COUNTY GOVERNMENT OF KISUMU

COUNTY ASSEMBLY OF KISUMU

THE HANSARD

Official Report

THIRD ASSEMBLY – FOURTH SESSION

Tuesday, 08th April, 2024

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

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

PRAYERS

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Honourable Members, I direct the Serjeant-at-Arms to ring the quorum bell for the first five minutes.

(Quorum bell is rung for the first five minutes)

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Honourable Members, I am not able to see the Chief Whip, Honourable Seth Kanga and even the Deputy Whip Honourable Jennipher Obonyo is not present in the House. However, the Majority Leader's seat is occupied by Honourable James Omollo. The Honourable James Omollo, kindly confirm if we have quorum.

Hon. Omollo (MCA, West Nyakach): Honourable Speaker, I can confirm we have quorum. Thank you.

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Mr. Clark, kindly take us through the order of the day.

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

PAPERS LAID

REPORT BY THE SELECT COMMITTEE ON COUNTY BUDGET AND APPROPRIATIONS ON ITS CONSIDERATION OF THE PROPOSED KISUMU COUNTY SUPPLEMENTARY ESTIMATES NO. 1 FOR THE FINANCIAL YEAR 2024-2025

AND

REPORT BY THE SELECT COMMITTEE ON COUNTY BUDGET AND APPROPRIATIONS ON ITS CONSIDERATION OF THE PROPOSED KISUMU COUNTY FISCAL STRATEGY PAPER FOR THE FINANCIAL YEAR 2025-2026

BY

HON. JOACHIM OKETCH, MCA, KONDELE

(CHAIRPERSON, BUDGET AND APPROPRIATIONS COMMITTEE)

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Yes, Honourable Joachim Oketch Omieno, Chairperson, Budget and Appropriation Committee.

Hon. Joachim (MCA, Kondele): Thank you very much Madam Speaker. That, pursuant to provisions of Orders No. 182 (6) of the Kisumu County Assembly Standing Orders, I wish to table today Tuesday 08th April, 2025, the following House Committee reports;

1. Report by the Select Committee on County Budget and Appropriations on its consideration of the Proposed Kisumu County Supplementary Estimates No. 1 for the Financial Year 2024-2025.
2. Report by the Select Committee on County Budget and Appropriations on its consideration of Proposed Kisumu County Fiscal Strategy Paper for the Financial Year 2025-2026 and the Medium Term.

Thank you.

(Hon. Oketch tables the reports before the House fort consideration)

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Honourable Members, I confirm a receipt of the reports by the Select Committee on Budget and Appropriation on;

1. Report by the Select Committee on County Budget and Appropriations on its consideration of the Proposed Kisumu County Supplementary Estimates No. 1 for the Financial Year 2024-2025.
2. Report by the Select Committee on County Budget and Appropriations on its consideration of Proposed Kisumu County Fiscal Strategy Paper for the Financial Year 2025-2026 and the Medium Term.

Honourable members, I commit these reports to the Select Committee on House Business for scheduling for debate. Thank you

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

NOTICES OF MOTION

REPORT BY THE SELECT COMMITTEE ON COUNTY BUDGET AND APPROPRIATIONS ON ITS CONSIDERATION OF THE PROPOSED KISUMU COUNTY SUPPLEMENTARY ESTIMATES NO. 1 FOR THE FINANCIAL YEAR 2024-2025

AND

REPORT BY THE SELECT COMMITTEE ON COUNTY BUDGET AND APPROPRIATIONS ON ITS CONSIDERATION OF THE PROPOSED KISUMU COUNTY FISCAL STRATEGY PAPER FOR THE FINANCIAL YEAR 2025-2026

BY

HON. JOACHIM OKETCH, MCA, KONDELE

(CHAIRPERSON, BUDGET AND APPROPRIATIONS COMMITTEE)

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Yes, Honourable Joachim Oketch Omieno, Chairperson, Select Committee on Budget and Appropriations.

Hon. Joachim (MCA, Kondele): Thank you very much, Madam Speaker. That, pursuant to provisions of Order No. 45, (1) of the Kisumu County Assembly Standing Orders, I request the House to adopt the reports of Select Committee on Kisumu County Budget and Appropriation on its consideration of the following;

1. Report by the Select Committee on County Budget and Appropriations on its consideration of the Proposed Kisumu County Supplementary Estimates No. 1 for the Financial Year 2024-2025.
2. Report by the Select Committee on County Budget and Appropriations on its consideration of Proposed Kisumu County Fiscal Strategy Paper for the Financial Year 2025-2026 and the Medium Term.

Thank you very much.

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

STATEMENTS

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Honourable Members, it is Statement Hour. I am not able to see Leader of Majority. Honourable James, are you in a position to take us through the House Business Committee schedules for businesses commencing on Wednesday 09th April 2025?

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Honourable Omollo, please approach the Chair.

(Hon. Speaker consults with hon. Omollo)

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Honourable members, since we do not have any House Business Committee Member in this House, we shall defer that business to tomorrow morning. Thank you.

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

MOTION

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

BY

HON. KENNEDY OUKO, MCA, WEST KISUMU

(CHAIRPERSON, PUBLIC INVESTMENTS AND ACCOUNTS)

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

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 Statement of Kisumu of Sondu Sub-County Level 4 Hospital for the Financial Year 2020/2022 and 2022/2023.

Honourable Speaker, on behalf of the Select Committee on Public Investments and Accounts (PICPAC), and pursuant to Kisumu County Assembly Standing Orders 188, I wish to present to this House the report of the Committee on the audited financial statements of Sondu Sub County Hospital for the financial years 2021/2022 and 2022/2023.

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

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

Honourable Speaker, the Committee held 2 sittings during which it received both written and oral evidence from the Accounting Officer on audit queries raised by the Auditor-General on the financial statements of Sondu Sub County Hospital FY 2021/2022 and 2022/2023.

Honorable Speaker, I wish to register my appreciation to fellow Honorable Members of the Committee, the Offices of the Speaker and the Clerk of the Assembly, the Committee Secretariat and the Office of the Auditor General for the facilitation and technical support that made the production of this report possible.

Honorable Speaker, on behalf of the Public Accounts and Investments Committee, I now wish to table the report on the consideration of the Auditor General's report on the Financial Statements of Sondu Sub County Hospital for the year ended 30, June 2022 and 30, June 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 of the following Honorable Members,

Table 1: Committee Membership as at February 2025

	Name	Position
	Members	
1.	Hon. Ken Ouko	Chairperson
2.	Hon. Tom Onditi	Vice Chairperson
3.	Hon. Mickey Ochieng	Member
4.	Hon. Habil Nyasuna	Member
5.	Hon. Nancy Matara	Member
6.	Hon. Rueben Rakwach	Member
7.	Hon. James Were	Member
8.	Hon. James Omollo	Member
	Secretariat	
1.	Austine Ochieng'	Committee Clerk
2.	Chrispine Oguta	Clerk Assistant
3.	Patrick Okoyo	Hansard Officer
4.	Faith Judith	Serjeant-at-arms
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

Legal Framework

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 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

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 SONDU SUB COUNTY LEVEL 4 HOSPITAL FY 2021/2022 AND 2022/2023

Honourable Speaker, the Medical Superintendent, Dr. Bruce Ouma appeared before the Committee on 5th February 2025 to adduce evidence on the Audited Financial Statements of the Sondu Sub County Hospital for the year ended 30, June 2022 and 30th June 2023.

The following Officers accompanied the Medical superintendent;

Joseph Nyandika – Hospital Administrator

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

1. David Mutunga – Representative of the OAG
2. Grace Omega- Representative of the OAG

BASIS FOR ADVERSE OPINION FY 2021/2022 & 2022/2023

3.1 Inaccuracies in the financial statements

The financial statements presented for audit in FY 2021/2022 had the following inaccuracies;

The statement of comparison of budget and actual amounts has been excluded from the financial statements.

ii. The statement of financial position reflects a Nil amount for total assets while the actual amount is Kshs. 462,942.

iii. The statement of changes in net assets reflects a Nil amount for surplus/deficit but the actual amount is Kshs. 197,753.

iv. The statement of financial performance reflects transfer from county government amount of Kshs, 832,342 while Note 6 reflects Kshs, 832,349.

v. Note 11 reflects a casted figure of Kshs. 83,740 but the breakdown of the balance has not been indicated.

