COUNTY GOVERNMENT OF KISUMU

COUNTY ASSEMBLY OF KISUMU

THE HANSARD

Official Report

THIRD ASSEMBLY – FOURTH SESSION

Wednesday, 05th March, 2025

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

(The Temporary Speaker (Hon. Careen Ajwang') in the Chair)

PRAYERS

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Honourable Members, I want to make reference to the provisions of Order No. 32 (2) of the Kisumu County Assembly Standing Orders, I direct that, the Serjeant-at-Arms to ring the quorum bell for the first five minutes.

(Quorum bell rung for the first five minutes)

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Honourable Members, I'm not able to spot the Deputy Chief Whip. However, I can see the Deputy Leader of Majority. Can you please confirm if we have quorum?

Deputy Leader of Majority (Hon. Lumumba, MCA South West Nyakach): Thank you, Madam Speaker. We have quorum.

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Clerk, could you please take us through the order paper of the day?

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Next order!!

MOTION

ADOPTION OF THE REPORT OF THYE SELECT COMMITTEE ON PUBLIC INVESTMENTS AND ACCOUNTS ON THE EXAMINATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF MIGOS SUB-COUNTY HOSPITAL FOR THE FINANCIAL YEARS 2021-2022 AND 2022-2023

BY

HON. KENNEDY OUKO, MCA, WEST KISUMU

(CHAIRPERSON, SELECT COMMITTEE ON PUBLIC INVESTMENT AND ACCOUNTS)

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Yes, Honorable Kennedy Ouko, Chairperson of Public Investments and Accounts Committee.

Hon. Ouko (MCA, West Kisumu): Thank you, Madam Speaker. I beg to move a motion on the Examination of the report of the Auditor General on the Financial Statements of Migosi Sub-County Hospital for the Financial Years 2021-2022 and 2022-2023.

Hon. Speaker, on behalf of the Public Accounts and Investments Committee (PICPAC), and pursuant to Kisumu County Assembly Standing Orders 188, I rise to present to this House the Committee's report on the audited financial statements of Migosi Sub-County Hospital for the financial years 2021/2022 and 2022/2023.

Honorable Speaker, the County Assembly exercises its oversight mandate over County Government entities and investments, including their expenditure, in accordance with Article 185(3) of the Constitution of Kenya, 2010. This oversight role is effectively discharged through the Public Accounts and Investments Committee, whose mandate is drawn from the County Assembly Standing Orders.

Further, Article 229(8) of the Constitution of Kenya, 2010, requires this Assembly to debate, consider, and take appropriate action on an audit report within three months of its submission. In adherence to this constitutional requirement, the Committee convened two sittings during which it engaged the Accounting Officer of Migosi Sub-County Hospital, receiving both written and oral evidence in response to audit queries raised by the Auditor-General on the financial statements for the financial years under review.

Honorable Speaker, I take this opportunity to extend my sincere appreciation to the Honorable Members of the Committee for their dedication, as well as to the Offices of the Speaker and the Clerk of the Assembly, the Committee Secretariat, and the Office of the Auditor-General for their invaluable facilitation and technical support in the preparation of this report.

In conclusion, Honorable Speaker, on behalf of the Public Accounts and Investments Committee, I now table this report on the examination of the Auditor General's reports on the financial statements of Migosi Sub-County Hospital for the financial years ending 30th June 2022 and 30th June 2023. I urge this House to consider and adopt the report.

Establishment and Mandate of the Public Accounts and Investments Committee

Hon. Speaker, 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 at March 2025

NAME	POSITION
MEMBERS	
Hon. Ken Ouko	Chairperson
Hon. Tom Onditi	Vice Chairperson
Hon. Mickey Ochieng	Member
Hon. Habil Nyasuna	Member
Hon. Nancy Matara	Member
Hon. Rueben Rakwach	Member
Hon. James Were	Member
Hon. James Omollo	Member

SECRETARIAT	
Austine Ochieng'	Committee Clerk
Chrispine Oguta	Clerk Assistant
Patrick Okoyo	Hansard Officer
Faith Judith	Sargent-at-arm
Wycliffe Owade	Researcher
CPA Naboth Odero	Internal Auditor
CPA Mollen Achayo	Fiscal Analyst
CPA Charles Ageng'o	Internal Auditor

LEGAL FRAMEWORK & GUIDING PRINCIPLES

Legal Framework

Hon. Speaker, 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.

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, 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

Mr. Speaker, the 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

Hon. Speaker, 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.

Mr. Speaker, 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 MIGOSI SUB-COUNTY HOSPITAL FY 2021/2022 AND 2022/2023

Hon. Speaker, the Medical Superintendent, Dr. Everlyne Metobwa appeared before the House Committee on 14th January 2025 to adduce evidence on the Audited Financial Statements of Migosi Sub-County Hospital for the year ended 30th June 2022 and 30th June 2023.

The following Officers accompanied the Medical superintendent;

Mr. Charles Odero- Accounts Clerk

Mr. Jonah Onar- Hospital Administrative Officer

The Office of the Auditor General was represented in the Committee meeting; Ms, Margaret Onyatta – Principal Auditor, Kisumu Regional Office

BASIS FOR ADVERSE OPINION FY 2021/2022

1. Unbalanced Trial Balance

The trial balance presented in support of the financial statements reflected total debt and credit balances of Ksh. 71,469,487 and Ksh. 28,636,901 respectively, resulting in an unexplained variance of Ksh. 42,832,586.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; the costs which are attached to the assets are estimates and the fact that revaluation has not been done to ascertain the fair value of the assets, the trial balance could not balance out. Subsequently a suspense account of Ksh. 42,832,586 was created to have the trial balance to balance out.

Committee Observations

That the trial balance presented in support of the financial statements did not balance

Committee Recommendations

The Accounting Officer immediately initiates the process of engaging a valuer to perform an accurate valuation of all assets to establish their fair value

That going forward, the Accounting must ensure that financial statements are prepared accurately and present a true and fair view of the facility

That the matter is unresolved

2. Unsupported Revaluation Reserve

The statement of changes in net assets reflects a revaluation reserve balance of Ksh. 47,687,668 during the year. However, the balance was not supported by the revaluation report.

In the circumstances, the accuracy and completeness of the revaluation reserve of Ksh. 42,123,028 could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; The costs attached to Property, Plant, and Equipment on the balance sheet in the financial statements is based on estimates. Therefore, a revaluation reserve has been created for the purpose of maintaining a reserve account for revaluation of the facility Property Plant and Equipment.

Committee Observation

That Contrary to the requirements of IPSAS 17: Property, Plant, and Equipment, which requires that the revaluation of assets be supported by a formal report prepared by a qualified valuer, management failed to provide the revaluation report to support the reported revaluation reserve of Ksh. 47,687,668 during the time of audit and committee deliberations

Committee Recommendations

That going forward, the Accounting Officer must ensure strict compliance with IPSAS 17: Property, Plant, and Equipment

That the issue is unresolved

3. Variances in Revenue from Rendering Services

The statement of financial performance reflects Ksh. 2,777,920 in respect to medical services contract gains as disclosed in Note 10 to the financial statements. Included in the amount is the National Health Insurance Fund reimbursement of Ksh. 2,393,950. However, the National Health Insurance Funds records revealed an amount of Ksh. 578,000 was paid to the hospital resulting to an unexplained variance of Ksh. 1,815,950.

In the circumstances, the accuracy and completeness of the revenue from rendering services of Ksh. 2,777,920 could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; the figure of Ksh. 2,393,950 is in respect to NHIF claims that were submitted to NHIF during the period under review and not NHIF reimbursement. Note 10 attached under appendix 3.

