

COUNTY GOVERNMENT OF KISUMU



COUNTY ASSEMBLY OF KISUMU

THE HANSARD

Official Report

THIRD ASSEMBLY – FOURTH SESSION

Tuesday, 05th August, 2025

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

[The Speaker (Hon. Elisha Jack Oraro) in the chair]

PRAYER

The Speaker (Hon. Oraro): Good afternoon Honourable members. May I request the Sergeant - at-Arms to ring the quorum bell.

(Quorum bell being rang for the first five minutes)

The Speaker (Hon. Oraro): Kindly inform the Sergeant -at-Arms that we have attain the required quorum to transact business.

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

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

COMMUNICATION FROM THE CHAIR

The Speaker (Hon. Oraro): Honourable members, I want to warmly welcome you back to this House as we resume our proceedings following the recent Short Recess that ended on Monday, 04th of August 2025. I trust that each and every one of you had a productive and restful break, and are now ready to re-engage with the important work before us.

As we move forward, I want to encourage all Members to approach the business of the House with the usual decorum, diligence and spirit of cooperation that has been our tradition, and which this House demands.

Let us remain guided by our shared commitment to serving the people and upholding the integrity of this institution.

Honourable members, during the recess, a number of you turned up for various House Committee assignments that were crucial and critical to the effective, efficient and continuous operations of this House, and the County Government at large.

I want to applaud your commitment and I expect that the House Committee will process all the activities undertaken during the short recess period, and these reports shall find their way to the floor of this House anytime soon.

During recess, we were glad to receive officials from the County Assembly Sports Association, (CASA), who visited the County to assess our level of preparedness towards the 2025 CASA Games, which shall be held in the month of October this year.

We are positioning ourselves to host the extravaganza, and the His Excellency the Governor of Kisumu County, Professor Peter Nyong'o, together with the entire team are properly appraised and are excited about the prospect.

As I conclude, Honourable members, you are probably aware of the upcoming Devolution Conference that shall take place in Homabay County from next week, starting from 12th of August to the 15th of August 2025, I want to appropriately inform you that I am briefed that all the Honourable members, including the Honourable Speaker, have been duly registered to participate and to facilitate their participation at the event.

As our custom, I want to encourage active participation and urge that we put in a strong show like what we did during the Devolution Conference in Uasin Gishu County.

Honourable members, I, however, want to communicate the bereavement of our Leader of Majority, Honourable Ken Ooko, who last week lost his mother, and similarly, Honourable Vitalis K'Omudho, who lost his brother. May the departed souls rest in peace.

Last, before recess, a team of SHOFCO appeared before this House for an engagement. I have a special request, an invitation from the said team for the launch of Kisumu County SHOFCO offices. I was privileged to have a meeting with the Director of SHOFCO and he stated that the launch will be on the Friday, 09th of August 2025 from 09:00 a.m. in North West Kisumu Ward.

Honourable members, as you are all aware that, North West Kisumu Ward is the ward represented by Honourable Vincent Jagongo. It is a special request that, if possible, we all make it there. There shall be a side engagement with the Director of SHOFCO on how we can operate with SHOFCO as a County in Kisumu County. I believe the SHOFCO team will be giving that invitation officially, maybe through our WhatsApp groups.

Honourable members, I finally want to wish and to state that the task ahead of us is enormous, nonetheless we are equally up to task. I therefore, pray for enhanced commitment and peaceful coexistence even as we resume from our short recess. I welcome you back. Thank you.

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

STATEMENT

STATEMENT INFORMING THE HOUSE OF BUSINESS COMING BEFORE THE HOUSE ON WEDNESDAY, 06TH TO TUESDAY, 19TH AUGUST, 2025

The Speaker (Hon. Oraro): It is statement time. Yes, Majority Whip, in place of the Leader of Majority.

The Majority Whip (Hon. Kanga, MCA, Market Milimani): Thank you, Honourable Speaker. Honourable Speaker, I rise pursuant to Standing Order 41 (2) (c) as a Member of the House Business Committee and on behalf of the Majority Leader, that is Honourable Ken Ooko, and in his absentia also on behalf of the Deputy Majority Leader who has given me the mandate to present this statement and lay on the table of the County Assembly a statement informing the County Assembly of business coming before the House the following week.