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

Management Response

Honourable Speaker, the management acknowledges the issues raised by the auditors and thus responds that it was the hospital's first time to prepare and report annual financial statements for the first time and thus was not up to per with the requirements of International Public Sector Accounting Standards (accrual basis). The hospital at that time lacked an accountant to help with the preparation of the financial statements.

Honourable Speaker, the hospital did not maintain the annual statement of comparison of the budget and the actuals amounts since the hospital budgeted with the available income and requested for Authority to Incur Expenditure (AIE) from the Chief Officer of Health to spend all the allocated monies as per the approved quarterly budgets.

The management has taken keen note on this and has thereafter maintained a statement of comparison of budget and actual amounts in the presiding financial years.

The financial statements provided for audit in FY 2022/2023 had the following inaccuracies;

a) The statement of comparison of budget and actual amounts has not been included in the financial statements.
b) The statement of financial position reflects a Nil amount for surplus/deficit although the statement of financial performance reflects a deficit of Kshs. 142,716 and Kshs. 623,016 for the financial year 2022/2023 and 2021/2022 respectively.

c) The statement of changes in net assets reflects a Nil amount for accumulated surplus as at 30 June, 2023 while the statement of financial performance reflects (Kshs. 142,716) deficit for the year and a comparative amount of (Kshs. 623,000).
d) The statement of cash flow reflects a net decrease in cash and cash equivalents amount of Kshs. 142,716 however, the recalculated amount was Kshs. 157,284
e) The statement of financial performance reflects a comparative amount of Nil for grants from donors and development partners while the prior year's financial statement indicates Kshs. 425,270 for the same.
f) The statement of financial performance reflects an opening balance for revenue from exchange transactions amount of Kshs. 1,916,089 while the prior year financial statements indicate an amount of Kshs. 2,257,612 for the same.
g) The statement of financial performance reflects an opening balance for net surplus for the year amount of Kshs. 623,016 while the prior year financial statements indicate an amount of Kshs. 197,753 for the same.
h) viii The statement of financial position reflects total net assets and liabilities amount of Kshs. 462,942 while the prior year's financial statements indicate a Nil amount for the same
i) The statement of cash flow reflects opening balance for transfer from the County Government an amount of Kshs. 1,832,349 while the prior year financial statement indicates an amount of Kshs. 1,832,342 for the same
j) The statement of cash flow reflects Nil amount for transfer from other Government entities while the prior year financial statements indicates an amount of Kshs. 425,270 for the same
k) Xi The statement of cash flow indicates an opening balance for cash and cash equivalent amount of Kshs. 462,942 while the prior year's financial statements reflect a Nil amount for the same.

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

Management Response

i. We acknowledge that the Statement of Comparison of Budget and Actual Amounts was inadvertently omitted from the initial submission of the financial statements we will include it in the subsequent year as a prior year adjustment.
ii. We acknowledge the inconsistency between the Statement of Financial Position, which incorrectly reflects a "Nil" amount for surplus/deficit, and the Statement of Financial Performance, which shows deficits of Kshs. 142,716 and Kshs. 623,016 for the financial years 2022/2023 and 2021/2022, respectively. The management takes note of the issues flagged by the auditors and responds that as stated above it was the first time the facility was preparing financial statements and with lack of an accountant the management had a

hard time in struggling to understand the requirements of IPSAS. This therefore resulted to such error of omission. The management however will adjust the error as an amendment in the subsequent financial report, as an adjustment in the prior year

iii. The Nil accumulated surpluses on the statement of changes in net assets as of June 30, 2023, is a result of using the prior year's accumulated surplus to offset the current year's deficit. This will be amended in the subsequent financial year as an adjustment of the prior year.

iv. We acknowledge the discrepancy between the net decrease in cash and cash equivalents reported in the statement of cash flow (Kshs. 142,716) and the recalculated amount (Kshs. 157,284). We are committed to identifying the cause of this difference and ensuring the accuracy of our financial statements. We shall amend the financial statement in the subsequent year as adjustment of the prior year.

v. We acknowledge the difference in grant income between the current year (Nil) and the prior year (Kshs. 425,270). In the current year, we did not receive any new grants from donors or development partners. The Kshs. 425,270 reported in the prior year cannot be traced from the bank statement. We have no grant agreement for this project as supporting documentation.

vi. We acknowledge the difference between the opening balance for revenue from exchange transactions in the current year (Kshs. 1,916,089) and the prior year's reported amount (Kshs. 2,257,612). This difference is an error of omission and will be amended in the subsequent year as a prior year adjustment.

vii. We acknowledge the difference in the opening balance for net surplus for the year, which is Kshs. 623,016 in the current year compared to Kshs. 197,753 in the prior year. The net surplus will be amended in the subsequent year as an adjustment of the prior year.

viii. We acknowledge the difference in total net assets and liabilities between the current year (Kshs. 462,942) and the prior year (Nil). We will adjust the difference in the subsequent year as an adjustment of the prior year.

ix. We acknowledge the difference of Kshs. 7 between the opening balance for transfers from the County Government as reflected in the current year's statement of cash flow (Kshs. 1,832,349) and the amount reported in the prior year's financial statements (Kshs. 1,832,342). The difference will be amended in the subsequent year as an adjustment of the prior year.

x. We acknowledge the difference in transfers from other government entities between the current year (Nil) and the prior year (Kshs. 425,270). The transfers will be amended in the subsequent year as an adjustment of the prior year.

xi. We acknowledge the difference in the cash and cash equivalents balance between the current year (Kshs. 462,942) and the prior year (Nil). We will amend the difference in the subsequent year as an adjustment of the prior year.

Committee Observations

1. That at the time of the audit, the Accounting Officer signed and presented for audit financial statements that contained inaccurate figures as stated in (i-xi) for the financial year 2022/2023 and (i-v) for the year 2021/2022. Therefore, the financial statements of Sondu Sub-County Level 4 Hospital for the two years under review were not accurate, contrary to Section 42 (a) which requires an Accounting Officer to sign a financial statement thereby making him/herself responsible for the correctness.
2. That at committee delegations, the Management had prepared and submitted to the office of the Auditor General amended financial statements for the year ended 30th June 2024 reinstating opening balances to correct the listed inconsistencies.

Committee Recommendations

1. That an Accountant be seconded to the facility to help in accurate preparation of the financial statements
2. That going forward, the Accounting Officer must adhere to Section 42 (a) of the PFM Regulations, 2015.
3. That the matter is resolved

3.2 Variances between the Revenue Reported and Manual Monthly Collection Analysis
The statement of financial performance for the year ended 30th June 2023 reflects rendering services - medical services income of Kshs. 178,211 as disclosed in Note 7 to the financial statements. Analysis of the Manual Monthly Collection Reports and bank statements to verify receipt of the funds reflect a receipt of funds amounting to Kshs. 2,338,249 resulting to unexplainable variance of Kshs. 2,160,038.

Honourable Speaker, in the circumstances, the accuracy and completeness of the revenue from exchange transactions amount of Kshs. 178,211 could not be confirmed

The statement of financial performance for the year ended 30th June 2022 reflects revenue from exchange transactions amount of Kshs. 83,740 which was in respect to rendering of medical services income. Analysis of the Manual Monthly Collection Reports and bank statements to verify receipt of the funds indicate a receipt of funds amounting to Kshs. 2,318,515 resulting in an unexplained variance of Kshs. 2,234,775.

In the circumstances, the accuracy and completeness of revenue from exchange transactions amount of Kshs. 83,740 could not be confirmed.

Management Response

i) The management takes note of the auditors concerns, and currently investigating the matter.