Committee Observations

That the Management erroneously recorded Ksh. 2,393,950 as reimbursement from the National Health Insurance Fund (NHIF), while NHIF records showed an actual reimbursement of Ksh. 578,000, resulting in a variance of Ksh. 1,815,950.

During committee deliberations, management clarified that the Ksh. 2,393,950 represents the total NHIF claims, while the Ksh. 578,000 reflects actual receipts. Management further confirmed that they are now separating actual receipts from receivables.

Committee Recommendations

That going forward, the Accounting officer must maintain proper records of NHIF claims submitted, claims received, and receivables.

That the matter is resolved.

4.Variance in Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Ksh. 2,779,446 as disclosed in Note 12 to the financial statements. The amount includes Ksh. 1,645,340 which relates to the National Health Insurance Fund (NHIF). However, NHIF records indicate a balance of Ksh. 86,604 resulting to an unexplained variance of Ksh. 1,558,736. Further, the amount has been outstanding for more than twelve (12) months while the contract between the Hospital and NHIF indicates the period to pay genuine claims is within 30 days of submission.

In the circumstance, the accuracy, completeness, and recoverability of the trade receivables balance from exchange transaction of Ksh. 2,779,246 could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; The figure of Ksh. 1,645,340 related to receivables from NHIF during the period under review. During this period, from quarter one to quarter three, the facility was doing manual claims and NHIF must have omitted the manual claims and only reported the e-claims. During this period the facility was claiming;

Linda mama

Comprehensive cover

General/ capitation both outpatient and inpatient.

The variance could again be as a result of rejection of claims. This arises where at the time of claims submission; the patient contribution is up to date while at the date of claims approval the patient contribution is in arrears. Summary of manual claims attached under appendix 4.

Committee Observations

That the financial statements reflect an amount of Ksh. 1,645,340 relating to the National Health Insurance Fund (NHIF). However, NHIF records indicate a balance of Ksh. 86,604, resulting in a variance of Ksh. 1,558,736.

That despite the contract between the hospital and NHIF stipulating that genuine claims should be paid within 30 days of submission; the amount of Ksh. 1,645,340 reported had been outstanding for more than twelve (12) months.

Committee Recommendations

That the Accounting officer immediately initiates a reconciliation process with NHIF to resolve the variance of Ksh. 1,558,736.

That going forward, the Accounting Officer must ensure compliance with the contract terms that require NHIF to settle genuine claims within 30 days

That the issue is unresolved

5. Non-Disclosure of Donated Drugs

The statement of financial performance reflects a nil amount on grants from donors and development partners as reported in the financial statements. However, distribution data from KEMSA revealed that the hospital received donations and program commodities drugs amounting to Ksh. 9,983,607 and Universal Health Coverage of Ksh. 552,134 which were not disclosed in the financial statements.

In the circumstance, the accuracy and completeness of grants from donors and development partners could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; that this was an error of omission on the financial statement. The facility received donated drugs from KEMSA during the year under review amounting to Ksh. 4,467,877. Other deliveries did not have figures attached to the commodities received hence ascertaining the value of the delivered drugs could not be confirmed. Summary of delivery note and invoices attached under appendix 5.

Committee Observation

Contrary to Section 138(8) of the Public Finance Management Act, 2012, which requires that *recipients of grants or donations from development partners to record the value of such grants or donations in their books of account*, and Regulation 71(5) of the Public Finance Management Regulations, 2015, which mandates the *disclosure of gifts, donations, or sponsorships in the annual and quarterly financial statements*, management failed to disclose donations amounting to Ksh. 9,983,607 from KEMSA and Ksh. 552,134 from Universal Healthcare.

Committee Recommendations

That moving forward, the Management must adhere to the provisions of Section 138(8) of the Public Finance Management Act, 2012, and Regulation 71(5) of the Public Finance Management Regulations, 2015.

That the matter is resolved.

6. Unexplained Variance in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents of Ksh. 579,268 as disclosed in note 11 to the financial statements. However, the reconciled cash book reflects a balance of Ksh. 551,982 resulting to an unexplained variance of Ksh. 27,286. Further, the balance was not supported with Board of Survey report.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Ksh. 579,268 as at 30 June 2022 could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; The variance figure of Ksh. 27,286 is in respect to part of direct deposit of NHIF reimbursements to the facility bank account number 01141495353700 and had been reconciled under receipts in the bank statement not yet recorded in the cashbook in the reconciliation statement provided during the audit. Bank reconciliation statement is attached and a board of survey report under appendix 6(a) and 6(b) respectively.

Committee Observations

That the statement of financial position reflected an amount of Ksh. 579,268 as cash and cash equivalents. However, the reconciled cash book reflected a balance of Ksh. 551,982 resulting in a variance of Ksh. 27,286.

That the variance had been reconciled at the time of committee deliberations.

That the cash and cash equivalents balance was not supported with Board of Survey report.

Committee Recommendations

That moving forward, the management must ensure that all financial records, including bank reconciliations, are updated regularly and accurately to prevent future variances.

The management should conduct periodic Board of Survey assessments and ensure that reports are prepared and submitted as required to enhance accountability.

That the matter is resolved

7. Unsupported Inventory Balance

The statement of financial position reflects an inventory balance of Ksh. 274,762 as disclosed in note 13 to the financial statements. However, the annual stock take was not conducted to confirm the closing balances of inventories as at 30 June 2022. It is therefore not clear how the hospital determined the inventory values disclosed in the financial statements.

In the circumstances, the valuation, accuracy and completeness of the inventory balance of Ksh. 274,762 could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; Stock taking was physically done on 30th June, 2022 and the figure reported was costs attached to the stock available on 30th June, 2022. The management has since appointed stock-taking committee members as per the attached appointment letter under Appendix 7(a). A copy of stock balances is attached under Appendix 7(b).

Committee Observations

That contrary to the provision of IPSAS 12 which requires periodic verification of inventory, the management failed to conduct a physical stock-taking exercise as at 30th June 2022.

During committee deliberations, the management acknowledged the omission and confirmed that corrective measures had been taken to align with the requirements of IPSAS 12.

Committee Recommendations

That going forward, the Management must strictly adhere to IPSAS 12

That the matter is resolved

8. Unsupported Property, Plant and Equipment

The statement of financial position reflects balances of Ksh. 54,890,651 in respect to property, plant and equipment as disclosed in note 14 to the financial statements. However, it is not clear

how the costs were derived. In addition, the ownership documents for a parcel of land occupied by the hospital were not provided for audit.

In the circumstances, the valuation, fair statement, ownership, and existence of PPE of Ksh. 55,140,651 could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; the costs attached to property, plant, and equipment are based on estimates as advised by the auditors during the audit period. During the transition from the national government to County government, the assets were transferred to the hospital without revaluation hence ascertaining the fair value of the assets could not be confirmed.

Committee Observation

The management failed to provide the auditors with ownership documents for a parcel of land occupied by the hospital. Additionally, the management did not adequately explain how other costs, amount to Kshs. 54,890,651, relating to property, plant, and equipment, were derived.

Committee Recommendations

The County Executive Committee (CEC) Member for Health must urgently liaise with the CEC Member for Lands, Physical Planning, Housing, and Urban Development to initiate the process of securing title deeds for all health facilities that lack ownership documents. A report on the progress be submitted to this Assembly within a period of 90days upon adoption of this report

The matter is unresolved.

9. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Ksh. 13,868,579 as disclosed in note 16 to the financial statements. However, included in the figure balance are trade payables amounting to Ksh.12, 365,464 which had been outstanding for more than three (3) years. This is contrary to section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which states that an accounting officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contracts(s) are reflected in approved budget estimates.

