



THE NAIROBI HOSPITAL

**MINUTES OF THE ELECTRONICALLY ANNUAL GENERAL MEETING OF THE
KENYA HOSPITAL ASSOCIATION HELD VIRTUALLY ON THURSDAY 03
SEPTEMBER 2020**

Present:	1. Dr. W. Irungu Ndirangu	Chairman, Board of Management
	2. Hon. Dr. Chris Bichage	Vice Chairman, Board of Management
	3. Dr. Richard Baraza	Board Member
	4. Dr. Jane Kabutu	Board Member
	5. Dr. Stephen Ochiel	Board Member
	6. Amb. Charles Amira	Board Member
	7. Eng. Maxwell Odongo	Board Member
	8. Mr. Robert Shaw	Board Member
	9. Mrs. Agnes Odhiambo	Board Member
	10. Mr. Charles Wambugu	Board Member
	11. Mr. Victor Miseda	Board Member

In Attendance:

Dr. Allan Pamba	-	Chief Executive Officer
Mr. Maxwell Maina	-	Ag. Company Secretary
Mr. Lawrence Kibet	-	Image Registrars
Ms. Ann Muraya	-	Delloite & Touche
Rev. Phillip Owour	-	Chaplain

The Chairman, Board of Management called the meeting to order at 2:00 P.M. and invited the members to the Virtual Annual General Meeting. He called upon Rev. Phillip Owour, the Hospital's Chaplain to open the meeting with a word of prayer after which he introduced the members of the Board of Management and members of the Management who were live at the broadcast.

MIN. 1/09/2020: MEMBERS REGISTRATION, PARTICIPATION AND PRESENCE OF A QUORUM

The Chairman called upon the Ag. Company Secretary to report on registration, participation of members of the Association and to confirm the presence of a quorum.

The Ag. Company Secretary reported that in accordance with the High Court Order dated and delivered on 11 June 2020 pursuant to Miscellaneous Application No. E757 of 2020, the Association had met all the requirements of convening and conducting Virtual Annual General Meeting. He reported that a total of One Thousand and Fifty-Five (1,055) members had registered for the Electronic Annual General Meeting and therefore the quorum of any Meeting is Fifty (50) members, therefore the quorum had been met.

The Chairman declared the meeting duly convened and properly constituted. The Chairman informed the members that resolutions shall be passed by a poll. He also reported that the results shall be posted on the Company's website and shall be enforceable immediately.

MIN. 2/09/2020: NOTICE CONVENING THE MEETING

The Ag. Company Secretary confirmed that the notice for the AGM was published and circulated electronically on 18 July 2020 and was available on the Company's website.

The Notice convening the meeting and the Agenda for the meeting was read as follows:

1. To table the proxy and apologies and note the presence of a quorum.
2. To read the Notice convening the meeting.
3. To approve the minutes of the Annual General Meeting held on 17 June 2019.
4. To approve the minutes of the Special General Meeting held on 27 November 2019 and 30 July 2020.
5. To consider and approve the audited accounts of the year ended 31 December 2019.
6. To elect nine (9) members of the Board of Management in accordance with the special resolution dated and passed on 27 November 2019.
7. To appoint Delloite & Touche as the auditors of the Company in accordance with section 721 and 724 of the Company Act 2015.

MIN. 3/09/2020: VOTING FOR RESOLUTIONS

The Chairman reported that voting for the resolutions of the meeting had commenced twenty-four (24) hours before the meeting and would continue until the meeting is closed. It was reported that the results would be tallied and published in the company's website within two (2) hours after the meeting.