Honourable Speaker, this is therefore to bring to the attention of the Members and the County Assembly that for the week commencing on 6th August 2025 to Tuesday 19th August 2025. The Select Committee on the Assembly House Business at its last meeting approved the following tentative business to appear in the Order Paper as follows.

Wednesday, 06th August 2025 at 09: 00 a.m.

PAPERS TO BE LAID

The Chairperson of the Select Committee on Liaison, that is the Deputy Speaker, the Honourable Nereah Okombo, will table the Committee Report on the Apportionment of House Committee's Annual Operating Budgets for the Financial Year 2025-2026.

NOTICES OF MOTION

The Chairperson, Select Committee on Liaison, the Deputy Speaker, the Honourable Nereah Okombo, will give a Notice for the Adoption of the Report on the Apportionment of House Committee's Annual Operating Budgets for the Financial Year 2025-2026.

Wednesday, 06th August 2025 at 02.30 p.m.

SUBSTANTIVE BUSINESS

The Chairperson, Select Committee on Public Accounts and Investment, the Honourable Kennedy Ouko, will move a Motion for the Adoption of the Report on the Examination of the Report of the Auditor General on the Financial Statements of Muhoroni Sub-County Hospital for the Financial Year 2022-2023 and 2023-2024.

Thursday, 07th August 2025 at 02.30 p.m.

SUBSTANTIVE BUSINESS

The Chairperson, Select Committee on Liaison, Honourable Nereah Okombo, will move a Motion for the Adoption of the Report on the Apportionment of House Committee's Annual Operating Budgets for the Financial Year 2025-2026.

The Majority Leader, will move a Motion of the Adjournment of the County Assembly for a Definite Matter of Urgent County Importance that is the Devolution Conference, which I believe you have stated will be held in Homabay County until 19th August 2025 at 2.30pm.

Tuesday, 19th August 2025 at 02.30 p.m.

STATEMENTS

The Leader of Majority, will issue a statement pursuant to Standing Order No. 41 (2) (C) on the Standing Orders on the Business coming before the County Assembly for the week commencing 20th August 2025.

SUBSTANTIVE BUSINESS

The Chairperson, Select Committee of Public Accounts and Investment Committee, the Honourable Kennedy Ouko, will move a Motion for the Adoption of Reports on the Examination of the Report of the Auditor General on the Financial Statements of the City of Kisumu for the Financial Year 2021-2022, 2022-2023 and 2023- 2024. Thank you, Mr. Speaker.

The Speaker (Hon. Oraro): Yes, Honourable Mildred Ajumbo

Hon. Ajumbo (MCA, Central Seme): Thank you Mr. Speaker for giving me the opportunity to give a Personal Statement pursuant to the provisions of Orders No. 42 (1). I rise to inform the Members that the Majority Leader, Honourable Kennedy Ooko lost his mother in Ahero and I request that Members of this County Assembly that tomorrow the 06th of August, 2025 after the morning session, we all converge and visit the Member of Ahero Ward and condole with him after the morning session. Thank you.

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

Hon. Oiko (MCA, Kabonyo/Kanyagwal): Thank you Mr. Speaker, I rise to say a big thank you to Members of Kisumu County Assembly for visiting me at home when I lost my mother the first visit.

The Speaker (Hon. Oraro): Honourable Benny Oiko, I believe that is a Personal Statement so it is important that you quote that you are rising citing the provisions of Standing Order 42 (1) of the Kisumu County Assembly Standing Orders.

Hon. Oiko (MCA, Kabonyo/Kanyagwal): Thank you, that is why I was careless because I knew it is a Personal Statement.

The Speaker (Hon. Oraro): Honourable members, for record purposes, Honourable Benny Pete Oiko it is good to state that you are rising while citing the statement. If it is a Personal Statement, please cite the number which is 42 (1), I have helped you.

Hon. Oiko (MCA, Kabonyo/Kanyagwal): Thank you Mr. Speaker. I refer to Standing Order No. (42) (1). Mr. Speaker, I rise to thank fellow Members for condoling with me when I lost my mother.

The day the Assembly van traversed Kurowe-Nyang'ande Road there was a lot of happiness for my constituents when they saw you people coming to condole with me. Mr. Speaker, I was grateful for the shopping that was done. I found myself offering plenty of tea to my visitors and a lot of mandazis from the time you came up to 26th, it was all happiness in my home Mr. Speaker.

