

## COUNTY GOVERNMENT OF KISUMU



### COUNTY ASSEMBLY OF KISUMU

#### **THE HANSARD**

##### *Official Report*

#### **THIRD ASSEMBLY – THIRD SESSION**

**Thursday 14<sup>th</sup> October, 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): Honourable Members, I direct that the Sergeant-at-Arms rings the quorum bell for the first five minutes. I delegate Honourable Regina Kizito to whip the Members in the Chamber. Again, no Member shall leave the House except Honourable Regina.

*(Quorum bell rung the first five minutes)*

**The Speaker** (Hon. Oraro): Honourable Regina Kizito, can you confirm if we have quorum?

**Hon. Kizito** (Nominated Member): Mr. Speaker I can confirm that we have quorum. Thank you.

**The Speaker** (Hon. Oraro): Clerk, please take us through the order of the day.

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

#### **PAPERS LAID**

**KISUMU COUNTY REVENUE FUND QUARTERLY REPORT AND FINANCIAL YEAR  
ENDED 30TH SEPTEMBER 2024**

KISUMU COUNTY EXECUTIVE QUARTERLY REPORT AND FINANCIAL  
STATEMENTS FOR THE PERIOD ENDED 30TH SEPTEMBER 2024

THE KISUMU COUNTY ASSEMBLY REPORTS AND FINANCIAL STATEMENTS FOR  
THE PERIOD ENDED 30TH JUNE 2024

BY

HON. KENNEDY OOKO, MCA, AHERO

(LEADER OF MAJORITY)

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

**Leader of Majority** (Hon. Ooko, MCA, Ahero): Thank you Hon. Speaker, I stand to lay the following papers;

1. THAT, Pursuant to the provisions of Section 166 (1) of the Public Finance Management Act 2012. I wish to table today, Thursday, 14th November 2024, the Kisumu County Revenue Fund Quarterly Report and Financial Year ended 30th September 2024.
2. THAT, Pursuant to the provisions of Section 166 (1) of the Public Finance and Management Act 2012. I wish to table today, Thursday, 14th November 2024, the Kisumu County Executive Quarterly Report and Financial Statements for the period ended 30th September 2024.

Honourable Speaker, on behalf of the Vice Chairperson County Assembly Service Board, I would like to table this Paper. THAT, pursuant to the provisions of section 166 (1) of the Public Finance and Management Act 2012, the Kisumu County Assembly Reports and financial statements for the period ended 30th June 2024. Thank you.

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

**The Speaker** (Hon. Oraro): Honourable Members, the following reports are properly laid before the House;

1. The Kisumu County Revenue Fund Quarterly Report and Financial Year ended 30th September 2024.
2. The Kisumu County Executive Quarterly Report and Financial Statement for the year ended 30th September 2024. And lastly, the Kisumu County Assembly Reports and Financial Statement for the period ended 30th June 2024.

Honourable Members, I want to commit all these reports to the Departmental Committee on Finance and ICT so that they look at them as per our Standing Order. But I want to remind the Honourable Members again on what I said yesterday, that one, I'm aware this Departmental

Committee on Finance and ICT has a lot of work. You can divide yourself into groups of sub-committees so that you look at the documents.

Two, let us make it a habit that we look at the statements appropriately. Because from these statements is when we can see where to give recommendations in terms of financial management. Sometimes Members wait until it's too late or until we have the Audit report which comes much, much late in the year. Again, years later or even sometimes two years later is when you get the Audit Report. When you can flag out anything or even comment on the good things based on the Financial Reports. So let it not only be for the Finance Committee but all other members like the Standing Order provides that you can be in any committee. Ensure that you look at the reports appropriately.

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

## MOTION

REPORT OF THE SELECT COMMITTEE ON PUBLIC INVESTMENTS AND PUBLIC ACCOUNTS ON THE EXAMINATION OF THE AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENTS OF THE KISUMU COUNTY SOCIAL HEALTH INSURANCE FUND FOR FINANCIAL YEARS 2020/2021; 2021/2022; AND 2022/2023

BY

HON. KEN OUKO, MCA, WEST KISUMU

(CHAIRPERSON)

**The Speaker** (Hon Oraro): Honourable Members, I have a letter delegating the presentation of this Report by Honourable Omollo. Therefore, Honourable Omollo, you may proceed.

**Hon Omollo** (MCA, West Nyakach): Thank you Mr. Speaker. I rise to move a Motion that this House adopts the Report of the Select Committee on Public Investments and Public Accounts on the Examination of the Auditor General's Report on the Financial Statements of the Kisumu County Social Health Insurance Fund for the Financial Years 2020/2021; 2021/2022; and 2022/2023.

Mr. Speaker and Honourable Members, on behalf of the Public Accounts and Investments Committee (PICPAC), and Pursuant to Kisumu County Assembly Standing Orders 188, I wish to present to this House the report of the Committee on the audited financial statements of Kisumu County Social Health Insurance Fund for the financial years 2020/2021, 2021/2022 and 2022/2023.

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.

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 three 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 Kisumu County Social Health Insurance Fund for the three financial years.

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.

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 reports on the Financial Statements of Kisumu County Social Health Insurance Fund for the financial years 2020/2021, 2021/2022 and 2022/2023.

