

COUNTY GOVERNMENT OF KISUMU



COUNTY ASSEMBLY OF KISUMU

THE HANSARD

Official Report

THIRD ASSEMBLY – THIRD SESSION

Tuesday 07th May, 2024

House met in the Main Chamber at 2:30 p.m.

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

PRAYERS

The Speaker (Hon. Oraro): Mr. Clerk, 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 have three communications to make. One, let me recognize the guests seated at the Speaker's Gallery who are students on attachment. These are Charity Kasai from Kenyatta University taking a Course on Public Policy and Administration, Ruth Otiende from Kabiang'a University taking a course on Public Administration, Jorim Okoth from Karatina University taking a course on Political Science and Public Administration. Those are students on their Industrial Attachment in the County Assembly of Kisumu please feel welcomed.

Secondly, I want to make a communication regarding the Budget Making Process. I talked to the Chairperson, Select Committee of Budget and Appropriations and they have already developed a programme which I believe will commence from 13th May, 2024. The Sectoral Committees together with their technical staff will have time to do analysis of their respective Departmental Budgets. So from 13th there shall be a timetable and you need to look at the Sectoral Committees

engagements with line Departments schedule. Take your time and look at that, we have also agreed with the Chairperson that each Member of the County Assembly to have access to the copy of the Proposed Kisumu County Budget Estimates 2024/2025. Members have the tendency of rushing to development projects, please take your time and go through the entire budget both the Recurrent which encompasses the Personnel Emolument and the Operations and Maintenance plus the Development Expenditure Components.

Honourable Member, I have also discussed with the Chairperson that the County Executive shall be submitting additional hard copies for each and every Member. Again, ensure that the copy is within your Ward office and a soft copy can be obtained by your residents early enough. We would want to do things differently. Let us not have publics complaining that they didn't have the copies sent to them early enough.

Lastly, I have a request from the Chairperson, Standing committee of Welfare and Social Services that is Hon. Mildred Ajumbo that tomorrow Wednesday, 08th May, 2024 immediately after the first session, we move together to condole with the family of Hon. James Diang'a a pioneer Member of North Seme whom we lost recently. Those who may have time, we can rush to Seme. Hon. Ajumbo who happens to be from Seme will lead us. We can be there up to midday so that we come back for the afternoon session. I want to confirm that I will be going. It is important that we move and condole with the family. I am also reminded that I inform Members to send their contributions through Hon. Lawino Opar for purposes of conveying the same when we get there tomorrow. Otherwise, welcome to this session.

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

PAPERS LAID

PIC/PAC COMMITTEE REPORT ON THE EXAMINATION OF THE AUDITOR
GENERAL'S REPORT AND FINANCIAL STATEMENTS OF KISUMU COUNTY
EDUCATION FUND FY ENDED 30TH JUNE, 2021 AND FY ENDED 30TH JUNE, 2022.

AND

PIC/PAC COMMITTEE REPORT ON THE EXAMINATION OF THE AUDITOR
GENERAL'S REPORT AND FINANCIAL STATEMENTS OF KISUMU COUNTY TRADE
FUND FY ENDED 30TH JUNE, 2021.

BY

HON. KENNEDY OUKO, MCA, WEST KISUMU.

(CHAIRPERSON, PUBLIC INVESTMENTS AND ACCOUNTS COMMITTEE)

The Speaker (Hon. Oraro): Hon. Kennedy Ouko. I can see you three Papers to be laid. You can do it at once.

Hon. Ouko (MCA, West Kisumu): Thank you Mr. Speaker. I apologize. I did not receive the Papers on time. I had communicated that they be deferred to another day.

The Speaker (Hon. Oraro): Hon. Ouko, I am not getting you that you didn't receive the Papers that you were supposed to lay?

Hon. Ouko (MCA, West Kisumu): Thank you. That is what happened.

The Speaker (Hon. Oraro): Hon. Ouko, please approach the chair.

(The Honourable Speaker consults with Hon. Ouko.)

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

Hon. Ouko (MCA, West Kisumu): Thank you Mr. Speaker for your guidance. Pursuant to provisions of Orders No. 182 (6) of the Standing Orders, I wish to table today Tuesday 07th May, 2024, a report of the Select Committee of PIC/PAC Report on the Examination of the Auditor General's Report and Financial Statements of Kisumu County Education Fund FY ended 30th June, 2021.

Secondly, Mr. Speaker, pursuant to the provision of Orders No. 182 (6) of the Kisumu County Assembly Standing Orders, I wish to table a report on Tuesday 7th May, 2024 of the PIC/APC Committee on the examination of the Auditor General's Report and Financial Statements of Kisumu County Education Fund for the year ended 30th June, 2022.

Thirdly, pursuant to the provisions of Order No. 182 (6) of the Kisumu County Assembly Standing Orders, I wish to table Tuesday 07th May, 2024 report of the Select committee of PIC/PAC on the Examination of the Auditor General's Report and Financial Statements of Kisumu County Trade Fund for the Financial Year 2020/2021. Thank you.

(Hon. Ouko lays the papers before the House for consideration.)

The Speaker (Hon Oraro): Next order!!

NOTICES OF MOTIONS

The Speaker (Hon Oraro): Hon Ouko.