This discrepancy may be due to incomplete recording of all medical services income in our accounting system resulting to an erroneous omission. The variance will be corrected in the subsequent year as an amendment of the prior year

ii) The management notes the above issues and takes the issue with utmost seriousness. Upon review of the hospital's monthly revenue surrenders and bank statements the management realized an understatement and a variance in the income reported. Monies from NHIF disbursed were not captured as revenue generated while reporting thus the huge difference. This was primarily due to misunderstanding of the reporting language as required by IPSAS. The management has therefore amended the figure to the correct amount of Kshs. 2,318,515.

The management has taken to acquire relevant skills on casual basis whilst awaiting posting from the health department, to help with preparation and recording of such data to avoid such errors in the future.

Committee Observations

1. That at the time of the audit, revenue reported in the financial statements differed from the figures recorded in the books of original entry and bank statements by Kshs. 2,234,775and Kshs. 2,160,038 for the financial year 2022 and 2023 respectively. As such, the financial statements presented by the Accounting Officer for audit were not accurate contrary to Section 42(a) of the PFM Regulations 2015.
2. That the Management, while appearing before the committee, presented amended financial statements to correct and reconcile the variance and to reinstate opening balances in the financial year 2023/2024.

Committee Recommendations

1. That going forward, the Accounting Officer must adhere to Section 42 (a) of the PFM Regulations, 2015.
2. That the matter is resolved

3.3 Underpayment of Casuals

Review of the documents provided for audit for the year ended 30th June 2023 including the master rolls and the payment vouchers revealed that the casual employees were being underpaid with some even receiving a monthly pay of Kshs. 6,000 per month against the minimum wage rate of Kshs. 13,572.90 for the general casuals as per the minimum wage guidelines.

In the FY 2021/2022, The amount of Kshs. 788,000 relates to wages paid to the casual workers engaged by the entity review of the documents provided for audit including the Muster rolls and the payment vouchers revealed that the casuals were being underpaid with some even receiving a monthly pay of Kshs. 6,000 against the minimum wage rate of Kshs. 13,572.90 for the general casuals as per the minimum wage guidelines.

Management Response

Honourable Speaker, we acknowledge the findings regarding the underpayment of some casual workers, with some receiving only Kshs. 6,000 per month compared to the minimum wage rate of Kshs. 13,572.90.

This appears to be as a result of constrained resources in light of the demand required by HR policy.

i) The management wishes to clarify that contracts were offered with the same offer of Kshs. 6000. Which the casuals accepted to without coercion
ii) minimum wage rate of Kshs. 13,572.90.

This appears to be as a result of constrained resources in light of the demand required by HR policy.

Contracts offered stipulated the amount Kshs.6000. as what was on offer

Committee Observation

That during the period of audit review, casual staffs at Sondu Sub County Level 4 Hospital were paid wages below the stipulated minimum wage in Kenya contrary to the Regulations of Wages and Conditions of Employment Act (CAP 229 and the Labour Institutions Act 2007 which prevents employment of anyone over 18 years old at less than the minimum wage and housing allowance.

Committee Recommendations

1. That going forward, the Management must strictly adhere to the Regulations of Wages and Conditions of Employment Act (CAP 229 and the Labour Institutions Act 2007 in setting wages and payment of casual employees
2. That the matter is resolved.

3.4 Failure to Disclose the Unpaid Wages
The amount of Kshs. 308,000 excludes arrears of Kshs. 294,000 owed to casual employees as wages for the months of October, 2022 to June, 2023. Further Kshs. 294,000 was not disclosed as trade and other payables in the statement of financial position

Management Response

Honourable Speaker, we acknowledge that the amount of Kshs. 308,000 excludes arrears of Kshs. 294,000 owed to casual employees for the months of October 2022 to June 2023.

Corrective Actions: that Kshs. 294,000 has been recorded as a liability under "Trade and Other Payables" in the revised Statement of Financial Position.

The Statement of Financial Performance has been adjusted to reflect the correct employee expense. In the subsequent financial statement as a prior year's adjustment.

Committee Observations

1. That the Management presented financial statements for the year ended 30th June 2023 in which unpaid salaries of Kshs. 294,000 owed to casual employees was not disclosed. In so doing, the Accounting Officer signed and presented for audit financial statements which were not correct contrary to Section 42(a) of the PFM Regulations 2015
2. That during committee hearing, the Management presented amended financial statements to reinstate opening balances for the financial year 2023/2024 thus correcting the non-disclosure.

Committee Recommendations

1. That going forward, the Accounting Officer must adhere to Section 42 (a) of the PFM Regulations, 2015.
2. That the matter is resolved

3.5 Non-Disclosure of Employee Costs Paid by the County Government
In the two financial years 2021/2022 and 2022/2023, the Hospital received services from staff who are on permanent and pensionable basis and on contract who are employed and paid by the County. However, the expenditure was not disclosed in the financial statements.

Further, Management did not provide supporting documents including the monthly payrolls, employees' ethnicity, personnel files, list of employees recruited during the year and those who exited during the year, and also other details like full name, age, sex, occupation, date of employment, nationality and educational level of each of his employees as stipulated in law. It was therefore not possible to determine the actual amount paid by the County Government on behalf of the Hospital as salaries.

Management Response

Honourable Speaker, the audit finding highlights significant concerns regarding the Hospital's financial reporting; we acknowledge the failure to disclose expenditure related to staff paid by the County Government misrepresents the Hospital's true financial position and operations.

The absence of crucial documents such as payrolls, personnel files, and employee records severely limits the ability to verify the accuracy and legitimacy of salary expenses.

We however have written a follow up letter to the county payroll manager through the chief officer of health to avail the staff annual payroll for county government staff. This will be reconciled to amend the subsequent financial statement as a prior year adjustment.

Committee Observations

1. That in the two Financial Years, the Hospital received services from staff who are on permanent and pensionable basis and on contract who are employed and paid by the County. However, the expenditure was not disclosed in the financial statements.
2. That the Management did not provide supporting documents including the monthly payrolls, employees' ethnicity, personnel files, list of employees recruited during the year and those who exited during the year and also other details like full name, age, sex, occupation, date of employment, nationality and educational level of each of his employees as stipulated in law.

Committee Recommendations

1. That the County Executive Committee Member for Medical Services, Public Health and Sanitation should within fourteen days of adoption of this report, ensure that the Hospital in provided with all the data necessary for the management to make the disclosure of salaries paid by the County Government.
2. That going forward, the Accounting Officer, must ensure payroll support from the County Government is accurate reported in the financial statements each year.

3.6 Non-Disclosure of Grants from Donors and Development Partners

1. Review of staff list employed in the financial 2021/2022 revealed that a total of eighteen (18) members of staff were being paid by a non-governmental Organization (Donor). However, monthly payrolls and the actual amount paid as salaries were not disclosed in the financial statements as Grants from Donors and Development Partners.

Honourable Speaker, in the circumstances, the accuracy and completeness of the employee costs amount of Kshs. 308,000 could not be confirmed

2. Review of staff list in the financial 2022/2023 revealed that a total of eighteen (18) members of staff were being paid by a Non-Governmental Organization (Donor) However, monthly payrolls and the actual amount paid as salaries were not disclosed in the financial statements as Grants from Donors and Development Partners.

In the circumstances, the accuracy and completeness of the employee costs amount of Kshs. 788,000 could not be confirmed

Management Response

Honourable Speaker, the management takes note of the concern from the auditors. The hospital consists of staffs from the county government of Kisumu, partner staffs and casuals contracted directly by the hospital at request and approval by the board. The partner staffs are directly remunerated by the partner directly. The management is takes note of the directive from the auditors to include the amount as part of the contribution in kind. However, the management is

also keen on maintaining all the staff bio data and has thus presented them for audit opinion. See annex

Honourable Speaker, a follow up letter was given to payroll department CIHEB Kisumu to avail the annual payroll for the amendment of the financial statement in the subsequent year as a prior year adjustment

The Kshs. 788,000. refers to employee costs incurred from sourcing casual labor to help the staffs with the efficient running of the hospital and bridge the unemployment gap experienced within the hospital.

