COUNTY GOVERNMENT OF KISUMU

COUNTY ASSEMBLY OF KISUMU

THE HANSARD

Official Report

THIRD ASSEMBLY – FOURTH SESSION

Thursday, 05th June, 2025

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

(The Temporary Speaker (Hon. Emily Oginga) in the Chair)

PRAYERS

The Temporary Speaker (Hon. Oginga, Nominated Member): Honourable Members, may I direct that the quorum bell be rung for the first five minutes.

(Quorum bell rung for the first five minutes)

The Temporary Speaker (Hon. Oginga, Nominated Member): Honourable Deputy Leader of Majority, please confirm if we have quorum.

Deputy Leader of Majority (Hon. Owade, MCA, South East Nyakach): Thank you Madam Speaker. As much as I was outside, I know when the quorum bell is rung. I managed to whip the Members and I can confirm we have quorum.

The Temporary Speaker (Hon. Oginga, Nominated Member): Clerk, please take us through the order of the day.

The Temporary Speaker (Hon. Oginga, Nominated Member): Next order!!

MOTION

AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENTS OF LUMUMBA LEVEL IV SUB-COUNTY HOSPITAL FOR THE PERIOD ENDED 30TH JUNE 2024

BY

HON. KENNEDY OUKO, MCA, WEST KISUMU

(CHAIRPERSON, PUBLIC INVESTMENTS AND ACCOUNTS COMMITTEE)

(Motion moved by Hon. Were on behalf of Hon. Ouko)

The Temporary Speaker (Hon. Oginga, Nominated Member): Honourable Members, I am in the receipt of a letter informing me that Honourable James Were will be moving the motion on behalf of Honourable Kennedy Ouko, the Chairperson, Public Investments and Accounts Committee who is out on official duty. Honourable James Were, please proceed.

Hon. Were (MCA, Nyalenda "B"): Thank you Madam Speaker. I am seeking the leave of the House to present before this House the Report of the Select Committee on Public Investments and Accounts on its consideration of the report of the Auditor General on the financial statements of Lumumba Level IV Hospital for the period ended 30th June, 2024.

Honourable Speaker, on behalf of the Select Committee on Public Investments and Accounts (PIC/PAC), and pursuant to Standing Order 188 of the Kisumu County Assembly, I would like to present to this Honorable House the Public Accounts and Investments committee report on the Audited financial statements of Lumumba Sub-County Level IV Hospital for the financial year 2023/2024.

The County Assembly exercises oversight over County Government entities and their use of public funds as provided under Article 185(3) of the Constitution of Kenya, 2010. This mandate is exercised through the Public Accounts and Investments Committee.

Further, Article 229(8) of the Constitution requires that the County Assembly considers, debates, and takes appropriate action on the Auditor General's reports within three after receipt. In this regard, the Committee convened two sittings during which it examined the audit report of Lumumba Sub-County Level IV Hospital and received both written and oral submissions from the Accounting Officer and hospital management in response to the issues flagged by the Auditor General in the report.

Honourable Speaker, the Committee notes with appreciation the positive strides made by the hospital in improving the credibility of its financial reporting. The Auditor-General issued a Qualified Opinion on the financial statements of the facility for the financial year ended 30th June 2024. This was an improvement on the first audit opinion which was a Disclaimer of Opinion.

Honourable Speaker, the Committee noted a number of audit issues that required attention. First, there were inaccuracies in the comparative balances of property, plant, and equipment. Management attributed these discrepancies to the restatement of asset values and committed to addressing them in the subsequent financial year.

Secondly, during the financial year, the facility experienced under-funding and under-utilization of its budget, with an actual receipt of Kshs. 23,612,806 against a budgeted amount of Kshs. 31,239,318, resulting in an under-funding of Kshs. 7,626,512 or 24 percent.

Honourable Speaker, in addition, the Committee observed that the facility, during the FY, failed to timely remit statutory deductions, exposing the facility to potential penalties and legal liabilities. Furthermore, the hospital lacked a fully operational internal audit function and had not initially constituted an audit committee, Contrary to the requirements of Section 155 of the Public Finance Management Act, 2012. Based on the highlighted findings, the Committee has made several recommendations; the hospital management should reconcile the variances in comparative asset balances and ensure disclosure in future financial statements. The County Treasury should also ensure timely and full disbursement of budgeted funds to the facility to facilitate the complete execution of planned programs and activities. Management must also ensure timely and full remittance of statutory deductions to the relevant authorities in compliance with applicable laws. In addition, the hospital should operationalize an independent internal audit function and empower the audit committee to for effective risk management. Lastly, the Committee on Implementation should follow up with the Department of Lands, Physical Planning, Housing and Urban Development on the status of the matter of the title deed for the hospital and report the progress on the same to this House.

Honourable Speaker, I wish to appreciate members of the Committee for their dedication, as well as the Offices of the Speaker and Clerk of the Assembly, the Committee Secretariat, and the Office of the Auditor-General for the support rendered in compiling this report. I also commend the management of Lumumba Sub-County Level IV Hospital for the progress made in improving their audit opinion.