MIN. 4/09/2020: CHAIRMAN'S STATEMENT

The Chairman gave a highlight of his statement and the following was noted:

1. This was the first virtual Annual General Meeting since the company's incorporation which was necessitated by the Covid-19 Pandemic and the Government of Kenya directive and restrictions to curb the spread of the disease. The Board of Management applied to the High Court of Kenya and was granted orders to hold the Annual General meeting virtually.
2. The current Board of Management took office on 27 November 2019 after petitioning the removal of the previous Board of Management. The year 2019 was the worst for the Hospital's business environment occasioned by the poor governance practices in the Association. The relationship between the Board of Management and the Hospital's management was condescending which led to a high turnover of senior management team and the morale of the staff was at its lowest.
3. There was massive misappropriation and misdirection of Hospital's resources in uncoordinated infrastructure development and other activities. The Hospital's finances were leaking and expenditure was increasing at a faster pace than the revenue it was noted.
4. In 2019, the Hospital's expenditure scaled up by 15% while the turnover was half of that thus resulting in a deficit situation. The Hospital went from a surplus of Kenya Shillings Nine Hundred Million (Kshs. 900,000,000/=) in 2018 to a deficit of Kenya Shillings Eight Hundred and Twenty-Five Million (Kshs. 825,000,000/=) in 2019. By November 2019, the Hospital was experiencing challenges in supplies payments and the Board of Management decided to withhold all construction projects and conduct a technical audit on the project to ascertain their exact cost. This move helped prioritize the current suppliers.
5. In January 2020, a forensic audit of projects and finances was commissioned and the findings were astonishing. Some of the finding was as follows:
 - o The Health Management Information System was deficient of confidentiality, integrity and availability of data.
 - o Finance, procurement and project management policies were deficient.
 - o The Hospital wage bill had risen by Kenya Shillings of One Billion (Kshs. 1,000,000,000/=) in just four (4) years and the bulk of the nursing staff had been forgotten. The Hospital was operating without a strategic plan.

- The projects had a price variation orders amounting to Kenya Shillings Two Billion and Eight Hundred Million (Kshs. 2,800,000,000/=) without Board of Management approval and the projects records were missing.
 - Procurement practices were very unfair and did not give the Hospital value for money.
 - The Hospital had two management information system which showed a variance of Kenya Shillings Two Billion and Three Hundred Million (Kshs. 2,300,000,000/=).
 - In 2019, the outstanding doctors' bills were Kenya Shillings One Billion Seventy-One Million Six Hundred and Five Thousand Eight Hundred and Sixty-Four (Kshs. 1,071,605,864/=) this is in comparison to 2001 to 2018 the doctors' outstanding bills unpaid by insurance and corporates was Kenya Shillings Six Hundred and Ninety-Five Million Twenty-Five Thousand Two Hundred and Six (Kshs. 695,025,206/=).
 - It was noted that unallocated receipts in 2019 amounted to Seven Hundred and Seventy Four Million Five Hundred and Five Thousand Eight Hundred and Sixty One (Kshs. 774,505,861/=). This was a lump sum paid by insurances and corporates which could not be allocated to specific remittances as per invoices raised.
 - The human resources procedures were not followed and the Hospital was losing millions in settlement of separation costs.
 - Unplanned procurement of assets i.e a CT scan of about Kenya Shillings Seventy Million (Kshs. 70,000,000/=) was bought and was not installed. Bed lifts of about Kenya Shillings Thirteen Million (Kshs. 13,000,000/=) were bought and not utilized. Dental Chairs for Kiambu Outpatient Center were not utilized. Lifts were bought for Capital Outpatient Center and were not installed. A reverse osmosis plants which were bought at Kenya Shillings Nine Million (Kshs. 9,000,000/=) was stored with junks.
6. The Board of Management created the Governance and Legal Committee and Projects Monitoring and Evaluation Committee to improve on governance. Moreover, the Medical Advisory Committee was now a major partner in running the Hospital affairs so as to focus on the Hospital's core business which is provision of healthcare services.
 7. The Human Resources Committee was endeavoring to fill the Senior Management positions which were being held in acting capacities for a long time with competent managers. The Board also noticed the bloated human resources capital and has instituted a right sizing exercise which was ongoing.
 8. In March 2020, the Hospital was approached by the United Nations and was requested to enter into a partnership for building a Covid 19 and infectious Disease Isolation Facility. The United Nation was financing the construction and equipment of a one hundred (100) bed facility and the Hospital would finance the construction of a fifty (50) bed Covid Hospital at the old school of nursing land.
 9. The Chairman thanked the Board of Management and noted that they worked tirelessly to guide the management of the Hospital during the transition period. He noted that all the members were elected on 27th November 2019 and would retire in the next Annual General Meeting following the resolution by Members to remove the previous Board of Management. The members would retire but are valid for reelection. This was against good corporate governance practices but was allowed because of the circumstances which were peculiar to any Company which the Board of Management allowed.