Committee Observations

1. That in the two financial years under review despite Management having received payroll support from donors and other development for eighteen employees, the same was not disclosed in the financial statements there by making it impossible to determine actual employee costs incurred.
2. That the action by Management was 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*
3. That at time of committee deliberations, the Management had initiated a process of obtaining data from the County Government through its payroll department to make the disclosures needed.

Committee Recommendations

1. That going forward, the Management must adhere to Section 138(8) of the Public Finance Management Act, 2012.
2. That the matter is unresolved

3.7 Variances in Revenue from Rendering Services

1. The statement of financial performance reflects Kshs. 178,211 in respect to rendering of service- medical service income as disclosed in Note 7 to the financial statements. This amount does not include National Health Insurance Fund reimbursements. However, the National Health Insurance Fund records revealed an amount of Kshs.471 ,000 was paid to the Hospital during the financial year resulting to an unexplained variance of Kshs.471 ,000.

In the circumstances, the accuracy and completeness of revenue from rendering services-Medical Service Income of Kshs. 178,21 1 could not be confirmed

2. The statement of financial performance reflects Kshs. 83,740 in respect to rendering of Service- medical services income as disclosed in Note 1 1 to the financial statements. The amount excludes National Health Insurance Fund (NHIF) reimbursement. However, analysis of payments of NHIF claims in the bank statement shows that the facility received Kshs. 224,520 In the circumstances, the accuracy and completeness of revenue from rendering services of Kshs. 83,740 could not be confirmed

Management Response

1. We acknowledge the difference between the medical service income reported in the statement of financial performance (Kshs. 178,211) and the total received from NHIF claims identified in the bank statement analysis (Kshs. 471,000.

The management is lending a keen eye into this to ensure that such errors do not occur again in the future. The error will be adjusted in the subsequent year as an adjustment of the prior year.

2. We acknowledge the difference between the medical service income reported in the statement of financial performance (Kshs. 83,740) and the total received from NHIF claims identified in the bank statement analysis (Kshs. 224,520).

The management has taken note of the variance in revenue from rendering of services and the amount will be reconciled in the subsequent year as a prior year adjustment.

Committee Observations

1. That the Management presented financial statements for the year ended 30th June 2023 and 2022 in which revenue from rendering of services- medical services income in which Kshs. 471,000 and Kshs. 224,520 was not included in the financial statements. Consequently, the financial statements prepared and submitted by the Accounting Officer was not accurate contrary to Section 42(a) of the PFM Regulations 2015
2. That during committee hearing, the Management presented amended financial statements to reinstate opening balances for the financial year 2023/2024 thus correcting the omitted revenue from NHIF for the two financial years in the financial statements.

Committee Recommendations

1. That going forward, the Accounting Officer must adhere to Section 42 (a) of the PFM Regulations, 2015.
2. That the matter is resolved

3.8. Variances in Receivables from Exchange Transactions

1. The statement of financial position reflects Nil balance in respect to receivables from exchange transactions. However, data from the National Health Insurance Fund (NHIF)

indicates an outstanding amount of Kshs. 1,318, 180 resulting to an unexplained variance of Kshs.1 318, 180.

In the circumstances, the accuracy and completeness of the Nil balance in respect of receivables from exchange transactions could not be confirmed.

Management Response

Honourable Speaker, the management takes note of the auditors' concern; we are currently investigating the cause of this discrepancy.

Sighting possible causes:

a. Incomplete or inaccurate recording of NHIF claims.
b. Delays in recording received payments from NHIF.
c. Errors in data entry or reconciliation.

The variance will be corrected in the subsequent financial year as an adjustment of the prior year.

Committee Observations

1. The Management presented financial statements for the year ended 30th June 2023 in which receivable revenue from National Health Insurance Fund (NHIF) of Kshs. 1,318,180 was not included in the financial statements. Consequently, the financial statements prepared and submitted by the Accounting Officer was not correct contrary to Section 42(a) of the PFM Regulations 2015
2. That during committee hearing, the Management presented amended financial statements to reinstate opening balances for the financial year 2023/2024 thus correcting the omitted receivables from NHIF.

Committee Recommendations

1. That going forward, the Accounting Officer must adhere to Section 42 (a) of the PFM Regulations 2015
2. That the matter is resolved

3.9 Variances in Trade and Other Payables

During the financial year 2021/2022 and 2022/2023 the statement of financial position reflects a Nil balance in respect to trade and other payables. However, KEMSA records reflect Kshs. 1,990 resulting to an unexplained variance of Kshs. 1,990.

In the circumstances, the accuracy and completeness of Nil balance in respect to trade and other payables could not be confirmed

Management Response

Honourable Speaker, we acknowledge the variance of Kshs. 1,990 between the Nil balance in the Statement of Financial Position for trade and other payables and the Kshs. 1,990 reflected in KEMSA records. We will provide necessary adjustments to the financial statements to reflect the accurate balance of trade in the subsequent year as an adjustment of the prior year

Committee Observations

1. That Kshs. 1,990 was not included in the financial statements. Consequently, the financial statements prepared and submitted by the Accounting Officer were not correct contrary to Section 42(a) of the PFM Regulations 2015
2. That during committee hearing, the Management presented amended financial statements to reinstate opening balances for the financial year 2023/2024 thus correcting the omitted payables to KEMSA

Committee Recommendations

1. That going forward, the Accounting Officer must adhere to Section 42 (a) of the PFM Regulations 2015
2. That the matter is resolved

3.10 Unsupported Cash and Cash Equivalents

1. The statement of financial position for the FY 2022/2023 reflects a cash and cash equivalent balance of Kshs. 153,447 as disclosed in Note 27 to the financial statements. However, review of the documents provided for audit including the cash books and bank statements revealed that the financial statements reflects an amount of Kshs. 153,447 while the cash book reflects a balance of Kshs. 153,927 leading to a variance of Kshs.480.

In the circumstances, the accuracy and completeness of the cash and cash equivalent balance of Kshs. 153,447 could not be confirmed

Committee Observations

1. The Management presented financial statements for the year ended 30th June 2023 in which cash and cash equivalent had a variance of Kshs.480 there before, the financial statements prepared and submitted by the Accounting Officer was not correct contrary to Section 42(a) of the PFM Regulations 2015.
2. That during committee hearing, the Management presented amended financial statements to reinstate opening balances for the financial year 2023/2024 in order to reinstate and correct cash and cash equivalent.

Committee Recommendations

1. That going forward, the Accounting Officer must adhere to Section 42 (a) of the PFM Regulations 2015.
2. That the matter is resolved

3.11 Unconfirmed Inventory Balance

1. The statement of financial position reflects Nil balance for inventories. However, there was no evidence of conducting the annual stock take to confirm the quantities, value and status of closing inventory balances as at 30 June, 2022. Physical inspection in stores records revealed that some of the items had closing balances of undetermined value.

In the circumstances, the accuracy and completeness of the Nil balance could not be confirmed

2. The statement of financial position reflects Nil balance for inventories. However, physical verification in stores records revealed that some Hospital items had closing for audit and no evidence of conducting of the annual stock take to confirm the quantities, value and status of closing inventory balances as at 30 June, 2023.

In the circumstances, the accuracy, completeness and valuation of the Nil inventory balance could not be confirmed balances of undetermined value. Further, no inventory valuation report was provided

Management response

Honourable Speaker, the management takes notice of the issues flagged by the auditors. The management apologizes for the inconveniences caused and takes precautions to avert this inefficiency in the future. The hospital however maintains stock cards for all commodities in the stores. The cards are maintained and updated on a regular basis as appropriate. The management will have an annual stock take and value will be updated in the subsequent financial year as an adjustment of the prior year.

Committee Observations

1. The Management did not conduct and present for audit end year stock taking report. Consequently, the accuracy of nil balance of stock reported in the financial statement for the two years under review could not be ascertained. 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.
2. That 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

1. That in the subsequent reporting periods, the management must conduct and present for audit annual stock taking report of all its inventory in strict adherence to the provisions of IPSAS 12.
2. The matter is resolved.