Honourable Speaker, it is therefore my honor, on behalf of the Public Investments and Accounts Committee, to present this report on the consideration of the Auditor-General's report on the Financial Statements of Lumumba Sub-County Level IV Hospital for the year ended 30th June 2024, and to urge this Honorable 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

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 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 LUMUMBA SUB COUNTY LEVEL IV HOSPITAL FOR THE YEAR ENDED 30TH JUNE 2024

Honourable Speaker, Dr. Pamela Olilo appeared before this House Committee on 21st March 2025 to adduce evidence on the Audited Financial Statements of Lumumba Sub County Level IV Hospital for the year ended 30th June 2024.

The following Officers accompanied the;

Mr. Samuel Ochieng - HAO

Mr. Alfred Odhiambo - Accounts Clerk

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

1. Mr. David Mutunga
2. Miss Eunice Ondija

BASIS FOR QUALIFIED OPINION

3.1 Inaccuracies in Comparative Balances

Review of plant, property and equipment balances revealed variances with the prior year audited financial statements as detailed below.

Component	Prior Year Audited Financial Statements	Current Year Financial Statements	Variance
Buildings and civil works	200,569,000	180,699,674	19,869,326
Furniture and fittings	76,400	5,400,950	5,224,550
ICT equipment	317,921	1,181,000	863,079

Plant and medical equipment	31,421,852	41,067,149	9,645,297

In the circumstances, the accuracy of the above balances as presented in the financial statements could not be confirmed.

Management Response

The Management takes note of the audit findings. However, we wish to state that the inaccuracies in the comparative balances were as a result of the re-statement of values assets, and this will be admitted in next year's report. Attached Certificate of completion,

Committee Observation

1. That, review of plant, property, and equipment balances by the Auditors revealed variances with the prior year audited financial statements.
2. That, at the time of committee deliberations, the Management adduced that the inaccuracies in the comparative balances were as a result of the re-statement of values assets, and that it would be admitted in next year's report.
3. The Office of the Auditor General confirmed that the management was yet to reconcile the variances but the same would be monitored in the next financial year audit

Committee Recommendations

1. That, the Management undertakes a detailed reconciliation of the variances identified in the comparative balances, documents the adjustments appropriately, and ensure full disclosure in the subsequent financial statements.
2. That, the Office of the Auditor-General confirms reconciliation of the variances, in the next financial year audit
3. That, the matter is resolved

3.2 Unsupported Property, Plant, and Equipment

Honourable Speaker, the statement of financial position reflects a balance of Kshs. 229,851,073 in respect of property, plant and equipment. However, during the year under review, no depreciation charge was made and expensed on these assets over the previous years. Further, the Hospital acquired ICT and medical equipment amounting to Kshs. 509,000 and Kshs.833,300 respectively which were not supported by requisite procurement and payment documents.

In addition, Management has not disclosed land in the statement of financial position.

Management did not disclose depreciation policy and method in the financial statements as required by the financial reporting template of 30 June 2024 prescribed by the Public Sector Accounting Standards Board (PSASB).

In the circumstances, the accuracy, completeness, and valuation of the property, plant, and equipment with a historical cost of Kshs. 205,625,502 could not be confirmed.

Management Response

Honourable Speaker, the management takes note of the findings. However, we wish to state that:

i) The depreciation of assets, the facility has adopted the standard depreciation rate of the National Treasury depreciation policy as per the attached Hospital management team minutes/schedule. ANNEX. 2

ii) The facility land has not been disclosed in the statement of financial position due to lack of ownership.

iii) The payment vouchers for the additional ICT equipment of Kshs. 509,000 and the medical equipment of Kshs. 833,300 are hereby attached for your verification and consideration. ANNEX 3

Committee Observations

1. That, the Management failed to disclose the depreciation policy in the financial statement. The management however adopted the standard depreciation policy of the National Treasury as evidenced in the board minutes of 8/10/2024. In addition, management did not disclose land in the statement of financial position.
2. The management provided payment vouchers for ICT equipment and plant and medical equipment during the time of committee deliberations
3. There was no depreciation charge made and expensed on these assets over the previous years and disclosed in the statement of financial performance
4. That, in the reports of the previous financial years, this house had resolved to task the department of Lands, Physical Planning, Housing and Urban Development with the responsibility of ensuring that the facility has a title deed

Committee Recommendations

1. That, the Committee on Implementation be tasked to immediately follow up with the Department of Lands, Physical Planning, Housing and Urban Development on the status of implementation of this House’s resolution regarding the acquisition of the title deed for the facility and immediately report back to this House
2. That, in future, the Management must make a disclosure on the depreciation policy in the financial statements and expense the depreciation charged

3. That the matter is unresolved

3.3 Non-disclosure of Intangible assets

Honourable Speaker, the statement of financial position reflects a Nil balance on intangible assets. However, review of the system in place revealed that the Hospital has a billing system (Funsoft) which has not been disclosed in the statement of financial position, contrary to IPSAS 31.117, which states that an entity shall disclose each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets.

In the circumstances, the accuracy, completeness, and ownership of on intangible assets balance could not be confirmed.