#### Establishment and Mandate of the Public Accounts and Investments Committee

Mr. Speaker and Honourable Members The Public Accounts and Investments Committee is established under Standing Order No. 188 of the Kisumu County Assembly Standing Orders and is mandated to undertake the following functions;

Examination of the accounts showing the appropriations of the sum voted by the County Assembly to meet the public expenditure and of such other accounts laid before the House as the committee may think fit;

Examination of the working of the Public Investments

Examine the reports and accounts of the Public Investments and,

Examine in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments, are being managed in accordance with sound financial or business principles and prudent commercial practices.

#### Composition of the Public Accounts and Investments Committee

The Committee as currently constituted comprises the following Honorable Members,

Table 1: Committee Membership as of November 2024

	NAME	POSITION
	MEMBERS	
	Hon. Ken Ouko	Chairperson
	Hon. Geoffrey Warindu	Vice Chairperson
	Hon. Seth Okumu	Member
	Hon. Nancy Matara	Member
	Hon. Rueben Rakwach	Member
	Hon. James Were	Member
	Hon. James Omollo	Member
	SECRETARIAT	
	Austine Ochieng'	Committee Clerk
	Chispine Oguta	Clerk Assistant
	Patrick Okoyo	Hansard Officer
	Faith Judith	Sargent-at-arm
	Wycliffe Owade	Researcher
	CPA Naboth Odera	Internal Auditor
	CPA Mollen Achayo	Fiscal Analyst
	CPA Charles Ageng'o	Internal Auditor

## Legal Framework & Guiding Principles

### Legal Framework

Mr. Speaker and Honourable Members, the Committee was guided by the following legal instruments;

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;

The accounts of the National and County governments,

The accounts of all funds and authorities of the National and County governments,

Accounts of all courts,

The accounts of every commission and independent office established by this constitution,

The accounts of National Assembly, the Senate and the county assemblies,

The accounts of the political parties funded from the public funds,

The public debt and

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*”.

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.

Mr. Speaker and Honourable Members, Public Audit Act 2015; Section 7 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

Mr. Speaker and Honourable Members, 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.

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 –

Lawful and authorized; and

Effective, efficient, economical and transparent”

#### Guiding Principles

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

These principles include the following;

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;

Openness and Accountability including public participation in financial matters;

Public money shall be used in a prudent and responsible way; and

Financial management shall be responsible and fiscal reporting shall be clear.

The Committee considered these legal provisions and guiding principles as the basis for holding to account public officers directly and personally liable for any loss of Public Funds that may occur under their watch.

#### REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KISUMU COUNTY SOCIAL HEALTH INSURANCE FUND FOR THE FINANCIAL YEARS 2020/2021, 2021/2022 AND 2022/2023

Mr. Speaker and Honourable Members, Mr. Evans Oloo, the Fund administrator and the Accounting Officer appeared before the Committee on 24<sup>th</sup> September 2024 to adduce evidence on the Audited Financial Statements of Kisumu County Social Health Insurance Fund for the fiscal years 2020/2021, 2021/2022, and 2022/2023.

He was accompanied by the following Officer;

Mr. Joshua Clinton Okise - Accountant

The following officers represented the Office of the Auditor General in the Committee meeting;

Mr. Kennedy Ong’oi

FINANCIAL YEAR 2020/2021

Basis for Qualified Opinion

Hon. Speaker, during the Financial Year 2020/2021, the Auditor General's opinion on the financial statements of the fund was qualified, implying that except for the following issues, the financial statements presented a true and fair view of the fund.

### 3.1. Unsupported Revenue from Exchange Transactions

The statement of financial performance reflects an amount of Kshs.24, 169,840 which, as disclosed in Note 1 to the financial statements relates to capitations from NHIF and Linda Mama NHIF. Records provided for audit indicated that these amounts were received through forty-eight (48) health facilities. The amounts were also traced to the bank and the cashbook. However, none of the balances could be traced to the indicated health facilities as the entities financial statements did not record any transfers to the fund.

In the circumstances, the completeness and accuracy of the reported NHIF –Capitation, Premium and Linda Mama contributions could not be confirmed.

#### Management Response

*It is true that 24,169,840 was received as transfers from the facilities as capitation and Linda mama reimbursement. The schedules and MR receipts were provided and verified by the auditors during the audit period. The financial statements from the facilities were not requested to confirm the balances but the list of transfers from the facilities were provided. The transfer ledgers are attached in Appendix II.*

#### Committee Observations

That the management spent an amount of Kshs. 24,169,840 on capitations from NHIF and Linda Mama NHIF. However, none of the balances could be traced to the indicated health facilities as the entity's financial statements did not record any transfers to the fund.

As at the time of committee deliberations, the management had provided a schedule of the transfers for the period and the MR receipts.

#### Committee Recommendations

That the Accounting Officer of the Department of Public Health, Medical Services, and Sanitation should ensure proper financial records are kept in all the facilities and the same be provided when necessary.

That the matter is resolved

### 3.2. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs. 24,169,840. Similarly, the Fund expended Kshs. 2,518, against a

budget of the same amount. However, no approved budget was provided for audit review. This was contrary to Regulation 43(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that County government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the County Emergency Fund, or supplementary estimates

#### Management Response

This is well acknowledged and the management shall forever ensure that all budgets are approved going forward. This was the first financial year of the fund and financial structures were still being put in place. The reported amount of 24,169,840 was received in the account when financial year was coming to an end and therefore it was possible to budget, the funds were however budgeted for in the subsequent year. 2,518 that the fund expended was for bank charges only as provided for in the ledger however these funds were later budgeted for in the subsequent year as attached in annex I.

