

COUNTY GOVERNMENT OF KISUMU



COUNTY ASSEMBLY OF KISUMU

THE HANSARD

Official Report

THIRD ASSEMBLY – FOURTH SESSION

Wednesday, 12th March, 2025

House met in the Main Chamber at 9:00 a.m.

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

PRAYERS

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

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

PAPERS LAID

THE KISUMU COUNTY PROPOSED SUPPLEMENTARY BUDGET ESTIMATES FOR
THE FINANCIAL YEAR 2024-2025

BY

HON. KENNEDY OOKO, MCA, AHERO

(LEADER OF MAJORITY)

HALF-YEARLY PROGRESS REPORTS OF COMMITTEES FOR THE PERIOD ENDED
31ST DECEMBER 2024

BY

HON. NEREAH OKOMBO, MCA, MANYATTA “B”

(CHAIRPERSON, SELECT COMMITTEE ON LIAISON)

(Laid by Hon. Ooko on behalf of Hon. Okombo)

AND

AUDITOR GENERAL’S REPORT ON THE FINANCIAL STATEMENTS OF

RABUOR SUB-COUNTY HOSPITAL FOR THE 2021-2022 AND 2022-2023

MIRANGA SUB-COUNTY HOSPITAL FOR THE FINANCIAL YEAR 2021-2022 AND
2022-2023

SONDU SUB-COUNTY HOSPITAL FOR THE FINANCIAL YEAR 2021-2022 AND 2022-
2023

BY

HON. KENNEDY OUKO, MCA, WEST KISUMU

(CHAIRPERSON, PUBLIC INVESTMENTS AND ACCOUNTS COMMITTEE)

(Laid by Hon. Were on behalf of Hon. Ouko)

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

Leader of Majority (Hon. Ooko, MCA, Ahero): Honourable Speaker, pursuant to the provisions of Orders No. 225, of the Kisumu County Assembly Standing Orders I wish to table today Wednesday, 12th March 2025, Kisumu County Proposed Supplementary Budget Estimates for the Financial Year 2024-2025.

(Leader of Majority lays the Supplementary Estimates before the House for consideration)

The Speaker (Hon. Oraro): Honourable Members, The Kisumu County Proposed Supplementary Budget Estimates for the Financial Year 2024-2025 is properly laid before the House, and I committed this document to the Select Committee of Budget and Appropriation to work on it in accordance to the Standing Orders.

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

Leader of Majority (Hon. Ooko. MCA, Ahero): Thank you once again, Honourable Speaker. On behalf of the Chairperson of the Liaison Committee, Honourable Nereah Okombo, I wish to table today, Wednesday, 12th March 2025, report of Liaison Committee on the consideration of

Half-Yearly Progress Reports of Committees for the period ended 31st December 2024. Thank you. Thank you.

(Leader of Majority lays the report before the House for consideration)

The Speaker (Hon. Oraro): Honourable Members, the Select Committee on Liaison Report on consideration of Half-Yearly Progress Reports of House Committees for the period ended 31st December 2024 is properly laid before the House. I direct that, the House Business Committee considers it for the purpose of scheduling for debate.

The Speaker (Hon. Oraro): Yes, Hon. Were.

Hon. Were (MCA, Nyalenda B): Thank you, Mr. Speaker. On behalf of Chairperson, select Committee on Public Investments and Accounts, I wish to table before this House the Examination of Reports of the Auditor General on the Financial Statements of Rabuor Sub-County Hospital for the Financial Year 2021-2022 and 2022-2023, Miranga Sub-County Hospital for the Financial Year 2021-2022 and 2022-2023 and Sondu Sub-County Hospital for the Financial Year 2021-2022 and 2022-2023. Thank you, Mr. Speaker.

(Hon. Were lays the report before the House on behalf of Hon. Ouko)

The Speaker (Hon. Oraro): Honourable Members, the Select Committee on Public Investments and Accounts reports on the Examination of the report of the Auditor General on the Financial Statement of Rabuor Sub-County Hospital for the Financial Year 2021-2022 and 2022-2023, Miranga Sub-County Hospital for the Financial Year 2021-2022 and 2022-2023 and Sondu Sub-County Hospital for the Financial Year 2021-2022 and 2022-2023 are properly laid before the House. I therefore direct that the House Business Committee considers them for purposes of scheduling for debate.

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

NOTICES OF MOTION

HALF-YEARLY PROGRESS REPORTS OF COMMITTEES FOR THE PERIOD ENDED
31ST DECEMBER 2024

BY

HON. NEREAH OKOMBO, MCA, MANYATTA “B”

(CHAIRPERSON, LIAISON COMMITTEE)

(Notice of Motion by Hon. Ooko on behalf of Hon. Okombo)

AND

AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENTS OF
RABUOR SUB-COUNTY HOSPITAL FOR THE 2021-2022 AND 2022-2023
MIRANGA SUB-COUNTY HOSPITAL FOR THE FINANCIAL YEAR 2021-2022 AND
2022-2023
SONDU SUB-COUNTY HOSPITAL FOR THE FINANCIAL YEAR 2021-2022 AND 2022-
2023

BY

HON. KENNEDY OUKO, MCA, WEST KISUMU

(CHAIRPERSON, PUBLIC INVESTMENTS AND ACCOUNTS COMMITTEE)

(Notice of Motion given by Hon. Were on behalf of Hon. Ouko)

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

Leader of Majority (Hon. Ooko. MCA, Ahero): Honourable Speaker, on behalf of the Chairperson, Liaison Committee Honourable Nereah Okombo, I wish to give a Notice of Motion that, pursuant to the provisions of Order Number 45 (1) of the Kisumu County Assembly Standing Orders. THAT, this House adopts the report of the Liaison Committee on its consideration of Half-Yearly Progress Reports of Committees for the period ended 31st December 2024. Thank you.

The Speaker (Hon. Oraro): Next Order!! What is it, Hon. Were?

Hon. Were (MCA, Nyalenda "B"): Mr. Speaker, I want to give Notice of Motion.

The Speaker (Hon. Oraro): But I am not seeing your notice in the Order Paper.

(The Speaker consulting with the Clerk at the Table)

The Speaker (Hon. Oraro): Honourable Member, I am appropriately advised, I have seen it in the Order Paper. Please proceed.

Hon Were (Nyalenda "B"): Thank you Mr. Speaker. Pursuant to the provision of Orders No 45 (1) of the Kisumu County Assembly Standing Orders, I wish to give a Notice of Motion that a report of the select committee on Public Investments and Accounts on the Examination of Reports of the Auditor General on the financial statement of:

1. Rabuor Sub-County Hospital for the financial years 2021/2022 and 2022/2023.
2. I wish to give a Notice of Motion on Miranga Sub-County Hospital for the financial year 2021/2022 and 2022/2023.

