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the **Board**; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

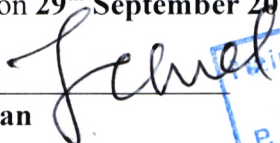
The **Ag. Chief Executive Officer** accepts responsibility for the **Board's** financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The **Ag. Chief Executive Officer** is of the opinion that the **Board's** financial statements give a true and fair view of the state of the **Board's** transactions during the **15 month** period ended on **September 30, 2017** and of the **Board's** financial position as at that date. The **Ag. Chief Executive Officer** in charge of the **Nairobi Health Management Board** further confirms the completeness of the accounting records maintained for the **Board**, which have been relied upon in the preparation of the **Board's** financial statements as well as the adequacy of the systems of internal financial control.

The **Ag. Chief Executive Officer** in charge of the **Nairobi Health Management Board** confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further, the **Ag. Chief Executive Officer** confirms that the **Board's** financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The **Board** financial statements were approved and signed by the **Chairman and Ag. Chief Executive Officer** on **29<sup>th</sup> September 2017**

Chairman



Ag. Chief Executive Officer



# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NAIROBI HEALTH MANAGEMENT BOARD FOR THE FIFTEEN MONTHS' PERIOD ENDED 30 SEPTEMBER 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

##### Adverse Opinion

I have audited the accompanying financial statements of Nairobi Health Management Board set out on pages 16 to 25, which comprise the statement of assets and liabilities as at 30 June 2017, and the statement of receipts and payments, summary statement of appropriation and statement of cash flows for the fifteen months' period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Nairobi Health Management Board as at 30 September 2017, and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with the Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that public money has not been applied lawfully and in an effective way.

##### Basis for Adverse Opinion

#### 1. Presentation and Disclosures in the Financial Statements

##### 1.1. Non-Disclosure of Non-Current Assets

Public Sector Accounting Standards Board guidelines requires a disclosure on fixed assets register balances as annexure to the financial statements for all public sector entities that are preparing their financial statements under IPSAS Cash Basis Financial Reporting Framework. The management did not provide an annexure to the financial statements of non-current assets owned by the Board contrary to the above requirements.

##### 1.2. Presentation of Financial Statements

The statement of compliance and basis of preparation under Note 1 on significant accounting policies indicate that the figures in the financial statements have been

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*Report of the Auditor-General on the Financial Statements of Nairobi Health Management Board for the Fifteen Months' Period Ended 30 September 2017*

presented in thousands. However, this has not been indicated clearly on pages 16,17, 18, 19, 20, 23, 24 and 25 of the financial statements.

Consequently, the financial statements have not been prepared fully in compliance with the reporting guidelines issued by the Public Sector Accounting Standards Board.

## **2. Failure to Disclose Appropriately Material Uncertainty Related to Sustainability of Services**

The Chief Executive Officer of the Board has indicated in his report on page 12 that the Board had received communication from the Nairobi City County Government of its imminent dissolution with effect from 1 October, 2017. He has further reported that the Board has put in place mechanisms to wind up its operations and hand over its assets and liabilities to the County Government. He has also indicated that these are the final financial statements of the Board for the 15 months' period from 1 July 2016 to 30 September 2017. However, the above material uncertainty has not been disclosed appropriately in the notes to the financial statements.

In addition, contrary to the provisions of the International Public Sector Accounting Standard No. 1, no disclosures have been made in the notes to the financial statements regarding:

- i. the reason for using a longer (15 months) instead of the normal (12 months) reporting and
- ii. the fact that comparative amounts of certain statements such as the statement of assets and liabilities, and the statement of receipts and payments, summary statement of appropriation and statement of cash flows and related notes are not entirely comparable.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Nairobi Health Management Board in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, were of most significance to the audit of the financial statements for the period. Except for the matters described in the Basis for Adverse Opinion and Other Matter sections of my report, I have determined that there are no key audit matters to communicate in my report.