Hon Ouko (MCA, West Kisumu): Thank you Mr. Speaker. Pursuant to the provisions of Order No.45 (1) of the Kisumu County Assembly Standing Orders, I wish to give a Notice of Motion that this House adopts a report of the Select Committee of PIC/PAC on the Examination of the

Auditor General's report and Financial Statements of Kisumu County Education Fund for the year ended 30th June, 2021. Thank you.

Secondly, pursuant to the provisions of Order No. 45 (1) of the Kisumu County Assembly Standing Orders, I wish to give a Notice of Motion that this House adopts a report of the Select Committee of PIC/PAC on the Examination of the Auditor General's Report and Financial Statements of Kisumu County Education Fund for the year ended 30th June, 2022. Thank you.

Thirdly, pursuant to the provisions of Order No. 45 (1) of the Kisumu County Assembly Standing Orders, I wish to give a Notice of Motion that this House adopts the report of Select Committee of PIC/PAC on the Examination of the Auditor General's Report and Financial Statements of Kisumu County Trade Fund for the Financial Year 2020/2021. Thank you.

The Speaker (Hon Oraro): Next order!!

STATEMENTS

The Speaker (Hon Oraro): Hon Nereah Okombo, the Deputy Speaker.

Hon Okombo (MCA, Manyatta "B"): Thank you Mr. Speaker. I rise pursuant to the provisions of Orders No. 42 (2) (c) of the Kisumu County Assembly Standing Orders and on behalf of the County Assembly Leader of Majority to lay on the Table a Statement informing the County Assembly of the Businesses coming before the House on the following week. Hon Speaker, this is therefore to bring to the attention of Members and the County Assembly that for the week commencing Wednesday 08th May, 2024 to Tuesday 14th May, 2024, the Select Committee on Assembly House Business at its last Sitting approved the following tentative Businesses to appear in the Order Paper.

Wednesday 08th May, 2024 at 9:00 a.m.

PAPERS TO BE LAID

The Leader of Majority Hon Ken Ooko will table the following Papers:

1. Report and Financial Statements of Kisumu County Revenue Fund for the period ended 31st March, 2024 .
2. Report and Financial Statements for Kisumu County Executive for the period ended 31st March , 2024 .
3. The Chairperson Sectoral Committee on Trade, Tourism, Industry and Marketing, Hon. Alice Wajewa, will table a report on the Petition into the Alleged Rogue Leadership of Kibuye Market Management Committee, led by Miss Judith Adhiambo Matengo.

STATEMENTS

Mr. Speaker and Hon Members, the MCA for Manyatta “B” Ward, Hon. Nereah Okombo, will seek a Statement Pursuant to Orders No. 41(2) (b) on the Matter of Recent Demolitions within the City, and allocations of County premises to individual business operators.

On Wednesday 08th May, 2024 at 2:30 p.m.

SUBSTANTIVE BUSINESS FOR THE DAY;

The Chairperson of PIC/PAC Committee, Hon. Ken Ooko, will move a Motion for;

1. Adoption of its report Examination Auditor General’s Report, and Financial Statement for Kisumu County Trade Fund for the Financial Year 2020/2021.

Thursday 09th May 2024 at 02:30 p.m.

PAPERS TO BE LAID

The Chairperson of PIC/PAC Committee, Hon. Kennedy Ooko, will table THE FOLLOWING;

1. Reports on Examination of Auditor General’s Report and Financial Statements, of Ahero County Hospital for the Financial Year ended 30th June, 2022.

NOTICES OF MOTION

THE Chairperson Select Committee of PIC/PAC, Hon. Kennedy Ooko, will Move Notices of Motion that;

1. This House adopts its Report on consideration of the Auditors General’s Report and Financial Statements of Ahero County Hospital, for the Financial Year ended 30th June 2022.

SUBSTANTIVE BUSINESS FOR THE DAY;

The Chairperson of Sectoral Committee on Education, Technical Training, Innovation Services, Hon. Seth Okumu, will Move the following Motion

1. Adoption of its Report for consideration of the Annual Report and Financial Statements of Kisumu County Education Fund for the Financial Year ended 30th June, 2023.

Tuesday 09th May 2024, 2:30 p.m.

STATEMENTS

The Leader of the Majority, on the Businesses coming before the County Assembly for the week commencing Wednesday 15th May, 2024.

SUBSTANTIVE BUSINESS FOR THE DAY;

The Chairperson, Select Committee of PIC/PAC committee Hon. Kennedy Ouko, will Move the following motion;

1. Adoption of its report on Examination of Auditor General Report and Financial Statements for Kombewa Hospital for the Financial Year ended 30th June, 2022. Thank you.

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

MOTION

PIC/PAC COMMITTEE REPORT ON EXAMINATION OF THE AUDITOR GENERAL'S REPORT AND FINANCIAL STATEMENTS OF NYAKACH COUNTY LEVEL 4 HOSPITAL FOR THE FY ENDED 30TH JUNE, 2022

PRESENTED BY;

HON. KENNEDY OUKO, MCA, WEST KISUMU.

(CHAIRPERSON OF THE SELECT COMMITTEE OF PIC/PAC)

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

Hon. Ouko (MCA, West Kisumu Ward): Thank you, Mr. Speaker, on behalf of the Select Committee on PIC/PAC and Pursuant to the provisions of Kisumu County Assembly Standing Orders No. 188, I wish to present to this House the report of the Select Committee on the Audited Financial Statements of Nyakach County Level 4 Hospital for the FY 2022.