3. I wish to give a Notice of Motion that the House adopts a report of PICPAC on the committee examination of the reports of the Auditor General on the financial statements of Sondu Sub-County Hospital for the Financial Years 2021/2022 and 2022/2023.

Thank you, Mr. Speaker.

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

MOTION

REPORT OF THE SELECT COMMITTEE ON PUBLIC INVESTMENTS AND ACCOUNTS
ON THE EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE
FINANCIAL STATEMENT OF KISUMU COUNTY REFERRAL HOSPITAL FOR THE
FISCAL YEAR 2022/2023

BY

HON. KEN OUKO, MCA, WEST KISUMU

(CHAIRPERSON, SELECT COMMITTEE ON PIC/PAC)

The Speaker (Hon Oraro): Honourable Were

Hon Were (Nyalenda “B”): Thank you, Mr. Speaker. On behalf of the Chairperson, Hon Ouko, I wish to move a Motion on the report of the Examination of the Auditor General on the financial statement of Kisumu County Referral Hospital for the year ended 30th June 2023.

Mr. Speaker, on behalf of the Select Committee on Public Investments and Accounts and pursuant to the provisions of Kisumu County Assembly Standing Orders No. 188, I wish to present to this House the report on Examination of the report of Auditor General on the Financial Statements of Kisumu County Referral Hospital for the year ended 30th June 2023. Mr. Speaker, I would seek the leave of the House to use Moving Notes because the report has been posted on our Assembly WhatsApp page.

Honourable Speaker, 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 on the examination of the report of the Auditor General on the financial statements of Kisumu County Referral Hospital (KCRH) for the year ended 30th June, 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.

Honourable Speaker, the Committee held 2 sittings during which it received written and oral evidence from the Accounting Officer on audit queries raised by the Auditor-General on the financial statements of Kisumu County Referral Hospital for the Financial Year 2022/2023.

Honourable 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.

Honourable Speaker, on behalf of the Public Accounts and Investments Committee, I now wish to table the report on the consideration of the Auditor General's report on the Financial Statements of Kisumu County Referral Hospital for the Financial Year 2022/2023 and urge this House to adopt it.

Establishment and Mandate of the Public Accounts and Investments Committee

Honourable 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;

- i. 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;
- ii. Examination of the working of the Public Investments
- iii. Examine the reports and accounts of the Public Investments and,
- iv. 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	
1. Hon. Ken Ouko	Chairperson
2. Hon. Tom Onditi	Vice Chairperson
3. Hon. Habil Nyasuna	Member
4. Hon. Nancy Matara	Member
5. Hon. Rueben Rakwach	Member
6. Hon. James Were	Member
7. Hon. James Omollo	Member
8. Hon Mickey Ochieng	Member
9. Hon. Seth Okumu	Member
SECRETARIAT	
1. Austine Ochieng'	Committee Clerk
2. Chrispine Oguta	Clerk Assistant
3. Patrick Okoyo	Hansard Officer
4. Faith Judith	Sargent-at-arm
5. Wycliffe Owade	Researcher
6. CPA Naboth Odero	Internal Auditor
7. CPA Mollen Achayo	Accountant
8. CPA Charles Ageng'o	Internal Auditor

Legal Framework & Guiding Principles

Honourable Speaker, the Committee was guided by the following legal instruments;

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

viii. The accounts of any other entity that legislation requires the Auditor General to Audit

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

1. 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.
2. 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 Governments; (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
3. 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
4. Public Finance Management Act, 2012: Section 149 (1) of the Public Finance Management Act, 2012 which states that “An accounting officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is –
 - a) Lawful and authorized; and
 - b) Effective, efficient, economical, and transparent”

Guiding Principles

Honourable 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;

- i). Openness and Accountability including public participation in financial matters;
- ii). Public money shall be used in a prudent and responsible way; and
- iii). Financial management shall be responsible and fiscal reporting shall be clear.

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 REFERRAL HOSPITAL (KCRH) FOR THE YEAR ENDED 30TH JUNE 2023

Honourable Speaker, Dr. Tom Nyang'wara, the medical superintendent and the Accounting Officer appeared before the Committee on 8th November 2024 to adduce evidence on the Audited Financial Statements of Kisumu County Referral Hospital for the year ended 30th June 2023.

The following Officer accompanied the Medical Superintendent to the Committee meeting;

Mr. Barrack Odwar- Hospital Accountant

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

Mr. Kennedy Ong'oi - Deputy Director, OAG, Kisumu Hub

BASIS FOR QUALIFIED OPINION

3.1 Inaccuracies in the Financial Statements

The financial statements were observed to contain the following inaccuracies;

- i. The statement of financial performance and Note 10 to the financial statements discloses comparative total employee costs of Kshs. 11,143,116 which, however, differs with the recomputed total of Kshs. 2,841,275 by an unexplained variance of Kshs. 8,301,841.
- ii. The statement of financial performance reflects transfers from the County Government of Kshs.60, 540,000 which differs with the nil amounts disclosed in the corresponding Note 6 to the financial statements by an unexplained variance of Kshs.60, 540,000.
- iii. The statement of financial performance reflects amounts of Kshs. 70,179,935, Kshs. 54,448,434, Kshs. 11,424,021, Kshs. 5,016,805 and Kshs. 33,710,430 in respect of rendering of services-medical service income, medical clinical costs, employee costs, repairs and maintenance and general expenses respectively. However, the amounts differ with the amounts in respect of the same items reflected in the statement of cash flows of Kshs. 49,200,080, Kshs. 41,462,070, Kshs. 7,949,555, Kshs. 5,141,644 and Kshs. 18,176,041 by unexplained and unreconciled variances of Kshs. 20,979,855, Kshs. 12,986,364, Kshs. 3,474,466, Kshs.124,839 and Kshs. 15,534,389, respectively.
- iv. The statement of financial performance reflects an amount of Kshs.54, 448,434 in respect of medical/clinical costs, as disclosed in Note 9 to the financial statements. However, the Note discloses an amount of Kshs.55, 009,028 resulting to a variance of Kshs.560, 594. In addition, included in the amount of Kshs.55, 009,028 is Kshs.560, 594 that relates to stock adjustment whose nature and purpose were not explained.

- v. The statement of financial performance reflects amounts of Kshs.114, 563,765 and Kshs.6, 921,003 in respect of total expenses and net surplus for the year. However, a re-computation of the same yielded amounts of Kshs. 114,003,171 and Kshs. 6,901,898 occasioning unexplained variances of Kshs. 560,594 and Ksh. 19,105 respectively.
- vi. The statement of financial position reflects a balance of Kshs.47, 504,845 in respect of receivables from non-exchange transactions which however, differ with the balance of Kshs.35, 400,000 disclosed in the corresponding Note 19 to the financial statements by an unexplained variance of Kshs.12, 104,845.
- vii. The statement of changes in net assets reflects balances of Kshs.244, 440,861 and Kshs.251, 170,868 in respect of capital fund and totals, respectively. However, the balances differ with the recomputed balances of Kshs.207, 163,252 and Kshs.213, 742,158 by unexplained variances of Kshs.37, 277,609 and Kshs.37, 428,710 respectively.
- viii. The statement of cash flows reflects a comparative balance of Kshs.49, 250,014 in respect of finance costs which differ with the prior years audited financial statements Nil balance by an unexplained variance of Kshs.49, 250,014.

