

COUNTY GOVERNMENT OF KISUMU



COUNTY ASSEMBLY OF KISUMU

THE HANSARD

Official Report

THIRD ASSEMBLY – SECOND SESSION

Tuesday 27th June, 2023

House met in the Main Chamber at 02:30 p.m.

(The Speaker (Hon. Elisha Jack Oraro) in the Chair)

PRAYER

The Speaker (Hon. Oraro): Thank you. Madam Clerk, can you please take us through the Order Paper of today.

The Speaker (Hon. Oraro Next order!!)

COMMUNICATION FROM THE CHAIR

The Speaker (Hon. Oraro): Honourable Members, I want to welcome you to this session. I have got two communications to make. One, you are aware that tomorrow the Wednesday, 28th June, 2023 has been gazetted as public holiday. That means that we shall not be meeting tomorrow in the plenary as per our annual calendar. On behalf of the Assembly, I want to wish our brothers and sisters happy Idul Adha. I can see Hon. Abeid. We wish you the best.

Two, I have sent for the Gazettement of Friday, 30th June, 2023 as a Special Sitting to consider the discussion of the Proposed Kisumu County Budget 2023/2024 and the Kisumu County Appropriations Bill, 2023. I have already confirmed that, the notice will come out anytime. We shall be meeting from 09:00 a.m. We shall discuss the report from the Select Committee of

Budget and Appropriations on the Proposed Kisumu County Budget Estimates FY 2023/2024 and the Kisumu County Appropriations Bill, 2023.

Finally, I am aware that there is “*Piny Luo Extravaganza*” which is to start on Friday, 30th June, 2023. I will send an apology on your behalf of Members of the County assembly of Kisumu but we shall all attend on Saturday, 1st July, 2023 which is a critical day. The discussions on the Proposed Kisumu County Budget Estimates are a matter of Topical Concern and have gazetted Friday, 30th June, 2023 as a Special Sitting. I want to ask that you bear with us. Thank you.

The Speaker (Hon. Oraro): Next Order!!

PAPERS LAID

THE GOVERNOR’S REQUEST FOR THE APPROVAL OF APPOINTEES TO THE
KISUMU COUNTY URBAN AREAS AND CITIES BOARD

BY

HON. KENNEDY OOKO, MCA, AHERO WARD.

(LEADER OF MAJORITY)

ECD, ADULT EDUCATION AND VOCATIONAL TRAINING COMMITTEE REPORT ON
ITS CONSIDERATION OF THE KISUMU COUNTY VOCATIONAL EDUCATION AND
TRAINING BILL, 2023, KISUMU COUNTY BILL NO. 1 OF 2023

BY

HON. SETH OKUMU, MCA, EAST SEME WARD.

(CHAIRPERSON, ECD, ADULT EDUCATION AND VOCATIONAL TRAINING
COMMITTEE)

The Speaker (Hon. Oraro): Honourable Leader of Majority.

The Leader of Majority (Hon. Ooko, MCA, Ahero Ward): Thank you Mr. Speaker. Pursuant to the provisions of Section 13 of Urban Areas and Cities Act No 13 of 2011, I wish to table today Tuesday 27th June, 2023, the Governor’s request for the Approval of Appointees to the Kisumu County Urban Areas and Cities Board. That is Muhoroni – Chemelil Municipality, Katito - Pap Onditi Municipality, Ahero – Awasi Municipality, Maseno – Holo Municipality, Kombewa – Bodi Municipality and Kisumu City Board. Thank you.

(The Leader of Majority lays the paper before the House for consideration)

The Speaker (Hon. Oraro): Honourable Members, I confirm the receipt of the Governor's request for the Approval of Appointees to the Kisumu County Urban Areas and Cities Board Members as laid by the Leader of Majority. I want to commit this Paper to the Appointment Committee and I direct that you work on it as per our Standing Orders. I want to request the Clerk to prepare a schedule for the same owing to the fact that we are in the month of July and such appointments are likely to affect our budget. Thank you.

The Speaker (Hon. Oraro): Yes Hon. Seth Okumu.

Hon. Okumu (MCA, East Seme Ward): Thank you Mr. Speaker. Pursuant to the provisions of the Standing Orders No. 182 (6), I wish to table today Tuesday 27th June, 2023, a report by ECD, Adult Education and Vocational Training Committee on its consideration of the Kisumu County Vocational Education and Training Bill, 2023, Kisumu County Bill No. 1 of 2023. Thank you.

(Hon. Okumu lays the paper before the House for consideration)

The Speaker (Hon. Oraro): Honourable Members, I confirm the receipt of, a report by ECD, Adult Education and Vocational Training Committee on its consideration of the Kisumu County Vocational Education and Training Bill, 2023, Kisumu County Bill No. 1 of 2023. I want to commit this report to the House Business Committee for the purposes of scheduling it for debate.

The Speaker (Hon. Oraro): Next order.

NOTICE OF MOTION

ECD, ADULT EDUCATION AND VOCATIONAL TRAINING COMMITTEE REPORT ON
ITS CONSIDERATION OF THE KISUMU COUNTY VOCATIONAL EDUCATION AND
TRAINING BILL, 2023, KISUMU COUNTY BILL NO. 1 OF 2023

BY

HON. SETH OKUMU, MCA, EAST SEME WARD.

(CHAIRPERSON, ECD, ADULT EDUCATION AND VOCATIONAL TRAINING
COMMITTEE)

The Speaker (Hon. Oraro): Hon. Seth Okumu.

Hon. Okumu (MCA, East Seme Ward): Thank you Mr. Speaker. Pursuant to the provisions of the Standing Orders No. 45 (1), I wish to give a Notice of Motion that this House adopts the report by ECD, Adult Education and Vocational Training Committee on its consideration of the Kisumu County Vocational Education and Training Bill, 2023, Kisumu County Bill No. 1 of 2023. Thank you.

The Speaker (Hon. Oraro): Thank you. Next order!!

MOTION

(CONTINUATION OF INTERRUPTED BUSINESS)

ADOPTION OF THE REPORT BY PIC/PAC ON ITS CONSIDERATIONS OF THE AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENTS OF THE COUNTY EXECUTIVE OF KISUMU FOR THE FY ENDED 30TH JUNE, 2020

BY

HON. KENNEDY OUKO, MCA, WEST KISUMU WARD.

(CHAIRPERSON, PUBLIC INVESTMENTS AND ACCOUNTS COMMITTEE)

The Speaker (Hon. Oraro): Honourable Members, you are aware that on Thursday 08th June, 2023, the Hon. Ken Ouko was on the Floor moving a motion on this report. I believe that you all have this report and the request for the suspension then was due to lack of quorum. This also gave Members to properly acquaint themselves with the report. I want to remind Hon. Ouko that he had reached page 41 of the report. I want to request him to start from 3.12 on Prior Year Adjustments.

Hon. Ouko (MCA, West Kisumu Ward): Thank you Mr. Speaker, without taking much of the time please allow me to proceed from where we left last time as you have indicated which is page 14 of the report on point 3.12 – Prior to Year Adjustments

Mr. Speaker and Honourable Members, on item Prior Year Adjustments. As disclosed in Note 25, and as reported in the previous year, the statement of assets and liabilities reflects a prior year adjustments of Kshs.645,737,153 (2018/2019: Kshs.842,611,821) debits which had not been supported with journal vouchers or explanations of the errors as stipulated in the reporting template and the International Public Sector Accounting Standards 3 - Accounting Policies, Changes in Accounting Estimates and Errors Para. 54. Consequently, the accuracy, validity and completeness of prior year adjustments of Kshs.645,737,153 as at 30 June, 2020 could not be confirmed.

Management Response: The prior year adjustment figure of Kshs. 842,611,821 comprised of the following items; Payments made after 30th June 2020 but relating to the financial year under review- Kshs. 634,307,788 and Hospital Bank balances – Kshs. 208,304,033

Committee Observations: The management failed to prepare fully supported journals to explain the adjustments. The management is yet to provide journals or other relevant accounting treatment to support the adjustments of Kshs.208,304,033 in respect to hospital bank balances

Committee Recommendations:

1. THAT the Accounting Officer submit to this Assembly journals to support the adjustments of Kshs.208,304,033 in respect to hospital bank balances in a period of not more than 90 days upon adoption of this report
2. THAT going forward, the management must ensure that accurate financial statements are prepared.
3. THAT the matter remains unresolved.

Irregular Purchase of a Bus

The Management entered into a contract with a motor dealer for the purchase and delivery of a twenty-nine (29) sitter bus at a cost of Kshs.4,915,000 which was paid in the year under review. However, a review of the procurement documents indicated that the tender was declared unresponsive by the evaluation committee on 4 April, 2019 and recommended for re-tendering. However, Management instead used a contract from the Suppliers branch to purchase the bus against the recommendation of the evaluation committee. The Suppliers branch contract relied on had also expired on 20 January, 2019. The notification of award was also dated 10 April, 2019 but the supplier accepted the offer on 20 June, 2019 two (2) months later. Consequently, the propriety of Kshs.4,915,000 in respect of acquisition of assets reflected in the statements of receipts and payments for the year ended 30 June, 2020 could not be confirmed.

Management Response: That they used National Government contract to procure the bus and that it is government practice that whenever government contract expired, its used until a new one is in place. County Government of Kisumu and Isuzu agreed on the same government contract price which was paid and no money was lost.

Committee Observations:

1. The committee notes that the management failed to follow the requisite procurement processes contrary to the Public Procurement and Asset Disposal Act 2015.
2. It also noted that the contract used from the suppliers' branch is under the jurisdiction of the National Ministry of Transport and Infrastructure.

Committee Recommendations

1. THAT the matter is resolved
2. THAT going forward, the management must ensure full adherence with procurement procedures in line with the Public Procurement and Asset Disposal Act 2015

Pending Bills

Note 28(1) – other important disclosures on pending accounts payables indicates that the outstanding balance as at 30 June, 2020 was Kshs.2,309,494,252. However, review of pending bills revealed the following unsatisfactory matters:

- a) The second approved supplementary budget for the financial year 2019/2020 had allocated a total of Kshs.1,473,800,116 for payment of pending bills. However, the list of the eligible pending bills and a report of the pending bills resolution committee were not provided for audit review.

Management Response: Supplementary budget for the financial year 2019/2020, approved for pending bills Kshs. 1,473,800,116 out of which only pending bills worth Kshs. 569,049,235 were paid due to cash flow constraints. These payments were made before the conclusion of the vetting exercise of the pending bills resolution which ended on 8th Sept 2020 (FY 2020/2021). All the eligible pending bills in the above report have since been paid in subsequent financial years.

Committee Observations:

1. The Management failed to provide list of the eligible pending bills and a report of the Pending Bills Resolution committee during the time of audit.
2. That the pending bills were audited through a special audit by the Office of the Auditor General in 2021.

Committee Recommendations:

Hon. Speaker, the Committee recommends to this House to resolve as follows;

1. THAT the Chief Officer Finance and Economic Planning submits to the County Assembly the details of the eligible pending bills as at end of fy2019/2020 and their status within 90 days upon adoption of this report
2. THAT the Auditor General submits to the County Assembly the special Audit Report on the pending bills as audited by the Auditor General within a period of 90 days upon adoption of this report.
3. THAT the matter remains unresolved

- b) The year 2019/2020 list of pending bills reflected debts related to gratuity and medallion awards owed to various staff amounting to Kshs.278,268,393 but the dates of the medallion awards and gratuities were not indicated.

Management Response: List and dates of beneficiaries to medallion and gratuities are hereby provided and attached

Committee Observations: The Management failed to identify and fully indicate details of the debts related to gratuity during the time of audit. The list of pending bills related to gratuity and

medallion awards owed to various staff amounting to Kshs.278,268,393 have since been provided and verified.