#### Committee Observations

That during the FY 2020/2021, the management of the fund Contravened Regulation 43(2) of the Public Finance Management (County Governments) Regulations 2015, which states that County government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the County Emergency Fund, or supplementary estimates.

That for the subsequent FY, the management presented an approved budget.

#### Committee Recommendations

That in future, the management must comply with Regulation 43(2) of Public Finance Management (County governments) Regulations, 2015.

That the matter is resolved

### 3.3. Late Submission of the Financial Statements

Kisumu County Social Health Insurance Fund annual report and Financial Statements for the year ended 30<sup>th</sup> June, 2021 were submitted to the office of the Auditor General on 23<sup>rd</sup> November, 2023 which is approximately 26 months late. This is contrary to Section 81(4)(a) of Public Finance Management Act, 2012 which states that not later than three (3) months after the end of each financial year, the accounting officer for the entity shall submit the entity's financial statements to the Auditor-General.

In the circumstances, management was in breach law.

#### Management Response

The management acknowledges laws guiding the submission of financial reports for auditing by 30<sup>th</sup> September and late submission was due to the fact that the fund account should be receiving funds appropriated by the county which has never been the case thus, the management did not have clear information whether to submit the financial statement to the office of the auditor general since the Kisumu County Social health Insurance fund was not among the entities that were to submit their financial reports in the list provided by the county treasury. We however apologize for late submission and this will not occur again going forward.

#### Committee Observations

That the management violated Section 81(4) (a) of the Public Finance Management Act, 2012 which states that not later than three (3) months after the end of each financial year, the accounting officer for the entity shall submit the entity's financial statements to the Auditor-General.

#### Committee Recommendations

That going forward, the Accounting Officer must adhere to Section 81(4) (a) of the Public Finance Management Act, 2012 on submission of financial statements to the Office of the Auditor General.

That the matter is resolved

FINANCIAL YEAY 2021/2022

#### Basis for Qualified Opinion

##### 4.1. Unsupported Expenditure-Insurance Costs

The statement of financial performance and Note 4 to the financial statements reflects an amount of Kshs. 85,013,971, in respect to use of goods and services. However, the following inadequacies were noted; Included in the expenditure on use of goods and services is an amount of Kshs. 63,846,000 incurred on NHIF registration paid on behalf of forty-two thousand five hundred and sixty-four (42,564) members of society indicated to be indigent. However, the Management did not provide details on how the members were identified and how the identified members were each granted an equal amount of Kshs. 1,500.

In the circumstances, the completeness and accuracy of the disclosed amount could not be confirmed.

### Management Response

The process of the identification of indigents is broad and entails a number of steps, the data was obtained from the Social Protection Department on the vulnerable people in Kisumu County. Community Health Volunteers were then involved to confirm whether they are indeed deserving. The final list was then submitted to NHIF for verification before payment. Payment for premium of Ksh. 1,500 per indigent per quarter was made on the NHIF policy of paying premiums for super cover which is 500 per month. Kindly find the attached details on how the indigents were identified and amount allocated .

### Committee Observations

That the Management spent an amount of Kshs. 63,846,000 on NHIF registration paid on behalf of forty-two thousand five hundred and sixty-four (42,564) members of society indicated to be indigent. However, the management failed to provide details on how the members were identified and how the identified members were each granted an equal amount of Kshs. 1,500, during the time of audit.

As at the time of committee deliberations, the Management had provided proper explanation on how the indigent were identified and how the identified members were each granted an equal amount of Kshs. 1,500.

### Committee Recommendation

That the matter is resolved

#### 4.2. Unsupported Expenditure-Procurement of ICT and Networking

Included in the use of goods and services and as disclosed in Note 4 to the financial statements is an amount of Kshs. 2,427,280 relating to ICT and networking. In turn this amount includes Kshs. 1,627,400 paid to a firm for the supply and delivery of one hundred and three (103) computer tablets. However, request for quotations from suppliers, tender opening reports, appointment of tender opening committee were not provided for audit review. In addition, the list showing how the computer tablets were distributed to the facilities was not provided for audit review.

In the circumstances, the validity and accuracy of the expenditure of Kshs. 1,627,400 could not be confirmed.

### Management Response

Management regret that, request for quotations suppliers, tender evaluation reports and tender opening minutes were not availed for the audit. This happened because the documents were mistakenly mixed with the already audited documents from the previous years. The management

wish to report that the documents were later retrieved and attached to the voucher as indicated in Annex II.

#### Committee Observations

That during the time of audit, the management failed to provide for audit review; request for quotations from suppliers, tender opening reports, appointment of tender opening committee members and computer/ tablets distribution schedule relating to an amount of 1,627,400 paid to a firm for the supply and delivery of one hundred and three (103) computer tablets. The same had been provided as at the time of committee deliberations.

That as at the time of committee deliberations, the management had not provided the list of how the computer tablets were distributed to the facilities

#### Committee Recommendations

That the Accounting officer (Kisumu County Social Health Insurance Fund) provide the distribution lists of the computer tablets in thirty (30) days upon adoption of the report failure to which the CEC Member Finance, Economic Planning and ICT initiates recovery of Kshs. 1,627,400 from the Accounting officer.