Management Response

- i. The balance of kshs.11, 143,116 is as reported in the financial statement for the FY 2021-2022, and the recomputed Kshs 2,841,275 could not be established
- ii. It is true that the County Government of Kisumu had a budget Kshs. 60,540,000 for Kisumu County Referral Hospital in the year under review. This was erroneously omitted in Note 6 to the financial statement. It is now corrected in the subsequent year's Financial Statement.
- iii. It is true that the amounts reflected in the financial statement in respect to Rendering Services Medical, Medical Clinical costs, Employee cost, Repairs and maintenance, and General Expenses differ with the once reported in the cash flow statement. This is due to the fact that in the cash flow statement we report actual cash movement while the financial statement reflects total performance i.e. the amounts realized not necessarily received or paid. The accrual concept was applied in this case
- iv. It is true that the statement of financial performance reflects an amount of Kshs.54, 448,434 in respect of medical/clinical costs, as disclosed in Note 9 to the financial statements. It is also true that the Note 9 discloses an amount of Kshs.55, 009,028 resulting to a variance of Kshs.560, 594.This is corrected and treated properly in the subsequent years' financial statement.
- v. It is true that the statement of financial performance reflects an amount of Kshs. 114,563,765 and Kshs.6, 921,003 in respect of total expenses and net surplus for the year. This is noted corrected in the subsequent years' financial statement.
- vi. It is true that the statement of financial position reflects a balance of Kshs.47, 504,845 in respect of receivables from non-exchange transactions which however, differ with the balance of Kshs.35, 400,000 disclosed in the corresponding Note 19 to the financial

statements. An accrual concept was applied in this case adding receivable of Kshs. 12,104,845 in the financial year 2021-2022 to receivable of the financial year 2022-2023 amounting to Kshs. 35,400,000 giving a total of Kshs. 47,504,845 reported in the statement of financial position. Note 19 has also been amended accordingly.

- vii. It is true that the statement of changes in net assets reflects balances of Kshs.244, 440,861 and Kshs.251, 170,868 in respect of capital fund and totals, respectively.

These amounts were arrived at as follows:

Summation of - 2021-2022 closing cash and cash equivalent = 17,740,340

Water bill waived by KIWASCO = 16,962,444

Electricity bill paid by County Headquarters = 2,916,925

Opening capital fund = 206,821,155

Total as reported in changes in Net Assets 244,444,861

- viii. The facility under its operations cannot incur finance cost of this magnitude. It is a typo error and has been amended in prior year's financial statement.

Committee Observations

1. That the financial statements for KCRH for the year under review had inconsistencies relating to presentation of prior year balances at the time of audit as listed above. This is contrary to Section 164 (1) of the PFM Act, 2012 which states that at the end of each financial year, "the Accounting Officer for a County Government entity shall prepare a financial statement in the formats to be prescribed by the Accounting Standards Board".
2. During committee deliberations, the Management presented an amended financial statement for the year ended 30th June 2024 correcting the errors.

Committee Recommendations

1. That going forward, the Management must adhere to Section 164 (1) of the PFM Act, 2012.
2. That the matter is resolved.

The statement of financial performance reflects an amount of Kshs.70, 179,935 in respect of rendering of services - medical services income as disclosed in Note 8 to the financial statements. However, the supporting schedule reflected an amount of Kshs.31, 436,239 resulting to unsupported amount of Kshs.38, 762,801.

Management Response

It is true that the statement of financial performance reflects an amount of Kshs.70, 179,935 in respect of rendering of services - medical services income as disclosed in Note 8 to the financial statements. The unsupported amounts included accrued NHIF of kshs.11, 161,447, other medical services (Accrued Marwa) kshs.485, 895 and other medical services income of kshs.26, 054, 000 and Elephant collection 1,061,451

The supporting schedules have now been availed for review. Annex 1(a), (b), (c) and (d)(i)(ii).

Committee Observations

1. That the Management failed to provide at the time of audit schedules to support the rendering of services —Medical services income totaling Kshs.38,762,801 contrary to Section 62 (c) of the Public Audit Act, 2015, which provides that a person shall not, without justification fail to provide within reasonable time information that is required.
2. That the Management presented schedules for the rendering of Medical services income during committee deliberations.

Committee Recommendations

1. That henceforth, the Management must adhere to Section 62 (c) of the Public Audit Act, 2015 on the provision of information to the Auditors
2. That the matter is resolved

Overstated Employee Costs

The statement of financial performance as disclosed in Note 10 to the financial statements reflects employee costs of Kshs.11, 424,021. Review of supporting schedules provided revealed that casual wages for the month of April, 2023 amounting to Kshs. 705,799 had been captured twice, hence overstating the wages by the same amount.

Management Response

It is true that the statement of financial performance and as disclosed in Note 10 to the financial statements reflects employee costs of Kshs.11, 424,021.

It is also noted that wages for the month of April was erroneously captured twice. The error is amended in the subsequent years' financial statement.

Committee Observation

That an amount of Kshs. 705,799 relating to casual wages for the month of April, 2023 was recorded twice in the financial statements leading to an overstatement of salary and wages. However, the Management provided amended financial statements for the subsequent financial year to correct the error.

Committee Recommendation

That the matter is resolved.

3.3 Unrecorded Revenue from Rendering Services

The statement of financial performance reflects Kshs.70, 179,935 in respect to medical services contract gains as disclosed in Note 8 to the financial statements. However, the Hospital Management recorded accrual income from NHIF of Kshs.11, 161,447 that was yet to be received by year end and did not provide records of receipts from National Hospital Insurance Fund (NHIF) reimbursements for the year even though confirmation of records from NHIF records revealed an amount of Kshs.19, 665,630 was paid to the Hospital during the financial year.

Management Response

It is true that the statement of financial performance reflects Kshs.70, 179,935 in respect to medical services contract gains as disclosed in Note 8 to the financial statements. It is also true that money was received from NHIF this is direct credits which reflect in the facilities bank account. They were received as follows:

2022-2023	NHIF RECEIVED	
	AMOUNT	(KSHS)
JULY	-	
AUGUST		1,916,630
SEPT		1,360,540
OCT		343,190
NOV		3,483,900
DEC		418,150
JAN		3,119,040
FEB		2,318,150
MARCH		989,700
APRIL		533,750
MAY		2,748,000
JUNE		4,706,350
TOTAL		21,937,400

Bank statement and FIS Reports Annex 2 (i) and (ii)

Committee Observations

1. That the Management did not provide receipts for NHIF reimbursements of Kshs. 21,937,400 at the time of audit Contrary to Section 62 (c) of the Public Audit Act, 2015, which provides that a person shall not, without justification fail to provide within reasonable time information that is required.
2. The Management exhibited Annex 2(i) and 2(ii) being bank statements from cooperative bank account number 01141495253200 Kondele branch. An analysis revealed that the total amount received from NHIF as refunds was Kshs. 21,937,400.