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

Management Response

The management takes note of the audit findings and wishes to state as follows; the long outstanding trade and other payables amounting to Ksh. 13,868,579 was majorly attributed to

irregular/no funding from the national government especially during the UHC The UHC program was between the periods of 2017-2021, Kisumu Piloting. The said pending bills have not been paid by the national government.

Committee Observations

That contrary to the provisions of National Treasury Circular No. 10/2020 dated 16th June 2020, which requires *the accounting officer to prioritize pending bills as the first charge*, the management had an outstanding amount of Ksh. 12,365,464 that had remained unpaid for more than three (3) years.

Committee Recommendations

That moving forward the Management must adhere to the provisions of National Treasury Circular No. 10/2020 dated 16th June 2020

That the matter is unresolved

10. Deficiency in Implementation of UHC

Review of the hospital records and interviews on verification of services offered, equipment used and medical specialists in the hospital at the time of audit revealed that the hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by eighty-four (84) staff requirements or 83% of the authorized establishment.

Staff Requirements	Level 4 Std	No. in Hospital	Variance	Percentage %
Medical Officers	16	0	16	100
Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists Pediatrics	2 2	0 0	2 2	100 100
Radiologists	2	0	2	50
Kenya Registered Community Health Nurses	75	16	59	79
Total	101	17	84	83

In addition, the hospital lacked the necessary equipment and machines outlined in the Health Policy Guidelines as detailed below:

Service	Level 4 Hosp. Std	Actuals in the Hospital	Variance	Percentage %
Beds	150	29	121	81
Resuscitative (2 in labor & 1 in Theatre)	2	2	0	0
New Born Unit Incubators	5	0	5	100
New Born Unit Cots	5	0	5	100
Functional ICU Beds	6	0	6	100
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Two functional operational theatres- Maternity & General	2	0	2	100

These deficiencies contravene the first schedule of health act, 2017 and imply that accessing the highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

Management Response

The management takes note of the audit findings and wishes to state as follows; the management will seek guidance through County Executive Member of Health on the way forward on this matter.

Committee Observation

That the hospital does not meet several key specifications outlined in the Kenya Quality Model for Health policy guidelines, particularly in the areas of medical personnel and equipment.

Committee Recommendations

The County Executive Committee Member for Health put measures in place to ensure that the facility progressively move towards adhering to the Kenya Quality Model for Health policy guidelines.

The matter is unresolved

11. Failure to Maintain Fixed Asset Register

The statement of financial position reflects balances of Ksh.54, 890,651 in respect to property, plant and equipment as disclosed in note 14 to the financial statements. However, it was noted that the hospital does not maintain a fixed asset register to control its assets. This is contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. In addition, there was no evidence to indicate that the hospital has ever evaluated its assets to ascertain the correct market values.

In the circumstances, the existence of an effective mechanism to safeguard assets could not be confirmed and management was in breach of the regulations.

Management Response

The management takes note of the audit findings and wishes to state as follows; the asset register maintained during the period under review, contained a list of assets, with their descriptions, location, condition and quantity. The part which was missing is the costs attached to the assets. Most of these assets were transferred to the facility during the transition from national government to county government. However, the facility has been provided with the recommended template/form for listing its assets and is in the process of updating the assets accordingly.

Committee Observation

That the management failed to maintain a fixed asset register to control its assets, contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015, which states that the Accounting Officer is responsible for maintaining a register of assets under their control or possession, as prescribed by the relevant laws.

Committee Recommendations

That going forward, the Accounting Officer must ensure adherence to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015, which states that the Accounting Officer is responsible for maintaining a register of assets under their control or possession, as prescribed by the relevant laws

That the matter is unresolved

12. Stock-outs of Essential Drugs

The statements of financial position reflect an inventory balance of Ksh. 274,762 as disclosed in note 13 to the financial statements. However, review of the hospital pharmacy stores revealed thirty-four (34) types of drugs were out of stock and most patients were required to purchase drugs outside the hospital. In addition, sixteen (16) types of drugs whose value could not be determined had expired.

In the circumstances, the effectiveness of internal controls on monitoring stock movement for both pharmaceutical and non-pharmaceutical products was not effective. Further, expired drugs pose a serious environmental hazard.

Management Response

The management takes note of the audit findings and wishes to state as follows; the physical verification of the pharmacy and non-pharmaceutical stores was conducted towards the end of third quarter of FY 2023/2024. The FIF collection for that quarter was used to purchase medical drugs and non-pharmaceuticals. The list as provided during the audit was a list of expired drugs which had been disposed and incinerated at JOOTRH. The drugs expired as a result of low turnout of patients and cases of unexpected morbidity like during the COVID-19. This resulted to consumption rate of some drugs taking precedence over the other drugs that were already budgeted for. See copy of the payment voucher, Proforma invoice, delivery note and invoice. Copy of payment voucher, invoice and delivery note attached under appendix 12(a). Appendix 12(b) for the list of disposed drugs at JOOTRH.

Committee Observation

That during the financial year, thirty-four (34) types of drugs were out of stock, necessitating most patients to purchase drugs externally. Additionally, sixteen (16) types of drugs, whose value could not be determined, had expired.

Committee Recommendations

That going forward, the management must establish a clear policy for monitoring and managing inventory to prevent shortages of essential drugs and the presence of expired drugs in the inventory.

That the matter is resolved

13. Failure to Establish Audit Committee and Ineffective Internal Audit Function

During the year under review, the hospital did not have an Internal Audit Function and it was explained that the County Government offered the internal audit services. However, no evidence was provided indicating that the internal audit conducted regular risk assessment. This was contrary to section 155(1)(a) of the Public Finance Management Act, 2012 which states that a county government entity shall ensure that it complies with this act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the accounting standards board. In addition, the hospital had not established an audit committee of the board contrary to section 155(5) of the Public Finance Management Act, 2012 which provides for the establishment of an audit committee.

In the circumstances, the hospital did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the audit committee.

Management Response

The management takes note of the audit findings and wishes to state as follows; during the period under review, the hospital was not in the work plan of the county internal auditors. However, the internal audit has been incorporated for Migosi Sub County Hospital in their annual work plan. See Appendix 13(a) for the work plan of the county internal audit. The facility has also appointed the facility audit committee as appropriate, see Appendix 13(b).

Committee Observation

That contrary to Section 155(1)(a) of the Public Finance Management Act, 2012, which requires a *county government entity to comply with the Act and establish appropriate arrangements for conducting internal audits in accordance with guidelines issued by the Accounting Standards Board,* and Section 155(5) of the same Act, which *mandates the establishment of an audit committee, the hospital management had not established an audit committee or an internal audit function.*

Committee Recommendations

That in future, the Management must ensure compliance with the provisions of Section 155(1)(a) and 155(5) of the Public Finance Management Act, 2012.

That the matter is unresolved

BASIS FOR ADVERSE OPINION FY 2022/2023

1. Unbalanced Trial Balance.

The trial balance presented in support of the financial statements reflects total debt and credit balances of Ksh. 66,391,177 and Ksh. 32,895,742 respectively, resulting in an unexplained variance of Ksh. 33,495,435.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; the costs which are attached to the assets are estimates and the fact that revaluation has not been done to ascertain the fair value of the assets, the trial balance could not balance out. Subsequently a suspense account of Ksh. 33,495,435 was created to have the trial balance to balance out.