Management Response

Honourable Speaker, we wish to state that the billing system (Funsoft) was inherited from the National Government, and the handing over of assets by the transition committee after the beginning of devolution was incomplete. However, going forward, we have listed the billing system (Funsoft) in our asset register, awaiting the evaluation. See attached asset register. ANNEX 4

Committee Observation

That the management failed to disclose Management has not disclosed the software in the financial statement, Contrary to IPSAS 31.117, which states that *an entity shall disclose each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets.*

Committee Recommendations

1. That in future, the Management must make full disclosure of the intangible assets.
2. That the matter is resolved

3.4 Long Outstanding Payables

Note 34 to the financial statements reflects a balance of Kshs. 20,207,331 in respect of trade and other payables. However, these long-outstanding bills were not prioritized as a first charge in the financial year 2023/2024, contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015, which requires debt service payments be a first charge to the budget. Failure to settle bills during the year to which they relate adversely affects the implementation of the subsequent year's budgeted programs, as the outstanding bills form a first charge to that year's budget provision.

In the circumstances, the obligation to pay the trade and other payables balance of Kshs. 20,207,331 could not be confirmed.

Management Response

The management takes note of the audit findings. However, we wish to state that we have prioritized the outstanding payables in the current approved budget and part of the pending bills have been paid. See attached evidence of payments. ANNEX. 5

We also wish to state that we have long outstanding payment claims awaiting SHA (Social Health Authority) reimbursement of Kshs 18,336,685. ANNEX 6

Committee Observation

That the financial statements reflected a balance of Kshs. 20,207,331 in respect of trade and other payables. However, the long-outstanding bills were not prioritized as a first charge in the financial year 2023/2024, contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015, which requires *debt service payments be a first* charge to the budget. Failure to settle bills during the year to which they relate adversely affects the implementation of the subsequent year's budgeted programs, as the outstanding bills form a first charge to that year's budget provision.

Committee Recommendations

1. That the Management prioritize the long outstanding payables as a first charge in the budget of Financial Year 2025/2026 and submit evidence of the same to the County Assembly within 90 days upon communication of this report. That the Auditor General to report on the progress in the subsequent audit
2. That the matter is unresolved

3.5 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs. 31,239,318 and Kshs. 23,612,806 respectively resulting to an under-funding of Kshs.7,626,512 or 24% of the budget. Similarly, the Facility expensed Kshs.23,575,178 against an approved budget of Kshs.31,239,318 resulting to an under-expenditure of Kshs.7,664,140 or 24.5% of the budget.

The under-funding and under-expenditure affected the implementation of the planned activities and programs and may have impacted negatively on service delivery to the public.

Management Response

The management takes note of the audit findings. However, we wish to state that the operation of 75.59% against the target of Kshs. 31,239,318 based on the revenue collection of Kshs. 23,612,806, the hospital has put systems that will enhance revenue generation.

Committee Observations

1. That the comparison of budget and actual amounts reflected the final receipts budget and actual on a comparable basis of Kshs. 31,239,318 and Kshs. 23,612,806 respectively, resulting in an under-funding of Kshs. 7,626,512 or 24% of the budget.
2. That the Hospital spent management Kshs.23,575,178 against an approved budget of Kshs.31,239,318 resulting to an under-expenditure of Kshs.7,664,140 or 24.5% of the budget.
3. That indeed the under-funding and under-utilization affected the planned activities and programs in the facility, and impacted negatively service delivery to the public.

Committee Recommendations

1. That going forward, the County Treasury should ensure timely and full disbursement of budgeted funds to the facility to facilitate the complete execution of planned programs and activities.
2. That the matter is resolved.

3.6 Failure to Open Facility Improvement Bank Account
Review of the documents provided for audit revealed that the Management is yet to open and operationalize a facility improvement bank account contrary Section 5(a) of the Kisumu County Health Facilities Improvement Fund Act, 2021 which states that each public health facility shall open and operate a bank account called Facility Improvement bank account in respect of each facility.
In the circumstances, Management was in breach of the law.

Management Response

The management takes note of the audit findings. However, we wish to state that we have since requested the Chief Officer of Finance and Economic Planning, through the Chief Officer of Medical Services, Public Health, and Sanitation, for the authority to open a Facility Improvement Fund Account. Attached letter reference GN/LSCH/VOL.I/71 dated 10th July 2024. ANNEX 7

Committee Observations

1. Review provided for audit revealed that the Management was yet to open and operationalize a facility improvement bank account contrary Section 5(a) of the Kisumu County Health Facilities Improvement Fund Act, 2021 which states that *each public health facility shall open and operate a bank account called Facility Improvement bank account in respect of each facility.*
2. That at the time of committee deliberations, the Management had written a letter to the Chief Officer of Finance and Economic Planning, through the Chief Officer of Medical

Services, Public Health, and Sanitation, for the authority to open a Facility Improvement Fund Account.

Committee Recommendations

1. That the Management fast-tracks the process of opening and operating a Facility Improvement Bank Account to adhere to Section 5(a) of the Kisumu County Health Facilities Improvement Fund Act, 2021.
2. That the matter is unresolved

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

4.1 Failure to Implement E-Procurement System

Honourable Speaker, review of records provided revealed that procurement processes such as tender advertisement/requisitions, opening of tenders, evaluation of tenders, and award of tenders were not done through an integrated financial management information system. This was contrary to Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020 which states that the conduct of e-procurement procedures for the supply of goods, works, and services shall be carried out by a procuring entity using an e-procurement system which is integrated to the State Portal.
In the circumstances, Management was in breach of the law.

Management Response
Honourable Speaker, the Kisumu County Facility Improvement Fund Act (2021) envisaged the management of finances as a fund. The IFMIS system had not been rolled out to the health facilities during the audit period. The management is in the process of establishing a financial management system in line with the new National Facility Improvement Fund Act (2023).