Committee Recommendations

1. That in future, the Management must adhere to Section 62 (c) the Public Audit Act, 2015.
2. That the matter is resolved.

3.4 Variances in Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.11, 882,246 as disclosed in Note 18 to the financial statements. The amount includes Kshs.11, 161,447 which relates to the National Health Insurance Fund (NHIF). However, NHIF records indicate a balance of Kshs.20, 307,223 resulting to an unexplained variance of Kshs.9, 145,776, 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 thirty days of submission.

Management Response

It is true that the hospital has long outstanding debts with NHIF. The management has made several attempts including visiting NHIF offices in pursuit of the debt. The feedback received is that the National treasury is yet to disburse such funds. The hospital can also not deny services to Citizens validly insured by the scheme.

On the unreconciled receivables the management will pick it up with NHIF and amend the same in the subsequent years' financial statement.

Committee Observations

1. That an amount of Kshs. 9, 145,776 relating to receivables from NHIF in the financial statements of KCRH differed with NHIF records of Kshs. 20, 307,223.
2. That Kshs. 9, 145,776 receivables from NHIF had been outstanding for more than one year despite the contract providing for thirty days for payment of valid claims.

Committee Recommendations

1. That the Management institute with immediate effect a reconciliation exercise with NHIF with a view to determine the correct amount.
2. That the Accounting officer immediately fast-track the recovery of long outstanding NHIF claims
3. The matter is unresolved.

3.5 Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects a balance of Kshs. 300,628,395 with respect to property, plant and equipment which, as disclosed in Note 21, to the financial statements, did not include value of the land on which the Hospital sits, four (4) motor vehicles, furniture items and medical equipment. Further, Management did not provide the title to the land.

Management Response

As disclosed understatement of compliance and basis of preparation; the financial statements have been prepared under IPSAS 33 (First time Adoption of IPSAS Accrual). The Standard allows a 3 year relieve on recognition and measurement of Property, Plant and Equipment, Inventories, Intangible assets among others. We applied deem cost approach to determine cost of some of the assets as permitted by IPSAS 33. However, Kisumu County Referral Hospital has gone ahead and obtained a valuation report dated 28th May, 2022 Annex 4

This clearly indicates the values of land and Building as 2,100,000,000 and 193,500,000 respectively and is factored in the 2023-2024 financial statement.

Committee Observation

The Management provided a valuation report of land and buildings of Kisumu County Referral Hospital, Kisumu Central, Kisumu County Ref: CGK/LHPP &UD/VAL/2024/04 dated 22nd April 2024. However, land title deed was not provided to confirm ownership.

Committee Recommendations

1. That the Committee on Implementation make a follow up on the resolution of this Assembly on the matter of tittle deeds for health facilities in the previous year audit report
2. That the matter is unresolved.

3.6 Variances in Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.135,299,498 as disclosed in Note 24 to the financial statements. The balance includes Kshs.2,301,025 owed to Kenya Medical Supplies Authority (KEMSA) while (KEMSA) records reflect Kshs.2,122,125 resulting to a variance of Kshs.178,900.

In the circumstances, the accuracy and completeness of the trade payable balance of Kshs.135, 299.498 could not be confirmed.

Management Response

The management has noted the discrepancy and will reconcile its records with KEMSA and report the correct figures in the subsequent years' financial statement.

Committee Observation

That trade payable balance included Kshs.2, 301,025 owed to Kenya Medical Supplies Authority (KEMSA) while (KEMSA) records reflected Kshs.2, 122,125 resulting to a variance of Kshs.178, 900

Committee Recommendations

1. That the Accounting Officer immediately reconcile the records with KEMSA and report back to the Office of the Auditor General within a period of 90 days upon adoption of this report.
2. The matter is unresolved.

3.7 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 Kenya Medical Supplies Authority (KEMSA) revealed that the Hospital received donations and program commodities drugs amounting to Kshs.57, 395,762 and Universal Health Coverage amount of Kshs.1, 321,791 which were not disclosed in the financial statement.

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

Management Response

It is true that the statement of financial performance reflects a Nil amount on grants from donors and development partners. It is also true that the facility received donations and program commodities drugs amounting to Kshs.57, 792,046.50 schedules have been availed for verification and review. Annex 5

The drugs are normally dispensed at zero cost; they will be reported correctly in the subsequent year's financial statement.

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 donated drugs during the financial year under review.

Committee Recommendations

1. That going forward, the management must adhere to Section 138(8) of the Public Finance Management Act, 2012 and Regulation 71(5) of the Public Finance Management Regulations, 2015, on disclosure of donations and grants
2. The matter is resolved.

3.8 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 109,740,080 and Kshs. 74,340,080 respectively resulting to under-funding of Kshs. 35,400,000 or 32% of the budget. Further, the Hospital spent a balance of Kshs.73, 116,110 against actual receipts of Kshs.74, 340,080 resulting to an under-utilization of Kshs.1, 223,970 or 2% of the actual receipts.

The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

No response

Committee Observation

That there was underfunding and underutilization of the budget

Committee Recommendations

1. That the management undertakes appropriate measures to enhance the collection of Own Source Revenue to boost service delivery to the public.
2. That the matter is resolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

4.1 Unresolved Prior Year Issues

In the previous year's audit report, several matters were, raised under Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, although

Management has indicated that the issues have been resolved, evidence to that effect was not provided.

Management Response

These matters were resolved as per the report on matters raised attached in Annex 6

Committee Observation

That several matters were, raised under Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, although Management has indicated that the issues have been resolved, evidence to that effect was not provided.

Committee Recommendations

1. That the management immediately implement the resolutions of the House Committee in the previous year audit reports and a report on the same be submitted to this Assembly within a period of 60days upon adoption of this report.
2. The matter is unresolved.

4.2 Non-implementation of the Universal Health Coverage

Review of 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's Checklist for Level 4 Hospitals; the Hospital did not satisfy all the requirements for a level 4 hospital as indicated above.

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

Service	Level	Actual	Variance
New born unit incubators	5	4	1
New born cot	5	3	2
Functional ICU beds	6	0	6
High dependency unit	6	0	6

Renal Unit with at least 5 dialysis machine	5	0	5
Two functional theatres, maternity and general	2	1	1

Honourable Speaker, this deficiency contravenes 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 understaffing and inadequate Hospital equipment may have impacted negatively on the service delivery to the public.

Management Response

The service mentioned require specialized trained staffs whom had not been employed by the County Public Service board at the time of audit.