Committee Recommendation: That this matter is resolved.

- c) Included in the actual list of pending bills as at 30 June, 2020 are claims amounting to Kshs.86,138,196 that are not adequately supported with either delivery notes, invoices and other procurement records.

Management Response: These pending bills payment will not be paid until supporting documents are provided.

Committee Observations: The Management failed to provide delivery notes, invoices and other procurement records for claims of Kshs.86,138,196. The committee also observed that the said amount does not qualify into the pending bills without delivery notes, invoices and other procurement records

Committee Recommendations:

1. THAT the Accounting Officer Finance and Economic Planning submits to the County Assembly a comprehensive list of all the unsupported pending bills totaling to ksh. 86, 138, 196 within 90 days upon adoption of this report for purposes of considerations
2. That failure by the Accounting Officer to submit the comprehensive list above in 90days, the claims of Kshs. 86,138,196 be expunged from the list of pending bills
3. That the matter remains unresolved.

- d) Included in the pending bills list are amounts totaling Kshs.5,163,723 for incomplete works as observed during the physical verification of projects.

Management Response: The incomplete works were as per the payment certificates and scope of work done as per the audit

Committee Observations: The committee noted that the auditors failed to provide comprehensive information and list of projects to enable the committee make informed and objective decision on this matter.

Committee Recommendations:

1. In the absence of the list of projects and comprehensive information on the same, the committee could not verify the claims by the Auditor General. The matter therefore remains settled/ resolved
2. The Committee advises the Auditor General to be providing comprehensive information including but not limited to details of such projects, locations and specific expenditures for ease of oversight and site verifications.

- e) From the records availed for audit, it was observed that invoices amount for certified works for construction of Kombewa market was Kshs.16,888,340. However, only Kshs.3,114,739 was included in the pending bills. The variance of Kshs.13,773,602 was not explained.

Management Responded that; Wilkori Building and Civil Engineering LTD was awarded the contract to construct a Modern Retail Market in Kombewa in the FY 2015/2016. The Contract sum was Kshs. 35,982,161.80. Three payment certificates were raised as follows; (i) 1st Payment Certificate – Kshs. 18,549,154 dated 9/11/2016, (ii) 2nd Payment Certificate – Kshs. 13,773,602 dated 18/3/2019, and (iii) 3rd Payment Certificate – Kshs. 3,114,738 dated 24/6/2020. The management indicated that during the audit exercise the office was only liable to present the 3rd payment certificate as the other two (2) certificates were being processed for payment.

Committee Observations: the committee conducted a field visit on this matter and noted that; All the Kshs. 16, 888,340 ought to be classified as pending bills considering the timing of the audit and that the executive failed to include the 2019/2020 certificates of Ksh. 16, 888,340 as Pending Bills.

Committee Recommendations:

The Committee recommends that;

1. THAT the Chief Officer Finance submits to the County Assembly, within 90 days upon adoption of this report, evidences of payments of all the certificates referenced and as alleged in the management response.
2. The matter remains unresolved

- f) During 2013-2014 financial year, the Ministry of Health (MOH) had paid salaries totaling Kshs.709,470,408 on behalf of County Government of Kisumu which were to be recovered in the same financial year. However, Management had paid MOH an amount of Kshs.357,612,798 leaving an unpaid balance of Kshs.351,857,610. The amount had not been included in the pending bills as at 30 June, 2020.

Management Response: The amount Kshs. 709,470,408 was as inter entity transfer from Ministry of Health to County Government of Kisumu. As at now there is no claim of the outstanding balance by the Ministry of Health.

Committee Observations:

The Committee notes that transfers were made in fy2013/2014 and that it was not clear whether the payments were a recurring expenditure.

Committee Recommendations:

The Committee Recommends;

- (i) THAT the management to liaise with MOH, reconcile the pending bills due and agree on modalities of payment.
- (ii) THAT the matter remains unresolved.

g) A pending bills resolution committee was formed and gazetted on 12 July, 2019. The process of recruitment of the chairman and how he was to be remunerated was not explained. Management had not explained how the pending bills will be settled

Management Response: The management indicated that the recruitment of the Chairman of the pending bills resolution committee was done by the County Executive Committee member for Finance and Economic Planning on 12th July 2019 having been identified from OAG list of prequalified Auditors and remuneration has been done as per the SRC guidelines. The County had planned to settle pending bills worth Kshs. 1.7bn as at 25th January 2023 as follows; FY 2022/2023 – QTR 3 Phase 1 Kshs. 150m, Phase II Kshs. 251 and QTR 4 Phase I Kshs. 396m, Phase II Kshs. 703m. Allocation in FY 2022/2023 Budget Kshs. 1.5 billion

Committee Observations:

That the management failed to provide evidence of their compliance with the due processes in the recruitment of the Chairman of the pending bills resolution committee.

Committee Recommendations:

- (i) THAT the matter is Resolved
- (ii) THAT in future, the management must ensure compliance on recruitment and remuneration of the experts engaged by the County Government.

KEY AUDIT MATTERS IN THE FINANCIAL STATEMENTS

Hon. Speaker, key audit matters are those matters that, in the professional judgment of the Auditor General, were of most significance in the audit of the financial statements.

The Auditor General indicated that there were no key audit matters to report in the year under review.

OTHER MATTERS IN THE FINANCIAL STATEMENTS

Hon. Speaker, other Audit matters raised by the Auditor General included the following;

Budgetary Control and Performance. The summary statement of appropriation: recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.11,499,036,874 and Kshs.8,733,502,114 respectively resulting to an under-funding of

Kshs.2,765,534 or 24% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.11,499,036,874 and Kshs.8,351,693,097 respectively, resulting to an under-funding of Kshs.3,147,343,777 or 27% of the budget. The expenditure was limited to the amount realized.

Management Response: Management explained that the variances noted were as a result of delays in the disbursement of funds from the National Government. The delay has the effect of denying the residents of Kisumu County the benefits accruing from the planned projects. The underfunding and under-expenditure affected the planned activities and impacted adversely on service delivery to the residents of Kisumu County.

Committee Recommendations: Resolved

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 of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues nor given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular No. AG.4/16/3 Vol.1 (9) dated 24 June, 2020.

Committee Observations and Recommendations: The issues mentioned have been recurring in the subsequent audit reports and dealt with individually. However, generally, the County Government has not implemented prior year audit resolutions on the matters and as such, the matter of unresolved prior year audit issues remains unresolved.

Below is a matrix of the recurring prior year matters which remains unresolved.

Figure 1: Summary of recurring audit issues 2018/2019 and 2019/2020

AUDIT MATTERS	FREQUENCY OF OCCURANCE	
	2018/2019	2019/2020
Violation of financial regulations	3	7
Failure to reconcile books of accounts	1	1
Pending bills	1	1
No value for money	1	0

Weak internal controls	1	4
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Figure 2: Details of recurring audit issues that were also highlighted in fy2018/2019

Classification of audit issues	Number of queries	Specific query	Amount
Violation of financial regulations	3	Irregular Payment of Honoraria Allowances	12,167,466
		Irregular Rental Expenditure	42,315,009
		Non-Compliance with PFMA 2015- compensation to employees	N/A
Pending bills	1	Failure to pay pending bil	6,139,091
No value for money	1	Unutilized Lease of Office Premises	19,200,000
Weak internal control	1	Non-Issue of Imprest Warrant to Officers	N/A
Other	3	Non-Compliance on Ethnic Composition	N/A
		Unresolved Prior Year M	N/A
		Budget Control and Performance	N/A
	9		79,821,566

Source: Institute of Economic Affairs (IEA), March 2023

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Hon. Speaker, the on the issue of lawfulness and effectiveness in use of public resources, the Auditor General observed that as required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that public resources have not been applied lawfully and in an effective way.

Non-Compliance with Law on Ethnic Composition

An analysis of the June, 2020 payroll revealed that the County Executive had a total of 3,346 permanent and pensionable employees out of which 2,890 (86%) were from the dominant ethnic community in the county. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, “all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community”. In the circumstances, Management is in breach of the law.

Management Response: The County Government of Kisumu is an equal opportunity employer. Women, Youth and persons with disability who meet specified requirements are encouraged to apply to vacancies during recruitment drives.

Committee Observations

Hon. Speaker, the committee observes that this issue has been recurring in the Auditor General’s Reports and the management has continuously failed to provide evidence of commitments to bridging the ethnic gaps.

Committee Recommendations: The audit issue remains unresolved.

Non-Compliance with Law on the Budget Process

Hon. Speaker, the Auditor General observed that the Management did not provide supporting documents for the County Executive budget for the financial year 2019/2020. There was no evidence provided to show that the County Budget Review and Outlook Paper (CBROP) and the debt policy document were submitted to the County Executive Committee for approval by 14 October, 2018, published and publicized by 30 October, 2018. Further, the budget policy statement and public participation process documents including invitation notices, attendance registers and minutes of the forums/meetings were not availed for audit review. This is contrary to the Public Finance Management Act, 2012 section 125 – 137, Section 87 of the County Governments Act 2012 and Section 21 – 28 of the Kisumu County Public Participation Act 2015. The Management was therefore in breach of the law.

Management responded that: The County adhered to the requirements of Public Finance Management Act, 2012 in preparation of the Budget, CBROP, and Debt Policy Paper. The Management added that they provided the evidence of submission of these documents to County Executive Committee Meeting to the Auditor General.

Committee observed that: That the Management only availed documents supporting the budget making process during the time of committee deliberations and not during the time of audit

Committee Recommendations: That the issue is resolved. However, the Committee recommends that going forward; the management must ensure prompt submission of documents to the auditors as required by the Public Audit Act, 2015

Non-Compliance with the Public Procurement and Assets Disposal Act, 2015

Irregular Procurement of High Roof Ambulances

Hon. Speaker, the Auditor General observed that the Management spent an amount of Kshs.28,438,500 for purchase of three (3) highroof ambulances. The tender evaluation committee minutes indicated that only one (1) bidder submitted the bid and was awarded the tender. This was contrary to Regulation 54(3) of the Public Procurement and Disposal Regulations, 2006 that requires minimum of at least ten (10) suppliers from prequalified list for use of restricted tendering. Even though the committee recommended negotiations with the bidder on the price, there is no evidence that this was done.

Management responded that: the request to procure the high roof ambulances was done on 8th January 2019. It was advertised as an open tender as per section 92(a) and 96(2) of the PPADA of 2015 on County portal. Only one bidder responded. Evaluation committee was appointed on 28th January 2019 (Opening and evaluation minutes are attached) negotiation was done as recommended by evaluation committee. Restricted open tender was a topographic error. But should read ‘open tender’

Committee observed that:

1. That the relevant supporting documents were provided for audit review and subsequently verified by the Auditors.
2. That the procurement in question was an open tender

Committee Recommendations:

1. That the matter is resolved

Procurement Plan and Lack of E-Procurement

The Auditor General noted that the Management did not prepare the procurement plan in accordance with the Section 53 of the Public Procurement and Asset Disposal Act, 2015 which requires the plan to contain a description of the procuring items, unit Cost, estimated contract value, and the procurement method to be used. Further, bid documents for the year to suppliers were delivered manually instead of using the e-procurement as per the Presidential Executive Order on Procurement of Public Goods, Works and Services by Public Entities issued on 13 June, 2018 that required that from the 1 January, 2019, all public procurement will be undertaken through the

electronic platform of the Integrated Financial Management Information System (IFMIS). The Management was therefore in breach of the law.