Committee Observations

1. That, the procurement processes, such as tender advertisement/requisitions, opening of tenders, evaluation of tenders, and award of tenders, were not done through an integrated financial management information system contrary to Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020 which states that the conduct of e-procurement procedures for the supply of goods, works, and services shall be carried out by a procuring entity using an e-procurement system which is integrated to the State Portal.

2. That, the Kisumu County Facility Improvement Fund Act (2021) envisaged the management of finances as a fund, and the IFMIS system had not been rolled out to the health facilities during the audit period.
3. That, at the time of committee deliberations, the Management was in the process of establishing a financial management system in line with the new National Facility Improvement Fund Act (2023).

Committee Recommendations

1. That, moving forward, the Management must adhere to the provisions of Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020
2. That, the matter is resolved

4.2 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 as detailed below;

Personnel requirements				
Personnel	Recommended Staffing Level	Staff in the Institution	Variance	Percentage Deficiency (%)
Medical Officers	16	3	13	88
General Surgeons	2	0	2	100
Gynecologists	2	1	1	50
Pediatricians	2	1	1	50
Radiologists	2	0	2	100
Registered Community Health Nurses	75	36	39	52
Enrolled nurses	6	5	1	16
Pharmacists' technologists	8	1	7	86
Clinical officer	30	16	14	47
Health Records Information Officer	8	3	5	63
Lab technologists	40	10	30	75
Nutritionists	10	2	8	80
Radiographer	6	1	5	83
Total	205	79	128	58

Service Provision Requirements		
Services	Standard	Observation
Surgical	Should be in place	In place (outpatient)
Pediatric	Should be in place	In place (outpatient)
in patients	Should be in place	In place (only maternity and gynecology)
Renal Dialysis	Should be in place	Not in place
Mortuary and Autopsy services	Should be in place	Not in place
Advanced Life Support	Should be in place	Not in place
Beds	150	43
Newborn unit-incubators	5	4 incubators, none is being utilized
Newborn unit cots	5	8 none is being utilized
Functional Intensive Care Unit beds	6	0
High-Dependency unit-beds	6	0
Renal unit with at least 5 dialysis machines	5	0
Functional operating theatres, maternity, and general	2	1(general)

Further, review of the hospital's records and equipment revealed that the theatre bed was not functioning due to non-maintenance services, resulting in slow and compromised health care service delivery to the public.

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.

Management Response

Honourable Speaker, the management takes note of the audit findings. However, we wish to state that the policy above doesn't take cognizance of the facility's workload. The County Government of Kisumu adopted the Workload Indicators of Staffing Need (WISN) method based on a health worker's workload, with a standard applied for each workload component. ANNEX 8

Committee Observation

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

Committee Recommendations

1. The County Executive Committee Member for Medical Services, Public Health, and Sanitation make necessary arrangements for the facility to progressively comply with the requirements of the Kenya Quality Model for Health policy guidelines
2. The matter is unresolved

4.3 Late Remittance of Statutory Deductions

Review of the personnel records revealed that the Hospital did not remit on time statutory deductions totaling Kshs. 464,276 as detailed below;

Item	Date Remitted	Amount (Kshs.)
Being payment for NHIF FOR March 2023	17/08/2023	9,700
Being payment for NHIF for June 2023	19/12/2023	25,050
Being payment for NHIF for April 2023	3/10/2023	41,340
Being payment for NHIF for May 2023	3/11/2023	12,150
Being payment for NHIF for August 2023	12/3/2024	11,800
Being payment for NHIF for July 2023	8/2/2024	12,650
Being payment for NHIF for February 2023	17/8/2023	15,300
Being payment for NSSF for May 2023	19/12/2023	65,359
Being payment for NSSF for March 2023	31/10/2023	10,450
Being payment for NSSF for April 2023	3/11/2023	46,956

Item	Date Remitted	Amount (Kshs.)
Being payment for NSSF for August 2023	21/5/2024	53,622
Being Payment for NSSF for July 2023	12/3/2024	45,203
Being payment for NSSF for June 2023	8/2/2024	53,622
Being payment for NSSF for February 2023	23/9/2023	61,074
		464,276

Honourable Speaker, in addition, the management did not deduct PAYE as a statutory deduction from the employees' earnings as required by the law. This was contrary to Section 19(4) of the Employment Act, 2012 which states that 'an employer who deducts an amount from an employee's remuneration in accordance with Sub-Sections 1(a), (f), (g) and (h) shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be'.

Management response

The Management takes note of the audit findings. However, we wish to state that:

i. The facility still lacks a KRA PIN, hence it is not able to remit PAYE as a statutory deduction from the employee's earnings.
ii. On the late remittance of statutory deductions, this was a result of insufficient funds and hence delayed employees' pay. ANNEX 9

Committee Observations

1. That, review of the personnel records by the Auditors revealed that the Hospital did not remit on time statutory deductions totaling Kshs. 464,276.
2. That, the management did not deduct PAYE as a statutory deduction from the employees' earnings contrary to Section 19(4) of the Employment Act, 2012 which states that 'an employer who deducts an amount from an employee's remuneration in accordance with Sub-Sections 1(a), (f), (g) and (h) shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be'.
3. That, at the time of committee deliberations, the Facility was still lacking a KRA PIN, hence not able to remit PAYE as a statutory deduction from the employee's earnings.