The County Assembly exercises oversight over County Government entities/investments and their expenditure Pursuant to Article 185(3) of the Constitution of Kenya 2010, through the Public Accounts and Investments Committee which, in turn, derives its mandate from the County Assembly Standing Orders.

It's instructive that Article 229 (8) of the Constitution of Kenya, 2010, requires the County Assembly, within three months after receiving an audit report, to debate, consider the report, and take appropriate action.

The Committee held 2 sittings during which it received both written and oral evidence from the Accounting Officer on audit queries raised by the Auditor-General on the financial statements of Nyakach County Level IV Hospital, FY 2021/2022.

Honorable Speaker, I wish to register my appreciation to fellow Honorable Members of the Committee, the Offices of the Speaker and the Clerk of the Assembly, the Committee

Secretariat, and the Office of the Auditor General for the facilitation and technical support that made the production of this report possible.

I also thank the management of Nyakach County Level IV Hospital for honoring committee invitations and timely submission of responses.

Special appreciation goes to the Hansard department for ensuring that all our meetings with Accounting Officers are broadcast live.

Honorable Speaker, on behalf of the Public Accounts and Investments Committee, I now wish to table the report on the consideration of the Auditor General's report on the Financial Statements of the Nyakach County Level IV Hospital, for the year ended 30, June 2022 and urge this Honorable House to adopt it.

LEGAL FRAMEWORK & GUIDING PRINCIPLES

Legal Framework

Hon. Speaker, the Committee was guided by the following legal instruments;

1. Constitution of Kenya 2010: Article 229 (4) of the Constitution of Kenya, 2010 requires the Auditor General, within a period of six months after the end of each financial year, to audit and report, in respect of that financial year, on;
 - i. The accounts of the National and County governments,
 - ii. The accounts of all funds and authorities of the National and County governments,
 - iii. Accounts of all courts,
 - iv. The accounts of every commission and independent office established by this constitution,
 - v. The accounts of National Assembly, the Senate and the county assemblies,
 - vi. The accounts of the political parties funded from the public funds,
 - vii. The public debt and
 - viii. The accounts of any other entity that legislation requires the Auditor General to Audit

Article 229(8) further states that “within three months after receiving an audit report, parliament or county assembly shall debate and consider the report and take appropriate action”.

2. The Committee also relied on Article 226(5) of the Constitution of Kenya, 2010 which provides that if the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains

the holder of the office or not.

3. Public Audit Act 2015; Section 7 of Public Audit Act 2015 that mandates the Auditor General to: (i) Give assurance on the effectiveness of internal controls, risk management and overall governance at National and County Government; (ii) Undertake audit activities in state organs and public entities to confirm whether or not public money has been applied lawfully and in an effective way
4. Public Finance Management Act, 2012: Section 149 (1) of the Public Finance Management Act, 2012 which states that “An accounting officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is –
 - a) Lawful and authorized; and
 - b) Effective, efficient, economical and transparent”

Guiding Principles

Hon. Speaker, in the execution of its mandate, the Committee was guided by core Constitutional and statutory principles on Public Finance Management.

These principles include the following;

1. Constitutional Principles on Public Finance: Article 201 of the Constitution of Kenya 2010 provides for fundamental principles aimed at guiding all aspects of Public Finance. It states that the principles are; inter alia;
 - i). Openness and Accountability including public participation in financial matters;
 - ii). Public money shall be used in a prudent and responsible way; and
 - iii). Financial management shall be responsible and fiscal reporting shall be clear.
2. Obligations of the Accounting officer;
 - i). Article 226(2) of the Constitution of Kenya 2010 which provides that; The Accounting officer of a national public entity is accountable to the national assembly for its financial management, and the accounting officer of a county public entity is accountable to the county assembly for its financial management.
 - ii). Section 149(1) of the Public Finance Management Act 2012 provides that; an accounting officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is; (i) Lawful and authorized and; and (ii) Effective, efficient and transparent
3. Direct Personal Liability: Article 226(5) of the Constitution is unequivocal 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.

4. Section 203(1) of the Public Finance Management Act, 2012 enacts that; a public officer is personally liable for any loss sustained by a County Government and is attributed to;
(i) The fraudulent or corrupt conduct, or negligence of the officer or, (ii) The officer's having done any act prohibited by Sections 196, 197, and 198

The Committee considered these legal provisions as the basis for holding accounting and public officers directly and personally liable for any loss of Public Funds that may have occurred under their watch.

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF NYAKACH COUNTY LEVEL IV HOSPITAL FOR THE YEAR ENDED 30, JUNE 2022

Hon. Speaker, the Auditor General gave an Adverse Opinion, on the Financial Statements of Nyakach County Level IV Hospital FY 2021/2022.

This means that for the financial year 2021/2022, the financial statements of the Hospital did not present a true and fair view of the financial position of the hospital. In a lame man's language, public resources may have not been utilized in a prudent manner and according to the existing laws.

Hon. Speaker, this might have compromised the quality of health services provided to the people by the hospital.