Management Response; THAT the Procurement Plan for the financial year 2019/2020 was done using the prescribed format. Sourcing modules in the IFMIS system had not been activated by the National Treasury and it took time to fully implement e-procurement due to delay in training by the treasury staff from ministry of finance that had not been done by the end of 30th June 2020. It should be noted that Kisumu County is amongst the first five counties to now go fully to e-procurement from sourcing to payment

Committee Observations: The procurement plans were provided and verified by the auditors

Committee Recommendations

1. That the issue is resolved

Irregular Payment for Debt Collection Services

The Management made payments amounting to Kshs.38,050,660 to a debt collection consultant. However, review of the signed contract agreement revealed that the contract document had terms that reimbursable costs of Kshs.7,902,000 were charged to the County Executive yet they were not initially in the tender documents. These costs were also not supported with receipts and search reports for the reimbursements claimed. The invoices issued by consultant indicated the rates were exclusive of VAT but the contract stated that they were to be inclusive. Further, for the digitized 17,408 plots as at 30 June, 2020 the consultant had billed and been paid a sum of Kshs.30,148,660. However, the signed contract agreement had specified the rate of Kshs.1,500 inclusive of VAT per plot, the cost would have been Kshs.26,112,000 thereby resulting in overpayment by Kshs.4,036,660. Consequently, the value for money on the additional cost spent on the contract may not have been realized.

Management Response

The submission by the management was in agreement with the Auditor General that it was true that the County engaged the services of Collection Africa in debt collection. However, there were some payments made without certified receipts of reimbursable cost. This came out in the verification committee of Collection Africa dues and there was a recommendation that subsequent payments of their authenticated dues should be less the reimbursable cost paid earlier. The same treatment should be for VAT costs which was inclusive in their quote of Kshs. 1500 parcel digitized.

Committee Observations

1. The Committee observed that the value for money on the additional cost spent on the contract may not have been realized and that the management was not keen or deliberately failed to verify approvals for payments during voucher processing.

2. Moreover, the management did not demonstrate measures taken to recover the loss.

Committee Recommendations:

1. THAT the Accounting Officer Finance and Economic Planning, provides evidence of recoveries of Kshs. 4,036,660 overpaid to Collection Africa within 14 days upon adoption of this report
2. That failure by the Accounting Officer to provide the above evidence of recovery in 90days, pursuant to Article 226(5) of the Constitution of Kenya, 2010, the County Executive Committee Member for Finance and Economic Planning initiates recovery of Kshs. 4,036,660 from the then accounting officer who authorised the irregular payments.
3. THAT the matter remains unresolved

Compliance with the Kisumu County Covid-19 Emergency Fund Regulations,2020

Hon. Speaker, in the audit report, the Auditor General found that during the year under review, Management opened an independent account to receive and expense Covid-19 funds. However, the account operated at SBM Bank under the Covid-19 Response Kisumu County was opened before the Fund was enacted. The account opening instructions and approval by The National Treasury were not provided for audit review. It was therefore, not possible to confirm if the Fund account was opened as required by the Public Finance Management Act, 2012, the County Governments Regulations, 2015 section 82(1) and the Kisumu County Covid-19 Emergency Fund Regulations, 2020 which requires the County Government to open an independent account to receive and expense Covid-19 funds.

Further, the County received a total of Kshs.217,520,000 from the CRF account for utilization to fight COVID-19 pandemic which comprised of Kshs.159,820,000 from the National Government, Kshs.50,000,000 from County own funds and Kshs.7,700,000 grants from DANIDA. The County further received Kshs.400,000,000 from the National Government (Ministry of Health) which was transferred directly to Jaramogi Oginga Odinga Teaching and Referral Hospital. No funds had been utilized as at 30 June, 2020. No explanation was provided for the delay, given that it was meant for emergency response. The residents of Kisumu County had not benefited from the funds totaling Kshs.217,520,000.

In addition, Management paid Kshs.4,447,600 to two (2) consultancy firms, under other operating expenses, for the development of strategic plans for two departments. The Management had invited bids under request for quotation from three (3) firms but two (2) were eliminated at the preliminary evaluation stage. The firms invited were not in the prequalified list of suppliers contrary to section 95 of the Public Procurement and Asset Disposal Act, 2015. The process was therefore, also non-competitive as only one (1) firm was evaluated on the technical and financial proposal. The reports were yet to be implemented as they have not yet been approved by the Executive for implementation.

Management also paid an amount of Kshs.136,895,906 under emergency relief and refugee assistance, directly from the County Treasury. Further, a direct supply of Kshs.5,311,700 for blankets, masks, gumboots and gloves was made without supporting documents to justify the same. This is contrary to the Public Finance Management Act, 2012 Section 110 that states that a County Executive Committee may, with the approval of the County Assembly establish an emergency fund for the County Government.

Consequently, the Management was in breach of the law.

Management responded that: In response to covid-19 Emergency in the County, the Government of Kisumu formed a committee (KECOSOC) to help to help in mobilization of funds and management of the pandemic. KECOSOC ad hoc committee approved the establishments of the funds and opening of the accounts due to the nature of the pandemic, reason being County had to start soliciting funds from well-wishers.

Committee Observations

1. The management provided documentary evidences to support their response although the auditor noted that the same were provided late.

Committee Recommendations

1. The committee recommends that the matter is resolved.

Non-compliance with the Law on Fiscal Responsibility-Wage Bill

During the year under review, the total compensation of employees amounted to Kshs.4,261,475,456 which is 49% of total receipts of Kshs.8,733,502,114 as reflected in the statements of receipts and payments. This contravenes section 25(1) (b) of the Public Finance Management County Governments Regulations 2015 which states that compensation of employees should not exceed thirty-five (35%) percent of the County Government's total revenue for that year. Consequently, the Management was in breach of the law.

Management Response: The County Government of Kisumu is aware of the huge wage bill and is taking the following measures to mitigate this;

- (i) Restructuring of government; this has led to merging of ministries and departments and reduction of personnel by job enrichment and enlargement of positions previously held by chief officers and directors. This has been evidenced by recent adverts for chief officers and directors that has reduced the number of chief officers to ten from thirteen and directors from twenty seven to twenty two saving the government Kshs. 17,901,120 annually in salaries and wages.
- (ii) Early 2020, the world experienced global economic shock following the outbreak of Covid-19 pandemic which disrupted how business and services are offered and

conducted. This led to redundancies in employment, closures of revenue generating activities and issuance of moratoriums (covid-19 tax relief to enable businesses and individuals stay afloat. The National Government in response to the harsh economic situation came up with voluntary salary cuts programme to enable it save on expenditure and reduce the wage bill, this was replicated in the County Government too. The County Government had to close public markets, public parks and spaces in compliance with the directives from the ministry of Health in controlling spread of infection, payment of land rates and advertising, single business permit renewals bill boards and public display charges among other taxes levied by the County Government was at all time low and this led to low revenues in contrast to the projected revenues. Delays in disbursement of the Equitable share from the exchequer affected the running of programs for service delivery such as timely payment lighting and collection of garbage within markets and trade centers led to refusal by traders to pay taxes and levies

In order to mitigate the high number of infections, the County Government with support from the National Government on boarded new health workers to combat the disease which also led to increase in the wage.

- (iii) Low revenue collection experienced during the pandemic impacted negatively on the personnel emolument ratio

Committee Observations

1. The matter has been recurring over the last financial years
2. The Committee noted and appreciated that the County Government has started taking appropriate mechanisms aimed at reducing the wage bill such as the reduction of the number of chief officers and directors.

Committee Recommendations

1. THAT despite the elaborate management response and the mechanisms put in place to reduce the wage bill, the issue still remains unresolved as the wage bill still remains over and above what the law stipulates as observed by the Auditor General.
2. THAT going forward, the management must put in place mechanisms that would ensure progressive compliance with the laws on wage bill

Long Outstanding Imprests

Hon. Speaker, the Auditor General observed that the statement of assets and liabilities reflects accounts receivables – outstanding imprests of Kshs.114,831,010. However, there was no evidence that imprests had been surrendered or accounted for as at 30 June, 2020. Further, a sample of employees with outstanding imprest indicated that several employees were issued with multiple imprests before surrender of others previously issued to them. The above is contrary to Regulations 93(5) of the Public Finance Management County Governments Regulations 2015 that requires that imprest be surrendered or accounted for within 7 working days after returning to duty station. Consequently, the Management was in breach of the law.

Management Response

The observation by the auditor is true. However, to cure the problem of huge outstanding imprests and or delay in surrender of imprest, the management initiated the process of recovering the same and to date an amount of Kshs. 22,229,647 have since been recovered.

Committee Observations

Hon. Speaker,

1. From the response and committee deliberations, it was noted that the issue of un-surrendered imprest has always been in the Auditor General Reports with no clear solution to the increasing receivables from staff
2. Further, the committee observed that the management failed to ensure that issuance of imprests is in accordance with the regulations governing imprests and that any overdue imprests are recovered with interest as required by the regulations.
3. The management indicated that legal action was taken by the management through the County Secretary in cases of un-surrendered imprests. However, the management failed to provide evidence of any such action.
4. The Committee noted that the following sample of officers have outstanding imprests amounting to ksh.300,000 and above

GOVERNMENT OF KENYA- CIVIL SERVICE IPPD- Payroll by product: Imprest Recovery for the Month of June- 2022

Employer (Vote): 34201 Kisumu County Executive

Payroll No.	Officer's Name	ID/PP No.	Amount (Ksh.)	Balance (Ksh.)	Account
20120003563	Mr. Sospeter Mimba Onunga	22201698	31,415.00	2,102,627.15	IMPREST
20170104177	Mr. Evance Odiwuor Alalah	24143995	76,875.65	1,067,044.05	IMPREST
1997033599	Mr. Benard Grutenberg Kagunza	11041658	106,655.45	861,533.65	IMPREST
20000013641	Mr. Daniel Okoth Ogada	22583096	15,579.00	839,027.00	IMPREST
20170105334	Mr. Patrick Madanji	1431392	139,924.65	770,496.05	IMPREST
13601366	Mr. Godfrey Ochieng' Dienya	13601366	141, 135.95	749,657.15	IMPREST

20150009386	Mr. Kennedy Odhiambo Ochieng'	25264130	39,252.80	498,741.60	IMPREST
20100003987	Mr. George Rombo Orude	11663471	54,947.85	485,112.45	IMPREST
20140068444	Mrs. Daizy Akinyi Okal	25968732	76,344.50	466,766.50	IMPREST
20170145249	Mr. Nelson Mandela Okore	27961070	39,661.65	430,010.05	IMPREST
19880011245	Mr. John Ngere Okwama	3950098	60,903.15	399,167.95	IMPREST

Committee Recommendations:

1. THAT Pursuant to Regulation No. 93 (6) & (7) of Public Finance Management Act 2015, (County Government) Regulations, the Accounting Officer for Finance and Economic Planning immediately initiates recovery of all outstanding imprests pending from all officers with pending imprests and a report on the status of such recoveries be submitted to the Assembly within 90 days upon adoption of this report
2. That failure to initiate the above recoveries and Pursuant to Regulation No. 93 (7) of the PFM regulations 2015, the County Executive Committee member initiates recovery of the same from the accounting officer
3. THAT the matter remains unresolved.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Hon. Speaker, on effectiveness of internal controls, risk management and governance, the Auditor General concluded that as required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, the Auditor General confirmed that internal controls, risk management and governance were not effective on the basis of the following;

Lack of Updated Fixed Assets Register

Annexure 5 – Summary of fixed assets register to the financial statements indicates a total assets cost of Kshs.5,074,776,975 as at 30 June, 2020. However, the County Executive did not have an up-to-dated consolidated fixed assets register as only three (3) departments namely; Department for Education, ICT & Human Resource Development, Department for Water and Sewerage Services and Department for Agriculture, Irrigation, Livestock and Fisheries had submitted their asset registers to the assets register consolidation committee that is charged with the

responsibility of consolidating the assets owned by the County Executive. However, the register kept by the Department for Education did not include the construction of ECD facilities. In addition, the County Executive had not valued its parcels of land for complete recording in the register. In addition, assets previously held by the defunct local authorities had not been fully identified, secured and taken on charge. Consequently, the ownership, accuracy and completeness of existing assets register could not be confirmed for the year ended 30 June, 2020.