The hospital has not acquired some of the required specialized equipment's to operationalize the departments. However, the management has communicated the need through the County staff establishment structure sent to Chief Officer Health for follow up.

Important to mention: County Government of Kisumu has made significant improvement by employing additional technical staff. See staff establishment Annex (7)

Committee Observation

Honourable Speaker, that the Hospital did not meet the requirements of Kenya Quality Model for Health's Checklist for Level 4 Hospitals.

Committee Recommendations

1. That the County Executive Committee Member Health undertake appropriate measures to drive the facility towards adhering to the requirements of Kenya Quality Model for Health's Checklist for Level 4 Hospitals.
2. That the matter is resolved.

4.3 Failure to Transfer Revenue to the County Revenue Fund Account

The statement of financial performance reflects rendering services - medical services income of Kshs.70, 179,935 as disclosed in Note 8 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal. This was contrary to Regulation 81(1-3) of Public Finance Management (County Governments) Regulations, 2015 which states that a receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund.

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

Management Response

It is true that the statement of financial performance reflects rendering services - medical services income of Kshs.70, 179,935 as disclosed in Note 8 to the financial statements. However, the amount was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal.

It is a work in progress and going forward funds will be transferred to Revenue Fund Account for approval by the controller of budget before withdrawal.

Committee Observations

1. That the medical services income amount of Kshs.70, 179,935 was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal, contrary to Regulation 81(1-3) of Public Finance Management (County Governments) Regulations, 2015 which states that a receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund.
2. The Management response did not address the reason why they failed to transfer the funds to the county revenue fund for authorization by the controller of the budget.

Committee Recommendations

1. That in future, the Management must comply with Regulations 81(1-3) of Public Finance Management (County Governments) Regulations, 2015.
2. The matter is resolved.

4.4 Lack of Quarterly Revenue Report

The statement of financial performance reflects Kshs.70, 179,935 in relation to the rendering of service - medical income as disclosed in Note 8 to the financial statements. However, the Hospital did not provide evidence to show that the reports were prepared and submitted to the County treasury with a copy to the Auditor-General as per the requirement of Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report

not later than the 15th day after the end of the quarter.

Management Response

The management normally does monthly surrenders to the County Treasury in regards to revenue collected. However, this could not be the reporting format required. Going forward the management will adopt the required reporting format in its subsequent reports.

Committee Observation

That the Hospital did not provide evidence to show that quarterly reports were prepared and submitted to the County treasury with a copy to the Auditor-General as per the requirement of Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.

Committee Recommendations

1. That going forward, the Management must comply with Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015.
2. That the matter is resolved.

4.5 Irregular Engagement of Casual Workers

The statement of financial performance reflects casuals and contractual staff amount of Kshs.11, 424,021 as disclosed in Note 10 to the financial statements. It was noted that Management engaged casual workers for more than three months. This was contrary to the County Public Service Human Resource Manual, May 2013 Section 8.16(1) which states that (1) Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and they shall not be engaged for more than three months, as stipulated in the Employment Act (2007).

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

Management Response

It is true that the statement of financial performance reflects casuals and contractual staff amount of Kshs.11, 424,021 as disclosed in Note 10 to the financial statements.

The casuals are engaged on a three-month renewable running contract; this is confirmed by contract letters attached.

ANNEX (8)

Committee Observations

1. That the Management failed to comply with County Public Service Human Resource Manual, May 2013 Section 8.16(1) which states that (1) Casual workers shall be engaged

only on urgent short-term tasks with the approval of the County Public Service Board and that they shall not be engaged for more than three months, as stipulated in the Employment Act (2007).

2. That the Management in their response adduced proof of compliance by way of a fixed three months renewable contract issued to staff.

Committee Recommendations

1. That going forward, the Management must adhere to County Public Service Human Resource Manual, May 2013 Section 8.16(1) and the Employment Act (2007).
2. That the matter is resolved.

4.6 Non-Disclosure of Employee Costs Paid by the County Government

The statement of financial performance reflects Kshs.11, 424,021 for casuals and contractual staff as disclosed in Note 10 to the financial statements. The Hospital received services from (257) medical staff employed and paid by the county. However, the expenditure was not disclosed in the financial statements and the payroll was not provided for audit verification. In the circumstances, the accuracy and completeness of employee costs of Kshs.11, 424,021 could not be confirmed.

Management Response

The 257 permanent staffs are accounted for by County Government of Kisumu treasury where director of human resource sits. It is at this point that their payroll and budget lies, and therefore the payroll could not be availed by the facility for audit.

Committee Observation

The Management did not provide the payroll relating to staff (257) whose salaries were paid by the County Government of Kisumu Human Resource department. Further, they did not also give reasons (if any) on why the document could not be availed.

Committee Recommendations

1. That going forward, the management must ensure timely provision of documents to the Auditor General during the time of audit
2. The matter is unresolved.

4.7 Long Outstanding Trade and Other Payables

The statement of financial position and Note 24 to the financial statements Reflects trade and other payables balance of Kshs.135, 299,498. However, included in the figure are trade payables amounting to Kshs.66, 769,654 which had been outstanding for more than three (3) years. This is contrary to Section 53 (8) of the Public Procurement and 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 contract (s) are reflected in approved budget estimates. Therefore, the management was in breach of law.

Management Response

It is true that the statement of financial position and Note 24 to the financial statements Reflects trade and other payables balance of Kshs.135, 299,498. However, included in the figure are trade payables amounting to Kshs.66, 769,654 which had been outstanding for more than three (3) years

The facility is currently working hard to reduce the long outstanding bills based on the measures put in place to improve revenue collection.

This include: Automation of revenue collection, additional cash points to reduce turnaround time and intense supervision across the facility. The facility has also adopted FIFO to ensure that the long outstanding debts are cleared. By the time of audit, we had a debt repayment plan.

Committee Observations

1. The trade payables included an amount of Kshs.66, 769,654 which had been outstanding for more than three (3) years, contrary to Section 53 (8) of the Public Procurement and 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 contract (s) are reflected in approved budget estimates.
2. The Management submitted to the committee that it had put in place measures to reduce the long outstanding payables and that it had a payment plan to that effect however, the plan was not provided to the committee for review.

Committee Recommendations

1. That going forward, the management must adhere to Section 53 (8) of the Public Procurement and 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 contract (s) are reflected in approved budget estimates
2. That the matter is unresolved.

4.8 Misclassification of Expenditure

The statement of financial performance and as disclosed in Note 14 to the financial statements reflects general expenses of Kshs.33, 710,430. Review of expenditure details revealed that an amount of Kshs.883, 141 relating to employee cost was wrongly charged to general expenses.

In the circumstances, the accuracy and completeness of the general expenses of Kshs.33, 710,430 could not be confirmed.

Management Response

It is true that that the statement of financial performance and as disclosed in Note 14 to the financial statements reflects general expenses of Kshs.33, 710,430.

The management noted that Kshs.883, 141 relating to employee cost were wrongly misclassified and this has been corrected in the subsequent year's financial statement.