The Chairman called upon Hon. Dr. Chris Bichage, Vice Chairman and Chairman of the Finance and Investment Committee to give an overview of the performance and the financial position of Association for the year 2019 and the following was reported:

1. Expenses had grown to 15% and there was a marginal growth of revenue by 1% from 2018 to 2019 and direct cost grew to 8% for the same period. Overheads grew at 39% from Three Billion and Four Million (Kshs. 3,004,000,000/=) to Four Billion Two Hundred and Forty Four Million (Kshs. 4,244,000,000/=) in the same period. Major cost drivers in 2019 were institutional inefficiencies, poor spending decisions and a bloated workforce. The revenue grew by 1% while the financial income grew by 6%. Other operating cost had grown by a 39%.
2. The property and equipment acquisition was about Kenya Shillings Eight Hundred and Eighty Six Million (Kshs. 886,000,000/=) while the net movement was Kenya Shillings Fifty Six Million (Kshs. 56,000,000/=). The annual payments for intangible assets was Kenya Shillings Eighty Seven Million (Kshs. 87,000,000/=) and the fixed deposits decreased by Kenya Shillings Four Hundred and Ninety Five Million (Kshs. 495,000,000/=).
3. On statement of cash flow, Kenya Shillings Nine Hundred and Twenty Three Million (Kshs. 923,000,000/=) was spent on new acquisitions. On the activity analysis trend there was a generally stagnation on the Hospital's revenue streams save for the Accident and Emergency and Anderson Clinic units.
4. Ms. Ann Muraya from Delloite & Touche was invited to read the Auditors report. She noted that the auditor's report was contained on page thirty-four (34) of the annual report and that the report gave the true opinion of the company financial position and financial performance as of 31 December 2019.

MIN. 6/09/2020: QUESTIONS BY KHA MEMBERS

Members were guided on the process of asking questions and voting accordingly. The Chairman noted that the voting will stop at the end of the meeting.

The following questions had been received in the live broadcast and the directors responded to them as follows:

NO	QUESTION	ANSWER
Question by Susan Mulira	<p>Could the theatres be increased in numbers to reduce the number of hours of waiting?</p> <p>Can the current theatre be modernized? There has been too much construction that has been going on in the Hospital. While some were necessary, were others a conduit for corruption?</p> <p>Could we ensure that there is no conflict of interest among members and management?</p>	<p>Eng. Odongo - He noted that the management while planning for a seven hundred bed facility, it had failed in phasing out the project resulting to construction of areas that had no direct impact on the core business of the Hospital. He said the theatres have been prioritized as part of emergency works by the Board of Management.</p> <p>The Chairman noted that the strict governance rules were not followed. The Board of Management and Management had taken remedial measures and such things will be the things of the past.</p>

Question by Mr. Muchiri	Could the incoming Board of Management declare if they have any commercial dealings with the Hospital?	Dr. Kabutu – She stated that the Special General Meeting of 30 July 2020 a resolution was passed that barred members of the Board of Management from dealing commercially either directly or indirectly with the Hospital. Additionally, she said there existed a board charter which does not tolerance corruption and conflict of interest.
Question by Salome Onyonka	Of seven (7) senior management managers, three (3) are stated as acting which means they are not substantive office holders. What is the cause of the status and how is the Board of Management addressing the gaps to ensure optimal strengthening of leadership	Mr. Wambugu – Stated that the Board of Management had advertised those positions and would fill them in future.
Question by Mr. Bachier	What is the Hospital doing to the exposure of Covid 19 to the staff at the casualty area? I was not pleasant with the services of St. David ward which acted as the isolation center for Covid 19 patients.	Dr. Baraza – Stated that the Hospital has well trained and experienced staff who manage Covid 19 patients in conjunction with the senior doctors of the Hospital. The Hospital has ensured that its staff are not directly exposed to the risks.
Question by Mr. Joshua Weru	Why are some potentially directors of the Hospital turning their candidature to a politic like campaigns.	Chairman stated that this was a learning experience which had not been foreseen in the Association. He noted that the Board of Management was aware of that and that there were measures which would be put in place to avoid such scenarios in future.
Question by Mrs. Commandy	Is it true that paying for members of Board of Management was approved in the meeting? If true I object on the basis of ethics.	Hon. Dr. Bichage –Management felt that members of the board should be compensated for their time spent in dealing with the Hospital’s matters and that this compensation should be reasonable. He noted that this resolution was passed at the SGM by the members. Mr. Shaw – Noted that to be paid for one is ethical and not unethical as stated by the question.
Question by Hon. Dr. Kimunya	What is the progress on debt collection to avoid further provisions in future? Can the board consider cost revenue center for reporting to appreciating the contribution of the debt?	Hon. Dr. Bichage – There is a full provision for debt in the account and in future there will be no option of unsecured debt/credit without the approval of the Board of Management. The Finance Department is being reorganized to be a cost revenue center which would be monitored and reported.