That the matter is not resolved

#### 4.3. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs. 64,828,224. Similarly, the Fund expended Kshs. 86,616,361 against a budget of the same amount. However, no approved budget was provided for audit review. This was contrary to Regulation 43(2) of the Public Finance Management (County Governments) Regulations, 2015 states that County government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the County Emergency Fund, or supplementary estimates.

#### Management Response

The fund draws its authority to spend the funds from the oversight committee which sit on a quarterly basis to approve the expenditure plan after which the AIE is issued. This means the management of the fund follow the procedure as stipulated in the PFM act and could have not expended the funds without the committee's approval. Kindly find the attached approval I annex iii.

#### Committee Observations

That the management failed to provide an Approved budget for audit review during the time of the audit. The same had been provided at the time of committee deliberations

#### Committee Recommendations

That going forward, the management must ensure that documents are provided during the time of audit Pursuant to Section 62(b) of the Public Audit Act, 2015.

That the matter is resolved

#### 4.4. Late Submission of the Financial Statements

Kisumu County Social Health Insurance Fund annual report and financial statements for the year ended 30 June, 2022 were submitted to the Office of the Auditor-General on 23 November, 2023 which is approximately 26 months late. This was Contrary to Section 81(4)(a) of the Public Finance Management Act, 2012 which states that not later than three months after the end of each financial year, the accounting officer for the entity shall submit the entity's financial statements to the Auditor-General.

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

#### Management Response

The management acknowledges laws guiding the submission of financial reports for auditing by 30<sup>th</sup> September and late submission was due to the fact that the fund account should be receiving funds appropriated by the county which has never been the case thus, the management did not have clear information whether to submit the financial statement to the office of the auditor general since the Kisumu County Social health Insurance fund was not among the entities that were to submit their financial reports in the list provided by the County Treasury. We however apologize for late submission and this will not occur again going forward.

#### Committee Observations

That Contrary to Section 81(4)(a) of the Public Finance Management Act, 2012 which states that not later than three months after the end of each financial year, the accounting officer for the entity shall submit the entity's financial statements to the Auditor-General, the management submitted the financial statements to the Office of the Auditor-General on 23 November, 2023 which is approximately 26 months later

#### Committee Recommendations

That in future, the management must ensure adherence to Section 81(4) (a) of the Public Finance Management Act, 2012.

That the matter is resolved

#### 4.5. Lack of Performance Reports and Monitoring and Evaluation Reports

During the year under review, Kisumu County Social Health Insurance Fund performed their mandate as prescribed in the regulation. However, the Management did not provide performance reports which related to the performance of the Fund. In addition, the Fund did not have monitoring and evaluation reports as required by the regulations.

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

#### Management response

Performance reports and monitoring and evaluation of the oversight are hereby availed. Refer to annex iv.

#### Committee Observations

That the management failed to provide performance, monitoring, and evaluation reports Contrary to Regulation 129 of Public Finance Management (County governments) Regulations, 2015 which states that ‘the County Executive Committee Member responsible for matters relating to planning shall prescribe a framework for monitoring and reporting on non-financial performance for use by accounting officers in evaluation of programs and projects.’

#### Committee Recommendations

That in future, the management must adhere to Regulation 129 of Public Finance Management (County governments) Regulations, 2015

That the matter is resolved

#### 4.6. Lack of Internal Audit Review

During the year under review, there was no review of the Fund’s activities contrary to Regulation 153 (1)(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the Internal Auditor should review the effectiveness of the financial and non-financial performance management systems of the entities.

In the absence of constant reviews by the internal audit unit, the effectiveness of internal control and risk management in relation to the Fund could not be confirmed.

#### Management Response

Kisumu County department of finance has mandated one of the internal auditors who will be conducting quarterly audit review in order to enhance the internal control system as far as management of funds are concerned.

#### Committee Observations

That during the financial year under review, there was no review of the Fund's activities Contrary to Regulation 153(1) (c) of the Public Finance Management (County Governments) Regulations, 2015 'which requires that the Internal Auditor should review the effectiveness of the financial and non-financial performance management systems of the entities.'

The Management had written a letter to the Finance department requesting an Internal Auditor for review purposes

#### Committee Recommendations

That in future, the management must adhere to Regulation 153(1) (c) of the Public Finance Management (County Governments) Regulations, 2015.

That the matter is resolved

#### FINANCIAL YEAR 2022/2023

##### 5.1. Unsupported Use of Goods and Services

The statement of financial position reflects an amount of Kshs .39, 114,213 relating to use of goods and services. However, review of records provided for audit reflects an amount of Kshs. 35,140,998 resulting to unreconciled and unexplained variance of Kshs. 3,973,215. In addition, management has not indicated the health facilities benefited from insurance cost of Kshs .11, 449,066 incurred by the fund during the year. Further, this amount, described as amounts paid for indigent people in the society, could not be traced to specific individuals.

In circumstances the completeness and accuracy of the reported amounts on use of goods and services could not be confirmed.

#### Management Response

The amount as reflected in financial performance of 39,114,215 and use of goods. The support schedules were provided after the amendment of financial statements. The figure of Kshs. 35,140,998 does not include all the support schedules. The management has provided the support schedule of 39,114,215 in Annex I. Further, the list of the facilities which benefited from 11, 449,066 is also attached in Annex I.