Management Response

The County Government has always submitted the fixed asset register during audit and has since updated its fixed asset register as resubmitted to the Office of the Auditor General

Committee Deliberations and Observations

Hon. Speaker,

1. During the review of this matter, the committee noted that the Management failed to maintain an updated assets register of the assets owned by the County Government

Committee Recommendations:

1. That going forward, the Management must ensure that an asset register is maintained and regularly updated.
2. That this matter remains unresolved.

Weak Internal Audit Unit

During the year under review, the Internal Audit Unit had only four (4) technical officers casting doubt on the capacity of the officers to audit the fourteen (14) departments. Further, although the Audit Committee was formed on 17 May, 2018, there was no evidence that it held any meetings in the year. In the circumstances, it has not been possible to confirm existence of an effective internal controls and governance mechanism of the operations.

Management Response

It is true that the Internal Audit Department lacked staff capacity at the time of the audit during the financial year 2019/2020 which greatly affected our normal operations in terms of coverage of risk based annual work plan and special audits which are generated from time to time and on need basis. However, the management intervened through deployment of technical staff (4) in number to boost staff capacity. These are staff who were transferred from other departments with relevant qualifications and experience. Attached please find deployment letters for the additional staff.

Committee Deliberations and Observations

1. The Management provided Internal Audit reports that were verified by the Auditors as justifications of existence of their internal audit unit and processes.
2. Despite its existence, the department was lean and weak in terms of systems and processes.
3. The Management failed to provide evidence of audit committee meetings during the time of audit and during the committee deliberations

Committee Recommendations:

1. That going forward, the management must ensure compliance with Section 172(1) that requires the audit committee to meet at least once in every 3 months
2. The committee cleared the matter as resolved

Human Resource Matters

Review of the Human Resource Management records revealed that the County Executive did not have: -

- (i) An approved staff establishment, an annual recruitment plan and clear basis for transfers and promotions. In the circumstance, it is not known how and on what basis the County Public Service Board managed the recruitment of human resources.
- (ii) A training committee as provided in Section 9.6 of the County Public Service Human Resource Policy and Procedures Manual 2015, which states that a training committee will be established to continuously consider and review training needs from all the departments in order to ensure fairness, equity and relevance. The officer responsible for public service or his appointed designate will chair the committee while the head of the Human Resources Management will serve as the secretary.
- (iii) An integrated Human Resource Management Information System. As a result, reports relating to employees such as the employees hired, employee exits, and ~~promotions~~ made during the year could not be obtained. Further, the process, procedures and documentation for creating and removing employees in the payroll could not be confirmed.

In the circumstances, Management has not instituted effective mechanism in the management of Human Resource and ensures accurate and credible data which could be relied on in the decision-making process.

Management Response

The County Government of Kisumu uses the Integrated Payroll and Personnel Data System (IPPD), this has the payroll functionality and staff register. This system can query exits,

retirements, deaths, contract expiry and promotions. Find attached copies of IPPD query reports of the same. New Staff additions to payroll communication comes from the County Public Service Board to County Secretary who then instructs the director human resource to on-board the officers. This will entail opening an employee file, filling of employee bio data form and attachment of all the required documents (appointment letter, academic certs, and statutory documents) confirmation of arrival and deployment to duty station. Upon completion of the above the employee will be absorbed into the payroll. Find attached copies.

Committee Observations

Hon. Speaker, during the committee interrogations on this matter, the following were observed;

1. The Management failed to provide Evidence of an approved staff establishment, an annual recruitment plan and clear basis for transfers and promotions
2. The Management failed to provide Evidence of existence of a training committee as provided in Section 9.6 of the County Public Service Human Resource Policy and Procedures Manual 2015
3. Evidence of existence of an integrated Human Resource Management Information System, by way of reports on relating to employees such as the employees hired, employee exits, and promotions, were submitted to the Auditor General late and at the time of committee deliberations and not as at the time of audit contrary to the provisions of Public Audit Act 2015

Committee Recommendations

1. Hon. Speaker, in the absence of evidence of existence of; (i) an approved staff establishment and an annual recruitment plan, and (ii) a training committee as provided for in Section 9.6 of the County Public Service Human Resource Policy and Procedures Manual 2015; the matter remains unresolved.
2. The Committee recommends that the management adduce the above evidence to this Assembly in a period of not more than 30 days upon adoption of this report

Lack of Reconciliation of Revenues

Review of revenue records revealed that the County Executive has been collecting local revenue from three main platforms namely:- E-Citizen platform used for trade licenses, public health and E- construction; LAIFOMS used in collection of building plans revenue, rent, land rates; and County-Pro used in collection of business permit. It has been observed that the above systems are not integrated to enable easier and accurate reporting on revenue. It has not been possible to link the collections to the banking as there were no unique identifier or proper reconciliations and

consolidation statements generated for review. Consequently, existence of efficient internal controls on revenue collections could not be confirmed.

Management Response

The management responded that there has been system challenge in revenue reconciliations because they are not able to integrate the different systems which the management is handling by doing the manual reconciliation as they source for a new revenue system capable of handling auto-reconciliation within the system

Committee Deliberations and Observations

1. The committee observed that this audit query has been recurring
2. The Management has failed to put proper systems in place to improve/enhance revenue management.

Committee Recommendations:

1. That the Management put in place proper systems to improve/enhance revenue management and a report on the same be submitted to this Assembly in a period of not more than 90 days upon adoption of this report.
2. That the matter remains unresolved.

Weak Application of Information Communication Technology (ICT)

Review of the County Information Communication Technologies, ICT platforms revealed that the County Executive did not have ICT steering and strategic committees and there was no formally approved ICT security policy to ensure data confidentiality, integrity and availability. The absence of an approved security policy indicates that there is no clear direction to maintain information security across the organization and to properly safeguard the organizations' assets. Further, there was no approved ICT continuity plan or disaster recovery plan hence posing a risk of not recovering its normal operational data in case of loss. The entity also has no mechanism of storing system backed up data off-site neither does it implement an off-site storage for copies of relevant documents and no approved backup and retention strategy for storing system data and storing them off-site.

Therefore, with no system data backups existing and a disaster occurs, the county may not be able to continue services normally.

Management Response

- (i) The County Executive has now operationalized the committees. Attached are the appointment letters;
- (ii) Appointment for digitization and Automation Steering Committee, dated 19th August

2020

- (iii) Appointment of Digitization and Automation Technical Committee, dated 19th August 2020
- (iv) The County started and completed ICT policy formulation in the 2020-2021 financial year. Attached is the draft ICT policy dated June 2021
- (v) Draft policy is pending Public Participation and subsequent approvals and adoption by the County Assembly. The delay in Public Participation and approvals resulted from lack of budgetary allocation. However, it is budgeted for and planned to be done in the current financial year 2022-2023
- (vi) Kindly find attached approved Work Plan of the directorate of ICT and Budget extract from the approved County Budget for FY 2022-2023
- (vii) The ICT policy document has addressed several issues including; data confidentiality, integrity, availability and offers clear direction to maintain information security and safeguard county assets.
- (viii) IT continuity and Disaster Recovery Plan is part of the ICT Policy document. Refer to the attached draft ICT policy document (Data Back-up Policy Page 40, Business Continuity and Disaster Recovery in Page 41 and Risk Management in Page 45). Additionally, the County has undertaken or implemented the below actions towards addressing identified;
 - a. Acquiring of Virtual Recovery Plan (VPS) also referred to as Web Server Hosting from Sasahost Limited for off-site secure storage and access of data. Refer to attached Contract agreement, & acceptable usage policy and service level agreement, dated 16th October 2020
 - b. The County also has existing data center and systems center

Committee Observations

1. The committee noted that this has been a recurring audit issue
2. The committee noted that despite the management indicating that they had formulated an ICT Policy that would address the issues raised by the Auditor General, the said policy was yet to be submitted to the County Assembly for considerations.

Committee Recommendations:

1. That this issue remains unresolved until when the ICT policy is approved by the County Assembly.
2. That the policy be submitted to this Assembly in a period of not more than 30 days upon adoption of this report

Weak Application of the Integrated Financial Management Information System (IFMIS)

Review of the IFMIS transactions and analysis of the local purchase orders (LPOs) posted in IFMIS showed that two LPOs/LSOs billed exceeded the commitment (estimated) cost by over 30%. This may be an indication of either poor market survey of goods/services procured or an entity issuing LPOs/LSOs regardless of the committed amount. The IFMIS control is also weak as it allowed excess billing.

Further, analysis of the LPOs/LSOs processed against the payments made revealed that there were 2,910 LPOs/LSOs for amounts totaling Kshs.2,997,380,035 that were paid for but the value of the goods/services was not captured in IFMIS while there were 2,745 LPOs/LSOs for a cumulative amount of Kshs.3,139,495,077 that were paid to vendors who had not been defined in IFMIS as at 30 June, 2020. In addition, analysis of the vendors' list in IFMIS indicated that there were vendors who had different supplier numbers but similar vendor names but Management used both supplier numbers to process invoices and make payments to the vendors. There were ninety-two (92) payments to vendors for amounts totaling Kshs.234,591,399 whose invoices had not been captured in IFMIS. Further, analysis of the payment details report showed that there were (3) transactions amounting to Kshs.134,563,417 that were paid in cash as per the item description.

Consequently, it has not been possible to confirm the existence of effective utilization of IFMIS functionalities and controls in the management of public resources.

Management Response

The Management responded that the Auditor's observation was true but it was due to staff capacity challenge. Sourcing modules in the IFMIS system had not been activated by the National Treasury and it took time to fully implement e-procurement due to delay in training by the treasury staff from ministry of finance that had not been done by the end of 30th June 2020.

Committee Deliberations and Observations

Hon. Speaker,

1. The committee observed that the management is not keen in ensuring that IFMIS system and other applications are well utilized.
2. That there is need for retraining of staff on the efficient use of the IFMIS system in the management of public resources

Recommendations

1. That going forward, the management must ensure that appropriate measures are taken to increase efficiency in the use of the IFMIS system.
2. That in the subsequent financial year (2023/2024), the management organizes for training of staff on the efficient use of the IFMIS system in the management of public resources.

3. That this matter remains unresolved

Long Outstanding Rates Arrears

Examination of the LAIFOMS report revealed that land rates amounting to Kshs.1,037,779,036 were still in arrears as at 30 June, 2020. These have fallen due over the years and no efforts have been made to collect them. In the circumstances, the Auditor General was unable to confirm the existence of effective debt collection mechanisms.

Management Response

The land rates payments by rate payers were affected by the Covid-19 pandemic, the County Government of Kisumu has since initiated personalized demand arrangements for payment of rates by the citizen.

Committee Deliberations and Observations

1. The committee noted that the Management is yet to put in place effective debt collection mechanism. The issue is a recurring audit matter.