3.12 Non-Disclosure of Property, Plant and Equipment

Honourable Speaker, the statement of financial position for the two financial years reflects Nil property, plant and equipment balance. However, review of Hospital records and physical verification revealed various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further, the ownership documents for land were not provided for audit.

In the circumstances, the accuracy, completeness and ownership of Nil property, plant and equipment balance could not be confirmed.

Management Response

Honourable Speaker, the management has noted this with lots of concern and has written a follow up letter to the Chief Officer department of Health on the way forward towards valuations of all the hospital Assets including the acquisition of the hospital title deed. Further to that all the assets are under the county department of health custody and has since been accounted for in their financial statement. Due to financial implications involved, the hospital is not able to carry out valuation and ownership documents for movable assets inherited from the ministry of health as no formal handing over was done as at the transition period

Committee Observations

1. That the management despite owning various property, plant and equipment did not account for the same in accordance to IPSAS 17 which provides the frame work for valuation, measurement and recording of property plant and equipment in the financial statements.
2. That the Hospital sat on a land parcel whose title deed was not available for audit verification.

Committee Recommendations

1. That the accounting officer should initiate the processing of title deeds and the valuation of all property, plant, and equipment, and submit a progress report on the same to the Assembly within 90 days upon adoption report
2. That going forward, the Management should adhere to IPSAS 17 in presentation of its financial statements
3. The Matter in unresolved.

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

i. Review of the financial statements and annual reports for the FY 2022/2023 provided for audit revealed the following anomalies;
ii. The profile of the Board does not indicate whether members are independent or alternate.
iii. The profile of Medical Superintendent does not indicate whether he has a master's degree as required. In addition, the profiles of Management team do not include their passport size photos and their key professional qualifications.
iv. The profile of Board members does not indicate their age, key qualifications and work experience.
v. The financial statements have not been signed by anyone with ICPAK registration number.
vi. The corresponding page number for the statement of comparison of budget and actual amounts reflects Error! Bookmark not defined.
vii. The statements reflected in the table of contents page reflects 30 June 20xx.
viii. The statement of cash flow does not indicate the respective Note numbers.
ix. Management discussions and analysis does not include important details like mortality rate, bed occupancy rate and the average length of stay for the patients.
x. The financial performance on page xxiv indicates that the Hospital Management received a total of Kshs. 1,165,910 and Kshs. 1,165,122 paid out on different expenses during the period which is false as per the statement of financial performance and statement of financial position.
xi. The statement of financial performance indicates prior year as 2020/21 instead of 2021/22
xii. The heading in the statement of financial performance, statement of financial position, statement of net assets ant the statement of cash flow reads Sondu Level iv sub-county Hospital instead of Sondu Sub County Level 4 Hospital.
xiii. The statement of changes in net assets erroneously indicates July 1, 2022 and July 1, 2023 instead of 1 July, 2021 and 1 July, 2022 respectively.

In the circumstances, the presentation and disclosures in the financial statements do not comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board

Review of the financial statements for the FY 2021/2022 availed for audit revealed the following anomalies;

The profile of the board does not indicate whether the members are independent or alternate. In addition, it doesn't indicate their age, key qualifications and work experience.

ii. The profile of the medical superintendent does not indicate whether he has a master's degree as required.

iii. The profiles of Management team do not include their passport size photos and their key professional qualifications. In addition, it doesn't include their passport photos, key qualifications and their professional/academic qualifications.

iv. The financial statements have not been signed by anyone with ICPAK registration number.

v. The table of contents have been numbered in romans while the statement pages have used the numbers.

vi. The statement of cash flow does not indicate the respective Note numbers.

vii. Management discussions and analysis does not include important details like mortality rate, bed occupancy rate and the average length of stay for the patients.

viii. The heading on the cover page and all other pages does not indicate the level of the Hospital.

ix. The figures in the financial statements are indicated as xxx instead of Nil values.

x. Pages 4 and 5 indicates Notes set out on pages' x to xx.

Honourable Speaker, the following reports have not been populated; corporate governance statement, Management discussion and analysis, clinical/operational performance, financial performance, environmental and sustainability reporting, report of Board of Management and the statement of performance against pre-determined objectives.

In the circumstances, the presentation and disclosures in the financial statements do not comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board

Committee Observations

1. That during the two financial years under review, the committee presented for audit financial reports that were not prepared in line with International Public Sector Accounting Standards (IPSAS) template as provided by the Public Sector Accounting Standards Board (PSASB) in the areas listed in(i-xii) and (i-x) above for FY 2022/2023 and 2021/2022 above.
2. In so doing, the Management contravened the PFM regulation 2015 regulation 197(1) which states that:" An entity shall prepare its financial statements in accordance with the formats prescribed by the Public Sector Accounting Standards Board (PSASB)and set out in the First Schedule"

Committee Recommendations

1. That in the subsequent reporting periods, the Management must adhere to the PFM regulation 2015 regulation 197(1) in preparation and presentation of its financial statements.
2. That the Matter is resolved.

3.14 Failure to Transfer Revenue to the County Revenue Fund Account

Honourable Speaker, the statement of financial for the year ended 30th June 2023 performance reflects rendering services- medical services income of Kshs. 178,211 as disclosed in Note 7 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 and Management (County Government) 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

Honourable Speaker, we acknowledge that the medical services income of Kshs. 178,211 was not transferred to the County Revenue Fund Account before withdrawal as required by the regulations.

We identified an inconsistency in our internal procedures related to the transfer of revenue to the County Revenue Fund Account.

Committee Observation

Honourable Speaker, that the Management acknowledged failure to transfer revenue to the County Revenue Fund Account for approval by the Controller of Budget before withdrawal contrary to contrary to Regulation 81 (1-3) which states that *a receiver of revenue shall promptly deposit into the County exchequer account all receipts due to the County Revenue Fund*.

Committee Recommendations

1. That going forward, the Management must implement the provisions of regulation Regulations 81(1-3) of the Public Finance Regulations (County Government) 2015.
2. That the Matter is resolved.

3.15 Irregular Engagement of Casual Workers

Honourable Speaker, the statement of financial performance for the year ended 30th June 2022 reflects casuals and contractual staff amount of Kshs. 788,000 as disclosed in Note 16 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 B. 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

Honourable Speaker, we have terminated the employment of 3 casual workers who were engaged beyond the permissible three-month period, in accordance with applicable labor laws and providing appropriate notice periods.

That, for 3 casual workers exceeding the three-month limit due to staff shortage and technical knowhow, we have explained the basis of maintaining terms more than 3 months by providing 3 monthly contracts to them respectively

Committee Observation

That the Management engaged casuals in the Hospital for more than three (3) months contrary to was contrary to the County Public Service Human Resource Manual, May 2013 Section B. 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).*

Committee Recommendations

1. That subsequently, the Management must operate within the provisions of County Public Service Human Resource Manual, May 2013 Section B. 16 (1) in securing services of casual employees for the Hospital.
2. The Matter is resolved.

3.16 Irregularities in Cash and Cash Equivalents

Honourable Speaker, the statement of financial position as at 30th June 2022.reflects a cash and cash equivalent balance of Kshs. 462,942 as disclosed in Note 27 to the financial statements. However, review of the documents provided for audit including the cash books and bank statements revealed that the board of survey was not conducted at the end of the financial year as stipulated in law, the cash book was not adequately inspected by a senior officer as required and Management did not avail the authority to open and operate the bank account. Management is in contravention of Section 82(4)&(5) of the Public Finance Management (County Government) Regulations, 2015 which states that except with the prior authority of the County Treasury, no accounting officer may open a bank account for the deposit, custody or withdrawal of public moneys or other moneys for which he or she is responsible in his or

her official capacity and also Section 90 of the Public Finance Management (County Government) Regulations 2015 which states that an Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer.