### Committee Observations

(1) That the Management did not indicate the health facilities which benefited from insurance cost of Kshs. 11, 449,066 incurred by the fund during the year under review, however, names of the facilities are in the supporting documents for vouchers in the annex i

(2) That the Management did not provide a list of indigent people/ names who were paid indigent money

### Committee Recommendations

That the management fully supports the expenditure by providing details of individual beneficiaries' failure to which the Accounting Officer shall be responsible for improper use of public funds under section 210 of the Public Finance Management (County governments) regulations, 2015.

That the matter is unresolved

## 5.2. Incomplete Fixed Assets Register

### 5.2.1 Incomplete Fixed Assets Registration

The statement of financial position reflects an amount of Kshs .689, 062 relating to property, plant and equipment. Review of the fixed asset register revealed that it was incomplete as it did not have information such as asset value, description, serial number, make, suppliers name, original location, current location and the officer responsible for each asset and asset condition. In addition, the physical verification of the assets during the year under review revealed that the assets were not tagged to confirm their ownership by the fund.

In the circumstances, the completeness and accuracy of the of the reported property, plant and equipment balance of Kshs. 689,062 could not be confirmed

### Management Response

The complete asset register with the required detail has been provided and attached in annex II

### Committee Observations

That the Fixed Asset register provided to the auditors revealed that it was incomplete as it did not have information such as asset value, description, serial number, make, suppliers name, original location, current location and the officer responsible for each asset and asset condition

That physical verification of the assets during the year under review revealed that the assets were not tagged to confirm their ownership by the fund

That as at the time of Committee deliberations, the management had not provided a complete fixed asset register showing the serial numbers and asset condition

#### Committee Recommendations

That the Management develop a complete Asset register containing all the required details and provide the same to the Office of the Auditor General.

That the matter is not resolved

#### 5.3. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs .40, 983,036. Similarly, the Fund expended Kshs .40, 891,913 against a budget of the same amount. However, no approved budget was provided for audit review. This was contrary to Regulation 43(2) of the Public Finance Management (County governments) regulations, 2015 which states that County government entities shall execute their approved budgets based on the annual appropriation legislation, and approved cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the County Emergency Fund, or supplementary estimates. In circumstances, management was in breach of the regulations.

#### Management Response

The fund draws its authority to spend the funds from the oversight committee which sit on a quarterly basis to approve the proposed expenditure plan after which the AIE is issued. This means the management of the fund follow the procedure as stipulated in the PFM act and could have not expended the funds without the committee approvals. Kindly find the attached approved in annex III.

#### Committee Observations

That the management failed to provide the Approved budget for audit review during the time of the audit. The same had been provided at the time of committee deliberations.

#### Committee Recommendations

That in future, the Management must comply with the requirements of Regulation 43(2) of the Public Finance Management (County governments) regulations, 2015.

That the matter is resolved

#### 5.4. Lack of Performance Reports and Monitoring and Evaluation Reports

During the year under review, Kisumu County Social Health Insurance Fund performed their mandate as prescribed in the regulation. However, the Management did not provide performance reports which related to the performance of the Fund. In addition, the Fund did not have monitoring and evaluation reports as required by the regulation.

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

##### Management response

Performance reports and monitoring and evaluation minutes of the oversight are hereby availed. Refer to Annex IV.

##### Committee Observations

The management failed to provide performance, monitoring and evaluation reports Contrary to Regulation 129 of Public Finance Management (County governments) Regulations, 2015

As at the time of committee deliberations, the Management had not provided performance reports and monitoring reports from the oversight committee

##### Committee Recommendations

That in future, the management must adhere to Regulation 129 of Public Finance Management (County governments) Regulations, 2015

That the matter is resolved

#### 5.5. Lack of Internal Audit Review

During the year under review, there was no review of the Fund's activities contrary to Regulation 153 (1)(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the Internal Auditor should review the effectiveness of the financial and non-financial performance management systems of the entities.

In the absence of constant reviews by the internal audit unit, the effectiveness of internal control and risk management in relation to the Fund could not be confirmed.

##### Management response

Kisumu County department of finance has mandated one of the internal auditors who will be conducting quarterly audit review in order to enhance the internal control system as far as management of funds are concerned.

##### Committee Observations

That during the FY, there was no review of the Fund's activities Contrary to Regulation 153(1) (c) of the Public Finance Management (County Governments) Regulations, 2015 which requires that *'the Internal Auditor should review the effectiveness of the financial and non-financial performance management systems of the entities.'*

The Management had written a letter to the Finance department requesting an Internal Auditor for review purposes

#### Committee Recommendations

That going forward, the management must adhere to Regulation 153(1) (c) of the Public Finance Management (County Governments) Regulations, 2015.

That matter is Resolved

#### Summary of Observations

The committee summarized the following observations:

Mr. Speaker, and Honourable Members, that the management spent an amount of Kshs. 24,169,840 on capitations from NHIF and Linda Mama NHIF. However, none of the balances could be traced to the indicated health facilities as the entity's financial statements did not record any transfers to the fund.

As at the time of committee deliberations, the management had provided a schedule of the transfers for the period and the MR receipts.