### **Other Matter**

#### **1. Budget and Budgetary Control**

The Board had an approved budget of Kshs.9,433,000. However, the ledger shows that the Board did not adhere to budget and budgetary control as five line items had under

and over expenditure amounting to Kshs.311,000 and Kshs.4,510,000, respectively as analyzed below:

<b>i.Under Expenditure</b>				
	<b>Budgeted Amount</b>	<b>Current Period Final</b>	<b>Difference between Budget and Actual</b>	
<b>Description</b>	<b>Kshs.000</b>	<b>Kshs.000</b>	<b>Kshs.000</b>	
Hospitality supplies and services	900	756	144	
Office and general supplies and services.	60	20	40	
Routine maintenance – vehicles and other transport equipment/fuel and lubricant.	703	575	128	
<b>Total</b>	<b><u>1,663</u></b>	<b><u>1,352</u></b>	<b><u>311</u></b>	

<b>ii.Over Expenditure</b>				
	<b>Budgeted Amount</b>	<b>Current Period Final</b>	<b>Difference between Budget and Actual</b>	
<b>Description</b>	<b>Kshs.000</b>	<b>Kshs.000</b>	<b>Kshs.000</b>	
Domestic travel and subsistence	650	2,652	2,002	
Board allowances	2,100	4,608	2,508	
<b>Total</b>	<b><u>2,750</u></b>	<b><u>7,260</u></b>	<b><u>4,510</u></b>	

Management did not provide reasons for the under and over expenditure.

### **Responsibility of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Board or to cease operations, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Board's financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**15 October 2018**

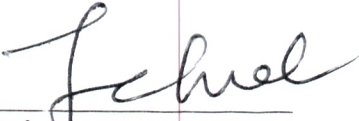
**NATIONAL GOVERNMENT ENTITY  
NAIROBI HEALTH MANAGEMENT BOARD**

**Reports and Financial Statements For the 15 month period ended September 30, 2017  
(Ksh '000)**

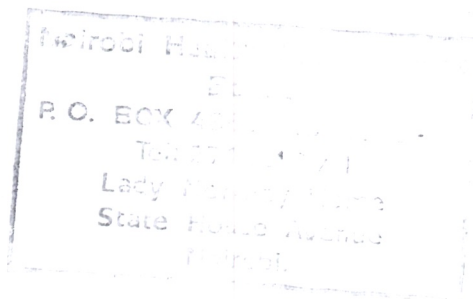
**IX. STATEMENT OF CASH RECEIPTS AND PAYMENTS**

	Note	2016-2017 Kshs. 000	2015-2016 Kshs. 000
<b>RECEIPTS</b>			
Transfers from other government entities	1	0.00	0.00
Other Receipts	2	0.00	0.00
<b>TOTAL RECEIPTS</b>		<b>0.00</b>	<b>0.00</b>
<b>PAYMENTS</b>			
Use of goods and services	3	7,360	11,218
Acquisition of Assets	4	0	4,742
Other Payments	5	6,111	5,958
<b>TOTAL PAYMENTS</b>		<b>13,471</b>	<b>21,919</b>
<b>SURPLUS/DEFICIT</b>		<b>(13,471)</b>	<b>(21,919)</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on **29<sup>th</sup> September 2017**, signed by:

  
Chairman

  
Ag. Chief Executive Officer



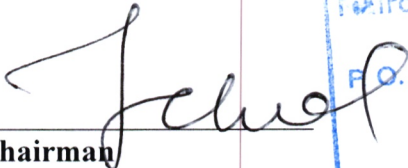
NATIONAL GOVERNMENT ENTITY  
 NAIROBI HEALTH MANAGEMENT BOARD

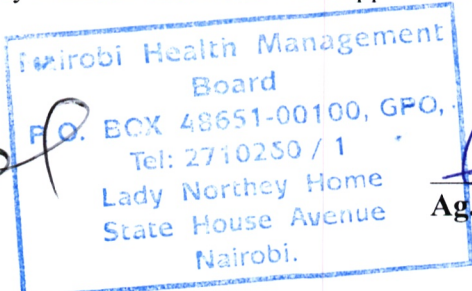
Reports and Financial Statements For the 15 month period ended September 30, 2017  
 (Ksh '000)