Committee Observations

1. That there was misclassification of expenditure of Kshs.883, 141 relating to employee cost which was wrongly charged to general expenses, contrary to provision of Section 47(1) of Public Finance Management Regulations, 2015 and Section 53(1) of the same Act that prohibits the Accounting Officer from authorizing payments to be made out of funds earmarked for specific activities for purposes other than those activities.
2. That the Management responded that the error was corrected in the subsequent financial year.

Committee Recommendations

1. That going forward, the Accounting Officer must adhere to Regulations 47(1) and 53 (1) of the Public Finance Management Regulations 2015.
2. That the matter is resolved.

4.9 Ineffective Internal Audit Arrangements

Review of the Hospital's governance system revealed that it relied on the Internal Audit Unit of the Kisumu County Executive since it had not established its own. However, during the year under review, the Internal Audit Unit did not carry out any audits on the operations of the Hospital. This is contrary to Regulation 153(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that Internal auditors shall review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in County Government entities, including County Assembly.

In the circumstances, the Hospital could not benefit from the independent assurance over its financial reporting and risk management processes.

Management Response

It is true that the Hospital's governance system revealed that it relied on the Internal Audit Unit of the Kisumu County Executive since it had not established its own.

The audit department has recently conducted audit to the facility as per the requirement of Regulation 153(1) (a) of the Public Finance Management (County Governments) Regulations, 2015.

The management is also in the process of appointing an internal audit committee as advised. ANNEX 9(i) (ii).

Committee Observation

That during the year under review, the Internal Audit Unit did not carry out any audits on the operations of the Hospital, contrary to Regulation 153(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that Internal auditors shall review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in County Government entities, including County Assembly.

Committee Recommendations

1. That going forward, the management must comply with Regulations 153(1)(a) of the Public Finance Management (County Governments) Regulations, 2015
2. That the matter is resolved

5.0 Management Equipment Services (MES)

The statement of financial position reflects property, Plant and Equipment (PPE) as disclosed in note 21 to the financial statement. It was however noted that Management Equipment Services (MES) equipment outsourced by the Ministry of Health was not part of the PPE balance. Physical verification in the Month of July,2024 revealed that the contracts between maintenance service providers and the Ministry had expired. Therefore, some equipment including, Intensive care unit (ICU) equipment .X-ray and other imaging equipment were not functioning optimally because of regular service.

In the circumstance, value for money for the outsourced equipment in respect of Management Equipment Services (MES) equipment could not be confirmed.

Management Response

It is true that the Hospital has some equipment including, Intensive care unit (ICU) equipment .X-ray and other imaging equipment. The contract for servicing the equipment has not been renewed by the Government, and hence the reason for their non-use.

Committee Observations

1. That the Management Equipment Services (MES) equipment outsourced by the Ministry of Health was not part of the Property Plant and Equipment (PPE) balance property as disclosed in note 21 to the financial statement

2. The Management did demonstrate efforts to service the machine upon the expiry of the contract.

Committee Recommendations

That the matter is resolved.

SUMMARY OF OBSERVATIONS

The committee summarized the following observations:

1. That the financial statements for KCRH for the year under review had inconsistencies relating to presentation of prior year balances at the time of audit as listed above. This is contrary to Section 164 (1) of the PFM Act, 2012 which states that at the end of each financial year, “the Accounting Officer for a County Government entity shall prepare a financial statement in the formats to be prescribed by the Accounting Standards Board”. During committee deliberations, the Management presented an amended financial statement for the year ended 30th June 2024 correcting the errors.
2. That the Management failed to provide at the time of audit schedules to support the rendering of services —Medical services income totaling Kshs.38,762,801 contrary to Section 62 (c) of the Public Audit Act, 2015, which provides that a person shall not, without justification fail to provide within reasonable time information that is required.
3. That an amount of Kshs. 705,799 relating to casual wages for the month of April 2023 was recorded twice in the financial statements leading to an overstatement of salary and wages. However, the Management provided amended financial statements for the subsequent financial year to correct the error.
4. That the Management did not provide receipts for NHIF reimbursements of Kshs. 21,937,400 at the time of audit Contrary to Section 62 (c) of the Public Audit Act, 2015, which provides that a person shall not, without justification fail to provide within reasonable time information that is required. The Management provided bank statements from cooperative bank account number 01141495253200 Kondele branch. An analysis revealed that the total amount received from NHIF as refunds was Kshs. 21,937,400.
5. That the financial statements of KCRH for the year under review had an amount of Kshs. 9, 145,776 relating to receivables from NHIF. However, this figure differed with NHIF records of Kshs. 20, 307,223.
6. That Kshs. 9, 145,776 receivables from NHIF had been outstanding for more than one year despite the contract providing for thirty days for payment of valid claims.
7. That the Management provided a valuation report of land and buildings of Kisumu County Referral Hospital, Kisumu Central, Kisumu County Ref: CGK/LHPP &UD/VAL/2024/04 dated 22nd April 2024 which confirmed the values of the aforementioned at Kshs. 2,293,500,000. However, land title deed was not provided to confirm ownership.

8. That trade payable balance included Kshs.2, 301,025 owed to Kenya Medical Supplies Authority (KEMSA) while (KEMSA) records reflected Kshs.2, 122,125 resulting to a variance of Kshs.178, 900
9. 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 donated drugs during the financial year under review.
10. That there was underfunding and underutilization of the budget for KCRH
11. That the Hospital did not meet the requirements of Kenya Quality Model for Health's Checklist for Level 4 Hospitals.
12. That the medical services income amount of Kshs.70, 179,935 was not transferred to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal, contrary to Regulation 81(1-3) of Public Finance Management (County Governments) Regulations, 2015 which states that a receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund.
13. That the Hospital did not provide evidence to show that the quarterly reports were prepared and submitted to the County treasury with a copy to the Auditor-General as per the requirement of Regulations 64(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer or receiver of revenue or collector of revenue to prepare a quarterly report not later than the 15th day after the end of the quarter.
14. That the Management failed to comply with County Public Service Human Resource Manual, May 2013 Section 8.16(1) which states that (1) Casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board and that they shall not be engaged for more than three months, as stipulated in the Employment Act (2007).
15. The Management did not provide to the auditors, the payroll relating to staff (257) whose salaries were paid by the County Government of Kisumu Human Resource department. Further, they did not also give reasons (if any) on why the document could not be availed.
16. The trade payables included an amount of Kshs.66, 769,654 which had been outstanding for more than three (3) years, contrary to Section 53 (8) of the Public Procurement and 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 contract (s) are reflected in approved budget estimates.
17. That there was misclassification of expenditure of Kshs.883, 141 relating to employee cost which was wrongly charged to general expenses, contrary to provision of Section

47(1) of Public Finance Management Regulations, 2015 and Section 53(1) of the same Act that prohibits the Accounting Officer from authorizing payments to be made out of funds earmarked for specific activities for purposes other than those activities.