I thank and propose that, this department should be headed by the females, because they know how to entertain the visitors and take care of their stomach and the Members generously contributed from their own pockets to provide water. I wish to inform this House that the balance has just been sent to my M-Pesa account, and I can confirm that my account is now in good standing.

While not everyone was able to attend, those who did represented us well. Their presence demonstrated the unity and cohesion of the County Assembly of Kisumu. I pray that the same continues. Thank you, Mr. Speaker.

The Speaker (Hon. Oraro): Yes, Honourable Seth, as you are still consulting the clerk?

The Speaker (Hon. Oraro): Next order.

MOTION

ADOPTION OF THE REPORT OF THE SELECT COMMITTEE ON PUBLIC INVESTMENTS AND ACCOUNTS ON THE EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF CHULAIMBO COUNTY HOSPITAL, FINANCIAL YEAR 2022/2023 AND 2023/2024

BY

HON. KENNEDY OUKO, MCA, WEST KISUMU.

(CHAIPERSON, PUBLIC INVESTMENTS AND ACCOUNS COMMITTEE)

The Speaker (Hon. Oraro): Yes, Honourable Kennedy Ouko.

Hon. Ouko Kennedy (MCA, West Kisumu): Thank you, Mr. Speaker.

Honourable Speaker, on behalf of the Public Accounts and Investments Committee (PICPAC), and pursuant to Standing Orders 188 of the Kisumu County Assembly Standing Orders, I am honored to present to this Honorable House the Committee's report on the examination of the reports of the Auditor-General on the Financial Statements of Chulaimbo Level IV Hospital for the FYs 2022/2023 and 2023/2024.

Honourable Speaker, Chulaimbo Hospital is one of the Level IV Hospitals within the County. As such, it is one of the Public entities audited annually in accordance with Article 229(4)(b) of the Constitution of Kenya, 2010, which provides for audit of *the accounts of all funds and authorities of the national and county governments*.

Article 229(8) further requires that within three months of receipt of such reports, the County Assembly debates and takes appropriate action. This obligation is discharged through the Public Accounts and Investments Committee, which is the oversight arm of the Assembly responsible for examining public expenditure and investments, ensuring that County entities utilize public funds lawfully, effectively, efficiently, and transparently.

Honourable Speaker, in executing its mandate, the Committee held 4 sittings during which it received and considered both oral and written submissions from the Accounting Officer for the audit reports for the two financial years. The deliberations were supported by technical officers from the Office of the Auditor-General.

Honourable Speaker, for both financial years, the opinion of the Auditor General was Qualified, implying that except for certain issues in both financial years, the financial statements of the facility presented a true and fair financial position of the facility.

Honourable Speaker, a number of audit queries appeared in both financial years, indicating persistent weaknesses in governance and financial management. Key among these were: financial reporting inaccuracies, including unexplained variances between statements, supporting schedules, and operational data; misstatements of revenue; and incomplete disclosures of assets and liabilities. The facility demonstrated weak asset and inventory management, with incomplete fixed asset registers, absence of regular valuations, poor stock control, lack of annual stock-taking, and failure to amortize intangible assets across the two financial years.

The Committee further observed delays in implementing prior year audit recommendations, procurement irregularities characterized by inadequate documentation and non-compliance with the Public Procurement and Asset Disposal Act, and continued deficiencies in meeting Universal Health Coverage (UHC) requirements. These deficiencies included critical shortages in medical personnel, essential equipment, and infrastructure as prescribed by the Kenya Quality Model for Health.

Human resource management weaknesses were also noted, including irregular recruitment and engagement of casual staff, lack of approved recruitment policy manuals, delays in wage payments, and payment rates below the statutory minimum wage. Additionally, the hospital lacked a risk management policy, disaster recovery plan, and robust internal audit review mechanisms.

Honourable Speaker, from its review of the Auditor-General's reports and evidence presented, the Committee noted that these challenges were largely systemic, arising from inadequate internal controls over financial reporting, revenue collection, and asset management; persistent non-compliance with the Public Finance Management Act, 2012, the Public Procurement and Asset Disposal Act, 2015, and the Public Finance Management Regulations, 2015; capacity constraints in technical personnel within finance, procurement, and stores functions; and poor maintenance or underutilization of critical medical equipment, which undermines service delivery to the public.