4. That, the management submitted that late remittance of statutory deductions was a result of insufficient funds, and hence, delayed employees' pay.

Committee Recommendations

1. That, the Management fast-tracks the process of acquiring KRA PIN to enable the facility to remit PAYE as a statutory deduction from the employee's earnings.
2. That, going forward, the Management must adhere to Section 19(4) of the Employment Act, 2012
3. That the matter is unresolved

4.4 Failure to Establish an Audit Committee and Operationalize Internal Audit Function

During the year under review, the facility's Board failed to established an Audit Committee contrary to Section 155 (5) of the Public Finance Management Act, 2012. Further, during the year under review, the Management had not established an independent internal audit function contrary to Section 155 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function.

As such, the facility did not benefit from the assurance and advisory services from the internal audit function. In the circumstances, the effectiveness of internal controls could not be confirmed.

Management Response

Honourable Speaker, the management takes note of the audit findings. However, we wish to state that the hospital board has formed the finance and audit committee as per the attached minutes. ANNEX 10.

Committee Observations

1. That, the Management had not established an independent internal audit function contrary to Section 155 of the Public Finance Management Act, 2012, which provides for the *establishment of the internal audit function,* and that, as such, the facility did not benefit from the assurance and advisory services from the internal audit function.
2. That, at the time of Committee deliberations, the hospital board had formed the finance and audit committee.

Committee Recommendations

1. That, the Management puts in place the necessary structures and resources to fully operationalize an independent internal audit function, to ensure the facility benefits from regular assurance and advisory services in all subsequent financial years, in line with best practices and the requirements of the Public Finance Management Act, 2012.
2. That, the matter is resolved

4.5 Failure to Transfer Land Ownership Documents

Review of the land title deed provided by Management revealed that the documents are still in the defunct municipal council of Kisumu. No explanation was provided on why the land title deeds had not been transferred to the Hospital.

Honourable Speaker, in the circumstances, the existence of an effective mechanism to safeguard the assets could not be confirmed.

Management Response

Honourable Speaker, the Management takes note of the audit findings. However, we wish to state that the handover of assets by the transition committee after the beginning of devolution was incomplete, and the titles were never transferred to the county government. All assets and liabilities of the defunct municipal council should have been transferred to the county government.

The County Government of Kisumu has initiated the process of acquisition of the title deed, and the hospital has written a letter to the Chief Officer Land, Housing, Physical Planning and Development through Chief Officer Medical Services, Public Health and Sanitation, REF: GN/LSCH/VOL. I/70 DATED 1Oth July 2024 to help survey the hospital land to establish the exact boundary and help to acquire the title deed. ANNEX 10

Committee Observations

1. That, review of the land title by the Auditors revealed that the documents were still in the defunct municipal council of Kisumu, and no explanation was provided on why the land title deeds had not been transferred to the Hospital.
2. That, the handover of assets by the transition committee after the beginning of devolution was incomplete, and the titles were never transferred to the county government.
3. That, the County Government of Kisumu has initiated the process of acquisition of the title deed, and the hospital had written a letter to the Chief Officer Land, Housing, Physical Planning and Development through the Chief Officer Medical Services, Public Health and Sanitation, REF: GN/LSCH/VOL. I/70 DATED 10th July 2024 to help survey the hospital land to establish the exact boundary and help to acquire the title deed.

Committee Recommendations

1. That, the Committee on Implementation be tasked to immediately follow up with the Department of Lands, Physical Planning, Housing and Urban Development on the status of implementation of this House's resolution regarding the acquisition of the title deed for the facility and immediately report back to this House

2. That the matter is unresolved

Conclusion

Honourable Speaker, I hereby request that this House adopt this report of the Public Accounts and Investments Committee on the consideration of the Auditor General's Report on the Financial Statements of Lumumba Sub County Level IV Hospital for the year ended 30 June 2024. Madam Speaker, I therefore beg to call upon Honourable James Omollo to second. Thank you.

(Hon. Omollo seconded by bowing)

The Temporary Speaker (Hon. Oginga, Nominated Member): Honourable Members, the Report of the Select Committee on Public Investments and Accounts on its consideration of the report of the Auditor General on the financial statements of Lumumba Level IV Hospital for the period ended 30th June, 2024 has been moved and seconded as per the provisions of our Standing Orders. I want to propose a question, and I propose that this report is now open for debate.

The Temporary Speaker (Hon. Oginga, Nominated Member): Yes, Honourable Geoffrey Warindu, the member representing Miwani Ward.

Hon. Warindu (MCA, Miwani): Thank you Madam Speaker, for giving me the opportunity to support the report by Select Committee on Public Investments and Accounts. Madam Speaker, we have to commend this House Committee for a job well done. When we started this, when I was still a member of this House Committee, most of the reports that we were dealing with, it was so difficult to find a facility or an entity with a Qualified or Unqualified opinion. However, through the effort of this House Committee, the Audit Opinions of most of the facilities around have improved. Now, I hope that the facilities or the entities that are still lagging behind in understanding the basic accounting principles can also improve.