Committee Recommendations:

1. That the management must put in place effective debt collection mechanisms to drive the County towards recovery of the land rates amounting to Kshs.1,037,779,036.
2. That a progress report on the same to be submitted to this Assembly within a period of three months upon adoption of this report
3. That the issue remains unresolved

SUMMARY OF COMMITTEE OBSERVATIONS/FINDINGS

Hon. Speaker, based on the foregoing audit issues raised by the Auditor General, the management responses and committee interrogations on the issues raised, the Committee herein makes the following overall findings;

1. The Committees finds that contrary to Section 27 (3) (d) (ii), (f) & (g) of the County Assembly Powers and Privileges Act 2017, the Accounting Officer, on various occasions, wilfully lied to and misled the Committee on the provision of required documents and information for audit. In many occasions, the Accounting Officer informed the Committee both verbally and on paper that documents had been provided to the auditors, a matter that the auditors disputed many times.
2. In many occasions, the Accounting Officer failed to provide to the auditors requisite documents for purposes of public audit contrary to Section 21 of Public Audit Act 2021 which gives the auditors power to obtain information
3. That in many occasions, the Accounting Officer committed an Offence under the Public Audit Act, 2015, Section 62(1) (b) and (c). This Section of the law states that; A person

shall not; (1) without justification, fail to provide information required under this Act and (2) without justification, fail to provide information within reasonable time that is required under this Act

With regards to the Inaccuracies in the Financial Statements in which the Auditor General noted that the Statement of Receipts and Payments reflected various receipts balances which were at variance with similar balances as per the IFMIS MRR;

- a) The Management in their response indicated that the Controller of Budget Implementation Report captured balance brought forward from the financial year 2018/2019 of Kshs. 1,524,076,529 that had already been reported in the financial statements of 2018/2019. However, according to the Auditors, there was no reconciliation provided to support the same during the time of audit.
 - b) No disbursement schedule was provided to support the receipt of ksh. 91,525,525 for the Universal Health Care
 - c) It was noted by the Office of the Auditor General that despite the Management indicating that they had requested for Vote Book Management System Configuration from the National Treasury, there was no status or progress report on the same as at the time of deliberations.
4. With regards to the Accuracy of County Own Generated Receipts amounting to Kshs. 811,076,124 in the financial statements, (Unsupported County Own Generated Receipts);
- a) According to the Office of the Auditor General, the payroll surcharge deductions were sufficiently supported by IPPD generated records or other authenticated records. The supporting documents were provided later and not during the time of audit
 - b) There was no response on the revenues that were spent at source. Similarly, there was no evidence of subsequent transfers to the County Revenue Fund.
 - c) The Committee observed that a letter of REF;DALF/COALF-KSM/GC/FIN6/VOL1 dated 28th January 2021 was written to branch manager KCB Kisumu Branch to transfer all the funds held in the account number 1148451196 to County Revenue Fund account number 1141991705.
 - d) However, the committee could not establish whether the subsequent collections in the Maseno ATC are being transferred to the County Revenue Fund Account as required by Sections 80 and 81 of the PFM regulations 2015.
5. In regards to the accuracy, completeness of receipts of Kshs. 24,377,272 reflected as returned County Revenue Fund issues in the Statement of Receipts and Payments for the FY 2019/2020 (unreturned funds to CRF);
- a. The Committee observed that the transfers disclosed were made in August 2019 which was just one month into the new financial year 2019/ 2020 and that could not account for transfers which ought to have been made after the end of the financial year ended 30th June 2020.

- b. The payment vouchers that were attached relates to activities which took place way before the closure of the financial year which would have been paid within the financial year
 - c. The management failed to adhere to the cut off procedures in case of unpaid commitments as per National Treasury guidelines
 - d. The balance of Kshs. 4,229,013 relating to imprest and operations account was not sufficiently reconciled/explained
 - e. The committee noted that despite the management indicating that they had committed all the funds including the ksh. 4,229,013 relating to imprest and operations account, it was against accounting standards and practice to commit imprest and operations accounts
 - f. Nonetheless, the management failed to provide any evidence of any such commitments as alleged.
6. In regards to the accuracy, validity and completeness of the Kshs.4, 261,475,456 spent on compensation of employees in the statement of receipts and payments;
- a) The management failed to provide explanations on unsupported expenditures of Kshs. 8,865,802 and Kshs. 16,402,366.
 - b) Supporting documents on casuals attached to the management response only amounted to Kshs.3,597,300 thus leaving an unsupported payments to temporary employees at Kshs. 5,268,502
 - c) That the management failed to provide the relevant documents supporting the expenditures of Kshs. 16,402,366 relating to sitting allowances, travelling allowances, airtime and retainer allowances to members of the County Public Service Board
 - d) That the management failed to provide the vouchers, schedule of payees, approvals and support for work done to support the expenditure amounting to Kshs.8,865,802 as highlighted by the Auditor General
 - e) That the total unsupported expenditures amounted to Ksh. 21,670,868 (comprising of Kshs. 5,268,502 allegedly paid to temporary employees but could not be supported and Kshs. 16,402,366 (includes Kshs.1, 235,062 paid as honoraria to employees) relating to sitting allowances, travelling allowances, airtime and retainer allowances to members of the County Public Service Board – all of which could not be supported)
7. On the matter of Unsupported payments totaling to Kshs. 10,139,479 that was not supported with relevant documents;
- a) That the management failed to provide supporting documents of Kshs.10, 135,479 under use of goods and services during the time of audit
 - b) The Committee noted that without supporting documents referenced in this matter, there was possible direct loss of ksh. 10,135,479 of public funds
 - c) That despite the Accounting Officer's submission that the supporting documents

- had been provided for audit review, as at the time of committee deliberations on this matter, the Officers from the Office of the Auditor General disputed and indicated that the documents were yet to be provided for audit review.
- d) The Committee finds that contrary to Section 27 (3) (f) & (g) of the County Assembly Powers and Privileges Act 2017, the management wilfully lied to and misled the Committee on the provision of required documents for audit
 - e) The Committee finds that the County Government of Kisumu does not have a policy on record management
8. On the irregular insurance costs, the matter of recovery of money lost as a result insurance of 3 vehicles that had already been insured earlier
- a) The Committee observed that the supporting documents with respect to the payments of ksh. 4,716,395 for insurance costs were provided to the Auditors as indicated by the management. However, these were not provided at the time of audit
 - b) The Committee observed that the Management failed to provide the insurance certificates for five vehicles during the time of audit contrary to the provisions of Section 62(1)(b)(c) of the Public Audit Act, 2015 on timely provision of documents and evidences for purposes of audit
 - c) The Committee noted that the letter initiating refund of the overpayment was dated 3rd March 2023, 6 days before the accounting officer appeared before the committee. There was also no evidence that the letter was received by the insurance company. The purported letter was therefore to hoodwink the assembly committee.
9. On the issue of other unsupported expenditure amounting to 36,955,929 that was not supported with payment vouchers, procurement documents and other relevant records
- a. That the Management failed to provide documents to support the amount of Kshs.36, 955,929 both during the time of audit and as at the time of committee deliberations contrary to the management response.
 - b. THAT pursuant to Section 27 (3) (d) (ii), (f)& (g) of the County Assembly Powers and Privileges Act 2017, the management wilfully lied to and misled the Committee that despite not providing the documents during the time of audit, they had provided them for verification as at the time of committee deliberations on this matter
10. Regarding the unsupported expenditure of ksh.5,000,000 for renovation of Deputy Governor's residence, in which no document was provided to support certified works. In addition, tender advert, regret letters and other procurement documents were not availed for audit review;
- a. The relevant documents to support the issues raised by the auditor on the matter of renovations done were not provided for verification.
 - b. The management indicated that the supporting documents were burnt. However,

- this could not be verified
- c. There are other several avenues through which the management could have used to acquire the supporting documents. It was observed that even if the documents were burnt at the department of Lands, Housing, Physical Planning and Urban Development as alleged by the management, other copies of the said documents could still be accessed from the paying department of Finance and Economic Planning, or from the contractors
 - d. The committee observed that this was just but an indication of apparent refusal by the management to provide the documents for the evidence contrary to Section 21 of the Public Audit Act 2015
 - e. THAT the Accounting officer of Finance and Economic Planning violated Section 62 (1) (b) of the Public Audit Act 2015 which states that a person shall not without justification fail to provide information required under this Act
11. Regarding Irregular payment for debt collection services in which an overpayment amounting to Kshs. 4,036,660 was flagged by the Auditor General;
- a. The Committee observed that the value for money on the additional cost (overpayment) spent on the contract may not have been realized and that the management was not keen or deliberately failed to verify approvals for payments during voucher processing.
 - b. Moreover, the management did not demonstrate measures taken to recover the loss – there was no evidence of initiation/progress of recovery of the money lost
12. Regarding long outstanding imprest in which no evidence was provided to support imprest surrendered and several employees were issued multiple imprests before surrender of others previously issued to them;
- a. From the response and committee deliberations, it was noted that the issue of un-surrendered imprest has always been in the Auditor General Reports with no clear solution to the increasing receivables from staff
 - b. Further, the committee observed that the management failed to ensure that issuance of imprests is in accordance with the regulations governing imprests and that any overdue imprests are recovered with interest as required by the regulations.
 - c. The management indicated that legal action was taken by the management through the County Secretary in cases of un-surrendered imprests. However, the management failed to provide evidence of any such action.
13. On the issue of Pending Bills;
- a. The Management failed to provide list of the eligible pending bills and a report of the Pending Bills Resolution committee during the time of audit.
 - b. That the pending bills were audited through a special audit by the Office of the Auditor General in 2021.
 - c. The Management failed to identify and fully indicate details of the debts related to

gratuity during the time of audit. The list of pending bills related to gratuity and medallion awards owed to various staff amounting to Kshs.278,268,393 have since been provided and verified

- d. The Management failed to provide delivery notes, invoices and other procurement records for claims of Kshs.86,138,196. The committee also observed that the said amount does not qualify into the pending bills without delivery notes, invoices and other procurement records
- e. That the management failed to provide evidence of their compliance with the due processes in the recruitment of the Chairman of the pending bills resolution committee.

SUMMARY OF RECOMMENDATIONS

Hon. Speaker, based on the foregoing findings, the Committee makes the following recommendations;

1. With regards to Inaccuracies in the financial statements in which the Auditor General noted that the Statement of Receipts and Payments reflected various receipts balances which were at variance with similar balances as per the IFMIS MRR;
 - a) That the Accounting Officer submit to this Assembly the disbursement schedule to support the receipt of ksh. 91,525,525 for the Universal Health Care in a period of not more than 90 days upon adoption of this report
 - b) THAT in future, the Chief Officer Finance/Accounting Officer must ensure proper reconciliation to ensure that there is agreement between the figures in the Financial Statements and the IFMIS system
 - c) THAT this matter/issue remains unresolved.
2. With regards to the Accuracy of County Own Generated Receipts amounting to Kshs. 811,076,124 in the financial statements, (Unsupported County Own Generated Receipts);
 - a) That the Accounting Officer submit to this Assembly a Comprehensive report on the annual own source revenue collected by Maseno ATC for the financial year 2019/2020 in a period of not more than 90days upon adoption of this report
 - b) That the Accounting Officer submit to this Assembly in form of a report, the measures that the management have put in place to ensure that all subsequent revenues collected are remitted to county revenue funds account as per section 80 and 81 of the Public Finance Management regulation 2015
 - c) That the Accounting Officer submit Financial statements for financial year 2020/2021 and 2021/2022 relating to all the Agricultural Training Centers within Kisumu County to the Office of the Auditor General in a period of not more than 90days upon adoption of this report for a Special Audit.
 - d) THAT the Chief Officer Finance automates own-source revenue collections due to the all

the Agricultural Training Centers within the County before the end of the financial year 2023/2024 and a report on the automation be submitted to this Assembly