In the circumstances, Management was in breach of law

Management Response

Honourable Speaker, the management takes notice of the issues flagged by the auditors. The management takes note

Of the inconveniences caused however the facility inherited the account from the Health sector service fund from the National government before devolution.

We however have implemented procedures to ensure that the cash book is reviewed and inspected by a senior officer on a regular basis. By implementing the use of a till number instead of handling cash in the subsequent FY 2023/2024 for the prior year financial statement.

Committee Observations

That the Management failed to:

1. Conduct a board of survey at the end of the financial year as stipulated in law,
2. Provide evidence of inspection of the cash book adequately by a senior officer as required.
3. Provide evidence of an Authority to open and operate the bank account which
4. In so doing, the Management therefore, contravened of Section 82(4) & (5) and Section 90 of the Public Finance Management (County Government) Regulations, 2015.

Committee Recommendations

1. That going forward, the Management must implement the PFM Act 2015 Sections, 83(4) and (5) and Section 90.
2. That Matter is resolved.

3.17 Deficiencies in Implementation of Universal Health Coverage (UHC)
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 Policy Guidelines due to staff deficits by 93 staff requirements or 92% of the authorized establishment

Honourable Speaker, 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.

Committee Observation

That during the two years under audit review, Sondu Sub County Level 4 Hospital did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits by 93 staff requirements or 92% of the authorized establishment.

Management Response

The Management wishes to state that this is a concern and we have since presented our request for employment of the mentioned carders to the chief officer of health for consideration. We however are categorized as a level 3B facility and get support through referral services from level 5 hospital within Kisumu County. Further to this the management is in the process of upgrading the services through consultation with the Kisumu County Department of health. This will be continuous process through the different subsequent financial years.

Committee Recommendations

1. That the County Executive Committee (CEC) Member for Health should take necessary measures to ensure the facility progressively complies with the Kenya Quality Model for Health policy guidelines.
2. That the matter is unresolved

3.18 Non-compliance on Biomedical Waste Management

Review of the operations at the Hospital revealed that the facility operated without an incinerator and that non-sensitive Hospital waste was accumulated at the burning chamber for months due to lack of fuel. The sensitive biomedical waste is accumulated and transported to Kisumu level 5 Hospital for disposal. However, there was no evidence that Management had complied with NEMA Waste Management Regulations, 2006 on biomedical waste management on taking all practical steps to ensure that waste is managed in a manner which will protect human health and the environment against the adverse effects which may result from the waste. In the circumstances, Management was in breach of the law

Management Response

Honourable Speaker, the Management acknowledges noncompliance on Biomedical waste management however the facility has partially met NEMA regulations 2006 as it segregates waste at the point of generation through color coded bins, biomedical waste is securely packaged in biohazard liners. Majority of the waste generate is infectious which is burned within the facility and the highly infectious generated from maternity is disposed in the placenta pit.

A follow up letter to the sub county team has also been done to remind the sub county public health team on the risk posed by the long stay of biomedical waste and to give a way forward on disposal of the accumulated biomedical waste.

Committee Observations

1. That the facility operated without an incinerator and that non-sensitive Hospital waste was accumulated at the burning chamber for months due to lack of fuel.
2. The sensitive biomedical waste is accumulated and transported to Kisumu level 5 Hospital for disposal,
3. That that the Management did not provide evidence that it had complied with NEMA Waste Management Regulations, 2006 on biomedical waste management on taking all practical steps to ensure that waste is managed in a manner which will protect human health and the environment against the adverse effects which may result from the waste

Committee Recommendations

1. That the CEC Member for Health provides resources for the installation of an incinerator at the Hospital in the financial year 2025/2026.
2. That going forward, the Hospital Management must document and compile evidence of its compliance with the NEMA Waste Management Regulations 2006.
3. That the Matter is Unresolved.

3.19 Irregular Procurement of Medical/Clinical Items

The statement of financial performance reflects medical/clinical costs of Kshs, 1, 047,457. Review of the payment records including the payment vouchers revealed that the Management procured goods directly without subjecting the suppliers to the procurement process. This was contrary to Section 106(1)(b) of the Public Procurement and Asset Disposal Act, 2015 which requires a procuring entity to prepare on prequalified listing of suppliers which sets out the specific requirements relating to goods, works or services being procured. In the circumstances, the regularity and value for money may not have been achieved on the expenditure of Kshs.1, 047,457 in respect of medical/clinical items.

Honourable Speaker, the statement of financial performance as 30th June 2023 reflects medical/clinical costs of Kshs. 555,787. Review of the payment records including the payment vouchers revealed that the Management procured goods directly from the suppliers without subjecting them to the procurement process. This was contrary to Section 106(1)(b) of the Public Procurement and Asset Disposal Act, 2015 which requires a procuring entity to prepare on prequalified listing of suppliers which sets out the specific requirements relating to goods, works or services being procured.

In the circumstances, the regularity and value for money may not have been achieved on the expenditure of Kshs. 555,787 in respect of medical/clinical goods and services.

Management Response

Honourable Speaker, the management has taken note of the above issue and admits that the hospital had no suppliers prequalified by the health department. The management has written to the county department of health procurement department to avail a list of prequalified suppliers engaged is from Kisumu County Referral Hospital.

The management takes note for inconveniences caused

Honourable Speaker, the hospital has further taken steps to avoid such instances in the future by preparing a procurement plan and following the budget plan for the subsequent financial year 2024/2025.

Committee Observation

That the Management used direct method in procurement of goods and services during the financial year 2021/2022 and 2022/2023 contrary to Section 106(1)(b) of the Public Procurement and Asset Disposal Act, 2015.

Committee Recommendations

1. That subsequently, the Management must adhere to Section 106(1)(b) in procuring goods and services at the Hospital.
2. The Matter is resolved.

3.20 Lack of Approved Budget

During the FY 2021/2022 the Hospital operated without a budget and it is therefore not clear how the Hospital incurred expenditure that were not budgeted for and approved. Management is in contravention of paragraph 24 of the International Public Sector Accounting Standards which states that public sector entities are typically subject to budgetary limits in the form of appropriations or budget authorizations which may be given effect through authorizing legislation.

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

Management Response

Honourable Speaker, The management notes the flagged issue. The hospital responds that during the year there were quarterly budget preparations that were approved by the hospital board. The approved budgets were further forwarded to the county Health Department for issuance of Authority to Incur Expenditure. The hospital apologizes for not availing the budgets as at the time of the audit but has since remitted to the office of the OAG.

Committee Observations

1. That during the FY 2021/2022 the Hospital operated without a budget and it was therefore not clear how the Hospital incurred expenditure that were not budgeted for and approved.
2. That in the circumstance, the Management failed to comply with paragraph 24 of the International Public Sector Accounting Standards which states that public sector entities are typically subject to budgetary limits in the form of appropriations or budget authorizations which may be given effect through authorizing legislation.

Committee Recommendations

1. That going forward, the management must comply with paragraph 24 of IPSAS.
2. The Matter is resolved.

3.21 Lack of Risk Management Policy

During the FY 2021/2022 and 2022/2023, the Hospital operated without a documented risk management policy framework. In addition, there was no evidence of risk identification, risk assessment and evaluation of the likelihood of risk occurrence and its impact on entities' operation. Management was therefore in breach of regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the Accounting Officer shall ensure that (a) the county government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the county government entity develops a system of risk management and internal controls that builds robust business operations.

Honourable Speaker, in the circumstances, effectiveness of risk management system at the Hospital could not be confirmed.

Management Response

Honourable Speaker, the management's attention has been drawn to the matter raised from the audit. The Management takes note for any inconveniencies made however the management has engaged the county accounting department by a follow up letter to request for the county's department of health risk management policy, for adoption after tailor-making it to the facilities requirements, the facility also request for an internal audit of the subsequent year i.e. 2023/2024, facility also formed an audit committee comprising of. Annex

Committee Observations

1. That in the two financial years under review, the Hospital operated without a documented risk management policy framework. In addition, there was no evidence of risk identification, risk assessment and evaluation of likelihood of risk occurrence and its impact on entities' operation.