That during the FY 2020/2021, the management of the fund Contravened Regulation 43(2) of the Public Finance Management (County Governments) Regulations 2015, which states that County government entities shall execute their approved budgets based on the annual appropriation legislation, and the approved annual cash flow plan with the exception of unforeseen and unavoidable spending dealt with through the County Emergency Fund, or supplementary estimates.

That for the subsequent FY, the management presented an approved budget.

That the management violated Section 81(4) (a) of the Public Finance Management Act, 2012 which states that not later than three (3) months after the end of each financial year, the accounting officer for the entity shall submit the entity's financial statements to the Auditor-General.

That the Management spent an amount of Kshs. 63,846,000 on NHIF registration paid on behalf of forty-two thousand five hundred and sixty-four (42,564) members of society indicated to be indigent. However, the management failed to provide details on how the members were

identified and how the identified members were each granted an equal amount of Kshs. 1,500, during the time of audit.

As at the time of committee deliberations, the Management had provided proper explanation on how the indigent were identified and how the identified members were each granted an equal amount of Kshs. 1,500.

That during the time of audit, the management failed to provide for audit review; request for quotations from suppliers, tender opening reports, appointment of tender opening committee members, and computer/ tablets distribution schedule relating to an amount of 1,627,400 paid to a firm for the supply and delivery of one hundred and three (103) computer tablets. The same had been provided at the time of committee deliberations.

That as at the time of committee deliberations, the management had not provided the list of how the computer tablets were distributed to the facilities

That the management failed to provide an Approved budget for audit review during the time of the audit. The same had been provided at the time of committee deliberations

That Contrary to Section 81(4)(a) of the Public Finance Management Act, 2012 which states that not later than three months after the end of each financial year, the accounting officer for the entity shall submit the entity's financial statements to the Auditor-General, the management submitted the financial statements to the Office of the Auditor-General on 23 November, 2023 which is approximately 26 months later

That the management failed to provide performance, monitoring, and evaluation reports Contrary to Regulation 129 of Public Finance Management (County governments) Regulations, 2015 which states that 'the County Executive Committee Member responsible for matters relating to planning shall prescribe a framework for monitoring and reporting on non-financial performance for use by accounting officers in evaluation of programs and projects.'

The Management had written a letter to the Finance department requesting an Internal Auditor for review purposes

That the Management did not indicate the health facilities which benefited from insurance cost of Kshs. 11, 449,066 incurred by the fund during the year under review, however, names of the facilities are in the supporting documents for vouchers in the annex i

That the Management did not provide a list of indigent people/ names who were paid indigent money

That the Fixed Asset register provided to the auditors revealed that it was incomplete as it did not have information such as asset value, description, serial number, make, suppliers name, original location, current location and the officer responsible for each asset and asset condition

That physical verification of the assets during the year under review revealed that the assets were not tagged to confirm their ownership by the fund

That as at the time of Committee deliberations, the management had not provided a complete fixed asset register showing the serial numbers and asset condition

The management failed to provide performance, monitoring and evaluation reports Contrary to Regulation 129 of Public Finance Management (County governments) Regulations, 2015.

#### Summary of Recommendations

The committee summarized the following recommendations:

That the Accounting Officer of the Department of Public Health, Medical Services, and Sanitation should ensure proper financial records are kept in all the facilities and the same be provided when necessary.

That in future, the management must comply with Regulation 43(2) of Public Finance Management (County governments) Regulations, 2015.

That going forward, the Accounting Officer must adhere to Section 81(4) (a) of the Public Finance Management Act, 2012 on submission of financial statements to the Office of the Auditor General.

That the Accounting officer (Kisumu County Social Health Insurance Fund) provide the distribution lists of the computer tablets in thirty (30) days upon adoption of the report failure to which the CEC Member Finance, Economic Planning and ICT initiates recovery of Kshs. 1,627,400 from the Accounting officer 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.

That going forward, the management must ensure that documents are provided during the time of audit Pursuant to Section 62(b) of the Public Audit Act, 2015.

That in future, the management must ensure adherence to Section 81(4) (a) of the Public Finance Management Act, 2012.

That in future, the management must adhere to Regulation 129 of Public Finance Management (County governments) Regulations, 2015

That the management fully supports the expenditure by providing details of individual beneficiaries' failure to which the Accounting Officer shall be responsible for improper use of

public funds under section 210 of the Public Finance Management (County governments) regulations, 2015.

That the Management develop a complete Asset register containing all the required details and provide the same to the Office of the Auditor General.

That in future, the Management must comply with the requirements of Regulation 43(2) of the Public Finance Management (County governments) regulations, 2015.

#### Conclusion

It is therefore my honor and privilege, on behalf of the Public Account and Investment Committee to move this Motion before this Honorable House for consideration.

*[The Speaker (Hon Oraro) left the Chair]*

*[The Deputy Speaker (Hon Okombo) in the Chair]*

**Hon. Omollo** (MCA, West Nyakach): Madam Speaker, May I call upon Hon Were to second.

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

**Hon. Were** (MCA, Nyalenda “B”): Thank you Madam Speaker. I rise to second the Report. This report clearly indicates that we had a Qualified Audit Opinion. However, there are some adjustments that we need to do as a County in order to improve our performance.

Madam Speaker, we have established that there are key things which were mentioned by this House Committee in their observations and findings; that things which were ignored and which if we can correct or improve upon could improve our Audit Opinion Rating. Madam Speaker, one of the observations is that the management did not provide a list of indigents who were paid.