Committee Observations

That the trial balance presented in support of the financial statements did not balance

Committee Recommendations

The Accounting Officer immediately initiates the process of engaging a valuer to carry out an accurate valuation of all assets to establish their fair value

That going forward, the Accounting Officer must ensure that financial statements are prepared accurately and present a true and fair view of the facility

That the matter is unresolved

2. Variances in Revenue from Rendering Services

The statement of financial performance reflects Ksh. 2,856,970 in respect to medical services contract gains as disclosed in Note 10 to the financial statements. Included in the amount is the National Health Insurance Fund reimbursement of Ksh. 2,584,550. However, the National Health Insurance Funds records revealed an amount of Ksh. 969,450 was paid to the hospital resulting to an unexplained variance of Ksh. 1,615,100

In the circumstances, the accuracy and completeness of the revenue from rendering services of Ksh. 2,856,970 could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; the figure of Ksh. 2,584,550 is in respect to NHIF claims that were submitted to NHIF during the period under review and not NHIF reimbursement. Copy of Note 10 is attached under Appendix 2.

Committee Observations

Management erroneously recorded Ksh. 2,584,550 as reimbursement from the National Health Insurance Fund (NHIF), while NHIF records showed an actual reimbursement of Ksh. 969,450, resulting in a variance of Ksh. 1,615,100.

During committee deliberations, management clarified that the Ksh. 2,584,550 represents the total NHIF claims, while the Ksh. 969,450 reflects actual receipts. Management further confirmed that they are now separating actual receipts from receivables.

Committee Recommendations

That going forward, the Accounting officer must maintain proper records of NHIF claims submitted, NHIF claims received, and balance if any.

That the matter is resolved.

3. Variance in Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Ksh. 1,839,257 as disclosed in Note 12 to the financial statements. The amount includes Ksh. 1,321,828 which relates to the National Health Insurance Fund (NHIF). However, NHIF records indicate a balance of Ksh. 2,924,130 resulting to an unexplained variance of Ksh. 1,602,302. Further, the amount has been outstanding for more than twelve (12) months while the contract between the Hospital and NHIF indicates the period to pay genuine claims is within 30 days of submission.

In the circumstance, the accuracy, completeness and recoverability of the trade receivables balance from exchange transaction of Ksh. 1,839,257 could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; as per the facility records, the total submitted claims during the year under review amounted to Ksh. 2,584,550 and a total of Ksh. 1,262,722 was reimbursed giving a receivable of Ksh. 1,321,828. Note 12 is attached under Appendix 3.

Committee Observations

Those Hospital financial statements reflect an amount of Ksh. 1,321,828 relating to the National Health Insurance Fund (NHIF). However, NHIF records indicate a balance of Ksh. 2,924,130, resulting to a variance of Ksh. 1,839,257.

That despite the contract between the hospital and NHIF stipulating that genuine claims should be paid within 30 days of submission; the amount of Ksh. 1,839,257 reported had been outstanding for more than twelve (12) months.

Committee Recommendations

That the Accounting officer immediately initiate a reconciliation process with NHIF to resolve the variance of Ksh.1,839,257.

That going forward, the Accounting Officer must ensure compliance with the contract terms that require NHIF to settle genuine claims within 30 days

That the issue is unresolved

4. Variance in Trade and Other Payables

The statement of financial position reflects the trade and other payables balance of Ksh. 15,248,509 as disclosed in note 16 to the financial statements. The balance includes Ksh. 335,250 owed to KEMSA while a KEMSA record reflects Ksh. 428,500 resulting to a variance of Ksh. 93,248.

In the circumstances, the accuracy and completeness of the trade payable balance of Ksh. 248,509 could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; total amount owed to KEMSA as at 30th June, 2023 is Ksh. 335,250. The amount disclosed by KEMSA as outstanding during the period under review is not tallying with our records. We are not sure if KEMSA charge interest on delayed payments but from the facilty records, as at 30th June, 2023, the outstanding for KEMSA amounted to Ksh. 335,250. See appendix 4 for system generated statement.

Committee Observation

That Management's financial statements reflected an amount of Ksh. 335,250 as the amount owed to KEMSA while KEMSA records reflect Ksh. 428,500 resulting in a variance of Kshs. 93,248.

Committee Recommendations

That the Accounting officer immediately initiates a reconciliation process with KEMSA to resolve the variance of Ksh. 93,248.

That the issue is unresolved

5. Non-Disclosure of Donated Drugs

The statement of financial performance reflects a nil amount on grants from donors and development partners as reported in the financial statements. However, distribution data from KEMSA revealed that the hospital received donations and program commodities drugs amounting to Ksh. 10,735,094 and Universal Health Coverage of Ksh. 495,671 which were not disclosed in the financial statements.

In the circumstance, the accuracy and completeness of grands from donors and development partners could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; that this was an error of omission on the financial statement. The facility received donated drugs from KEMSA during the year under review amounting to Ksh. 7,575,303. Other deliveries did not have figures attached to the commodities received hence ascertaining the value of the delivered drugs could not be confirmed. See appendix 5 for summary of delivery notes.

Committee Observation

That Contrary to Section 138(8) of the Public Finance Management Act, 2012, which requires that recipients of grants or donations from development partners to record the value of such grants or donations in their books of account, and Regulation 71(5) of the Public Finance Management Regulations, 2015, which mandates the disclosure of gifts, donations, or sponsorships in the annual and quarterly financial statements, management failed to disclose donations amounting to Ksh. 9,983,607 from KEMSA and Ksh. 552,134 from Universal Health Coverage.

Committee Recommendations

That moving forward, the Management must adhere to the provisions of Section 138(8) of the Public Finance Management Act, 2012, and Regulations 71(5) of the Public Finance Management Regulations, 2015.

That the matter is resolved.

6. Unreconciled Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents of Ksh. 368,276 as disclosed in note 11 to the financial statements. However, the reconciled cash book reflects a balance of Ksh. 350,276 resulting to an unexplained variance of Ksh. 18,000. Further, the balance was not supported with Board of Survey report.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Ksh. 368,276 as at 30 June 2023 could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; the variance figure of Ksh. 18,000 is in respect to payment made in the cash book on 26/06/2023 but not yet recorded in the bank statement. This was a cheque which had not been presented to the bank as at 30th June, 2023. The cheque was presented to the bank on 3/07/2023 as per the attached bank statement. Bank reconciliation statement also been provided for review. See appendix 6(a) and 6(b) for copy of bank statement and bank reconciliation statement respectively.

Committee Observations

That the statement of financial position reflected an amount of Ksh. 368,276 as cash and cash equivalents. However, the reconciled cash book reflected a balance of Ksh. 350,276 resulting in a variance of Ksh. 18,000.

That the variance had been reconciled at the time of committee deliberations.

Committee Recommendations

That moving forward, the management must ensure that all financial records, including bank reconciliations, are updated regularly and accurately to prevent future variances.

The management should conduct periodic Board of Survey assessments and ensure that reports are prepared and submitted as required to enhance accountability.

That the matter is resolved

7. Unsupported Inventory Balance

The statement of financial position reflects an inventory balance of Ksh. 567,340 as disclosed in note 13 to the financial statements. However, the annual stock take was not conducted to confirm the closing balances of inventories as at 30 June 2022. It is therefore not clear how the hospital determined the inventory values disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the inventory balance of Ksh. 567,340 could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; stock taking was physically done on 30th June, 2023 and the figure reported was costs attached to the stock available on 30th June, 2023. The management has since appointed stock taking committee

members as per the attached appointment letter under appendix 7(a). Stock availability list under appendix 7(b).

Committee Observations

That Contrary to the provision of IPSAS 12 which requires periodic verification of inventory, management failed to conduct a physical stock-taking exercise as at 30th June 2022.

During committee deliberations, management acknowledged the omission and confirmed that corrective measures had been taken to align with the requirements of IPSAS 12.