Hon. Speaker, Dr. Edon Nyagudi Otieno the Medical Superintendent, and the Accounting Officer appeared before the Committee on 4th April 2024 at 9:30am to adduce evidence on the Audited Financial Statements of the Nyakach County Level IV Hospital for the year ended 30, June 2022. The following officers accompanied the Medical Superintendent;

1. Mr. Abraham Abuto – Hospital Administrator
2. Mr. Ezekiel Onunga- Accountant

The following officers represented the Office of the Auditor General in the meeting on 4th April 2024 at 0930hrs;

1. Mr. Kennedy Ongoi – Office of the Auditor General
2. Ms. Margaret Mowage – Office of the Auditor General

Basis for Adverse Opinion

Hon. Speaker, the following audit issues formed the basis of Adverse opinion

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

Hon Speaker,

In this case, the management of Nyakach County Level IV Hospital failed to adhere to Public Finance Management Act, 2012, Section 164(1) which states that; *‘At the end of each financial year, the accounting officer for a county government entity shall prepare financial statements in respect of the entity in formats to be prescribed by the Accounting Standards Board*

3.2 Unaccounted for Assets in the Financial Statements

The Auditor General highlighted in her report that the Management failed to disclose the values of property, plant and equipment, intangible assets, investment, property and inventory in the financial statements of the FY 2021/2022

3.3 Unreconciled Variances in Transfers from County Government

The financial statements of the hospital reflected transfers from the County Government amount of Kshs.8,073,241 which was at variance with the balance of Kshs.5,576,651 reflected as transfers in the Kisumu County’s Executive Financial Statements.

3.4 Misstatement of Trade Payables

That the management failed to explain the variance amounting to Kshs. 1, 783,740 between the notes and the financial statements in regards to trade and other payables as at the time of audit and committee deliberations.

3.5 Unsupported Bank Balance

The management failed to adhere to the provision of paragraph 90(1) of Public Finance Management Regulation, 2015 which states that “Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month and submit a bank reconciliation statement not later than the 10th of the subsequent month to the County Treasury with a copy to the Auditor-General.

3.6 Unsupported Rendering of Services- Medical Service Income Amount

The management violated the provision of paragraph 63 (1) (a) of the Public Finance Management Regulation, 2015 which states that “An accounting officer and a receiver of revenue are personally responsible for ensuring that- adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments or agencies”

3.7 Variances Between the Financial Statements and Supporting Schedules

That management failed to support expenditures totaling Kshs 474,160 with relevant documents and schedules during the time of audit and committee deliberations. The expenditures include; Food and rations Kshs 25,000, Dressing and Non-Pharmaceuticals Kshs. 34,410, Sanitary and

Cleansing Kshs. 13,300, General Office Supplies Kshs. 160,200, Printing and Stationary Kshs. 179,250 and Telephone and mobile phone services Kshs. 62,000.

That the Management failed to provide evidence to support transfer of Kshs 500,000 to MOH during the time of audit and committee deliberations

3.8 Inaccuracies in the Statement of Financial Position

That the management failed to adhere to Section 164(3) of the Public Finance Management Act, 2012, which states that “*the accounting officer shall prepare the financial statements in a form that complies with relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.*”

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

4.1 Incomplete Assets Register

That the management did not maintain an updated asset register contrary to Regulation 136(2) of the Public Finance Management (County Governments) Regulations, 2015, which provides that, the register of land and buildings shall record each parcel of land and each building and the terms on which it is held.

4.2 Irregular Management of Imprests

That the management did not maintain an imprest register as required by Regulation 93(4)(c) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that 'before issuing temporary Imprests under paragraph (2), the Accounting Officer shall ensure that the applicant imprest has been recorded in the imprest register including the amount applied for.

That the management also issued imprest to an officer on behalf of other staff, contrary to Regulation 91(2), which requires an officer authorized to hold and operate an imprest to make formal application for the imprest through an imprest warrant.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

5.1 Long Outstanding Trade and Other Payables

The management accrued debts amounting Kshs. 1,244,375 relating to the year 2020 and earlier years

That the management had an outstanding trade and other payables amounting to Kshs. 2,450,775 as at 30th June 2022

The management failed to repay the above debts on first charge basis, contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015, which states that 'debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county government does not default on debt obligations.

5.2 Control Weakness in Revenue Collection

That the hospital maintained its financial records including cash book and ledgers in manual form despite having a financial management system (Funsoft).

That there was no evidence of daily reconciliation between the revenue recorded in the financial information system and Mpesa statement transactions.

5.3 Weak Controls in Inventory Management

That the facility inventory system revealed the following weaknesses; the lack of technical training for the clerical officer managing the store, the absence of role segregation resulting in lack of checks and balances in stock management, a non-automated store system compared to the automated pharmacy.

5.4 Weakness in the Filing System

Committee Observations

That the hospital did not maintain a proper and systematic filing system for both financial and procurement records

Failure to Meet Level 4 Hospital Requirements

1. That the hospital did not meet a number of key specifications as prescribed by the Kenya Quality Model for Health policy guidelines with reference to their medical personnel staffing.
2. That the hospital does not offer all services required of a level 4 hospital such as surgical unit; renal dialysis; intensive care unit; high dependency units while the x-ray and ultrasound machines had broken down.
3. That the hospital had no procurement officer or an accountant

SUMMARY OF OBSERVATIONS

Hon. Speaker, the committee, having considered the management responses and having held a meeting with the management of the hospital and the Office of the Auditor General, makes the following observations;

1. That the management failed to adhere to Public Finance Management Act, 2012, Section 164(1) which states that; ‘*At the end of each financial year, the accounting officer for a county government entity shall prepare financial statements in respect of the entity in formats to be prescribed by the Accounting Standards Board.*
2. That there was lack of qualified accountant in the management of Nyakach Sub-County Hospital to assist in proper preparation of the financial statements.