- e) That this issue remains unresolved
3. In regards to the accuracy, completeness of receipts of Kshs. 24,377,272 reflected as returned County Revenue Fund issues in the Statement of Receipts and Payments for the FY 2019/2020 (unreturned funds to CRF);
 - a) THAT in future, the Chief Officer Finance must ensure that all accounting processes are undertaken through the IFMIS system
 - b) That in future, the Management must ensure that all unspent money is returned back to the County Revenue Account
 - c) THAT this matter remains unresolved
4. In regards to the accuracy, validity and completeness of the Kshs.4, 261,475,456 spent on compensation of employees in the statement of receipts and payments;
 - a. THAT the Chief Officer Finance and Economic Planning (Accounting Officer) submit to this Assembly supporting documents for payments amounting to ksh. 5,268,502 relating to basic wages of temporary employees and relevant documents to support payments amounting to Kshs. 16,402,366 (including Kshs.1, 235,062 paid as honoraria to employees) in a period of not more than 90 days upon adoption of this report.
 - b. That failure by accounting officer to support the amount mentioned above within 90 days upon adoption of this report, the whole amount turn into irregular payments.
 - c. That Pursuant to Article 226(5) of the Constitution of Kenya 2010 which states that, if the holder of a Public Office or a political office, directs or approves the use of Public Funds contrary to the law or instruction, the person is liable for any loss arising from that use and shall make good, the loss, whether the person remains the office holder or not, the County Executive Committee Member for Finance, Economic Planning and ICT after elapse of 90days immediately initiates the recovery of Kshs. 16,402,366 and Kshs. 5,268,502 from the then Chief Officer Public Service Board and the then Chief Officer Finance and Economic Planning respectively, and a report on the progress be submitted to this Assembly.
 - d. That this matter remains unresolved
5. On the matter of Unsupported payments totaling to Kshs. 10,139,479
 - a. That the Accounting Officer, Finance and Economic Planning submit to this Assembly the supporting documents for payments amounting to Kshs. 10,135,479 in a period of not more than 14days upon adoption of this report
 - b. That failure by the Chief Officer Finance and Economic Planning to comply with recommendation 1, the payments turn to irregular payments
 - c. That Pursuant to Article 226(5) of the Constitution of Kenya 2010 which states

that, if the holder of a Public Office or a political office, directs or approves the use of Public Funds contrary to the law or instruction, the person is liable for any loss arising from that use and shall make good, the loss, whether the person remains the office holder or not, the County Executive Committee Member for Finance and Economic Planning (after elapse of 14days) immediately initiates the recovery of Ksh. 10,135,479 from the then Accounting Officer and the progress on the recovery be submitted to this Assembly.

- d. THAT in order to ensure safe keeping of Government records and documents, and adherence to Section 17 (3) of Access to Information Act 2016, the County Secretary formulates the Kisumu County Records management policy and submits the same to the County Assembly for consideration within 90 days upon adoption of this report.
 - e. That this issue remains unresolved
6. On the irregular insurance costs, the matter of recovery of money lost as a result insurance of 3 vehicles that had already been insured earlier;
- a) THAT the Chief Officer Finance submits evidence of recovery of the overpayment within 14 days upon adoption of this report
 - b) That failure by the accounting officer finance to submit the evidence of recovery within 14 days upon the adoption of this report, Pursuant to Article 226(5) of the Constitution of Kenya 2010 which states that, if the holder of a Public Office or a political office, directs or approves the use of Public Funds contrary to the law or instruction, the person is liable for any loss arising from that use and shall make good, the loss, whether the person remains the office holder or not, the County Executive Committee Member for Finance and Economic Planning and ICT initiates the recovery of the amount due to the relevant accounting officer who authorised the irregular insurance expenditures and evidence of the said recoveries be submitted to this Assembly within 90 days upon adoption of report.
 - c) That this matter remains unresolved
7. On the irregular foreign travel and subsistence expenses, in which payment of Kshs.4,774,172 was made for shipping charges for a hyacinth harvester donated by the Indian Government;
- a) That the Accounting Officer submit to this Assembly supporting documents showing how the service provider was sourced to undertake the clearing services and whether this cost had been factored in the budget and the procurement plan within a period of 90days upon approval of this report
 - b) That the Accounting Officer submit to this Assembly all the supporting documents for the amount of Kshs . 4,774,172 that relates to shipping charges within a period of 90days upon adoption of this report
 - c) THAT in future, the Accounting Officer must ensure compliance with Article 223 of Constitution of Kenya 2010, Section 135 of PFM Act 2012 and Regulation 39

- of PFM Act (County Government) Regulations 2015 when incurring such expenditures.
- d) That this audit issue remains unresolved
8. On the issue of other unsupported expenditure amounting to 36,955,929;
- a) THAT Accounting Officer Finance and Economic Planning submit to this Assembly through the Office of the Auditor General, the documents supporting the expenditures of the ksh. 36, 955, 929 in a period of not more than 14 days upon adoption of this report failure to which, by a copy of this report, the matter be automatically referred to the Ethics and Anti-Corruption Commission for further investigations for possible loss of public funds amounting to Ksh. 36,955, 929.
- b) THAT this matter remains unresolved
9. Regarding the unsupported expenditure of ksh.5,000,000 for renovation of Deputy Governor's residence, the Committee recommends
- a. THAT the accounting officer provides the said supporting documents from the Finance and Economic Planning department within 14 days upon adoption of this report failure to which he be held liable in line with article 226 (5) which provides for personal liability for an accounting officer in case of loss of public funds and be fined ksh.1million.
- b. THAT failure to provide the documents within 14 days as indicated above, and Pursuant to article 226 (5) of the Constitution of Kenya 2010 which stipulates for direct personal liability for an accounting officer in case of loss of public funds, the Committee recommends that the County Executive Committee Member for Finance and Economic Planning initiates recovery of ksh.5, 000, 000 spent on the alleged renovations from the accounting officer, the then Chief Officer Finance and Economic Planning, who authorised the said expenditure and a report on the same be submitted to the County Assembly within 90 days upon adoption of this report.
- c. THAT the matter remains unresolved
10. On the matter of inaccuracies in the statement of Cashflow;
- a. That the Accounting Office submit to this Assembly evidence of prior year adjustments within a period of 90days upon adoption of this report
- b. THAT going forward, the management must ensure that the financial statements represent a true and fair position of the County Government.
- c. THAT this matter remains unresolved.
11. Regarding the issue of the pending bills during the fy2019/2020, the committee recommends the following;
- a. THAT the Accounting Officer Finance submits to the County Assembly the details of the eligible pending bills as at end of fy2019/2020 within 90 days upon

- adoption of this report
- b. THAT the Auditor General submits to the County Assembly the special Audit Report on the pending bills as audited by the Auditor General within a period of 90 days upon adoption of this report.
 - c. THAT the Chief Officer Finance submits to the County Assembly a comprehensive list of all the unsupported pending bills totaling to ksh. 86, 138, 196 within 90 days upon adoption of this report for purposes of considerations
 - d. That the issue of pending bills remains unresolved
12. Regarding the Kshs. 4,036,660 irregular payment for debt collections paid to Collection Africa Limited consultants, the Committee recommends;
- a. THAT the Accounting Officer Finance and Economic Planning, provides evidence of recoveries of ksh. 4,036,660 overpaid to Collection Africa within 14 days upon adoption of this report failure to which, pursuant to Article 226(5) of the Constitution of Kenya, 2010, the County Executive Committee Member for Finance and Economic Planning initiates recovery of ksh. 4,036,660 from the then accounting officer (the then Chief Officer Finance) who authorised the irregular payments.
 - b. THAT the matter remains unresolved
13. Regarding the long outstanding imprests;
- a. THAT Pursuant to Regulation No. 93 (6) & (7) of Public Finance Management Act 2015, (County Government) Regulations, the Accounting Officer for Finance and Economic Planning immediately initiates recovery of all outstanding imprests pending from all officers with pending imprests and a report on the status of such recoveries be submitted to the Assembly within 90 days upon adoption of this report
 - b. That failure to initiate the above recoveries and Pursuant to Failure to Regulation No. 93 (7) of the PFM regulations 2015 the County Executive Committee member initiates recovery of the same from the accounting officer
 - c. THAT the matter remains unresolved.
14. That the Committee on Implementation immediately initiates follow-up on all the recommendations herein and a report on the status of implementation be brought to this House in a period of not more than 90days upon adoption of this report

CONCLUSION

Hon. Speaker, I hereby request that this House adopts this report of the Public Accounts and Investments Committee on the consideration of the Auditor General's Report on the Financial Statements of the County Executive of Kisumu for the year ended 30, June 2020. May I call upon Hon. Were to second?

(The Hon. Speaker is relieved of the Chair for Hon. Okumu)

The Temporary Speaker (Hon. Okumu, MCA, East Seme Ward): Hon. James Were.

Hon. Were (MCA, Nyalenda “B” Ward): Thank you Mr. Speaker. This is a noble and a well-researched report. The committee has pin-pointed a lot of issues that must be addressed by relevant Departments in the County Executive. There are numerous issues that have not been resolved. If you go through the report, you will find that a number of payments were done which were un-supported. Moving forward, the County Executive should be equal to the task. Thank you.

The Temporary Speaker (Hon. Okumu, MCA, East Seme Ward): Honourable Members, a report by PIC/PAC on its Considerations of the Auditor General’s Report on the Financial Statements of the County Executive of Kisumu for the FY ended 30th June, 2020 has been moved by the Committee Chairperson and seconded by Hon. Were. I therefore, propose to put a question that this motion is open for debate.

The Temporary Speaker (Hon. Okumu, MCA, East Seme Ward): Hon. Warindu.

Hon. Warindu (MCA, Miwani Ward): Thank you Mr. Speaker. First, let me take this opportunity to congratulate this Select Committee for the detailed report that they have provided us. This is one of the detailed reports that we are having in this House. In depth analysis was done and we can all tell how the County has been spending the resources that are in our coffers.

Mr. Speaker, I don’t want to vilify the officers that have been mentioned neither do I want to vilify the recruitment process that was done. I want to believe that those who are placed in these offices knew exactly what they were supposed to do. I know the Finance Officers whom I believe is conversant with relevant statutes like the Constitution of Kenya 2010, PFM Act 2012, and the Public Audit Act 2015. There are standards that have been put there on how public resources are supposed to be used. If you followed the report very well, it begs many questions on us, and one might even wonder where the County is headed to. If those who are placed in these offices cannot follow the guidelines and rules put in place to safeguard the resources that have been given to us. Mr. Speaker, I have an issue with point 5.0 of the report, where we have Unresolved Prior Year Matters. Most of the issues that have been raised in the report are unresolved. I do not know the actions that will be taken on that because, if you look at the previous years, there were no communications on the unresolved issues, and no answers were provided since the year 2019. Reports are often brought here and officers responsible are even summoned, we talk to them we reach into an agreement and make recommendations on what ought to be done moving forward. However, it seems like we are taking them as stories as they are not taking these recommendations seriously

Mr. Speaker, in addition, if you look at point 6.6 of the report, on the Long Outstanding Imprest. These people still exist and I believe that some are still working with the County Government of Kisumu. They owe the County the imprest and up to now the money has not been recovered. The funniest one was how the Covid-19 Fund was handled. We used to talk about it, that we have Covid-19 millionaires and billionaires nationally, but little did I know that even at the County level they existed. I believe that, it was like a cash cow for some of us because how the money was spent begs a lot of questions. The only good thing is that we have made so many

recommendations, and we want the Committee on Implementation to help us find a way on how these recommendations can be resolved. Otherwise, I beg to support the report, thank you.