Committee Recommendations

That in future the Management must adhere to the provision of IPSAS 12

That the matter is resolved

8. Unsupported Non-Current Assets

The statement of financial position reflects a balance of Ksh.51,074,086 and Ksh.250,000 in respect to properties, plant and equipment and intangible assets and as disclosed in note 14 and note 15 to the financial statements respectively. However, management did not provide a basis for the costs of assets disclosed. In addition, no ownership documents for the parcel of land occupied by the hospital were provided for audit review. Further, management did not maintain a fixed asset register detailing dates of acquisition, location, depreciation, net book values, unique identification number, and disposal among other details.

In the circumstances, the accuracy and completeness of PPE and Intangible assets balance of Ksh.51,324,086 could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; the costs attached to property, plant and equipment are based on estimates as advised by the auditors during the audit period. The asset register maintained during the period under review, contained a list of assets, with their descriptions, location, condition and quantity. The part which was missing is the costs attached to the assets. During the transition from the national government to county government, the assets were transferred to the hospital without revaluation hence ascertaining the fair value of the assets could not be confirmed. However, the facility has been provided with the recommended template/form for listing its assets and is in the process of updating the assets accordingly.

Committee Observation

The Hospital management failed to provide the auditors with ownership documents for a parcel of land occupied by the hospital. Additionally, the management did not adequately explain how other costs, amounting to Kshs. 51,324,086 relating to property, plant, and equipment, were derived.

Committee Recommendations

The County Executive Committee (CEC) Member for Health must urgently liaise with the CEC Member for Lands, Physical Planning, Housing, and Urban Development to initiate the process of securing title deeds for all health facilities that lack ownership documents. A report on the progress be submitted to this Assembly within a period of 90days upon adoption of this report

The matter is unresolved.

9. Inaccuracies in Financial Statements

The statement of cash flows reflects Ksh. 368,277 as cash and cash equivalents as at 30 June, 2023 which varies with the re-casted amount of 872,543. Further, the statement of financial position reflects revaluation reserve balance of Ksh. 45,025,402 while the statement of changes in net assets reflects a balance Ksh. 47,687,668 resulting to an unexplained variance of Ksh. 2,185,166.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Ksh. 368,277 and revaluation reserve balance could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; that the inaccuracies were as a result of entry into the financial statement, on the statement of changes in net asset. The right figure is Ksh. 45,025,402 and has subsequently been corrected and reported on the submitted financial statement. The balancing figure of Ksh. 368,277 was the bank balance as at 30th June, 2023. See copy of bank statement under appendix 9(a) and a copy of bank reconciliation as at 30th June, 2023 under appendix 9(b).

Committee Observations

That the management's statement of cash flows reports cash and cash equivalents of Ksh. 368,277. However, the auditor's recalculation indicates a balance of Ksh. 872,543, resulting in an unexplained variance of Ksh. 504,266.

Similarly, management disclosed a revaluation reserve of Ksh. 45,025,402, while the statement of changes in net assets reflects a balance of Ksh. 47,687,668. This leads to another unexplained variance of Ksh. 2,662,266.

Committee Recommendations

That moving forward, the hospital management must implement strict reconciliation procedures to ensure that all cash transactions are accurately recorded and discrepancies are identified and resolved in a timely manner

That the County Treasury initiates capacity building programs for hospital managements to improve compliance with financial reporting standards and mitigate future inaccuracies.

The issue is resolved

10. Lack of approved budget

The statement of comparison of budget and actual amounts reflects final budget amounts that are similar to actual on comparable basis. This casts doubt on the basis on which the budget was prepared and approved contrary to Regulation 43(2) of the Public Finance Management (County Government) Regulations, 2015 which states that county government entities shall execute their approved budgets based on the annual appreciation 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.

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

Management Response

The management takes note of the audit findings and wishes to state as follows; the facility only prepared its budgets when the funds were allocated on quarterly basis hence the comparison of budget and the actual amounts only reflects actual cash flows as per the financial statements. However, for the financial year 2023/2024 the facility prepared its annual budget estimates. See appendix 10.

Committee Observations

That the statement of comparison of budget and actual amounts shows final budget figures exactly matching the actual amounts, raising concerns about the basis of budget preparation and potential non-compliance with Regulation 43(2) of the Public Finance Management (County Government) Regulations, 2015, which requires *budgets to be executed based on the approved cash flow plan, except for unforeseen or emergency spending.*

That during the committee meeting, management clarified that the budget was based on the actual amount allocated to the hospital on a quarterly basis, which explains why the actual budget matched the actual receipts.

Committee Recommendations

That in future, management must ensure strict adherence to the provisions of Regulation 43(2) of the Public Finance Management (County Government) Regulations, 2015.

That the issue is resolved

11. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Ksh. 15,248,509 as disclosed in note 16 to the financial statements. However, included in the figure balance are trade payables amounting to Ksh. 13,868,579 which had been outstanding for more than three (3) years. This is contrary to section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which states that an accounting officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contracts(s) are reflected in approved budget estimates.

In the circumstances, management was in breach of the law

Management Response

The management takes note of the audit findings and wishes to state as follows; the long outstanding trade and other payables amounting to Ksh. 13,868,579 was majorly attributed to irregular/no funding from the national government especially during the UHC programme of which no funding was received by the facility from the national government. The UHC program was between the periods of 2017-2021, Kisumu Piloting. The said pending bills have not been paid by the national government.

Committee Observations

That contrary to the provisions of National Treasury Circular No. 10/2020 dated 16th June 2020, which requires *the accounting officer to prioritize pending bills as the first charge*, the management had an outstanding amount of Ksh. 13,868,579 that had remained unpaid for more than three (3) years.

Committee Recommendations

That moving forward the Management must adhere to the provisions of National Treasury Circular No. 10/2020 dated 16th June 2020

That the matter is unresolved

12. Stock-outs of Essential Drugs

The statements of financial position reflect an inventory balance of Ksh. 567,340 as disclosed in note 13 to the financial statements. However, review of the hospital pharmacy stores revealed thirty-four (34) types of drugs were out of stock and most patients were required to purchase

drugs outside the hospital. In addition, sixteen (16) types of drugs whose value could not be determined had expired as early as August 2016 and were kept in the stores.

In the circumstances, the effectiveness of storage system of pharmaceutical items could not be confirmed.

Management Response

The management takes note of the audit findings and wishes to state as follows; the physical verification of the pharmacy and non-pharmaceutical stores was conducted towards the end of third quarter of FY 2023/2024. The FIF collection for that quarter was used to purchase medical drugs and non-pharmaceuticals. The list as provided during the audit was a list of expired drugs which had been disposed and incinerated at JOOTRH. The drugs expired as a result of low turnout of patients and cases of unexpected morbidity like during COVID-19. This resulted to consumption rate of some drugs taking precedence over the other drugs that were already budgeted for. See copy of the payment voucher, proforma invoice, delivery note and invoice. Copy of payment voucher, invoice and delivery note attached under appendix 12(a). Appendix 12(b) for the list of disposed drugs at JOOTRH.

Committee Observation

That thirty-four (34) types of drugs were out of stock, necessitating most patients to purchase drugs externally. Additionally, sixteen (16) types of drugs, whose value could not be determined, had expired.

Committee Recommendations

That onwards, the hospital management must establish a clear policy for monitoring and managing inventory to prevent shortages of essential drugs and the presence of expired drugs in the inventory.

That the matter is resolved

13. Deficiency in Implementation of UHC

Review of the hospital records and interviews on verification of services offered, equipment used and medical specialists in the hospital at the time of audit revealed that the hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by eighty-four (84) staff requirements or 83% of the authorized establishment.