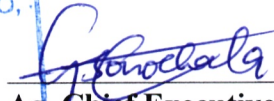
X. STATEMENT OF ASSETS AND LIABILITIES

	Note	2016-2017 Kshs. 000	2015-2016 Kshs. 000
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	6	201	13,672
<b>TOTAL FINANCIAL ASSETS</b>		<b>201</b>	<b>13,672</b>
<b>LESS: FINANCIAL LIABILITIES</b>			
<b>NET FINANCIAL ASSETS/(LIABILITIES)</b>			
<b>REPRESENTED BY</b>			
Fund balance b/fwd.		13,672	35,590
Surplus/Deficit for the year		(13,471)	(21,919)
<b>NET FINANCIAL POSITION</b>		<b>201</b>	<b>13,672</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 29<sup>th</sup> September 2017 and signed by:

  
 Chairman

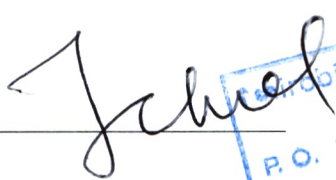


  
 Ag. Chief Executive Officer

NATIONAL GOVERNMENT ENTITY  
 NAIROBI HEALTH MANAGEMENT BOARD  
 Reports and Financial Statements For the 15 month period ended September 30, 2017  
 (Ksh '000)

XI. STATEMENT OF CASH FLOW	Note	2016-2017 Kshs.000	2015-2016 Kshs. 000
<b>Receipts for operating income</b>			
Proceeds from Transfers from other Government Entities	1	0.00	0.00
Other Revenues	2	0.00	0.00
<b>Payments for operating expenses</b>			
Use of goods and services	3	(7,360)	(11,218)
Other Expenses	5	(6,111)	(5,958)
<b>Net cash flow from operating activities</b>		<b>(13,471)</b>	<b>(17,177)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	4	0	(4,742)
<b>Net cash flows from Investing Activities</b>		<b>0</b>	<b>(21,919)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>			
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>13,471</b>	<b>35,591</b>
<b>Cash and cash equivalent at END of the year</b>		<b>201</b>	<b>13,672</b>

The entity financial statements were approved on 29<sup>th</sup> September 2017 and signed by:

 _____ Chairman		 _____ Ag. Chief Executive Officer
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NATIONAL GOVERNMENT ENTITY

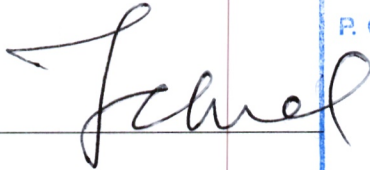
NAIROBI HEALTH MANAGEMENT BOARD

Reports and Financial Statements For the 15 month period ended September 30, 2017  
(Ksh '000)

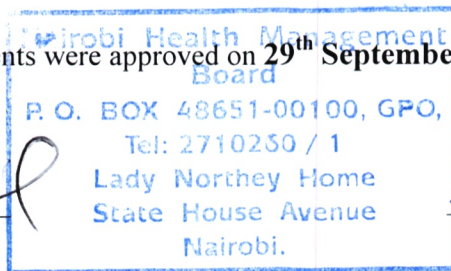
**KII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED**

Revenue/Expense Item	Notes	Original Budget	Adjustments**	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization Difference to Final Budget
		a	b	c=a+b	d	e=d-c	f=d/c %
		Kshs.000	Kshs.000	Kshs.000	Kshs.000	Kshs.000	
Use of goods and services	3	8,671	(2,873)	5,798	7,360	1,562	27%
Other Expenses	5	5,001	(1,366)	3,635	6,111	2,476	68%
<b>TOTALS</b>		<b>13,672</b>	<b>(4,239)</b>	<b>9,433</b>	<b>13,471</b>	<b>4,038</b>	<b>43%</b>

The entity financial statements were approved on 29<sup>th</sup> September 2017 and signed by:



Chairman




Ag. Chief Executive Officer

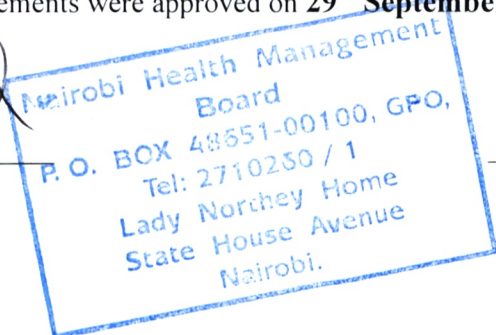
NATIONAL GOVERNMENT ENTITY  
 NAIROBI HEALTH MANAGEMENT BOARD  
 Reports and Financial Statements For the 15 month period ended September 30, 2017

XIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

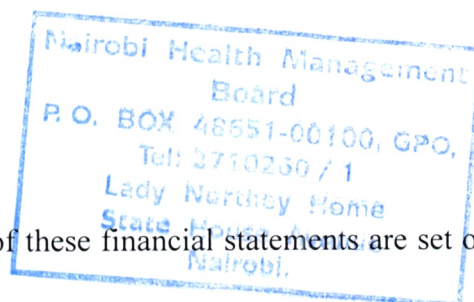
Revenue/Expense Item	Notes	Original Budget	Adjustments**	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization Difference to Final Budget
		a	b	c=a+b	d	e=d-c	f=d/c %
		Kshs.000	Kshs.000	Kshs.000	Kshs.000	Kshs.000	
Use of goods and services	3	8,671	(2,873)	5,798	7,360	1,562	27%
Other Expenses	5	5,001	(1,366)	3,635	6,111	2,476	68%
<b>TOTALS</b>		<b>13,672</b>	<b>(4,239)</b>	<b>9,433</b>	<b>13,471</b>	<b>4,038</b>	<b>43%</b>

The entity financial statements were approved on 29<sup>th</sup> September 2017 and signed by:

  
 \_\_\_\_\_  
 Chairman



  
 \_\_\_\_\_  
 Ag. Chief Executive Officer



#### XIV SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

##### 1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the Government of Kenya. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the NHMB and all values are rounded to the nearest thousand (Kshs'000). The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the NHMB.

##### 2. Recognition of revenue and expenses

The NHMB recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the NHMB. In addition, the NHMB recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

##### 3. In-kind contributions

In-kind contributions are donations that are made to the NHMB in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the entity includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

##### 4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorised public officers and/or institutions that were not surrendered or accounted for at the end of the financial year.

**NATIONAL GOVERNMENT ENTITY  
NAIROBI HEALTH MANAGEMENT BOARD  
Reports and Financial Statements For the 15 month period ended September 30, 2017**

*SIGNIFICANT ACCOUNTING POLICIES (Continued)*

**5. Receivables and payables**

These relate to provisioning balances for the GAV and Exchequer accounts as required by the current Government Financial Regulations and Procedures. These provisioning balances do not have an impact on the receipts and payments and therefore do not contravene the principles on the cash based IPSAS.

**6. Budget**

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The NHMB's budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the NHMB's actual performance against the comparable budget for the financial year under review has not been included in an annex to these financial statements but the board confirms that we have not exceeded the budget item.

**7. Comparative figures**

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

**8. Subsequent events**

There have been no events subsequent to the financial year-end with a significant impact on the financial statements for the year ended June 30, 2017.



NATIONAL GOVERNMENT ENTITY  
 NAIROBI HEALTH MANAGEMENT BOARD

Reports and Financial Statements For the 15 month period ended September 30, 2017  
 (Ksh '000)

XV NOTES TO THE FINANCIAL STATEMENTS

1 TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2016 - 2017 Kshs.000	2015 - 2016 Kshs. 000
<b>Transfers from Central government entities</b>		
Ministry of Devolution and planning	0.00	0.00
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>

2 OTHER REVENUES

	2016- 2017 Kshs. 0000	2015 - 2016 Kshs. 000
Refund	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