Honourable Speaker, in light of these findings, the Committee has recommended that the facility's management strengthens its financial management processes through timely reconciliations, accurate disclosures, and strict adherence to IPSAS and Public Sector Accounting Standards Board (PSASB) reporting templates. Asset and inventory controls must be improved by maintaining complete and updated asset registers, conducting regular valuations, adopting automated inventory management systems, and ensuring both quarterly and annual stock-taking. Procurement procedures must comply fully with applicable laws and regulations, with all supporting documentation retained for audit purposes. Compliance with UHC standards should be prioritized through progressive recruitment of medical personnel and acquisition of essential equipment.

On human resource matters, the Committee has recommended the development and approval of a recruitment policy manual, engagement of casual staff strictly based on documented needs assessments and Board approvals, adherence to the Employment Act with respect to conversion of long-term casuals into formal contracts, and timely payment of wages in accordance with statutory minimum rates. The facility must also establish and operationalize a comprehensive risk management framework, including a disaster recovery plan, and ensure that regular internal audit reviews are undertaken as required by law.

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 Chulaimbo, Sub County Hospital for the year ended 30, June 2023 and 30, June 2024 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 Odera	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 CHULAIMBO, SUB COUNTY LEVEL 4 HOSPITAL FY 2022/2023 AND 2023/2024

Honourable Speaker, the Medical Superintendent, Dr. Sammerion Nyawarah, appeared before the Committee on two occasions to provide evidence on the Audited Financial Statements of Chulaimbo Sub-County Hospital for the financial years ended 30th June 2023 and 30th June 2024.

Ms. Margaret Onyatta, the Principal Auditor from the Kisumu Regional Office, represented the Office of the Auditor-General during the meetings.

FINANCIAL YEAR 2022/2023

BASIS FOR QUALIFIED OPINION

3.1 Inaccuracies in the Financial Statements

Review of the financial statements submitted for audit revealed the following inaccuracies in the amounts and balances:

3.1.1 Statement of Financial Performance

The statement of financial performance reflects transfer from county government comparative as Kshs.8, 158,946 while the corresponding Note 6 reflects Kshs.9, 875,225 resulting in an unexplained variance of Kshs.1, 716,279. Further, the statement of financial performance reflects a comparative amount of Kshs.80, 000 in respect of transfer from other government entities NHIF while the corresponding Note 9 reflects Kshs.18, 000 resulting in an unreconciled variance of Kshs.62, 000.

In addition, the statement reflects Transfer from the County Government amount of Kshs.1,287,514 as disclosed in Note 6 to financial statements however the supporting schedules reflects an amount of Kshs.7,035,699 resulting in an unreconciled variance of Kshs.5,748,185.

Management Response

The transfers from the county government are received from our operational accounts at the Cooperative Bank of Kenya account number 01141495253100.As per our records, the amount totaled to Kshs. 8,158,946 for the year ended 30th June, and 2022.Attached is the bank statement and schedule of amounts received from the County Government. (Annex I)

It is indeed true that the receivables from NHIF as at 30th June, 2023 was Kshs. 80,000 therefore the variance was due to wrong posting. Attached is the Authority to Incur Expenditure schedule (Annex II)

The transfers from the county government was Kshs 7,035,699 as for the year ended 30th June, 2023. The statement disclosed in Note (6) only reflects recurrent without FiF. Attached is the Bank statement and schedule of amounts received from the county government. (Annex III)

Committee Observations

1. That there were notable inconsistencies between the amounts reported in the Statement of Financial Performance and those disclosed in the corresponding notes to the financial statements, as well as discrepancies between the financial statements and supporting documentation.
2. That the above variances indicated weaknesses in financial reporting, classification, and reconciliation processes at the facility.

Committee Recommendations

1. The facility should strengthen its financial reporting processes by ensuring that all figures disclosed in the financial statements are accurately reconciled with supporting documentation.
2. That the Medical Superintendent put necessary mechanisms in place to enhance internal controls in financial reporting standards to promote accuracy, consistency, and transparency in future financial statements.
3. That the matter is unresolved

3.1.2. Statement of Financial Position

The statement of financial position reflects nil balance in respect of net assets which is at variance with the recalculated amount of Kshs.9, 051,673. Further, the nil balance in respect of total net assets is at variance with the total net assets and liabilities balance of Kshs.7, 717,216 resulting to an unexplained variance of Kshs.7, 171,216.