18. That during the year under review, the Internal Audit Unit did not carry out any audits on the operations of the Hospital, contrary to Regulation 153(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that Internal auditors shall review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in County Government entities, including County Assembly.
19. That the Management Equipment Services (MES) equipment outsourced by the Ministry of Health was not part of the Property Plant and Equipment (PPE) balance property as disclosed in note 21 to the financial statement. The Management did demonstrate efforts to service the machine upon the expiry of the contract.

SUMMARY OF RECOMMENDATIONS

The committee summarized the following recommendations:

1. That going forward, the Management must adhere to Section 164 (1) of the PFM Act, 2012.
2. That henceforth, the Management must adhere to Section 62 (c) of the Public Audit Act, 2015 on the provision of information to the Auditors
3. That the Accounting officer immediately fast-track the recovery of long outstanding NHIF claims
4. That the Accounting Officer reconcile the records with KEMSA and report back to the Auditors within a period of 90 days upon adoption of this report.
5. That going forward, the management must adhere to Section 138(8) of the Public Finance Management Act, 2012, and Regulation 71(5) of the Public Finance Management Regulations, 2015, on disclosure of donations
6. That the management undertakes appropriate measures to enhance the collection of Own Source Revenue to boost service delivery to the public.
7. That going forward, the Management must adhere to the County Public Service Human Resource Manual, May 2013 Section 8.16(1) and the Employment Act (2007).
8. That going forward, the management must adhere to Section 53 (8) of the Public Procurement and 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 contract (s) are reflected in approved budget estimates

In Conclusion

Honourable 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 Kisumu County Referral Hospital for the financial year 2022/2023.

May I call Hon Nancy Matara to second. Thank you.

The Speaker (Hon Oraro): Yes, the Honourable Nancy Matara.

(Hon Matara bowed)

The Speaker (Hon Oraro): Honourable Members, now that the Motion adoption of the report of the Select Committee on Public Investments and Accounts on the Examination of the Report of the Auditor General on the Financial Statements of Kisumu County Referral Hospital (KCRH) for the year 2022/2023 has been moved, seconded, I want to propose a question.

Honourable Members, I propose that the Motion adoption of the report of the Select Committee on Public Investments and Accounts on the Examination of the report of the Auditor General on the Financial Statements of Kisumu County Referral Hospital for the year 2022-2023 is open for debate.

The Speaker (Hon Oraro): Yes, Honourable Geoffrey Warindu.

Hon Warindu (Miwani): Thank you Mr. Speaker Sir, for granting me the opportunity to support the report of the Select Committee on Public Investments and Accounts on the Examination of KCRH. Mr. Speaker, this is one of the facilities around that has given us a Qualified Opinion. Most of the entities that we have been dealing with have been giving us Adverse or Disclaimer Opinions. How I wish that the Accounting Officers or the accountant that is managing the financial affairs of the KCRH can also be seconded to other facilities so that he can guide the accountants on what to do when preparing their accounting reports

Mr. Speaker, basically, the purposes of auditing are to give the true picture of an entity, how the entity is being run financially and on the properties that are owned by the facility. Mr. Speaker, one of the gaps that have been captured in the report and I want to believe that cuts across all the facilities that we have been reviewing the audit reports is the Unsupported Property, Plant and Equipment Balances. Most of them, when they are presented here during the interrogation processes, they tend to blame the Department of Lands, Physical planning, Housing and Urban Development that they are the ones responsible for the evaluation of the properties that they are having. I wish that this issue can be sorted once and for all for all so that our facilities are given Unqualified Audit Opinions.

Mr. Speaker, in addition, if you look at the second gap that was captured in the report is the Inaccuracies in the Financial Statement where there is a total employee cost from the financial statement of the facility. There was an amount which was recorded of Ksh. 11,143,116.00 which if you go through the supporting schedules or the re-computed total that they gave, we had Ksh. 2,841,275 million giving an unexplained variance of Ksh. 8,301,846. Mr. Speaker, if an entity or a facility cannot explain how Ksh. 8,301,846 was spent then we really need to ask a question why that gap is there.

Mr. Speaker, the third issue which was highlighted in the report was Overstated Employee Cost. From their financial statement it was Ksh. 11,424,021 million and going through their supporting schedules you find that there was a double reporting of Casual Wages of Ksh. 705,799 and still that also gives us a lot of questions why they had to double report or to record it twice in a financial statement.

Mr. Speaker, there is another recurring issue and I want to report that even the last report that we dealt with it was also a gap which was noted which was the Non-disclosure of Donated Drugs. From their financial statement there were nil amounts on Grants from donors and development partners but when you go to the records of KEMSA and UHC, KEMSA had a record of Ksh. 57,395,762 million while UHC had a total of Ksh. 1,321,791 million. These pharmaceutical and non-pharmaceutical commodities were given with their values and cost and the facility failed to disclose the amount of these commodities. I want to believe that this might affect the confidence of the development partners.

Again, there was this variance in Trade and Other Payables. There are so many gaps which were identified and I believe if they strictly adhere to Public Finance Management Act, 2012, then some of these gaps can be corrected and we will be having facilities giving us Unqualified Audit Opinions. I therefore support the report presented by this House Committee. Thank you.

The Speaker (Hon. Oraro): Yes Honourable Deputy Whip.

Deputy Whip (Hon. Obonyo, MCA, South-West Kisumu): Thank you Mr. Speaker. Let me leave Honourable Oiko Pete to first contribute.

The Speaker (Hon. Oraro): Yes, Honourable Benny Pete Oiko

Hon. Oiko (MCA, Kabonyo-Kanyagwal): Thank you, Mr. Speaker. Mr. Speaker, I delayed in rising to my feet to make my little contribution and I am grateful to the Deputy Whip for allowing me to make my little contribution on this report.

Mr. Speaker, this report is on Kisumu County Referral Hospital and I want to express my happiness before I make contribution on this that when I was watching news yesternight and this morning Jaramogi Oginga Odinga Teaching and Referral Hospital got the approval of the Cabinet of Kenya, to be elevated to a level VI Status. This is an effort that Kisumu County Government has struggled with over the years and we hope, this will be a good achievement for our county government and with this kind of achievement, Mr. Speaker, I have been echoing which institution will now replaces Jaramogi Oginga Odinga Teaching and Referral Hospital. I must say that, it is Kisumu County Referral Hospital that is set to replace it. So, when we are discussing the report of Kisumu County Referral Hospital, we need to be very keen on the kind of report we have been given and what will be our other recommendation. When we digress a little on this report, then what picture do we give our people on what the county has been doing so that when Jaramogi Oginga Odinga goes up, the Kisumu County District Referral Hospital will replace it comfortably. It is my prayer that this will be done and our people shall not suffer because we know the cost of Jaramogi Oginga Odinga will go up and a good replacement will be there.