3. That the Management failed to disclose the values of property, plant and equipment, intangible assets, investment, property and inventory in the financial statements of the FY 2021/2022 for lack of values. The management submitted that they had reached Health department to assist in engaging a valuer. However, the management failed to provide evidence to this effect.
4. That the management failed to explain the variance amounting to Kshs. 1, 783,740 between the notes and the financial statements in regards to trade and other payables as at the time of audit and committee deliberations.
5. That the management failed to adhere to the provision of paragraph 90(1) of Public Finance Management Regulation, 2015 which states that “Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month and submit a bank reconciliation statement not later than the 10th of the subsequent month to the County Treasury with a copy to the Auditor-General.
6. That the management violated the provision of paragraph 63 (1) (a) of the Public Finance Management Regulation, 2015 which states that “An accounting officer and a receiver of revenue are personally responsible for ensuring that- adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments or agencies”
7. That the management failed to adhere to Section 164(3) of the Public Finance Management Act, 2012, which states that “the accounting officer shall prepare the financial statements in a form that complies with relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.”
8. That the management did not maintain a register of land and buildings contrary to Regulation 136(2) of the Public Finance Management (County Governments) Regulations, 2015, which provides that, the register of land and buildings shall record each parcel of land and each building and the terms on which it is held.
9. That management failed to support expenditures totaling Kshs 474,160 with relevant documents and schedules during the time of audit and committee deliberations. The expenditures include; Food and rations Kshs 25,000, Dressing and Non-Pharmaceuticals Kshs. 34,410, Sanitary and Cleansing Kshs. 13,300, General Office Supplies Kshs. 160,200, Printing and Stationary Kshs. 179,250 and Telephone and mobile phone services Kshs. 62,000.
10. That the Management failed to provide evidence to support transfer of Kshs 500,000 to MOH during the time of audit and committee deliberations
11. That the management did not maintain an imprest register as required by Regulation 93(4)(c) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that 'before issuing temporary Imprests under paragraph (2), the Accounting Officer shall ensure that the applicant imprest has been recorded in the imprest register including the amount applied for.

12. That the management issued imprest to an officer on behalf of other staff, contrary to Regulation 91(2), which requires an officer authorized to hold and operate an imprest to make formal application for the imprest through an imprest warrant.
13. The management accrued debts amounting Kshs. 1,244,375 relating to the year 2020 and earlier years
14. That the management had an outstanding trade and other payables amounting to Kshs. 2,450,775 as at 30th June 2022.
15. That the management failed to repay the above debts on first charge basis, contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015, which states that 'debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county government does not default on debt obligations
16. That the hospital maintained its financial records including cash book and ledgers in manual form despite having a financial management system (Funsoft).
17. That there was no evidence of daily reconciliation between the revenue recorded in the financial information system and Mpesa statement transactions.
18. That the facility inventory system revealed the following weaknesses; the lack of technical training for the clerical officer managing the store, the absence of role segregation resulting in lack of checks and balances in stock management, a non-automated store system compared to the automated pharmacy.
19. That the hospital did not maintain a proper and systematic filing system for both financial and procurement records
20. That the hospital did not meet a number of key specifications as prescribed by the Kenya Quality Model for Health policy guidelines with reference to their medical personnel staffing.
21. That during the FY 2021/2022, the hospital was not offering services required of a level 4 hospital such as surgical unit; renal dialysis; intensive care unit; high dependency units while the x-ray and ultrasound machines had broken down.
22. That the hospital had no procurement officer or an accountant

SUMMARY OF COMMITTEE RECOMMENDATIONS

1. 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 Accounting officer Department of Medical Services, Public Health and Sanitation immediately initiates recovery of Kshs. 971,160 related to unsupported expenditures of Kshs. 474,160 and unsupported transfers to MOH amounting to Kshs. 500,000 from Dr.

- Agwanda Anfilled, the then Medical Superintendent/Accounting Officer and submit a report on the same to this Assembly within a period 90 days upon adoption of this report.
2. That going forward, the Management must adhere to the requirements of Section 164(1) of the Public Finance Management Act 2012 which require an accounting officer for a county government entity to prepare financial statements in respect of the entity in formats to be prescribed by the Accounting Standards Board
 3. That the Department of Medical Services, Public Health and Sanitation immediately deploy a qualified accountant to the hospital to support in the financial management of the Hospital. A report on the deployment be submitted to this Assembly within a period of 60 days upon adoption of this report.
 4. That the Accounting Officer, department of Medical Services, Public Health and Sanitation immediately initiate the process of valuation of assets in the hospital and a report on the same be submitted to this Assembly within a period of 90 days upon adoption of this report.
 5. That going forward, the management of the hospital must adhere to paragraph 90(1) of Public Finance Management Regulation, 2015 which states that “Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month and submit a bank reconciliation statement not later than the 10th of the subsequent month to the County Treasury with a copy to the Auditor-General.”
 6. That going forward the management must adhere to the provision of paragraph 63 (1) (a) of the Public Finance Management Regulation, 2015 which states that “An accounting officer and a receiver of revenue are personally responsible for ensuring that— adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments or agencies”
 7. That going forward, the management must ensure that the financial statements reflect the true and fair position of the hospital as required by Section 164(3) of the Public Finance Management Act, 2012 which states that “the accounting officer shall prepare the financial statements in a form that complies with relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.”
 8. That going forward, the management must adhere to provisions of Regulation 136(2) of the Public Finance Management (County Governments) Regulations, 2015 which provides that, the register of land and buildings shall record each parcel of land and each building and the terms on which it is held.
 9. That going forward, the management must adhere to provisions of Regulation 93(4)(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires an officer authorized to hold and operate an imprest to make formal application for the imprest through an imprest warrant.