Management Responses

Management agrees with the auditor's observation and states that we will disclose the balances correctly in the financial year 2023/2024

Committee Observation

Honourable Speaker, The Statement of Financial Position contains inconsistencies between the reported net assets and the recalculated figures, as well as a mismatch between net assets and the total assets and liabilities.

Committee Recommendations

1. That in future, the Management should enhance the accuracy of the Statement of Financial Position by ensuring that all components are properly calculated and reconciled.

Additionally, internal review mechanisms should be strengthened to detect and correct such errors before financial statements are forwarded to the Auditors

2. That the matter is resolved

3.1.3 Statement of Cash Flows

The statement of cash flows reflects nil balance in respect of net increase in cash and cash equivalents which is at variance with the recalculated amount of Kshs.3, 177,724 resulting to understatement of cash and cash equivalents balance as at 30 June, 2023 by the same amount.

Management Responses

Management notes the auditor's observation and states that this was an error in the presentation of the statement of cash flows and have been amended in the statement to properly disclose the balances in the financial year 2023/2024. (Annex IV)

Committee Observation

Honourable Speaker, THAT, the Statement of Cash Flows contained an error in the presentation of the net increase in cash and cash equivalents, leading to an understatement of the closing cash balance.

Committee Recommendations

1. That the Management should strengthen the preparation and validation processes of the Statement of Cash Flows to ensure that cash movements are accurately captured and presented
2. That the matter is resolved

3.1.4 Statement of Comparison of Budget and Actual Amounts

Honourable Speaker, The statement of comparison of budget and actual amounts reflects total actual income of Kshs.9, 597,077. However, the statement of financial performance indicates final income amount of Kshs.10, 538,242 resulting to an unexplained variance of Kshs.941, 165. Further, the recast of actual expenditure of the statement yielded amount of Kshs.5, 249,049. However, the statement of financial performance indicated total expenditure amount of Kshs.7, 360,518 resulting to unexplained variance of Kshs.2, 111,469. In addition, the statement lacked totals in expenditure of original budget, final budget and actual on comparable basis.

Management Responses

Management acknowledges the auditors observation and states that the statement of comparison of budget and actual amounts has now been corrected reflecting the correct figures and amounts in the financial year 2023/2024 as evidenced in Annex V

Committee Observations

That the Statement of Comparison of Budget and Actual Amounts contained unexplained variances in both income and expenditure figures when compared to the Statement of Financial Performance.

Committee Recommendations

1. That in future, the Management should ensure consistency and alignment between budget execution reports and the Statement of Financial Performance.
2. That the matter is resolved

3.1.5 Variances between the Financial Statements and Comparative Balances

Honourable Speaker, The financial statements reflect comparative balances that differ with the previous year 2021/2022 audited financial statements balances as shown below:

Component Description	Statement	Financial Statements (Kshs)	Audited Financial Statements (Kshs)	Variance (Kshs)
User Fee Forgone	Financial Performance	1,636,279	-	1,636,279
Rendering of Services - Medical Services Income	Financial Performance	1,663,721	1,636,279	27,442
Revaluation Reserve	Financial position	1,060,211.85	0	1,060,211.85
Transfers from the County Government	Note 6	8,238,946	8,158,946	80,000
Medical and Clinical Costs	Note 15	5,644,068	3,440,600	2,203,468
Salaries, Wages and Allowances	Note 16	714,000	1,178,400	464,400
Sitting Allowance	Note 17	64,947	40,000	24,947
Depreciation on Intangible Assets	Note 18	-	25,000	25,000
Repairs and Maintenance	Note 19	657,999	394,776	263,223
General Expenses	Note 21	1,750,999	2,279,446	528,447
Cash and Cash Equivalents	Note 27	-	1,568,004	1,568,004
Receivables from Exchange Transactions	Note 28	-	1,654,279	1,654,279

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

Management Responses

Management acknowledges the auditor's observation and states that we agree that the comparative balances were erroneously reflected however the balances will be disclosed properly in the financial year 2023/2024.

Committee observation

That financial statements reflected comparative balances that differ with the previous year 2021/2022 audited financial statements.