The Temporary Speaker (Hon. Okumu, MCA, East Seme Ward): Yes, Hon. Oiko Pete

Hon. Oiko (MCA, Kabonyo-Kanyagwal Ward): Mr. Speaker, let me also look at the report a little, and see if there is something I can open my mouth on...

(Laughter)

Mr. Speaker, when I look at page 7 of the report, the meaning of an Adverse Opinion is being explained there, and what an Adverse Report is. I believe that this Audited Report was an Adverse Report. This report was taken to the Senate and the Senate brought it back to the Assembly. So, when we are being told that oversight is our primary role, let us not quarrel. When we are being told that we should be up to the task, let us not insult those who say that. Let us understand and analyze what message is being passed to us because on the ground, when we go to the rural areas, you cannot tell a nursery kid to go herd but look for a mature person to herd the animals. When the maturity at the Assembly is being looked into then, let us not feel offended, so that we are able to go through this kind of report, and make some decisions.

Mr. Speaker, I hope Members of plenary are listening to that. This report, as presented by the Committee on PIC/PAC, I have seen here that the Office of the Auditor General was with them to help them go through this report, this was a credit on their part. The presence of the Auditors when they were interrogating the County Executive's Department of Finance is a credit. Mr. Speaker, if I may digress a bit, this kind of report may be tedious for us to go through at times, and I usually say that there are some committees such as that of PIC/PAC, Finance, and Budget and Appropriations that need induction for every one of us here. A general induction of all the Members on the role of these House Committees and that is when some of us will be able to grasp knowledge on these reports. Mr. Speaker, that is just for your information so that we are helped.

Mr. Speaker, when I look at this report on page 63-67; Summary of Committee Observations and Findings, then on page 68-72; on the Summary of the Committee's Recommendations, what picture is created? They have supported the recommendations of the Office of the Auditor General, that; our County Executive's Department of Finance has failed the County through poor Management of Funds. What interests me and opens my eye, is what they have said about the Own Source Revenue. What is spent at source and what is taken to the account don't balance. The Own Source Revenue according to the report by the Auditor General's office is that there is money being spent at source hence the two cannot balance with that being taken to the County revenue fund account. There are no proper records regarding the General Expenditure, and this is a record of the FY 2019/2020, the same year when the current CECM Finance assumed office. These funds were spent on his watch. I know that there was a Chief Officer who died; then Mr. Abiero was roped in. In effect, the report is condemning the CECM Finance, that he has failed the County of Kisumu. With this kind of recommendations, the report is supposed to be submitted to this Assembly every 30 days, 60 days or 90 days, which means that he has not been left free. This report will still haunt him. I want to see how serious this Assembly is on this report

because the people of Kisumu are busy watching us. The poor financial management in Kisumu County, that forced the Senate to bring the report back to the Assembly because this is our primary duty, where are we going to reach with this report?

The Temporary Speaker (Hon. Okumu, MCA, East Seme Ward): Order!! Hon. Oiko. This report is not brought to this Assembly by the Senate but it is from the Office of the Auditor General to the County Assembly of Kisumu. It was then committed to the Committee on PIC/PAC. I wanted to guide you as you make submissions.

Hon. Oiko (MCA, Kabonyo-Kanyagwal ward): Thank you, Mr. Speaker, but you know that we read newspapers and listen to news. So, we know things that happen in the Country. So, Hon. Members that is why we listen to news, where Ramogi Radio is there. I believe that the summary I have made is enough so that next time when the relevant committee will pick up this, we have the facts that we shall follow. However, the financial report is a very big embarrassment to the people of Kisumu. I so submit. Thank you.

The Temporary Speaker (Hon. Okumu, MCA, East Seme Ward): Yes, Hon. Maurice Ngeta.

Hon. Ngeta (MCA, Onjiko-Awasi Ward): Thank you, Mr. Speaker. I rise to support the long-awaited report, and want to commend the good job done by the Chairperson of the Committee on PIC/PAC. Mr. Speaker, today this clearly indicates that the public fund is being misused by some of our rogue officers. Mr. Speaker, if you go through the report, you will notice that the provision of the PFM Act of 2012 was not followed. I was so surprised that, all this is happening and we have been having mandated to be the watchdog of this House. Mr. Speaker, finally, the House today can realize how the rogue officers have jeopardized the development of this County. This is impunity...

Hon. Oraro (MCA, Central Kolwa ward): A Point of Order Mr. Speaker

The Temporary Speaker (Hon. Okumu, MCA, East Seme Ward): What is your point of Order Hon. Kelvin Oraro.

Hon. Oraro (MCA, Central Kolwa Ward): *(On a Point of Order)* I really wanted to explain further, the rogue officers in question that we are discussing because that seems to be a serious word to be used in this Assembly.

The Temporary Speaker (Hon. Okumu, MCA, East Seme Ward): Hon. Ngeta can you explain further?

Hon. Ngeta (MCA, Onjiko-Awasi Ward): Mr. Speaker, if you see a professional officer who is not following the rules and regulations of the PFM Act, then that is a rogue officer.

The Temporary Speaker (Hon. Okumu, MCA, East Seme Ward): Thank you, and please proceed Hon. Member. It is my belief that the Hon. Member for Central Kolwa is guided accordingly.

Hon. Ngeta (MCA, Onjiko-Awasi ward): Mr. Speaker, the Member wanted to be heard and to be seen, and yes, we have seen him after perennial absenteeism. Mr. Speaker, I want to support the report and concur with the House Committee. Thank you for giving me this opportunity, I rest my case.

The Temporary Speaker (Hon. Okumu): Thank you. Hon. Mildred Ajumbo.

Hon. Ajumbo (MCA, Central Seme Ward): Thank you Mr. Speaker for giving me the chance. I want to commend the Chair PIC/PAC and the Committee for such an elaborate report. This is not the first time that a report is brought to this Assembly. Our key roles are oversight, representation and legislation. We recently talked about adding our salaries and allowances. You can see the work that is involved. It is so much work. This is an elaborate report. There are so many recommendation and findings from the committee and I myself cannot not mention them one by one.

Mr. Speaker, as the Chair was reading the report, you could notice a lot of discrepancies in the report. There are no delivery notes, there are no invoices, no procurement records yet we come and deliberate on the report. The next time it is forwarded to the Implementation Committee and I am sure the matter is closed. It is quiet sad. Sometime it is sad when I rise to support a report especially a report of this nature. We have lost a lot of funds as a county and we can't ignore this kind of report. If losing money is a norm, then I feel very sad. Let us do this work as required. You can imagine the number of Members that are present when such a report is being read. Let us be serious. I support the report.

The Temporary Speaker (Hon. Okumu): Hon. Peter Henry Obaso.

Hon. Obaso (Nominated Member): Thank you Mr. Speaker. Let me start by commending the Chair and the Committee Members for the good work done. This is a comprehensive report and I would want to advise the committee to at least do a summarized version of such reports. We have lost funds on Operation and Maintenance. On the Own Source Revenue, the Automation of Revenue Collection had started earlier and it stopped. I believe it is the best way of revenue collection that can be accounted for. I support the report.

The Temporary Speaker (Hon. Okumu, MCA, East Seme Ward): Hon. Kelvin Oraro.

Hon. Oraro (MCA, Kolwa Central Ward): Thank you Mr. Speaker. I want start by appreciating the committee and the secretariat for the good work done. I have not heard Members asking the officers who made us have an Adverse Report to step aside. If you can recall, one of the Public Investments Committee Chairperson in the National Assembly did a wonderful job and is still remembered to date is Hon. Bonny Khalwale with his common statement, Kimunya must go. Public Investments and Accounts Committee was taken so seriously and this committee should always be empowered to help in safeguarding the public funds.

You know our obligation as the citizens is to pay taxes. It is very unethical for an officer to misuse public money. We have been given the mandate to oversight the government. The office of the Auditor General is one of the independent offices in Kenya and it should point the

financial mismanagement in the County Executive. They are not supposed to present anything but their reports are supposed to get to the Assembly so that Members can take action. I have seen serious allegations that we can ignore. If you talk about un-surrendered imprest, imagine being told after ten years that you never surrendered imprest worth Ksh. 1 million. Somebody will assume you are corrupt. We must be able to oversight the County Executive on such issues. If you look at allegations of Unsupported Documents, Kshs 4 million being sent and there are some payments and indeed they were made. However, if there are no supporting documents to indicate that, in other words, we will term it as corruption. This is because, those payments cannot be substantiated. That is why a committee was created in the Assemblies all over the world known as The House Committee and here in Kisumu County, we have Public Investment/Public Account Committee. Looking at the recommendations, I as Hon. Kelvin Oraro can say that you gave us good ones as a committee by trying to run away from this reality that is by pointing out some of the officers who were doing that. That is why I was keen to inform my brother to mention the name of the rogue officer in his own presentation.

Mr. Speaker, as I support the report, let this also be put into consideration that I am a sad person knowing very well that it is only the Assembly that can recommend financial discipline. If the Assembly is not going to act and be taken as Members who do not understand what they are doing, then it is very unfortunate that people will just do illegalities and no actions will be taken against them. If a serious report like this will be tabled; you just talk about Covid 19 millionaires without mentioning those who are involved the way my Deputy Chairperson was saying then, something extra needs to be done. If you have teeth, you need to bite but, if there isn't, we can also dance with you and support the report the way it is, then we pass it and forget it.

Mr. Speaker, as I am concluding my speech, for the second time, I am repeating that I am a sad person knowing very well that the allocation that we have a round for most of the Members and what is going to be done in the Wards is so little if you compare it with the bigger chunk of money that comes to the County. However, if I take to read a report about money and the ones that cannot be accounted for, then I am asking myself a simple question; am I doing service to the people of Kisumu County? And if we cannot come out and fight some of these illegalities; Chinua Achebe once said in his book that "if you cannot fight them, then join them and you keep quiet".

Mr. Speaker, knowing that this report has its recommendation, however in the next report that will come from the Office of the Auditor General, my plea is that if there is no improvement to some of the things that we have listed here, then, I will request the Chair not to go round the corner but come out and say that this officer is not doing his work according to the principle of accounting and for such reason we are recommending him to step aside. We took time and listened to him and we have come into a conclusion that he is not doing his work effectively. That is when you talk as an Assembly will be talking. That is when the power is given to the Assembly. There is only one committee which is the PIC/PAC that can only make this Assembly speak. Mr. Speaker, I rest my case.

The Temporary Speaker (Hon. Okumu MCA, East Seme Ward): Yes, the Honourable Millicent Omuya of North Seme Ward.

Hon. Omuya (MCA, North Seme Ward): Thank you Mr. Speaker. First, I want to take this opportunity to congratulate this committee for the job well done. I just have a concern over an Unsurrendered Imprest. When I was closely going through the list of imprest, most of them are staffs who are working with the County Government and it seem that there no one who even cares to do recovery of the imprest that were issued. Then, there is this funny bit of it, there is this name Daniel. I know him in person, he used to work in the former Defunct Municipal Council in the first devolution and he is no longer working with the county. When you look at the impress he is still holding is almost a million. My question is how? Because he is not featuring anywhere within the county. if we are not careful, too much of our money and resource will not be accounted for.

Mr. Speaker, I believe that after preparing all these proposals we also need the Assembly to make it a habit to follow-up and ensure that the recommendations are adhered to. If at all we are not in a position of doing that then, there is no need of reading these reports and avoid the habit of bringing reports, reading it then it goes like that. I support the report thank you.

The Temporary Speaker (Hon. Okumu, MCA, East Seme Ward): Thank you Hon. Member. Hon. Ochele before you submit, I don't know why Hon. Members are talking like the implementation Committee is not composed of members from this Assembly. Then if the failure is from the Implementation Committee then, it still touches all of us. Let us not talk as if the Implementation Committee sits somewhere else when we all know them.