Mr. Speaker, just as I reiterated yesterday, when we are talking about the French Development Agency of 2012/2022, that the work that was done at Lumumba Sub-county Hospital is wonderful. If I may borrow the language of Honourable Justice Kwach, it is classic what has been done at Lumumba Sub-county Hospital.

Now when I contribute on this report, Mr. Speaker, the report from the Auditor General is not a bad one, though there are matters raised which needs to be looked into so that our finances are properly used in this our institution.

Mr. Speaker, on page 15, on the Balances in Receivables from Exchange Transactions, it is referring to National Hospital Insurance Fund. The record at the District Hospital and the record at the National Hospital Insurance Fund office, do not tally and I am wondering why these records do not tally. And this gives us this picture of the war between the National Government and the Private Hospitals in Kenya, where there's a fight for over Kshs 30 billion. The private hospitals want to be paid by the national government. And when the records prepared and given to the Auditor General shows variances that figures do not tally. When we hear this also at the national government, that they need to be audited first so that proper records are presented, what picture is there? There is poor record management at the health hospital level. That is why we find a difference of close to Kshs 20 million versus the Kshs 9 million. Why should that be there? Poor record management.

Mr. Speaker, where is this poor record management? It gives a very poor picture that the staff employed there may not be adequately qualified or figures are being played with or massaged. We ask our health facilities to keep proper records so that we do not get this kind of picture.

Mr. Speaker, when you look at page 16, on the House Committee observation, the Kshs 20 million, the Kshs 9 million, and they are saying the matter is unresolved. That means the office of Kisumu County Referral Hospital has not kept their records properly. And they were unable to reconcile. And that is a problem at the national level.

Mr. Speaker, on page 18, it is indicated that Non-disclosure of Donated Drugs. The donated drugs, the amount we look, we get here is not small. And they are supposed to receive this as money received in their financial records. This is because, when these pharmaceutical commodities are donated to these facilities, they are now not going to buy the drugs. They are not going to receive the physical money. They have received the money in the form of drugs. This needs to be tabulated in their record as finances received by the institution. They failed to do so. Failure to so give that picture that that money was not received. Then we now go to the records of the pharmaceutical commodities. Were they properly kept? So with this kind of records kept, there can be falsification of documents. And let us not give room for that.

Mr. Speaker, when we look at our hospital, Non-implementation of the Universal Health Coverage that is page 20. The equipment that they should have and what they do not have on page 21. Mr. Speaker, at the level of this hospital, the country government should ensure that the equipment are properly supplied to this hospital, so that it merits its position to provide good services to our people. Like when you look at a Renal Unit with at least five Dialysis Machines, none is there at Kisumu District Hospital. The High Dependency Unit (HDU) is supposed to have six beds—none are available. Similarly, the hospital should have six functional ICU beds, yet none exist. This is the same hospital we aim to upgrade to Level V, which highlights the urgent need for the Kisumu County Government to make significant improvements in service delivery.

Mr. Speaker, on Financial Management. While the hospital's performance was not entirely poor, there were critical shortcomings. For instance, revenue collected should have been transferred to the County Revenue Fund for proper monitoring, but this was not done. Additionally, the hospital is required to prepare Quarterly Financial Reports—this too was neglected. These quarterly reports are crucial because they provide a continuous financial overview, ensuring that by the time an audit report is released, we are already familiar with the financial status. This makes it easier to interpret and address any audit findings.

Mr. Speaker, the issue of Pending Bills is a widespread challenge across health facilities in this country. According to page six of the report on the Outstanding Trade and Other Payables. Kisumu County District Hospital has failed to settle its pending bills. This raises serious concerns—if the Treasury is allocating funds and the hospital is generating revenue, why are these bills still unpaid?

Mr. Speaker, a deeper look into their budget is necessary to understand why this continues to be an issue. Failure to settle these bills negatively impacts hospital services, as contractors and suppliers will be unwilling to continue providing essential goods and services.

As a growing health institution, the hospital needs a robust Internal Audit System to ensure proper financial management. Otherwise, Mr. Speaker, we hope that with such reports bringing issues to light, our health facilities will improve both in service delivery and financial accountability. I so contribute.

The Speaker (Hon. Oraro): Yes Honourable Obonyo.

The Deputy Whip (Hon. Obonyo, MCA, South West Kisumu): Thank you, Mr. Speaker, I wish to call the mover to reply.

The Speaker (Hon. Oraro): Honourable Were.

Hon. Were (MCA, Nyalenda “B”): Thank you Mr. Speaker. I wish to acknowledge the deliberations on the Qualified Opinion Report of the report of the Select committee on Public Investments and Accounts and express my appreciation for this House’s commitment to transparency and accountability in public financial management.

Mr. Speaker, the concerns raised in this audit report have been duly noted. With the recommendations put forward, I am confident that this Assembly will push the County Executive to address the identified issues. This House Committee has successfully highlighted several gaps, and I believe that with the proposed measures, we can ensure corrective action is taken.

First, financial management gaps were identified. The recommended measures aim to strengthen internal controls and enhance compliance with financial regulations to uphold accountability.

Second, the Committee noted deficiencies in record-keeping and documentation. With the proposed improvements, we will ensure that all financial transactions are properly recorded, verified, and maintained for transparency.

Additionally, procurement and expenditure oversight were flagged out as key areas requiring serious attention. A review of procurement processes is already underway to align with best practices and legal requirements, reducing the risk of irregular expenditures in the future.

Furthermore, this House has recommended the development of a corrective action plan with clear timelines to rectify deficiencies and ensure compliance with audit recommendations.

Mr. Speaker, as a House, we remain committed to working collaboratively with all stakeholders to uphold sound financial management and restore public confidence in the operations of the Select Committee on Public Investments and Accounts (PIC/PAC). We welcome further guidance and oversight to strengthen accountability mechanisms. With these few remarks, I beg to reply. Thank you.

The Speaker (Hon. Oraro): Honourable Members, the report of the Select Committee on Select Committee on Public Investments and Accounts on the Examination of the reports of the Audit General on the Financial Statements of Kisumu County Referral Hospital for the FY 2022/2023 has been moved, seconded and debated upon, I therefore want to put a question on the adoption of the same.

(Question put and agreed to)

The Speaker (Hon. Oraro): Honourable Members, the report of the Select Committee on Public Investments and Accounts on the Examination of the Reports of the Audit General on the Financial Statements of Kisumu County Referral Hospital for the FY 2022/2023 has been adopted today, Wednesday, the 12th of March, 2025 at 09.54 a.m. I direct that the recommendations of the said report be communicated to the relevant departments for action. That, the Committee of Implementation to follow up on the same as per our standing orders.

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

ADJOURNMENT

The Speaker (Hon. Oraro): Honourable Members, there being no other business in the order paper, the House stands adjourned until today, Wednesday, 12th of March, 2025 at 02.30 p.m.

(House rose at 09.56 a.m.)

Addendum
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