Madam Speaker, if we properly keep our records, it can cure this challenge and detail the list of beneficiaries, the amount spent, and the cover used such as Linda Mama or Social Health Insurance. Secondly, from the report, we have established that the management failed to produce documentary evidence. We should implore on them so that next time, whenever auditors come to verify their books they ensure that whatever evidence required is timely produced so that they avoid audit queries.

Madam Speaker, there is equally an issue that was raised; that is, the need to Strengthen our Internal Audit Department so that when we External Auditors come, they find when we have already pinpointed where the weaknesses are, and addressed those weaknesses so that we can come with a decent report. Otherwise, Madam Speaker, I beg to second. Thank you.

**The Deputy Speaker** (Hon. Okombo, MCA, Manyatta “B”): Honourable Members, a motion of adoption of the reports of the Select Committee on Public Investments and Public Accounts on the Examination of the Reports of the Auditor General on the Financial Statements of Kisumu County Social Health Insurance Fund for the Financial years 2020-2021, 2021-2022, and 2022-2023 has been moved and seconded. In accordance with the procedures of the House, I want to propose that the motion be open for debate.

**The Deputy Speaker** (Hon. Okombo, MCA, Manyatta “B”): Honourable Nyaoke.

**Hon. Nyaoke** (MCA, North Nyakach): Thank you Madam Speaker. I rise to support the adoption of this report on the basis that the report is detailed; it has identified the loopholes and the areas that need a lot of corrections. If this is done, we need to see a very big change in the way that the people concerned are going to work.

Madam Speaker, this House Committee has stressed or emphasized one very important point that they have talked of. I believe that in my document, I cannot identify exactly which page, but there is a recommendation, particularly if you look at this House Committee observation number one, after the management response, that talks about the number one item that the management spent amount of Ksh. 24,169,841 Capitations from NHIF and Linda Mama NHIF.

However, none of the balances could be traced to the indicated health facilities as the entity's financial statements did not record any transfers to the fund. Madam Speaker, the people that we have given the responsibilities in those particular areas, they have expressed requirements that they must be qualified persons for the particular jobs that they are taking. Madam Speaker, after spending such a colossal sum of money, which is okay if it is put into good use, but then later you find that the balances of those monies cannot be traced anywhere.

Madam Speaker, that kind of loophole might be very detrimental because it may end up in one's pocket. So, the recommendation that this House Committee has provided is vital, that the Accounting Officer of the Department of Public Health, Medical Services and Sanitation, should ensure proper financial records are kept in all facilities and the same be provided when necessary. Madam Speaker, when these records are kept in a way that they are supposed to be kept, even at a walk at these facilities, at any given time, once the documentation is done, we are able to identify the status of that particular department or that particular hospital or whichever place. It means there is some shortfall in the way the records are being kept, particularly in our medical centres. Madam Speaker, in areas that they are not doing this, we call upon the persons, the Accounting Officers that we put these matters into their respective places, to take their work seriously. This is because moving forward as we have promised; we are really going to be taking serious actions that we would not wish to take if changes cannot be realized. I therefore support

this motion that it be adopted because it is it is adoption it is going to improve the way we are going to handle our finances. Thank you Madam Speaker, and I beg to support.

**The Deputy Speaker** (Hon. Okombo MCA, Manyatta B Ward): Honourable Samuel Dede.

**Hon. Dede** (MCA, Kisumu North): Thank you Madam Speaker. Let me also add my voice onto the motion on the floor. Even though the records show that we had a Qualified Opinion, but there are numerous gaps highlighted in this report. To start with, there was a breach of the Act 814 (a) which stipulates that the report should be at least submitted within three months for scrutiny. Yet, for the Financial Statement which was submitted by the end of 30th June 2021, came later after 26 months. Madam Speaker, you see a gap between 26 months and three months. That is a very big one.

Madam Speaker, my other worry also emanates from, when we see that in the area of dividing the amount from the NSSF, NHIF, Madam Speaker, a figure of Kshs 6,363,846,000 amongst the Kshs 42,564 comes equal to Kshs1,500. It is my belief that documentation should have been provided to show how these money was distributed among the members and this is because we just get an equal share from all those who benefited, Madam Speaker. Concerning the report which has been given, this House Committee has done well by digging deep and found that there are numerous gaps that needed to be addressed. Madam Speaker, if these gaps are handled well, I believe that our report shall be of importance.

Madam Speaker, this House Committee also dug deep and found out these gaps were there. Yet, recently, it was noted that this Department is understaffed and a requisition was made and seven accountants were employed, one per Sub-County. Madam Speaker, up to date, we still cannot have clear information of our statements. So, I believe those who are employed did not qualify for the job and this is because we are not able to get the clear statements even though this qualified staffs were employed. So, it is my belief that they should upscale their duty so that whatever is brought to the floor reflects equity, transparency, which is being gathered. Otherwise, I submit.

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

**Hon. Obaso** (Nominated Member): Thank you Madam Speaker. Let me start by applauding this House Committee for a job well done. The report has attained Qualified Opinion. Madam Speaker, this implies that it complied with the financial regulations that are needed by the accounting bodies. Generally, as much as it attained such an opinion, there are so many mistakes and variances that cannot be explained from this report. There is a norm that is going on now. In

so many reports that are being brought here, they attain Qualified Opinion but, there is so much variances and differences in terms of the figures that cannot be traced.