Madam Speaker, this entity has a Qualified Opinion with some few gaps that contravenes the Accounting Standards that have been set by the Public Finance Management Act. Since the Kisumu County Health Facility Improvement Fund (FIF) Act, 2021 that was passed, which required that each public health facility to open and operate a bank account of its own so that they can easily manage their finances. We all know what the Facility Improvement Fund Act of 2021 and what the fund has done to our health facilities, and to find that some health facilities are still operating without a Facility Improvement Fund bank account, this needs to be addressed. How, I wish and hope that the management of this facility will take this seriously so that they can have the bank account for the Facility Improvement Fund so that they can easily operate this account for what they are receiving and managing on a daily basis.

Madam Speaker, the second issue— if you look at the report again—was the Long Outstanding Payables. I want to believe that all of us know what these long outstanding payables are doing to us as a County. If we fail to settle our bills and debts within the Financial Year that they occurred, they usually affect the subsequent Financial Year's budget programmes. How I wish that as we are dealing with this menace of the Pending Bills, let these facilities not lag behind in dealing with this; because if we accrue so many pending bills in these health facilities, then their programs will be affected moving forward. I want to believe that the management will take care of this by settling these outstanding bills on time, so that they minimize the creation of other pending bills, within those small facilities.

Madam Speaker, my last point will be on the Delay in Submitting the Statutory Deductions. If you go through the report, you will find that most of the National Hospital Insurance Funds (NHIF) of the employees there were remitted or submitted six months after the due date. If you keenly look at the report, even some of the statutory deductions for the employees in those facilities were not even being remitted, that this facility had not even open, they do not even have a Kenya Revenue Authority (KRA) PIN Certificate. This actually affects the employees that are operating there.

Madam Speaker, how I wish that the administrator of this facility will go back to their books of accounts and facilitate and fast-track the acquisition of a KRA certificate for the facility so that the statutory deductions and payments can be remitted on time. I beg to support the report of this House Committee. Thank you.

The Temporary Speaker (Hon. Oginga, Nominated Member): Yes, Honourable Tom Nyaoke, member representing North Nyakach Ward.

Hon. Nyaoke (MCA, North Nyakach): Thank you Madam Speaker. I wish to support the Motion that has just been presented before the House. There is just one element that I needed to touch on besides what my colleague has spoken to: the issue of Financial Management in our institutions.

Madam Speaker, it is a fundamental thing that the 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. Madam Speaker, this is a very important issue, which as we endeavor to make our County move forward and the departments therein, the principles of Public Finance Management must be put into practice in regards to what is provided for in the constitution.

Madam Speaker, there is one observation from this report that this House Committee noticed—really sometimes it makes me wonder why, because other institutions are actually making their budget—but then you find that their expenditure goes even beyond their budgetary allocation.

Madam Speaker, when you look at this particular report, this House Committee is putting what they discovered, one of their observations that the institution, even after budgeting for Kshs. 31 million and above, then you find they are still spending what they had budgeted for, 24% less Madam Speaker. There must be something which is fundamentally wrong. Okay, in some subsequent reports that we have received, we have had areas where maybe certain institutions do not have qualified accountants to prepare their books of accounts.

Madam Speaker, prudent use of public funds must be done appropriately. When an institution works on a budget, let them abide to that, at least, there and about to use exactly what they have budgeted for. In some cases, you find that some institutions even budget and then you find the expenditure, when they start consuming the funds, then you find them using like about 50% of what they actually budgeted for. It means something must be going wrong.

Madam Speaker, moving forward, the recommendations that they have given is going to be used make various corrections from the institutions that may be possibly doing the same. I concur with the findings and recommendations of this House Committee because they have indicated that, the Select committee on Implementation should take up certain roles to ensure that this is done. I saw my Chairperson for Implementation and I want to implore upon this House Committee that once this report is adopted, then the Select Committee on Implementation should follow suit and ensure that all these recommendations are adhered to, so that we keep on changing, having to realize different reports as we proceed. Thank you, Madam Speaker. I beg to support.

The Temporary Speaker (Hon. Oginga, Nominated Member): Yes, Honourable Regina Kizito.

Hon. Kizito (Nominated Member): Thank you, Madam Speaker. Foremost, I want to commend the Select Committee on Public Investments and Accounts for a job well done.

First, over the issue of the Unreconciled Cash Books and Bank Statements. This House must insist on strict adherence to the provisions of the Public Finance Act and the Accounting Procedures. Secondly, on the issue of the Unsupported and Irregular Expenditures. Thirdly, on Procurement Irregularities that are seen. Finally, we also have the issue of Poor Revenue Management. I want to thank this House Committee for their findings and so we need to take action on this.

Madam Speaker, you may be aware that public health is a matter that is of great concern to our County. We must ensure that facilities like Lumumba Hospital are well taken care of. Therefore, Madam Speaker, I support the Motion.

The Temporary Speaker (Hon. Oginga, Nominated Member): Yes, Oiko, member representing Kabonyo/Kanyagwal Ward.

Hon. Oiko (MCA, Kabonyo/Kanyagwal): Thank you Madam Speaker. This is an Audit report of Lumumba Sub-County Level 4 Hospital. In the report, we are being informed of the opinion given is that of Qualified Report, giving the picture that the financial records were fairly managed and that is a credit to the management.

Madam Speaker, when we look at this report, we are getting a picture of about Kshs. 31 million and Ksh. 23 million. This is the variance of Kshs 7 million that needs to be looked into, why that one is there. Another matter we are being informed about is on Statutory Deductions, which were not remitted in good time. Madam Speaker, the picture given here is that the hospital is managing its own finances. Yet, I thought that the hospital was to manage itself through the Health and Finance Department.