The Temporary Speaker (Hon. Okumu, MCA, East Seme Ward): Yes Hon. Ochele.

Hon. Ochele (MCA, East Kano/Wawidhi Ward): Thank Mr. Speaker. May I first begin by sending my echo to the committee for the bulky, tedious and fruitless work that they have done. I am saying fruitless because all that they have done, at the end of the day will be attributed by what Hon. Mildred has said that they were taken out to do a report for two days. It might begin and end with those two days because I am not even seeing the report yielding any fruit in this county.

Mr. Speaker, I did not want to waste time taking notes of the report because, however big words they have used, they still will land on hard rocks. Some time I sympathize with Hon. Oiko, if the Second Assembly was and is connected to the Third Assembly then I really sympathize with you because you fought a fight but the end result is what you are seeing.

Mr. Speaker, it is very sad to note that the Audit Report and more so not just Internal Auditors Report is being discussed in this Assembly and Members are not there. This is because they know very well that this report will end nowhere. But, if it was a report to discuss a rouge office in the County Government, then this House will be full and there would be a lot of intimidation in the room. Mr. Speaker, I was seated and wanted to leave because there are reports which are left for others and there are some which are meant for people. I am beginning to get the demarcation clearly that I don't need to waste time discussing something fertile.

Mr. Speaker, in the morning when we were discussing something between Nyamlori and the City Manager, the House was full and full of intimidation and blackmail. Now, when we are

discussing the same report touching on revenue, then the same people who are known for intimidation are at large, they are all there and not interested because at the end of the day their interest is not being taken care of. Mr. Speaker, may I borrow a leaf from the Second Assembly, I was lucky to have been a member of PIC/PAC Committee where Hon. Oraro was the Vice Chairperson. Mr. Speaker, anything to do with the Audit, this County would be running up and down and everybody worried because of the fear of unknown, but today those mentioned and about to be mentioned are not even aware that this report is here because they don't care whether it is read or not.

Mr. Speaker, it is this logic that sometime when I sit down, I wonder loud that the way am I struggling that the government or the Exchequer gives me additional salary so that I come back to the Assembly and defend the County Executive then, I deserve more pay but when it comes to protecting that which belong to Kisumu county, then I shy away. Then, why should I deserve more pay?

Mr. Speaker, I am very sorry because what I am saying might not be very popular but if we are on the side of the truth then, I am satisfied because I am telling the truth and even you as you are seated there as the Speaker, you know that is the truth and it is what has been jailing this County. There are sometime when we jostle for projects in our wards, and money is never adequate for the projects but we fail to seal the loopholes where the resources are disappearing from. We are failing in this end then we expect to get a lot of money on the other end to do things. It is stated in the in the provisions of that PFM Act, that once you have been given money and you fail to surrender imprest then you are not entitled for the next imprest but, in this county especially in the County Executive, you are given imprest and fail to surrender until the imprest accumulates to a million. Why would one fail to surrender imprest, that means that, whatever that imprest was intended for was not utilized as was intended for and then declaring and surrendering it becomes technically challenging Mr. Speaker.

Therefore, when we say that members are running away, in the recent reports, even those who owe the county money in terms of Car Loan and Mortgage then some of us who are innocent are crucified and fail to get their gratuity, Car Loan and Mortgage because those who are tasked with the responsibility of recovering money owed to the county are keen on other things rather than collecting these loans. Today when this report came, I heard that most people are now starting to remit what they owe. I am calling upon the County Executive to wake up and do their job and if we are ready to help them sleep then some of us will not be part of it. I would rather stay awake alone than going to bed with the County Executive when my people don't have projects. Thank you.

The Temporary Speaker (Hon. Okumu, MCA, East Seme Ward): Yes Hon. Dede.

Hon. Dede (MCA, Kisumu North Ward): Thank you Mr. Speaker for according me the opportunity to echo my sentiment on the report. First of all, I start by applauding the committee even though it is the committee constituting of few members in the county that is nine members while others have fifteen members. They have done a very good job.

Mr. Speaker, to start with, on page 22, concerning the Use of Goods and Services. Mr. Speaker, you will find out that Ksh.10 million was spent without proper documentation. If there was no proper documentation then, where are we headed to as a county? As we move on you will find that under the Covid-19 Account we realized that there were millions of shillings spent without proper procurement procedure followed. Mr. Speaker, approximately Ksh. 136,895,906 million was spent under the provision of items like the blanket, mask and gumboots and no proper procurement procedure were followed. Can we account for that loss?

Mr. Speaker, on the Unsurrendered Imprest. I am surprised that a person can owe the county government Kshs 2 million and his pay is about Kshs. 31 thousand, for how long will he finish paying that loan? To my worry we only see a list of about ten people owing three hundred thousand shillings and above yet there is no list constituting of those having few amount, can they justify that how many people and how the county even though they are less than three hundred thousand, that is my concern over the report.

Mr. Speaker, on the Human Resource. You will realize that the Kisumu County Public Service Board managed to recruit members. Which procedure did they use and how many were brought on board under the Human resource recruitment criteria. While proceeding with the report, you will find that there are other members who do not know how to operate the IFMIS which therefore reveals that the Kisumu County Public Service Board has employed staff who are under qualified hence they still need more money to go for refresher training. Therefore, why would we employ those who are under qualified? Moreover, in the realm of finance management, we have observed instances in the IFMIS system where work was performed without the necessary LPSOs and LSOs, which is really concerning. Additionally, we have noticed that certain payments were made for partial work done, leaving the first and third portions unpaid.

Furthermore, when it comes to the accuracy, validity, and completeness of the supply, the management has failed to provide supporting documents for an expenditure totaling Kshs.16,402,366 related to Sitting Allowances. It is crucial to have clear specifications regarding the purpose and honoraria associated with these sitting allowances.

Lastly, concerning unsupported payments, the committee has discovered that the County Government of Kisumu lacks a Policy on Record Management. Without a proper record management policy, it becomes challenging to address the detailed issues occurring within Kisumu County. In conclusion, despite a few reservations, I rest my case and express my support. Thank you.

(The Speaker resumes chairing the plenary session)

The Speaker (Hon. Oraro): Yes Deputy Leader of Majority.

The Deputy Leader of Majority (Hon. Lumumba, MCA, South East Nyakach Ward): Mr. Speaker I wish to call the mover to reply.

The Speaker (Hon. Oraro): Yes Hon. Ouko.

Hon. Ouko (MCA, West Kisumu Ward): Thank you, Mr. Speaker; It is evident to all members that we have three fundamental roles within this assembly: representation, oversight, and legislation. Among these, the most significant role is oversight, and that is precisely what we are engaged in. However, I am struggling to comprehend why, when we present a motion in the house, we expect recommendations and amendments from fellow members, but instead, we encounter a multitude of complaints and grievances. Rather than addressing the matter head-on, many members resort to incessant lamentations. It is essential that we take proactive action and tackle the challenges directly, rather than simply bemoaning the situation. We have come here....

(Loud consultations)

The Speaker (Hon. Oraro): Hon Ouko proceed,

The Speaker (Hon. Oraro): Order Hon. Members!!

Hon. Ouko (MCA, West Kisumu Ward): Thank Mr. Speaker, We must stand tall and take responsibility for our actions without fear or the expectation of divine intervention. Conducting effective oversight is our duty, and it is crucial that we consistently provide recommendations in accordance with the Public Finance Management Act. By doing so, we can send a clear message to the County Executive that our role extends beyond criticism and we as a House encompasses collaboration. This will enable us to carry out our responsibilities and provide the necessary recommendations.

Mr. Speaker, I am pleased that the matter of revenue sources was thoroughly explained, as we have multiple revenue streams from which we generate income. Previously, we recommended consolidating these sources to provide clarity to the County Government regarding our revenue collection. Currently, our knowledge in this area is limited, and it is imperative that we address this issue. Additionally, we have a duty to rectify the audit concerns what plagued Kisumu County over the past three years, as they have tarnished our reputation. Through thorough recommendations, we can fulfill this responsibility.

Mr. Speaker and Honourable Members let us focus on what is within our power and provide suitable recommendations. By doing so, we can hold the County Executive accountable when they fail to fulfill their obligations. We have previously made recommendations concerning the Car Loan and Mortgage Facility Fund, which resulted in actions being taken, with only one outstanding payment remaining. This achievement is noteworthy for both the committee and the assembly. Mr. Speaker, some members drew a comparison between a previous matter and the current issue at hand, and I am now responding to the concerns raised by those members.

Mr. Speaker I beg to reply.

The Speaker (Hon. Oraro): Thank you Hon. Chairperson. Up to that point I had agreed that I will give Hon. Ochele, to inform the house before I listen to other Members, then I will put a question. Yes Hon. Ochele what was your information about?

Hon. Ochele (MCA, East Kano Wawidhi Ward): Mr. Speaker, the allocation of time has been inaccurately distributed as I intended to provide the House with a general summation. The

Chairperson of the PIC/PAC committee would have utilized that information to respond. It is worth noting that the Chairperson was present in the House when I sought to share the information, as he is a member of the House. However, neither did he respond nor address the matter at hand.

The Speaker (Hon. Oraro): Thank you Hon. Members, It is my belief that Hon. James Omollo is no longer interested in any orders of the House and Hon. Dede wants to talk now after we have finished replying. So, if you allow me, let me put a question first or is it so burning? Is it on the order or you want to inform the House?

Hon. Dede (MCA, Kisumu North Ward): Mr. Speaker it is in relation to the provisions of Standing Orders No. 89 under Statement of Facts. I want to know the clarity. The Chairperson was talking about the Mortgage that others submitted. Who are these people that submitted? Thank you.

The Speaker (Hon. Oraro): Hon. Dede I will rule you out of order, and I believe that I will now put a question? Order!! Hon. Oiko please resume your seat! You know we had finished the debate and the Chairperson had replied, it's time for me to put a question unless you don't want me to put a question. Do you want me to defer putting the question?

Hon. Oiko (MCA, Kabonyo/Kanyagwal Ward): Mr. Speaker, this is just for purposes of information since you opened the floor for deliberation. Honourable Members, there is something unique I have learned about this report and this is for our learning purpose, the committee has recommended unresolved matters that the department should bring more documentation.

The Speaker (Hon. Oraro): Order!! Honourable Members, you had already discussed the report and I will not allow you to sneak in by discussing the report once again. Honourable Members a report from the Select Committee of PIC/PAC has been moved as a motion on the consideration of the Kisumu County Executive Auditor General's report on the Financial Statements of the year ended 30th June. 2020, seconded and debated by Honourable Members, I therefore want to put a question on the adoption of the same.

(Question put and agreed to)

The Speaker (Hon. Oraro): Honourable Members, the report from the Select Committee of PIC/PAC on the consideration of the Kisumu County Executive Auditor General's report on the Financial Statements of the year ended 30th June. 2020 is hereby adopted today 27th June 2023 at 1729 hours.

Honourable members, I therefore direct that this report together with the Hansard Report which has a lot of recommendations on different officers in the County Executive that needs their action to be forwarded to the County Executive for immediate action.

The Speaker (Hon. Oraro): Next Order!!

ADJOURNMENT

The Speaker (Hon. Elisha J. Oraro): Honourable Members, there being no any other business to transact, the House stands adjourned to Thursday, 29th June 2023 at 2.30 p.m.

(House rose at 05.31 p.m.)

Addendum

The Hansard Team

Zablon Otiende – Senior Hansard Reporter (Ag. Editor)

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Fanuel Okode – Hansard Reporter

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Jacklyne Otieno – Hansard Reporter

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