And as per my opinion and the knowledge that I have in accounts, they should not attain that qualified report. So with this...

*(Laughter)*

**The Deputy Speaker** (Hon. Okombo, MCA, Manyatta "B"): Honourable Obaso, who is tickling you there?

**Hon. Obaso** (Nominated MCA): Protect me from Honourable Mickey and Honourable Matara.

**The Deputy Speaker** (Hon. Okombo, MCA, Manyatta "B"): Honourable Mickey and Honourable Matara, what is it? Honourable Matara? What are you doing to Honourable Obaso?

**Hon. Obaso** (Nominated Member): No, Madam Speaker, it was just on a lighter note, but let me just continue.

**The Deputy Speaker** (Hon. Okombo, MCA, Manyatta "B"): Please do.

**Hon. Obaso** (Nominated MCA): So I will conclude by saying that so much emphasis should be placed on these reports and also on the Auditors who are doing this job. Or maybe they are being compromised, to give that opinion. Thank you, Madam Speaker. That's my submission.

**The Temporary Speaker** (Hon. Okombo, MCA, Manyatta "B"): Honourable Oiko Pete?

**Hon. Oiko** (MCA, Kabonyo/Kanyagwal): Thank you Madam Speaker, the Kisumu County Social Health Insurance Fund, this is what we call MARWA, I hope so. This is a scheme that was initiated by the County Government of Kisumu to help our locals get good medical services. Madam Speaker, the report for the three financial years has given a Qualified Report, implying that money was well spent, our people got good services. But when you look at the report keenly, like on page seven, they talk of Unsupported Revenue from Exchange Transactions. If the documents were not supported, and they give a clean bill of health, what message are they passing? And the management is at pain to defend themselves at the audit time. That is what is here on page seven.

Again, the audit again raised a red flag on Budgetary Control and Performance. This matter is highlighted in page eight, where the Kshs 24 million, according to them, was not well spent. They again blame the department for Late Submission of the Financial Records. Again, Madam Speaker, when you go to the next financial year 2021/2022, Unsupported Expenditure on Insurance Costs, the Kshs 85 million is being questioned there. And this Kshs 85 million is going

to Kshs 63 million. Madam Speaker, in overall, we say the scheme was a good one. And maybe it had teething problems at the initial stages. But let us now wait that the first three years had teething problems. Now, as we move forward, how effective will this scheme be to serve our people? That will be the good credit. That was a good scheme started by the government of Kisumu to help our people.

At the first three financial years, it has problems. But we pray that the management of this scheme improves and our people get good medical services. That is what our prayer should be. So, let us support it as we keep watch on how this scheme is going to develop to help our people. I so submit.

**The Deputy Speaker** (Hon. Okombo, MCA, Manyatta “B”): Honourable Regina Kizito.

**Hon. Kizito** (Nominated Member): Thank you Madam Speaker, I wish to call the mover to reply.

**The Deputy Speaker** (Hon. Okombo, MCA, Manyatta “B”): Honourable Members, silence means we agree with what Honourable Kizito is saying. Honourable Omollo, please proceed and reply.

**Hon. Omollo** (MCA, West Nyakach): Thank you Madam Speaker. I would like to extend my gratitude to my colleagues for their support of this motion and for engaging in meaningful deliberations on the issues highlighted. Although the fund received a Qualified Opinions for three consecutive financial years, however, significant gaps have been identified by both this House Committee and Honourable Members. These gaps were raised, and as Honourable Pete mentioned, while the fund experienced initial challenges at its inception, most of those issues have been addressed. We now anticipate improved performance moving forward.

Madam Speaker and honourable members, our recommendations outline various measures to ensure the fund operates efficiently. This is a crucial fund that helps support the elderly and vulnerable members of our society, impacting approximately 42,000 beneficiaries. That number is substantial for this county, and when broken down by ward, it represents a significant portion of the population. It is evident that this fund touches many households, and we are committed to enhancing it for the future. With those few remarks, I beg to reply. Thank you, Madam Speaker.

**The Deputy Speaker** (Hon. Okombo, MCA, Manyatta “B”): Honourable Members, a motion on Adoption of the Report by the Select Committee on Public Investment and Public Accounts on the Examination of the Reports of the Auditor General on the Financial statements of Kisumu County Social Health Insurance Fund for the Financial Years 2020/2021, 2021/2022, and 2022/2023 has been moved, seconded, and properly 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 motion on adoption of the Report of the Select Committee on Public Investment and Public Accounts on the Report on the Examination of the Reports of the Auditor General on the Financial Statements of Kisumu County Social Health Insurance Fund for the financial years 2020/2021, 2021/2022, and 2022/2023 stands adopted today, Thursday, 14<sup>th</sup> November, 2024 at 1525 hours.

Honourable Members, I further direct that a copy of the report, along with the Hansard report, be prepared and forwarded to the department, the Auditor General, and any other relevant body as part of a feedback mechanism to ensure appropriate action is taken.

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

## ADJOURNMENT

**The Deputy Speaker** (Hon. Okombo, MCA, Manyatta “B”): Honourable Members, please be upstanding. There being no other business to transact, this House stands adjourned until Tuesday, 19<sup>th</sup> November, 2024 at 02.30pm.

*(House rose at 03.27 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>