Committee recommendations

1. That in future, the management must ensure regular reconciliation of books of accounts for accurate disclosures in the Financial Statement
2. That the matter is resolved

3.2 Variances Between Financial Statements and Supporting Schedules

The audit revealed variances between the financial statements and supporting schedules as detailed below:

Item Description	Financial Statements Amount (Kshs)	Supporting Schedule Amount (Kshs)	Variance (Kshs)
Inventories	8,350,777	10,991,372	2,640,595
Employee costs	807,000	1,125,000	318,000
Transfer from the county Government	3,824,233	7,035,699	3,211,466

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

Management Responses

The financial statement was prepared earlier in 2022 with the confirmed values, but audit was conducted months later (April 2023) when values for inventories, employee cost had increased as of states that we have reconciled the schedules and amended the financial statement in the subsequent year.

Committee Observation

That there were inconsistencies between amounts reported in the financial statements and figures in the supporting schedules for inventories, employee costs, and transfers from the County Government.

Committee Recommendations

1. That in future, the Management should ensure that all figures in the financial statements are fully reconciled with supporting schedules before submission to the Office of the Auditor General
2. That the matter is resolved

3.3 Inaccuracies in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.1, 262,353 as disclosed in Note 27 to the financial statements. However, Note 27(a) on analysis of cash and cash equivalents discloses a balance of Kshs.778, 893 resulting to an unexplained variance of Kshs.483, 460. No reconciliations were provided for the variance between the cashbook balance and the amount reported in the financial statements.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.1, 262,353 could not be confirmed.

Management Responses

Management acknowledges the auditor's observation as evidenced by the bank statement, certificate of bank balances, attached in (Annex Vi) the closing balance has been properly disclosed in the financial year 2023/2024 as attached.

Committee Observation

That the statement of financial position reflected cash and cash equivalents balance of Kshs.1, 262,353 as per Note 27 to the financial statements. While Note 27(a) on analysis of cash and cash equivalents reflected a balance of Kshs.778, 893 resulting to an unexplained variance of Kshs.483, 460.

Committee Recommendations

1. That going forward the management must ensure regular reconciliation are undertaken to ensure accurate disclosures in the financial statement
2. That the matter is resolved

3.4 Misstatement of Revenue from Rendering Services

Honourable Speaker, The statement of financial performance reflects an amount of Kshs.2, 979,609 in respect of rendering of services – medical service income as disclosed in Note 11 to the financial statements. However, review of National Health Insurance Fund data revealed claims

amounting to Kshs.6, 304,365 during the year under review resulting to an unexplained variance of Kshs.3, 324,756.

In the circumstances, the accuracy and completeness of revenue from rendering services - medical income amount of Kshs.2, 979,609 could not be confirmed.

Management Responses

Management acknowledges the auditors finding and states that the variance noted has been reconciled and the adjustments will be effected /disclosed in the financial year 2023/2024 as prior year adjustments

Committee Observation

Revenue from rendering medical services as reported in the financial statements was materially misstated when compared with National Health Insurance Fund claims data, resulting in significant unexplained variances.

Committee Recommendations

1. That the Management should strengthen revenue recognition procedures to ensure that all income from medical services is accurately recorded and reconciled with operational data before financial statements are submitted to the Office of the Auditor General.
2. That the matter is resolved

3.5 Unreconciled Receivables from Exchange Transactions

The statement of financial position reflects Kshs.2, 189,100 in respect to receivables from exchange transactions as disclosed in Note 28 to the financial statements. However, review of inpatient and outpatient records revealed unpaid claims amounting to Kshs.4, 526,800 owed to the Hospital by National Health Insurance Fund as at 30 June, 2023 resulting to an unreconciled variance of Kshs.2, 337,700.

In the circumstances, the accuracy and completeness of Kshs.2, 189,100 in respect to receivables from exchange transactions could not be confirmed.

Management Responses

Honourable Speaker, the management acknowledges the auditor's observation and states this was due to claims thus misreporting that we have now reconciled the variance noted and will correct the balance and make the disclosure in the financial year 2023/2024.

Committee Observation

That the statement of financial position reflected Kshs.2, 189,100 in respect to receivables from exchange transactions as per Note 28 to the financial statements. While review of inpatient and

outpatient records revealed unpaid claims of Kshs.4, 526,800, resulting to an unreconciled variance of Kshs.2, 337,700.