Staff Requirements	Level 4 Std	No. in Hospital	Variance	Percentage %
Medical Officers	16	0	16	100

Anesthesiologists	2	0	2	100
General Surgeons	2	0	2	100
Gynecologists Pediatrics	2 2	0 0	2 2	100 100
Radiologists	2	0	2	50
Kenya Registered Community Health Nurses	75	16	59	79
Total	101	17	84	83

In addition, the hospital lacked the necessary equipment and machines outlined in the Health Policy Guidelines as detailed below:

Service	Level 4 Hosp. Std	Actuals in the Hospital	Variance	Percentage %
Beds	150	29	121	81
Resuscitaire (2 in labor & 1 in Theatre)	2	2	0	0
New Born Unit Incubators	5	0	5	100
New Born Unit Cots	5	0	5	100
Functional ICU Beds	6	0	6	100
Renal Unit with at least 5 Dialysis Machines	5	0	5	100
Two functional operational theatres- Maternity & General	2	0	2	100

These deficiencies contravene the first schedule of health act, 2017 and imply that accessing the highest attainable standard of health, which includes the right to health care services, including reproductive health care as required by article 43(1) of the Constitution of Kenya, 2010 may not be achieved.

In the circumstances, the hospital will not be able to deliver on its mandate.

Management Response

The management takes note of the audit findings and wishes to state as follows; the management will seek guidance through the County Executive Member of Health on the way forward on this matter.

Committee Observation

That the hospital did not meet several key specifications outlined in the Kenya Quality Model for Health policy guidelines, particularly in the areas of medical personnel and equipment.

Committee Recommendations

The County Executive Committee Member for Health put measures in place to ensure that the facility progressively move towards adhering to the Kenya Quality Model for Health policy guidelines.

The matter is unresolved

Summary of Observations

Having examined the Auditor General's reports on the financial statements of Migosi Sub-County Hospital for the financial years 2021/2022 and 2022/2023, the Committee makes the following key observations:

That the trial balance presented in support of the financial statements did not balance in the two financial years

That Contrary to the requirements of IPSAS 17: Property, Plant, and Equipment, which requires that the revaluation of assets be supported by a formal report prepared by a qualified valuer, the management failed to provide the revaluation report to support the reported revaluation reserve of Ksh. 47,687,668 during the time of audit and committee deliberations during the FY 2021/2022

That the management erroneously recorded Ksh. 2,393,950 as reimbursement from the National Health Insurance Fund (NHIF), while NHIF records showed an actual reimbursement of Ksh. 578,000, resulting in a variance of Ksh. 1,815,950.

During committee deliberations, the management clarified that the Ksh. 2,393,950 represents the total NHIF claims, while the Ksh. 578,000 reflects actual receipts. Management further confirmed that they are now separating actual receipts from receivables.

That the financial statements reflected an amount of Ksh. 1,645,340 relating to the National Health Insurance Fund (NHIF). However, NHIF records indicate a balance of Ksh. 86,604, resulting in a variance of Ksh. 1,558,736.

That despite the contract between the hospital and NHIF stipulating that genuine claims should be paid within 30 days of submission; the amount of Ksh. 1,645,340 reported had been outstanding for more than twelve (12) months during the FY 2021/2022

That Contrary to Section 138(8) of the Public Finance Management Act, 2012, which requires that *recipients of grants or donations from development partners to record the value of such grants or donations in their books of account*, and Regulation 71(5) of the Public Finance Management Regulations, 2015, which mandates the *disclosure of gifts, donations, or sponsorships in the annual and quarterly financial statements*, management failed to disclose donations amounting to Ksh. 9,983,607 from KEMSA and Ksh. 552,134 from Universal Healthcare.

That the statement of financial position reflected an amount of Ksh. 579,268 as cash and cash equivalents. However, the reconciled cash book reflected a balance of Ksh. 551,982 resulting in a variance of Ksh. 27,286. That the variance had been reconciled at the time of committee deliberations.

That the cash and cash equivalents balance was not supported with Board of Survey report.

That contrary to the provision of IPSAS 12 which requires periodic verification of inventory, the management failed to conduct a physical stock-taking exercise as at 30th June 2022.

During committee deliberations, the management acknowledged the omission and confirmed that corrective measures had been taken to align with the requirements of IPSAS 12.

The management failed to provide the auditors with ownership documents for a parcel of land occupied by the hospital. Additionally, the management did not adequately explain how other costs, amount to Kshs. 54,890,651, relating to property, plant, and equipment, were derived.

That contrary to the provisions of National Treasury Circular No. 10/2020 dated 16th June 2020, which requires *the accounting officer to prioritize pending bills as the first charge*, the management had an outstanding amount of Ksh. 12,365,464 that had remained unpaid for more than three (3) years.

That the hospital does not meet several key specifications outlined in the Kenya Quality Model for Health policy guidelines, particularly in the areas of medical personnel and equipment.

That the management failed to maintain a fixed asset register to control its assets, contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015, which states that the Accounting Officer is responsible for maintaining a register of assets under their control or possession, as prescribed by the relevant laws.

That during the financial year, thirty-four (34) types of drugs were out of stock, necessitating most patients to purchase drugs externally. Additionally, sixteen (16) types of drugs, whose value could not be determined, had expired.

That contrary to Section 155(1)(a) of the Public Finance Management Act, 2012, which requires a *county government entity to comply with the Act and establish appropriate arrangements for conducting internal audits in accordance with guidelines issued by the Accounting Standards Board*, and Section 155(5) of the same Act, which *mandates the establishment of an audit committee, the hospital management had not established an audit committee or an internal audit function*

Summary of Recommendations

The committee, therefore, summarized the following recommendations;

That the Accounting Officer immediately initiate the process of engaging a valuer to carry out an accurate valuation of all assets to establish their fair value

That going forward, the Accounting Officer must ensure that financial statements are prepared accurately and present a true and fair view of the financial position of the facility

That going forward, the Accounting Officer must ensure strict compliance with IPSAS 17: Property, Plant, and Equipment

That going forward, the Accounting officer must maintain proper records of NHIF claims submitted, claims received, and receivables.

That the Accounting officer immediately initiates a reconciliation process with NHIF to resolve the variance of Ksh. 1,558,736.

That moving forward, the Management must adhere to the provisions of Section 138(8) of the Public Finance Management Act, 2012, and Regulation 71(5) of the Public Finance Management Regulations, 2015 on disclosure of grants and donations

That moving forward, the management must ensure that all financial records, including bank reconciliations, are updated regularly and accurately to prevent future variances.

The management should conduct periodic Board of Survey assessments and ensure that reports are prepared and submitted as required to enhance accountability

That going forward, the Management must strictly adhere to IPSAS 12 on periodic verification of inventory

The County Executive Committee (CEC) Member for Health must urgently liaise with the CEC Member for Lands, Physical Planning, Housing, and Urban Development to initiate the process of securing title deeds for all health facilities that lack ownership documents. A report on the progress be submitted to this Assembly within a period of 90days upon adoption of this report

That moving forward the Management must adhere to the provisions of National Treasury Circular No. 10/2020 dated 16th June 2020

The County Executive Committee Member for Health put measures in place to ensure that the facility progressively move towards adhering to the Kenya Quality Model for Health policy guidelines

That going forward, the Accounting Officer must ensure adherence to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015, which states that the Accounting Officer is responsible for maintaining a register of assets under their control or possession, as prescribed by the relevant laws

That going forward, the management must establish a clear policy for monitoring and managing inventory to prevent shortages of essential drugs and the presence of expired drugs in the inventory

That in future, the Management must ensure compliance with the provisions of Section 155(1)(a) and 155(5) of the Public Finance Management Act, 2012 on establishment of audit committee

Conclusion

Hon. Speaker, I hereby request that this House adopts this report of the Public Accounts and Investments Committee on the consideration of the Auditor General's Report on the Financial Statements of the Migosi Sub County Hospital for the financial years 2021/2022 and 2022/2023.

May I call upon Honorable James Omollo to second. Thank you.