Additionally, there is a matter on the Long Outstanding Payables, those are the debts which have not been paid. You know that this is a hospital, and when debts are not paid in good time, the suppliers will not supply the pharmaceutical and non-pharmaceutical commodities and those are the drugs, and our people will suffer. When the drugs are not there in the hospital, and Lumumba being a common hospital in Kisumu that started serving our people a long time ago, including maternity matters, our people will suffer. So, it would have been in order for the payables to be settled so that our people get good services from this health facility.

Madam Speaker, we are equally being informed that the hospital has not opened Facility Improvement Bank Account. Now this raises a lot of question. It collects funds from the public and where is this money kept? Is it being collected and spent or what happens? We are also being informed that, authority is yet to be given for the health facility to open its bank account. Madam Speaker, this gives a picture of poor financial management, when money is collected, it is not banked for accountability. It is like it is being collected and spent at source. This will give the management hard time in following how much has been collected, their accountability of what is collected, and this House Committee is informing us that, the matter is unresolved. This matter needs to be looked into so that the little that is collected is banked and can be accounted for.

Madam Speaker, in addition, there is the matter of Staffing Level of the hospital. The hospital is seriously understaffed. Lumumba is now a major health facility that serves the people of Kisumu County and is seriously understaffed. The County Government of Kisumu should look into this matter and if the Facility Improvement Fund was properly managed, this could help in engaging some staff on contract basis. That one is poorly managed, the hospital is understaffed, we need to take action as a county on this so that we improve the health services to our people.

Madam Speaker, like when they need 30 Clinical Officers and only 16 are available. They need 75 Nurses but the number available in the facility is only 36. These are the core people who serve the patients when they go to the facility. The Laboratory Technicians are 10, but the number needed is 40. This matter of staffing needs to be addressed so that good services are offered to our people. They are struggling to pay the Statutory Deductions which should also be paid by 9th of every month because if they are not paid by 9th of the subsequent month, they will attract interest and penalty. This will be a burden to the County Government of Kisumu when payment of tax will become heavy because of the accumulation of penalties and taxes. This is a matter that should be looked into so that financially, we do not disorganise our facilities by not paying their taxes in good time.

Madam Speaker, there is also the Land Ownership problem. The land was registered under the Municipal Council of Kisumu. To date, it has not been transferred to the facility, which implies that if there are some people who want to grab the land, they will easily grab it because there is no indication that it belongs to Lumumba Sub-county Hospital. This is a matter that at this level should have been solved long time ago. The County Government of Kisumu institutions that do not have title deeds, the parent department and the Department of Lands, Physical Planning, Housing and Urban Development should collaborate so that this matter is addressed. When we shall have a situation where a county institution is sitting on a private land that has been grabbed, we shall look fools before the public because we did not take action in good time. Madam Speaker, I hope with those few remarks, the hospital will improve on its financial management and its services to our locals. I so submit.

The Temporary Speaker (Hon. Oginga, Nominated Member): Yes, Honourable Gard Olima.

Hon. Olima (MCA, South West Nyakach): Thank you, Madam Speaker. Going by the mood of the House, may I call the mover to reply.

The Temporary Speaker (Hon. Oginga): Yes, Honourable Kelvin Oraro. Go ahead.

Hon. Oraro (MCA, Kolwa Central): Thank you Madam Speaker. I know the immediate Member has just arrived from Nyakach, Anding'o Opanga. Madam Speaker, I was trying to grab and be informed on what is going on. I have realised that though this House Committee leads with many reports that are being approved in this Assembly, some we tend not to take proper consideration in reading and even contributing those said reports.

Madam Speaker, it is just last week that we shot down a report that was presented by the Select Committee on Implementation which most of the content of the Implementation Committee report are still the same issues that has been audited in the last financial year, I think 2023-2024, the audit report of the same said hospital, the Lumumba Hospital.

Madam Speaker, I want to say that sometimes we clap too much for this House Committee until it reaches a point whereby the things they do not consider when writing reports because the Assembly will always give them a clean bill of health. However, if you look at what was the basis of this entire report and the Qualified Opinion by the Auditor General, you realise that there are some issues that should be put clearly and this House Committee and the House should be informed properly. I know that Lumumba Hospital is one of the most strategically placed hospitals which in future, when given proper attention, will also serve many people and many residents from Kisumu County and outside Kisumu County. Lumumba Hospital is located next to the three housing projects that are going on, that is; the LAPFUND one, the LAPTRUST and the National Government Affordable Housing and I believe it will serve many people going forward.

So, there are some of the things raised by the Auditor General that at least Lumumba Hospital should come out clearly and make sure that they do not repeat the same in the next audit report, the same response should not reappear.

Madam Speaker, the issue of land is appearing and the Select Committee on Implementation is trying to solve that. The issue of issue of Assets and Quantifying the Value for those assets has becoming a big headache to the accountant and that is why they have quoted inaccuracy in comparative balances.