10. That going forward, the management must adhere to Regulation 91(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that “Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month and submit a bank reconciliation statement not later than the 10th of the subsequent month to the County Treasury with a copy to the Auditor-General.
11. That the CEC Member Finance, ICT and Economic Planning constitute a Task force within 30 days upon adoption of this report to ascertain the accuracy and value of the pending bills for the hospital as at 30 June, 2022. That a report of the Task force be submitted to this Assembly within 90 days upon constitution of the Task force.
12. That the management is hereby instructed to immediately suspend any further payment related to the said pending bills until the outcome of the process is determined.
13. That going forward, the management must adhere to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that 'debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county government does not default on debt obligations.
14. That going forward, the hospital management must maintain its financial records including cash book and ledgers in financial management system (Funsoft).
15. That going forward, management must ensure daily reconciliation between the revenue recorded in the financial information system and Mpesa statement transactions.
16. That the Accounting officer to the facility demonstrate to this Assembly by way of a report corrective measures taken to ensure proper inventory management of the facility within 90 days upon adoption of this report.
17. That going forward, the management must ensure proper and systematic filing system for both financial and procurement records in the facility.
18. That the Accounting Officer, Department of Medical Services, Public Health and Sanitation demonstrate to this Assembly by way of a report, corrective measures taken to adhere to the Kenya Quality Model for Health policy guidelines within 60 days upon adoption of this report.
19. That the Department of Medical Services, Public Health and Sanitation immediately deploy a qualified procurement officer and accountant to the hospital to support the facility in the financial management. A report on the deployment be submitted to this Assembly within a period of 60 days upon adoption of this report.

(The Speaker Hon. Oraro leaves the Chair)

(The Deputy Speaker Hon. Okombo in the Chair))

Hon. Ouko (MCA, West-Kisumu Ward): May I call Hon. Seth Okumu to second. Thank you, Madam Speaker.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Yes, Hon. Seth Okumu

Hon. Okumu (MCA, East Seme W): Thank you, Madam Speaker; I rise to second the motion for adoption of the Report by the Select committee of PIC/PAC on their consideration of the Auditor General’s on Nyakach County Level 4 Hospital. Madam Speaker, that report is very elaborate and the last time I was moving a motion here, I was talking about Financial Statements. If we do not have follow-ups on Financial Statements that is the kind of report we have when the Auditor General’s office does its work. Madam Speaker, now that the report is here, it is very clear because I have been to Nyakach County Level 4 Hospital, and I was equally here when the Auditor was presenting, together with the Management of the facility. It is true that as a County Government, we have made this Hospital procuring entities but we have not provided for the necessary support that they need for them to become. Like the Chairperson has said, in this Hospital, there is an Accounting Officer who is the Medical Superintendent, but given the submission that the Chairperson has brought before the House Committee, he acts like he is also the cashier, the doctor treating people, and the accountant simply because we have not provided the requisite staff.

Madam Speaker, the Law does not know that. The Law dictates that after you have been given that portfolio, then you are responsible for the management of all the finances that are coming to that facility. Much as the County Government did not provide for the support, the buck stops with the Accounting Officer. Madam Speaker, this House Committee has provided this House with a raft of recommendations; some might not be specific because we were very considerate as we were making these recommendations. We are all aware that several things have gone wrong in that facility but we believe that most of them were not deliberate. Some of them were happening because of the support they did not have as a facility. Madam Speaker that is why we are recommending that moving forward a lot of challenges needs to be effected, including having accountants for this facility. You can help them prepare these financial statements for the Auditor.

Madam Speaker, it is true that we have a system for collection of funds, and we have been using Safaricom for collection of funds, including for these hospitals. However, as you can see, our system of FANSOP sometimes fails, and this makes transacting of financial statements problematic. Madam Speaker, I want to give a case in point of Miranga Sub-County Hospital and in reference to Safaricom. When you go to Miranga Sub-County Hospital for treatment, there is no network when you want to make payment, sometimes we miss the money that we are supposed to get from NHIF because the system does not recognize the patient that you have treated. And you can only charge them after treatment. This culminates into the report that we are having, so, you have treated a patient, provided drugs, and spent money, but when the Auditor comes, you cannot prove this information because of matters that were beyond your control. Madam Speaker, on matters that we feel we were responsible for, we have provided very specific recommendations that we feel need to be implemented.