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Honourable James Omollo.

Hon. Omollo (MCA, West Nyakach): Thank you Madam Speaker. Before I second, I want to make a few remarks. It is indeed true that there was an Audit Report for year ended 2021-2022 and 2022-2023 which gave an Adverse Opinion on this facility.

Madam Speaker, an Adverse Opinion is an audit report that indicates financial statements are materially misstated and do not present a true and fair view of the entity's financial position. This

is a very serious issue that can affect organization credibility, investor confidence, and regulatory compliance.

Madam Speaker, there are key issues that were flagged by the Office of the Auditor-General that the management must cure so that we don't have an adverse opinion in the future. There are things that were identified. For an entity to be adversely mentioned, it means that there are things that were not done right, that we need to put right so that they can be cured, so that we don't have those financial implications.

Madam Speaker, we must correct financial statements and, going by this House Committee findings and recommendations, there are a raft, almost 15 recommendations that were put forward by this House Committee to ensure that if they are followed by the management, the future audit reports will be in the best interest of our county. Madam Speaker, equally, for us to cure this, if we go by the recommendations that we have, we must ensure that we have internal controls. Do we have our internal audits? Do we do them regularly? And, if they are done regularly, whatever is flagged out by the Office of the Auditor-General, are we providing the documentary evidence that is required? Those are simple things that we must ensure that the management does, because there are some small, small things that we ignore that are doing away with the credibility of whatever we are doing.

Madam Speaker, in all of our facilities, the management of different facilities that we have within our county, they ignore those small, small things. Then, again, we should also manage to engage with experts so that we can be advised that, what do we need to put right, what do we need to do right so that we can be at par with other institutions. Madam Speaker, some of the recommendations are geared towards updating our accounting systems.

Madam Speaker, again, we must be at par with the requirement. What do the provision of the Public Finance Management Act 2012 state? Those who are tasked with the responsibility of ensuring that our books are kept in a proper way, are they doing the right thing? It is the right time to do so that we put that responsibility on their shoulder to ensure that they do the right thing. Otherwise, Madam Speaker, I beg to second. Thank you.

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Honourable Members, now that a Motion on adoption of the report of the Auditor General on the Financial Statement of Migosi sub-county Hospital for the Financial Years 2021/2022 and 2022/2023 has been presented and seconded, I want to propose a question. I propose that the Motion on adoption of the report of the Auditor General on the Financial Statements for the Migosi sub-county Hospital for the Financial Years 2021/2022 and 2021/2023 is open for debate.

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Yes, Honourable Benny Oiko Pete

Hon Oiko (Kabonyo Kanyagwal): Thank you Madam Speaker, I want to give my little contribution on this report. Madam Speaker, most of our health institutions, I believe from the Level Four, have been given the authority to spend their money. I stand guided. Thank you for your guidance

Madam Speaker, most of us at Level Four have been given authority to incur their own expenditure and prepare their financial statements for auditing for every financial year. I believe that, this is the work of the Department of Health at the Executive level so that work may flow in the Level Four health facilities. That looks good. However, Madam Speaker, we have been seeing challenges in these health facilities. They lack personnel to help them prepare their financial statements.

Madam Speaker, in this report, there are the Medical Officers and an Accounts Clerk. And the report given by the Office of Auditor General is adverse for two financial years, giving a picture that the accounts office may not be well equipped since it is the accounts clerk who is there by the name of Charles Odero. I do not know what the basic qualification he has, but from the picture given by the Office of Auditor General, the records are not properly kept in Migosi sub-county. When we get the picture that the Trial Balance is not balancing by over Kshs42,832,586, this gives the picture that there is no proper record that can be prepared in this health facility since it is from the trial balance where the other financial records will be derived from.

Madam Speaker, the Statement of Income and Expenditure will come from Trial Balance and their Balance Sheet would also come from the Trial Balance. When the trial balance has not balanced for two financial years, this gives a very poor picture of the management of the hospital. We get the picture that the debit column, that is, the expenditure column, is Kshs. 71,469,487. The credit column, which is the income, is Kshs 28,636,901. One wonders why the expenditure is so high and the income is low. The final records that are needed for this to show the proper use of money in this hospital will not be got from this kind of situation.

Madam Speaker, something must also come out clear from this report that who is now the Accounting Officer of our level four hospitals? Is it the Chief Officer at the department? Is it the Medical Superintendent at the health facility? That is also a picture that should come out very clearly.

Madam Speaker, page 12 talks about Non-disclosure of Donated Drugs. Drugs were donated worth Kshs. 9,983,607 from KEMSA. There was also Social Universal Health coverage of Kshs 552,134. These ones were not properly covered in the financial report. Madam Speaker, these are drugs of almost over Kshs 10 million received by a health facility and the records are not properly kept. Madam Speaker, we would be suspicious that bad things may be happening in the health facility.

Madam Speaker, there is also this Circular of 2020 on the Pending Bills. This will be a good eye-opener to this House that if by 2020 the National Treasury had issued a circular that is on page 29, that contrary to the provisions of National Treasury circular number 10-2020, dated 16th June 2020, which requires the Accounting Officer to prioritize pending bills as the first charge. This is a very strong tool that this House should use to take the County Executive to task, as to why are they not honouring this circular, this instruction on matters of pending bill. And matters of pending bill do come up every financial year. We as the MCAs, we are suffering a lot on this when contractors fail to go to the ground that they are still following up their pending bills.
In this case, Migosi Sub- County Hospital was unable to pay Ksh.13,863,579 million for more than three years. The financial records are also not properly kept. This gives a very poor picture of the management of the healthy facility and on our oversight role.

Madam Speaker, when we go to page 32, number four, the National Health Insurance Fund, which is a thorny issue in this country up to now, where the health facilities are claiming about Ksh. 30 billion that they wanted the government to pay them. If our records also reflect this, that these monies have not been paid from 2020-2021, who is now on the wrong? What is the correct position as they fight this, and these figures have accumulated over the year.

Madam Speaker, on page 34, the matter of Title Deeds for health facilities. This matter has also been raised in this House from time to time, but let the relevant House Committee take note that the department does not allocate money to prepare title deeds for health facilities. They want the MCAs to do this, to give allocation in their budget so that title deeds are processed for the facilities that are still lacking title deeds.

Madam Speaker, with those few remarks, I will say we need to discuss a lot on the finances of health facilities in Kisumu County because poor records are kept, that will give the picture of poor management of finances in health departments. With those few remarks, Madam Speaker, I so contribute.

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Yes, Honourable Warindu.

Hon. Warindu (MCA, Miwani): Thank you so much Madam Speaker, for giving me the opportunity also to contribute on the matter before the House. Madam Speaker, from the onset, let me take the opportunity to commend the Chairperson and the committee members for a detailed and comprehensive report that we have given the House. Always, the purpose of Audit Reports is just to give us the true picture of how our limited resources are being utilized in our facilities.

Madam Speaker, if you have been keen on the Audited Reports that we have been dealing with, the issues have just been the same. For this one, we have a report for 2021 and 2022, and 2022 and 2023 with Adverse Opinion, which, as said before, will always scare our donors and investors. You realize that in each and every year, the recommendations are being made and the reports will still come with the same issues and no response that is being taken.
Madam Speaker, at least, I can report that we now have an Implementation Committee which will ensure that all the recommendations that have been passed by this House, and as a House Committee on Implementation, we will be calling some of these facilities to shedlight on what they have done with the recommendations that they have been given. Sometimes, you wonder if those who are handling accounting offices in our health facilities have got basic accounting knowledge. At this point of time, if you can still talk of an Unbalanced Trial Balance for someone who is handling a level four facility and above, then it becomes so embarrassing.