Madam Speaker, if you move from that, issue of Unsupported Property, Plant and Equipment, the issue of land is also something of great concern. Some assets have not been disclosed and it is making the Balance Sheet not balance and making it difficult for the Auditor General to establish the actual value of the facility. It is my opinion that, it is high time that some of these things that keep on repeating in various Audit Reports on Lumumba Hospital should be dealt with so that we don't see them repeating themselves in subsequent reports. Assuming this report is adopted by the House, I would like to propose that the Select Committee on Implementation be granted the opportunity to meet with the management of Lumumba Hospital. This engagement would allow this House Committee to seek clarification on key issues—particularly regarding the hospital's assets and operations—so that this Assembly gains a clearer understanding of the ongoing concerns surrounding the facility.

Madam Speaker, we have observed that the same issues appear repeatedly in successive audit reports, year after year. This recurring trend should not continue. It is neither efficient nor productive for this Assembly to deliberate over the same matters every time a report is tabled.

While I commend this House Committee for the commendable work captured in this report, I believe it is also time for this House Committee to raise the red flags where no meaningful progress is observed. Audits are conducted annually, and it is the responsibility of the Public Investments and Accounts Committee (PIC/PAC) to monitor for recurring issues. Where such issues persist, this House Committee should go further—not only questioning the accounting officers but also recommending transfers where there is evidence of incompetence or persistent failure to comply with financial standards.

Madam Speaker, from the report, it is evident that Lumumba Hospital is generating significant revenue. In fact, it has the potential to rival JOOTRH as one of the top revenue-generating health facilities in Kisumu County. Considering the growing population served by Lumumba Hospital, I urge the Departmental Committee on Medical Services and Sanitation to explore additional improvements and investments that can enhance service delivery, improve patient care, and strengthen the facility’s contribution to our county's revenue base.

In conclusion, Madam Speaker, I support the report. However, I strongly urge this House Committee to strive for even better oversight and avoid the recurrence of identical issues in future reports. Thank you, Madam Speaker.

The Temporary Speaker (Hon. Oginga, Nominated Member): Honourable Members, since the mover had been called to reply, maybe I'll give Honourable Were the chance to reply.

Hon. Were (MCA, Nyalenda “B”): Thank you Madam Speaker. The report before us clearly highlights a significant improvement in the performance of this facility. While the previous Audit Report carried a Disclaimer Opinion, the current one has received a Qualified Opinion, which is a commendable step forward. This demonstrates that the management has taken corrective measures and is making progress. However, as a House, we must continue to apply consistent pressure and oversight to ensure that further improvements are made.

Madam Speaker, I would like to sincerely thank Honourable Members for the robust and constructive debate on this report. In particular, I acknowledge Honourable Oraro’s contribution and recommendation that this House Committee should adopt a firmer stance with management teams appearing before this House Committee. Indeed, we must demand accountability and ensure that recurring issues are addressed with urgency.

That said and done, it is equally imperative to understand that when the Office of the Auditor General repeatedly flags the same issues, this house Committee is obligated to respond to those issues accordingly. Therefore, some level of repetition in the reports is inevitable unless and until the root causes are fully addressed by the management.

Madam Speaker, we urge the various management teams that appear before this House Committee, as well as the Auditor General’s office, to exert extra effort to improve compliance and performance. Achieving a clean Audit Opinion is critical not just for transparency but also for restoring public confidence in our institutions.

Additionally, in light of the valuable recommendations shared by Members, we will impress upon the management to act on these suggestions—particularly regarding the timely remittance of Statutory Deductions, which remains a pressing concern. We similarly call on the County Executive to ensure the timely disbursement of funds to health facilities. While Facilities Improvement Funds (FIF) help, they are not always sufficient, and delayed funding undermines service delivery.

Honourable Speaker, for example, Lumumba Hospital experienced an under-spending of up to 24%, which may have been caused by late or incomplete disbursements. Such inefficiencies must be addressed to improve absorption rates and service provision.

I also wish to acknowledge Honourable Oiko Pete for commending both this House Committee and the facility's management for the progress made. However, he rightly pointed out that despite the improvement, the Auditor General raised some serious concerns that must be resolved. If we continue to work collaboratively and uphold strict oversight, we can ensure that public funds are managed prudently and that our healthcare facilities deliver the quality services our people deserve. Madam Speaker, with that, I beg to reply. Thank you.

The Temporary Speaker (Hon. Oginga, Nominated Member): Honourable Members, now that the Report on the Examination of the Report of the Auditor General on the Financial Statements of Lumumba Sub-County Level Four Hospital for the year ended 30th of June, 2024, by the Select committee on Public Investments and Accounts has been presented, seconded, and debated, I therefore want to put a question on the adoption of the same.

(Question put and agreed to)

The Temporary Speaker (Hon. Oginga, Nominated Member): Honourable members, ttherefore, the Report of the Select Committee on Public Investments and Accounts on its consideration of the report of the Auditor General on the financial statements of Lumumba Level IV Hospital for the period ended 30th June, 2024 has been adopted today, the 05th of June, 2025, at 15:24 hours. I direct that this report, together with the Hansard report, be submitted to the relevant department for implementation.

The Temporary Speaker (Hon. Oginga, Nominated Member): Next Order!!

ADJOURNMENT

The Temporary Speaker (Hon. Oginga, Nominated Member): Honourable Members, please be upstanding. There being no any other business to transact, this House stands adjourned until Tuesday 10th of June, 2025 at 02.30 p.m.

(House rose at 3.25 p.m.)

Addendum

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