2. That the Management was therefore, in breach of regulation 158(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015

Committee Recommendations

1. That the Management immediately develops and submits to the County Assembly a Risk Management Policy within a period of 90 days upon adoption of this report.
2. The Matter is Unresolved.

3.22 Condemned Building in Use

Physical verification of the Hospital's property conducted at the time of audit in April, 2024 revealed that there is a building which was had long been condemned by Public Works and Public Health including during the period under review. The building has asbestos roof and cracks making it inhabitable. However, the building was being used as a maternity ward but as at the time of audit, it was used as a dumping place for sharps.

In the circumstances, the safety of the staff and patients while in the facility is compromised

Management Response

Honourable Speaker, we acknowledge that the building, previously used as a maternity ward, was condemned by Public Works and Public Health. We also acknowledge that the building was not appropriately decommissioned and has been used inappropriately for storing sharps. However, we have: •Ceased all use of the condemned building immediately and are currently using the new maternity building. annex• Engage with Public Works and Public Health: through a letter copied to the chief officer of health. annex

Committee Observations

1. That there is a building with the Hospital which was had long been condemned by Public Works and Public Health including during the period under review as a result of asbestos roof and cracks making it inhabitable.
2. That despite being condemned, as at the time of audit, it was still in use as a dumping place for sharps.

Committee Recommendations

1. That the management should liaise with the responsible authorities and departments to bring down the condemned building.
2. That a report on the status of the building be submitted to the County Assembly within a period of six months upon adoption of this report
3. That the Matter is Unresolved.

3.23 Lack of a Reliable System for Operations of the Hospital

Review of the operations at the Hospital revealed that the Hospital has no information system in place that is integrated to the different departments including the laboratory, pharmacy among others. The Hospital is using manual system for operations such as receipting of revenue, billing and generating reports, which are sometimes fed into Microsoft excel. The Hospital does not have internet connectivity to assist in the operations of the Hospital. In the circumstances, the effectiveness of internal controls in the operations could not be confirmed

Management Response

Honourable Speaker, the management acknowledges that the hospital lacks an integrated departmental information system and internet connectivity however the management has engaged the county ICT team through a letter to the chief officer of health on the way forward on implementing an information system in the facility.

Committee Observations

That during the two financial years under review:

1. The Hospital operated without an information system in place that is integrated to the different departments including the laboratory, pharmacy among others.
2. The Hospital used manual system for operations such as receipting of revenue, billing and generating reports, which are sometimes fed into Microsoft excel.
3. The Hospital also did not have internet connectivity to assist in the operations of the Hospital

Committee Recommendations

1. That the management through the Department of Medical Services, Public Health, and Sanitation should see to it that the Hospital procures an Information Management System to support and automate its processes.
2. That a status report on the implementation of this recommendation be submitted to the house within a period of 90 days upon adoption of this report.
3. That the matter is unresolved.

3.24 Lack of Appointment Letters for the Board Members, Irregular Board Meetings and lack of Lack of Hospital Management Board

1. The statement of financial performance for the year ended 30th June 2023 reflects board expenses of Kshs. 23,500 as disclosed in Note 10 to the financial statements. It was noted that the Governor of Kisumu County appointed the Board of Management through a Gazette Notice on 1 1 October, 2019 for a term of three (3) years which expired on October, 2022. However, review of Board files revealed that one (1) Board meeting was held on 11 January, 2023 which

was after the expiry date of their appointment. No evidence of extension of their appointment was provided for audit.

In the circumstances, the effectiveness of management oversight and governance function could not be confirmed.

2.The statement of financial performance for the year ended 30th June 2022 reflects an amount of Kshs. 75,000 for Board of Management expenses as disclosed at Note 17 to the financial statements. Review of the Board's records including the Kenya gazette notices revealed that on 1 1 October, 2019 seven (7) members were gazette and appointed to the Board of Management of the Hospital; however the appointment letters for Board members indicating the terms of engagement were not provided for audit. Management explained that members were not issued with letters. In the circumstances, the adequacy of governance procedures could not be confirmed

3. The Governor of Kisumu County appointed the Board of Management through a Gazette Notice on 11th October, 2019 for a term of three (3) years which expired on October, 2022. However, review of Board files revealed that one (1) Board meeting was held on 11th January, 2023 which was after the expiry date of their appointment. No evidence of extension of their appointment was provided for audit.

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

Management Response

Honourable Speaker, we acknowledge that the Board of Management's term expired in October 2022; However we have reviewed our records and confirm that while the appointment of the Board members was gazette, the issuance of formal appointment letters appears to have been overlooked. Renewal of their contracts was done on 28th November 2023 for a period of 3 years by the county government of Kisumu

We acknowledge the board members were appointed through a Gazette Notice and no appointment letters were issued.

The seven (7) members were gazetted for appointment to the Board of Management on 11th

October 2019.

There is no evidence showing appointment letters for these Board members were issued and signed by the chief officer health. Annex

Honourable Speaker, we acknowledge that the Board of Management's term expired in October 2022, however We have reviewed our records and confirm that while the appointment of the Board members was gazetted, the issuance of formal appointment letters appears to have been

overlooked. Renewal of their contracts was done on 28th November 2023 for a period of 3 years by the county government of Kisumu.

Committee Observations

1. That in FY 2021/2022, the members of the Hospital Board although appointed and gazetted, were not issued with appointment letters.
2. That in the subsequent financial year the hospital board had term of office had expired therefore, the hospital operated without a formally instituted board.
3. That the Hospital Board held a meeting on 11th January, 2023 which was after the expiry date of their appointment event though there was no evidence of extension of their appointment provided for audit review.
4. That at the time of the Committee deliberations, a new board had been put in place, gazetted and issued with appointment letters.

Committee Recommendations

1. That going forward, the Management should establish a clear and accurate method of monitoring and tracking term of office of the board and initiating renewal earlier enough to avoid any such gaps.
2. That subsequently, the management should maintain accurate data of all members of the Board at any given time.

That the Matter is resolved

2.25 Weak Internal Controls in Revenue Collection and lack of revenue safeguard mechanism

1. The statement of financial performance for the year ended 30thJune 2022 reflects total revenue of Kshs. 2,341,352 which includes revenue from exchange transactions on rendering of services - medical service income of Kshs. 83,740. Review of the documentation provided revealed that

Management of the facility received cash from the patients and generated manual receipts. Further, the banking slips were not supported by any receipts and vouchers making it difficult to ascertain that the correct amount was banked. In addition, receipts in the books were not dated making it difficult to ascertain collections for a certain day.

In the circumstances, the effectiveness of the internal controls over revenue management could not be confirmed.

2. The statement of financial performance for the year ended 30th June 2023 reflects total revenue of Kshs. 948,071 which includes revenue from exchange transactions on rendering of services-medical service income of Kshs. 178,211. Review of the documentation provided revealed that Management of the facility received cash from

the patients and generated manual receipts. Further, the banking slips were not supported by any receipts and therefore it was difficult to ascertain that the correct amount was banked. In addition, the receipts in the books are not dated making it difficult to ascertain collections for a certain day. Further, there was no segregation of duties in revenue collection because the same person receives revenue, issues receipts and carries out the banking of revenue.

In the circumstances, the effectiveness of the internal controls over revenue management could not be confirmed

Management Response

Honourable Speaker, the management notes the above issue raised from the audit with a lot of concern. The management has worked swiftly with immediate effect to update the collections in the collection register and the updated cashbook. The hospital further provides the bank statement for the period to support the figure reported as banked. See annex xxx

The management has undertaken to avert this anomaly from occurring in the future by onboarding all payments and collection through the hospital's paybill. This has helped to strengthen the internal controls by ensuring no direct cash is collected. The management also surrenders monthly revenue surrenders to the Kisumu County Revenue Board approving the collection received directly from patients.