Madam Speaker, our intention as a House Committee, is to ensure that there is prudent use of resources that we appropriate to these facilities. Madam Speaker, if that can happen; then we can really improve on service provision especially on issues of Health. I rise to second because I was there when the report was being prepared, and I do not want to say much. However, I want to give it to Members who are not in this House Committee to provide more recommendations so that we can have a report that is implementable and that increases our service provision in Kisumu. Thank you, so much Madam Speaker.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable Members, a report on the Auditor General’s Report on the Financial Statements of Nyakach County Level 4 Hospital for the Year ended 30th June, 2022, has been properly moved and seconded. I therefore want to propose that the report be open for discussion.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Yes, Hon. Peter Obaso.

Hon. Obaso (Nominated Member): Thank you Madam Speaker. Let me start by commending this House Committee for the job well done for this elaborate report. Madam Speaker, as you can see this medical facility is a mess starting from Human Resource, Financial Management etc. It is a mess all over. Through this, we can see unexplained variance in their finances and Imprests which cannot be accounted for and many others.

Madam Speaker, as a County, we have been struggling to meet out targets relating to Own Source Revenue and it is my considered opinion that with this, we can see that we are really losing a lot of monies in these facilities. So, it is high time that whoever is responsible such as the Administrator, the Superintendent should be held accountable for these unexplained variances in terms of finance. I want to urge this House that the whole system in this facility needs an overhauled, with those few remarks; I beg to support this report, thank you.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta B Ward): Hon. Millicent Ajumbo.

Hon. Ajumbo (MCA, Central Seme): Thank you, Madam Speaker; I rise to support the report by the Select Committee of PIC/ PAC on the Auditor General’s Report for the year ended 30th June, 2022. I want to state here that there are several reports that have been brought to this Assembly by the same House Committee with very good recommendations. I wanted to start by stating that Health is wealth and as long as we have our health taken care of then, we will have time to focus on other businesses and other things Madam Speaker.

Madam Speaker, when you look at the requirements of a level four hospital in this Country, I would say that most of our Sub-County Hospitals fall short of those requirements. That is because, level four requires; Surgical Unit, Renal Unit and, Intensive Care Unit and many others that I have not mentioned. However, when you look at Nyakach Sub-County Hospital, it lacks a lot of facilities that can be given to the sick people. In this hospital, no wonder we do not have an

Accountant, Procurement Officer and other key staff. So, this implies that it has been given the name level four hospital but it does not meet the stipulated requirements.

Madam Speaker, looked at some of the recommendations provided by this House Committee, I just want to say that now that we have our I-pads and I can refer to the recommendation No. 18 that; the Accounting Officer, the Department of Medical Services Public Health and Sanitation demonstrate to this Assembly by way of a report, corrective measures taken to adhere to Kenya Quality Model for Health Policy guidelines within sixty days upon adoption of this report. I want to state that I do not agree with this House Committee recommendation. This House Committee knows very well that this hospital does not meet the standard of a level- four hospital yet they are coming up with such a recommendation. How do you come up with a corrective measure when the facility has no; Surgical Unit, Renal Unit and so many other things which makes it not to meet the standard and a number of recommendations that may not be met within ninety days. But, I just want to say that this House Committee has worked so hard, by looking at this reports Madam Speaker, they came up with good recommendations though these recommendations cannot see the light of the day. This is because you cannot even imagine that within those few number of days there will be corrective measure in those hospitals.

So, Madam Speaker, I stand to support the committee in as much as they do a very good job Madam Speaker, and as soon as it is read here, we stand up, we give our comments, then, the books of that hospitals will be closed and even come up with another hospitals next time. We will then stand up here, give our recommendation, close it and then go to another hospital. I believe there is a way that we need to put our health matters seriously in this County. Thank you, Madam Speaker.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Thank you Hon. Ajumbo, coming up with corrective measure could also mean the Accounting Officer rethinks the facility being accorded the level-four status. So, that could be a corrective measure but, I would have wished that you make a clear recommendation or your suggestion on the same. Otherwise, I appreciate.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Hon. James Were.

Hon. Were (MCA, Nyalenda “B”): Madam Speaker, I also rise to support this report. Madam Speaker, seeing that our level four hospitals are being audited for the first time, is also a milestone. Madam Speaker, by going through the first audit, I believe that there is room for improvement. Madam Speaker, considering a lot of audit queries that came, it means that if we put a lot of emphasis and force to ensure that the management of this level four hospital. If they prove and put things according to what is required of them, I think we shall be somewhere.

Madam Speaker, I want to highlight on some few issues that were touched by the report. Madam Speaker, we realized that there were no clear evidences that imprests were being maintained. Madam Speaker, it also came clear that we had unqualified staff. That was there were no

qualified accountant and procurement officers. That was also taking us back. There was also control weakness in Revenue Collection. If you we don't maximize on our Own Source Revenue then, that implies that we are not going to have enough resources to put into maybe buying medicines, the equipment's or even paying our subordinate staff.

Madam Speaker, it is my opinion that we ensure and I want to implore this Honourable House to ensure that the County Executive is put to task to ensure that the implementation is done according to what is recommended.

Madam Speaker there was also a clear indication that there was failure by the management to adhere to the Public Finance Management Act and I believe that this was attributed to the fact that maybe there was no qualified accountant and those who worked on the financial statements were not qualified enough.