Madam Speaker, at times, I usually take it that we do not take those officers to task, or those who are in those offices do not take their work seriously. If an issue has been flagged out, at least the management of that facility should try and do something about that issue which has been flagged out. The recommendations to deal with that are always given. We always make observations and give the recommendation. If you can still talk about failure to establish Audit Committees, or Internal, effective Internal Audit.

Madam Speaker, if I vividly recall, last time we had these issues and we were promised by the department that they are going to second a qualified accountant to some of these facilities to deal with these challenges that they encounter. To date, I don't know what is happening. I can't tell whether they were seconded to the facilities because we are still getting the same concerns and issues that we were getting before.

Madam Speaker, if you have unreconciled, and remember it cuts across in 2021 and 2022, unreconciled Cash and Cash Equivalents. If there are unexplained variances in each and every issue that is dealing with a financial issue, then we are tempted to believe that there is something wrong going on in our facilities. And many a times our people will always complain that there are no drugs in our facilities, the services that are being given there are not adequate. If you look at how the accounting documents are being kept, then you wonder if we are seriously dealing with those who truly deserve to be in those offices.

Madam Speaker, there is an issue which is I believe is the lack of approved budget, so we surely don't know how they are operating. Then, we had where there was Non-disclosure of Donated Drugs. The drugs were given with amounts and if you go to their books of accounts, they don't disclose the value of those drugs. If indeed this is a watchdog committee that should ensure that there is prudent use of our limited resources in our counties, then something seriously needs to be done for those who are managing our health facilities.

Yet again, I believe the report will be passed and taken to the necessary departments and we want to see action being taken to correct these ills. We want those who are in charge of these facilities put to task to ensure that the public resources are prudently used. Madam Speaker, I support the report. Thank you.

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Honourable Kennedy Ajwang.

Hon. Kennedy Ajwang (Nominated Member): Thank you Madam Speaker. Madam Speaker, going by the mood of the House, may I invite the mover to reply.

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Yes, Honourable Kennedy. It is your time to reply.

Hon. Ouko Kennedy (MCA, West Kisumu): Thank you. Let me first take this opportunity to thank all the Members, those who are contributing and those who form part of the House business today. Madam Speaker, let me get to Hon Were's contribution.

Madam Speaker, this Adverse Opinion, in other words, is harmful or unfavourable. But when it comes to an audited statement on finance, we talk about misstatements or misstated. The moment your books or financial records do not actually reflect the financial position of any entity. This is how we come with the Adverse Opinion, Madam Speaker. And we have a lot of issues concerning this.

Madam Speaker, Honourable Pete was very clear that the moment we fail to balance what is called the Trial Balance, there is no result which will be favorable and which will reflect the true position of any entity. This is because, actually what informs the trial balance are things like vouchers and receipts and such kind. However, the moment we cannot get these things which is a result of poor record keeping, we will not come up with a proper financial statement which is required by law.

Madam Speaker, there is a basic qualification for accountants, like those who should be helping and who should be signing the financial statements in our Level 4 Hospitals. These are big hospitals and this is why they were audited. They are equally procuring entities. A procuring entity must have a Procuring Officer that is now the person in charge of Supply Chain Management and such other things. We should also be having an Accountant, a qualified accountant, not account clerk, with a CPA and above.

Madam Speaker, we have a lot of problems. And members of the county assembly, the other time when we talked to the department, they agreed, in fact the Director was here, they agreed to second one as a roving accountant for these hospitals. Madam Speaker, we were mesmerized to realize that they were not seconded. And some of these people doing all these things are just account clerks. And you understand the capacity of such kind of personnel.

So, this time, one of the reasons we have several hospitals and we have recommendations, you will see what we recommended on such kind of issues.

Madam Speaker, the accounting officer for an entity over Level 5 is a Medical Superintendent. However, we find a lot of interference from the department. We find that there are some people within the department who are still giving directives to the med-sups. And this should stop. This is because; the med-sups should be given an environment that will ensure such kind of officers to deliver. And they can't deliver. Because there is somebody sitting in the department and controlling issues in a facility, it is quite funny. So, this one should be picked from there and we should ensure that this thing is stopped once and for all.

Madam Speaker, again, the issues concerning proper record as indicated by Honourable Pete. This is an issue which is quite funny. Madam Speaker, we have Health Records Personnel assigned to various sectors, yet, unfortunately, the records are often missing. This lack of proper record-keeping directly impacts the trial balance, which in turn affects the accuracy of the financial statements. At times, we may find ourselves blaming issues like a shortage of medicine, yet the real problem lies in someone failing to do their job. Alarmingly, many of these record-keeping officers happen to be the children of influential individuals within the county, which is a matter that needs to be addressed transparently and urgently.

Madam Speaker, another critical issue is the matter of Pending Bills, which has become a major challenge across all departments. It is unfortunate that some individuals continue to spend funds irresponsibly, exceeding their allocated budgets. One cannot spend beyond what has been approved by the department, yet this continues to happen. This reckless financial management must be addressed to prevent further financial instability.

Additionally, the issue of NHIF arrears, as highlighted by Honourable Pete, has grown to an unmanageable level. When reconciling their statements, these departments fail to provide accurate NHIF reports, instead presenting incomplete or inconsistent financial data. When they appear before this Assembly, they attempt to justify figures that do not reconcile with the actual financial statements, leading to unnecessary confusion. This is largely due to the fact that many of these offices are staffed by clerks rather than qualified accountants. There is an urgent need to employ professional accountants to ensure proper financial management.

Madam Speaker, Honourable Warindu rightly pointed out the importance of the Implementation Committee in addressing issues arising from audited statements. We have seen the Health Committee taking up matters from the Audited Reports of Public Investments and Accounts and working with relevant departments to resolve them. Other House Committees, including the Select Committee on Implementation, should also take an active role in following up on resolutions to ensure they are properly implemented.

Madam Speaker, another major concern is the lack of an approved budget before expenditures are made. Madam Speaker, it is shocking that some entities begin spending even before the budget is approved. Which organization, anywhere in the world, operates in this manner? Even more concerning is that these departments have boards in place—boards that are legally gazetted and actively sitting—yet their input is ignored, and funds are spent recklessly. How can we expect to achieve value for money with such financial mismanagement?

Madam Speaker, we struggle to access essential documents such as vouchers and receipts, despite having personnel paid by public funds to maintain these records. As members of this Assembly, we must take a firm stand and demand accountability to ensure that public funds are managed effectively. Madam Speaker, I beg to reply. Thank you.

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Honourable Members, now that a motion on adoption of the report of the Select Committee on Public Investments and Accounts on the Examination of the reports of the Auditor General on the Financial Statements of Migosi Sub-County Hospital for the financial years 2021/2022 and 2022/2023 has been presented, seconded, and debated, I want to put a question on the adoption of the same.

(Question put and agreed to)

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Honourable Members, the motion on adoption of the report on the Select Committee on Public Investments and Accounts on the Examination of the reports of the Auditor General on the Financial Statements of Migosi Sub-County Hospital for the Financial Years 2021/2022 and 2022/2023 has been adopted today Wednesday 05th March 2025 at 15:33 hours.

I further direct that, this report and the Hansard Report be forwarded to the relevant department for the necessary action.

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Next order!!

ADJOURNMENT

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Honourable members, let us be upstanding. There being no any other business to transact, the House, stands adjourned until tomorrow Thursday 06th March 2025 at 02.30 p.m.

(House rose at 03.35 p.m.)

Addendum

The Hansard Team

Senior Hansard Reporter (Acting Editor)
Zablon Otiende

Hansard Reporters
Edward Odanga

Fanuel Okode

Patrick Okoyo

Jackline Atieno

Jesca Otieno

Valery Achieng'