Honourable Speaker, the cash office and the billing offices have since been separated and put under different officers as was recommended. The Hospital Administrator has also undertaken to do daily revenue reconciliations from the M-pesa Paybill statements. The administrator has also provided 4 quire A4 black books to the departments to record income generated in all departments i.e. pharmacy and laboratory departments.

We are committed to improving our financial controls and ensuring the accuracy and reliability of our financial records by;

Strengthening Internal Controls:

a. Implementing a system with clear segregation of duties for revenue collection, receipt issuance, and bank deposits.
b. Enhancing documentation procedures, including the use of sequentially numbered and dated receipts.
c. Conducting regular internal audits to monitor compliance with the revised procedures.

Committee Observations

1. That the Hospital received cash totaling to Kshs. 83,740 from the patients in respect to from exchange transactions on rendering of services - medical service income and generated manual receipts. Further, the banking slips were not supported by any receipts and vouchers.
2. That the receipt books were not dated making it difficult to ascertain collections for a certain day.
3. In addition, there was no segregation of duties in revenue collection because the same person receives revenue, issues receipts and carries out the banking of revenue.

Committee Recommendations

1. That the Management must ensure that all revenue received from patients is channeled through the Mpesa Paybill.
2. The Management should procure a system for receipting revenue and develop internal control mechanisms for segregation of duties amongst staff handling revenue collection.
3. That the Matter is resolved.

3.26 Failure to Maintain Fixed Asset Register

The statement of financial position reflects Nil property, plant and equipment balance. However, it was noted that the Hospital does not maintain fixed asset register to control its assets. This is contrary to Regulation 136(1) of the Public Finance Management (County Government) 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 show that the fund 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

Honourable Speaker, the management is admitting to failure maintaining an asset register however we are developing and building a fixed asset however it is incomplete we are awaiting the valuation of all assets towards ascertaining the value for each. We are currently engaging the county through the chief officer to assist with valuation of our assets. A follow up letter has been done for the same to the chief officer of health Kisumu County. Annex

Committee Observation

That, the Hospital did not maintain a Fixed Asset Register to control its assets. This was contrary to the provisions of Regulation 136(1) of the Public Finance Management (County Government) Regulations, 2015

Committee Recommendations

1. That in the subsequent reporting period, the management must comply with Regulation 136(1) of the Public Finance Management (County Government) Regulations, 2015
2. That the Matter is resolved

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 Sondu Sub County Hospital for the financial years 2021/2022 and 2022/2023.

Madam Speaker, on that note, may I call upon Honourable 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, I second.

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 Statements of Sondu Sub-County Hospital for the Financial years 2021-2022, and 2022-2023 has been presented and seconded. I want to propose a question, and I propose that the motion on adoption of the report of the Auditor General on the Financial Statements of Sondu Sub-County Hospital for the Financial Years 2021-2022, and 2022-2023 is now open for debate.

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

Hon. Nyaoke (MCA, North Nyakach): Thank you, Madam Speaker. I want to support the adoption of this report. On the same breadth it is worth noting that it is important to highlight the very vital findings that were flagged out by the very able committee, which tend to be appearing in most of these reports we are getting.

Madam Speaker, the issue of variances, because if you look at item number 3.2 of the document that is the Variances between the Revenue Reported and Manual Monthly Collection Analysis. Madam Speaker, you will realize from this report that, it was found out that the Statement of Financial Performance for the year ended 30th June, 2023, reflects rendering medical services income of Kshs 178,211. Nonetheless, the facility has disclosed that in subsequent notes that they have attached. However, further analysis of the Manual Monthly Collection Reports and Bank Statements, I believe those two fundamental items are the ones that can prove to us, ideally, the amount of money that was collected from the Sondu Sub-county Hospital.

Madam Speaker, if you look at those documents, after the analysis, it was noted that, the total amount that was rendered to have been received was Kshs 2,338,249. Madam Speaker, if you subtract this from what was indicated shilling of Kshs 178, 211, you find a variance of Kshs 2.16038 shillings.

Madam Speaker, Sondu Sub-county Hospital, if it can afford to miss or to lose money to the tune of Kshs 2.1 million, Madam Speaker, that one is not helping that institution. However, Madam Speaker, with that point having been noted by this House Committee, the having given us recommendations. And I have seen the statement from the County Executive states that they are going to ensure and taken note of this, and to report that variance, maybe to balance their books properly going forward.

However, Madam Speaker, we do hope that what has been pointed out by this House Committee, that is the means and ways that we lose money and revenue from such institutions. It is upon this House, Madam Speaker, to make a halt to this kind of habit and let our institutions prosper. This is because of the collection of these revenues, which is how we can also continue to offer the services that we need to our people. Thank you, Madam Speaker. I beg to support.

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

Hon. Adega (MCA, Kajulu): Thank you, Chair. Going by the mood of the House, may I call the mover to reply?

The Temporary Speaker (Hon. Carren (MCA, Kaloleni Shaurimoyo): Honourable Kennedy Ouko.

Hon. Ouko (MCA, West Kisumu): Madam Speaker, thank you so much. Please protect me from Hon Ochele he is on my case….. all the same, that, that is a part of protection.

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Honourable Ouko, you are protected. Proceed.

Hon. Ouko (MCA, West Kisumu): Thank you Madam Speaker. We fully understand what constitutes a Level 4 Hospital and the standards it is expected to meet. However, many of these health facilities under discussion…such as Sondu Sub-county Hospital and others whose reports will be tabled here…have unfortunately been overrated in their classification.

Madam Speaker, Honourable members, this is precisely why the Office of the Auditor General initiated audits of these facilities. It was discovered that many of them do not meet the criteria

they were purported to meet. As a result, some of these hospitals have now been downgraded to Level IV C. Level IV C is a subcategory within Level 4, but it does not represent the full standards of a complete Level IV hospital. The department likely recognized the implications and thus made the decision to reclassify these facilities. Consequently, they are no longer subject to the same level of auditing.

Nonetheless, from the audits conducted so far, we have identified significant issues. Take Sondu Sub-County Hospital, for instance—it lacks a qualified accountant. The basic financial practices like the functions of preparing a Trial Balance at the close of a financial year, is not being performed appropriately. This is a major concern. This is because of such shortcomings; these hospitals received Adverse Audit Opinions. While figures were presented, they were compiled by unqualified personnel, making verification impossible. This lack of accountability, especially concerning the use of public funds, is deeply troubling.

Madam Speaker, that is the reason as to why we proposed the idea of assigning roaming accountants to cover hospitals at the Sub-county level. I am pleased to report before this House today that, that tangible progress has already been made. In several hospitals, Procurement Officers and Accountants have been seconded, and there are now roaming accountants who are helping to bring financial order—something that was previously lacking. We are seeing improvements, and we are encouraged by the direction things are taking.

Madam Speaker, I would like to sincerely thank members of the County Assembly for their unwavering support, this through the adopting of House Committee reports, and for your participation in this oversight role.

Similarly, I also appreciate the members who consistently attend House Committee meetings—Honourable Pete, for example, has been very active. Unfortunately, Honourable Ochele has been absent, but I trust that the member will join us in the next meeting. Thank you, Madam Speaker. I beg to reply.

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Honourable Members, now that the motion on adoption of the report of the Select Committee on Public Investments and Accounts on the Examination on the report of the Auditor General on the Financial Statement of Sondu 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 the report of the Select Committee on Public Investments and Accounts on the Examination on the Report of the Auditor General on the Financial Statement of Sondu Sub-

county Hospital for the Financial Years 2021-2022 and 2022-2023 has been adopted today, Tuesday, 08 April 2025 at 15.04 hours. I so direct that the Hansard report together with the House Committee report be prepared and forwarded to the relevant department for appropriate and remedial action to be taken. Thank you.

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

ADJOURNMENT

The Temporary Speaker (Hon. Ajwang', MCA, Kaloleni/Shaurimoyo): Honourable members, there being no any other business to transact, the House stands adjourned till tomorrow Wednesday, 09 April 2025 at 09.00 a.m. Thank you.

(House rose at 03.05 p.m.)

Addendum

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