Madam Speaker we also realized that there were a lot of mistakes that were done and a lot of recoveries are supposed to be done. We want to ensure that this is pushed to the letter so that all the monies that through the management should have been done are done so that if there is any money that was lost, it is supposed to be recovered. Madame Speaker I beg to support this report. Thank you.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta "B"): Honourable Members, I can see the House has gone silent. If we don't have any further submissions, can we have someone to call the mover to reply?

The Deputy Speaker (Hon. Okombo, MCA, Manyatta "B"): Yes, Honourable Tom Onditi member representing Miwani Ward.

Hon. Onditi (MCA, Ombeyi): Thank you Madam Speaker, I think two things are...

The Deputy Speaker (Hon. Okombo, MCA, Manyatta B): Hon. Tom Onditi, you are representing Ombeyi Ward not Miwani. Go ahead Honourable Member.

Hon. Onditi (MCA, Ombeyi): Thank you Madam Speaker, I think your spectacles and memory need to be checked. Thank you Madam Speaker, judging by the mood of the House, may I call the mover to reply.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta "B"): Thank you Honourable Members. Now that the reports on the Auditor General's on the Financial Statements for Nyakach County Level Four Hospital for the year ended 30th June 2022, has been move seconded. Oh, I've jumped the gun. Honourable Members, the mover has been called to reply and asking the Honourable Kennedy Ouko, chair PIC PAC to reply.

Hon. Ouko Kennedy (MCA, West Kisumu): Thank you Madam Speaker, error is to human. Madam Speaker, you are also a human being and we excuse you for that. Thank you. I really appreciate all the members and the kind of support given this House Committee from the time we were in the committees and now bringing a motion in the House. I understand that this is now a collective responsibility, it is now not left only to the Select Committee PIC PAC. As you are all aware, this is an Investigative and Oversight committee dealing mainly with financial matters of the County Government of Kisumu. So this is a collective responsibility don't leave it to the Select Committee of PIC PAC.

Madam Speaker and Honourable Members, you can see that we had a lot of challenges while getting submissions from the Accounting Officers and now you are all aware of what informs a financial statement is the Trial Balance the Debit side and the Credit side. When you ask these respondents where their Trial Balance is which actually informs the financial statement, they could not produce. Madam Speaker, we discovered that they were facing several challenges, one of which involved the Accounting Officer, namely the Superintendent, who lacked sufficient expertise in financial matters. According to the requirements for accounting officers in hospitals, they must be medically trained. This presented another hurdle. Hence, this House Committee proposed a clear recommendation: the hospital must deploy an Accountant to address these deficiencies. Madam Speaker, we observed numerous inaccuracies and unexplained variances in the financial records, indicating potential manipulation by someone tasked with preparing the statements.

Additionally, we encountered issues such as the lack of a Procurement Officer and instances of staff incompetence. It became evident that there was no established policy for Staff Training within the facility. Some employees struggled to navigate basic payment systems. While it may seem inappropriate for a Member to outright dismiss the committee report, there's always room for improvement. That's precisely why we present these reports to the Assembly. We could have simply forwarded this report directly to the County Executive or the relevant parties, but we choose to bring the report before this House for discussion and action. So this is an opportunity for Members to propose amendments to suit the situation.

Madam Speaker, we equally discovered that these hospitals are among our initial ventures. Even in the absence of specialized units like Renal or High-Dependency Units, the Ultrasound, these facilities are operating effectively. These are basic equipment for level four hospitals. You can imagine how people are struggling. It is now upon this House to push the County Executive to work on these deficiencies. The buck also stops with the Select Committee on Implementation. I don't know whether the Members of Implementation Committee are in the House but it is a challenge that you need to do something. At least we should be having 30% of our reports being implemented through this House Committee on Implementation. Thank you.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable Members, now that the Report of the Auditor General of the Financial Statement for Nyakach Sub-County Level Four Hospital for the year ended 30th June has been moved, seconded and debated upon, I therefore want to put a question on the adoption of the same?

(Question put and agreed to)

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable Members, the report of the Auditor General of the Financial Statement for Nyakach Sub-County Level Four Hospital for the year ended 30th June is hereby adopted today Tuesday, 07th May, 2024 at 16:07 hours.

Honourable Members, I direct that the report together with the Hansard report be prepared and forwarded to the respective departments for action and the Select Committee on Implementation should ensure that the recommended timelines within the report are adhered to.

Honourable Members, I want to inform this House that the Select Committee on House Procedure and Rules in its yesterday’s sitting adopted the Sessions for Questions and Answers for the County Executive but before then, the Select Committee on Implementation should make sure that the recommendations are adhered to. Thank you.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Next Order!!

ADJOURNMENT

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable Members, there being no any other business to transact, the House stands adjourned to tomorrow Wednesday, 08th May, 2024 at 9.00 a.m.

(House rose at 04.09 p.m.)

Addendum

Hansard Team

<i>Zablon Otiende</i>	-	<i>Senior Hansard Reporter (Acting Editor)</i>
<i>Edward Odanga</i>	-	<i>Hansard Reporter</i>
<i>Fanuel Okode</i>	-	<i>Hansard Reporter</i>
<i>Patrick Okoyo</i>	-	<i>Hansard Reporter</i>
<i>Jesca Otieno</i>	-	<i>Hansard Reporter</i>
<i>Jacklyne Otieno</i>	-	<i>Hansard Reporter</i>
<i>Valery Achieng'</i>	-	<i>Hansard Reporter</i>