3 USE OF GOODS AND SERVICES

	2016- 2017 Kshs. 000	2015 - 2016 Kshs.000
Domestic travel and subsistence	2,652	2
Communication, supplies and services, internet & postal services	1,082	1,236
Printing, advertising and information supplies & services	728	422
Training expenses	0	1,339
Hospitality supplies and services	756	0.00
Insurance costs	0	18
Specialized materials and services	0	394
Foreign travel and subsistence and other transportation costs	0	903
Office and general supplies and services	20	5,021
Other operating expenses / Chemical Industrial Gas/ charcoal, gas	372	0.00
Routine maintenance – vehicles and other transport equipment/fuel and lubricant	575	1,527
Routine maintenance – other assets	1,170	377

**Total**

**7,360**

**11,218**

Nairobi Health Management  
 Board  
 P. O. BOX 48851-00100, GPO,  
 Tel: 2710250 / 1  
 Lady Njeri Home  
 State House Avenue  
 Nairobi.

**NATIONAL GOVERNMENT ENTITY  
NAIROBI HEALTH MANAGEMENT BOARD  
Reports and Financial Statements For the 15 month period ended September 30, 2017  
(Ksh '000)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**4 ACQUISITION OF ASSETS**

<u>Non-Financial Assets</u>	2016- 2017	2015 - 2016
	Kshs. 000	Kshs. 000
Acquisition of office Equipment		
Purchase of Computer & Computer accessory	0	4,742
<b>Total</b>	<b>0</b>	<b>4,742</b>

**5 OTHER EXPENSES**

	2016 - 2017	2015 - 2016
	Kshs. 000	Kshs. 000
Board allowances	4,608	1,463
Board committee Conferencing	0	1,759
Commissioner of taxes	1,428	1,463
Contracted Professional Services	1,467	20
Research, studies, project preparation design & supervision		1230
Bank Charges	36	24
	<b>6,111</b>	<b>5,958</b>

**6 Bank Accounts**

Name of Bank, Account No. & currency	2016 - 2017	2015 - 2016
	Kshs. 000	Kshs.000
Cooperative Bank , 0113600110200 Kshs	0	
Cooperative Bank, 0114100110201, Kshs	0	13,645
Cooperative Bank, 0114100110200, Kshs	201	27
<b>Total</b>	<b>201</b>	<b>13,672</b>

Nairobi Health Management Board  
 P.O. BOX 48651-00100, GPO,  
 Lady Nordrey Home  
 State House Avenue  
 Nairobi.

**NATIONAL GOVERNMENT ENTITY**  
**NAIROBI HEALTH MANAGEMENT BOARD**  
**Reports and Financial Statements For the 15 month period ended September 30, 2017**  
**(Ksh '000)**

*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**7 BALANCE BROUGHT FORWARD**

	<b>2016 - 2017</b>	<b>2015 - 2016</b>
	<b>Kshs.000</b>	<b>Kshs .000</b>
Fund Balance B/f	13,672	35,590
Surplus/Deficit for the year	(13,471)	(21,919)
<b>Total</b>	<b>201</b>	<b>13,672</b>

**8 CONTINGENT LIABILITIES**

There was no contingent liability as at 30 September 2017.

**9 EVENTS AFTER THE REPORTING PERIOD**

There are no material events after the reporting date.

Nairobi Health Management  
 Board  
 P. O. BOX 48651-00100, GPO,  
 Tel: 2710250 / 1  
 Lady Wardley Home  
 State House Avenue  
 Nairobi.

**NATIONAL GOVERNMENT ENTITY  
 NAIROBI HEALTH MANAGEMENT BOARD  
 Reports and Financial Statements For the 15 month period ended September 30, 2017**

**XVI PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

<b>Referen ce No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (<i>Name and designation</i>)</b>	<b>Status: (<i>Resolved / Not Resolved</i>)</b>	<b>Timeframe: (<i>Put a date when you expect the issue to be resolved</i>)</b>

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury

Nairobi Health Management Board  
 P.O. BOX 48651-00100, GPO,  
 Tel: 2710250 / 1  
 Lady Northey Home  
 State House Avenue  
 Nairobi.