The Chairman thanked members for their questions. He noted that the Board would respond to all the questions and the responses would be posted on the company’s websites.

The current Board of Management’s term was coming to an end and members were urged to vote for members who would form the next Board of Management. The profiles of the

candidates who had offered themselves for elections were broadcasted as members continued voting.

MIN. 7/09/2020: APPOINTMENT OF THE HOSPITAL'S AUDITORS FOR THE AUDIT OF THE YEAR 2020

The Chairman noted the willingness of Messrs. Delloite & Touche to continue in office as the Company's Auditors and recommended members to approve their appointment as they voted.

MIN. 8/09/2020: SPECIAL BUSINESS AS PROPOSED BY HON. LADY JUSTICE (RTD) MARY ANG'AWA

The Chairman welcomed the Company Secretary (Ag.) to read the special business.

The Company Secretary (Ag.) reported that there was supplemental notice that was issued to members before the meeting after receiving a notice for a special business from Hon. Lady Justice (Rtd) Mary Ang'awa. The Special business was reported as follows:

1. Article 19 of Article of the Association of the Company be amended by adding the following words after the first sentence
 - The Company may give such notice in writing or by electronic means or by a combination of means permitted by the Statutes.
2. That the Articles of Association of the Company be amended by inserting the following new Articles immediately after Article 22.
 - 22 (b): Attendance by Electronic Means
 - 22 (b) (1): In the case of any general meeting, the Board may make arrangements for simultaneous attendance and participation by electronic means allowing persons not present together at the same place to attend, speak and vote at the meeting. The arrangements for simultaneous attendance and participation at any place at which persons are participating, using electronic means may include arrangements for controlling or regulating the level of attendance at any particular venue provided that such arrangements shall operate so that all members and proxies wishing to attend the meeting are able to attend at one or other of the venues, including venues chosen by such persons individually.
 - 22 (b) (2): The members or proxies at the place or places at which persons are participating via electronic means shall be counted in the quorum, and be entitled to vote at the general meeting in question, and that meeting shall be duly constituted and its proceedings shall be valid if the Chairman of the meeting is satisfied that adequate facilities are available throughout the meeting to ensure that the members or proxies attending at the place or places at which persons are participating via electronic means are able to:
 - a) Participate in the business for which the meeting has been convened; and
 - b) See and hear all persons who speak (whether through the use of microphones, loud speakers, computer, audio-visual communication equipment or otherwise, whether in use when these Articles are adopted or developed subsequently) in the place at which persons are participating and any other place at which persons are participating via electronic means.

Members were requested to consider these resolutions and vote for them electronically.

MIN. 9/09/2020: CHAIRMAN'S CLOSING REMARKS

The Chairman thanked the members for participating during the electronic AGM and staying online during the meeting. He thanked Image Registrars for facilitating the electronic Annual General Meeting and requested for the members to continue voting. He stated that the results

of the polls and the resolutions would be posted in the Company's website within two (2) hours after the meeting.

There being no other business, the Chairman closed the meeting at 3:50 p.m.

SIGNATURE:

DR W. IRUNGU NDIRANGU

CHAIRMAN

DATE.....

SIGNATURE.....

MAXWELL MWANGI MAINA

COMPANY SECRETARY (Ag.)

DATE.....