Committee Recommendations

1. That the Accounting officer initiate a reconciliation process to resolve the variance and implement a structured follow-up mechanism to ensure outstanding claims are resolved promptly.
2. That the matter is resolved

3.6 Unsupported Trade and Other Payables

Honourable Speaker, the statement of financial position reflects trade and other payables balance of Kshs.3, 993,492 as disclosed in Note 34 to the financial statements. However, the supporting documents including invoices, delivery notes, local service or local purchase order numbers, interim or completion certificates for the works done, issues and receipts vouchers and the dates when the bills were incurred were not provided for audit to confirm the validity of the payables.

In addition, the Management did not maintain an ageing analysis to assess the status of outstanding bills owed to the creditors and the duration they had remained outstanding was not provided for audit.

In the circumstances, the accuracy and validity of Kshs.3, 993,492 in respect of trade and other payables could not be confirmed.

Management Responses

Management acknowledges the auditors observation and states that we have now provided a list of payables and support documents to support the payables in addition ageing analysis and status of outstanding bills has been provided as attached in Annex VII

Committee Observations

1. That the hospital's financial statements reflected trade and other payables without adequate supporting documentation such as invoices, delivery notes, purchase orders, certificates for works done, and vouchers.
2. That no ageing analysis was maintained to determine the status and duration of outstanding bills.

Committee Recommendations

1. That in future, the Management should ensure that all trade and other payables are supported by complete and verifiable documentation, including supplier contracts, delivery notes, invoices, and payment certificates. An up-to-date creditors' ledger and ageing analysis should be maintained at all times to monitor the status of outstanding liabilities.
2. That the matter is resolved

3.7 Non-Disclosure of Property, Plant and Equipment

Honourable Speaker, the statement of financial position does not reflect a balance for property, plant and equipment. However, audit inspection within the Hospital's compound and offices revealed that the Hospital owns various assets including land, buildings, civil works, motor vehicles, hospital equipment, computers and furniture but whose valuation reports and ownership documents were not provided for audit review. The asset register provided for audit was incomplete and did not include a 5-acre parcel of land, two (2) motor vehicles and all the buildings owned by the Hospital. Further, the asset register lacked details such as cost of assets, depreciation charge, net book values, date of purchase or acquisition and unique identification tag of each asset.

In addition, audit inspection revealed that the 5-acre parcel of land on which the Hospital sits was donated by the community but the title had not been transferred to the name of the Hospital and logbooks for the two (2) vehicles in custody of the Hospital were not provided for audit. Furthermore, Management had installed an Integrated Health Care Information Management System. However, Management did not provide for audit purposes the ownership documents of the system, including copyright registration, the signed handover documents and the value was not disclosed in the financial statements.

In the circumstances, valuation and existence of the Hospitals property, plant and equipment could not be confirmed.

Management Responses

Management acknowledges the auditors observation and states that there was no disclosure in the year under review however management has since made a disclosure in the subsequent year of 2023/24 in the statement of financial position as evidenced in Annex VIII

The department of health is working with the department of lands and treasury to ensure all assets are valued and their costs updated appropriately. The facility is in the process of valuing assets and the management has appointed the Assets Management Committee (Annex VIII)

Committee Observation

1. That the hospital did not disclose property, plant, and equipment in its statement of financial position despite owning various assets, including land, buildings, vehicles, and medical equipment. The asset register provided was incomplete and lacked key details such as acquisition cost, depreciation, net book values, purchase dates, and identification tags.
2. Ownership documents for certain assets, including land and vehicles, were not availed for audit, and the hospital's Integrated Health Care Information Management System was also not disclosed in the financial statements. Although management has indicated that disclosures have since been made in the subsequent financial year and asset valuation is

underway, these gaps in the year under review limited confirmation of asset valuation and ownership.

Committee Recommendations

1. That the Management should ensure that all assets are comprehensively recorded in an updated asset register, capturing full details including cost, acquisition date, depreciation, net book value, and unique identification tags. Outstanding ownership documentation, including land titles, vehicle logbooks, and intellectual property rights for systems, should be secured and filed. Regular asset verification and valuation should be undertaken in compliance with public sector asset management standards, with full disclosure made in the financial statements
2. That the matter is unresolved

3.8 Non-Disclosure of Intangible Assets

Honourable Speaker, the management had installed an Integrated Health Care Information Management System. However, Management did not provide for audit purposes the copyright registration, the signed handover documents and the value was not disclosed in the financial statements.

In the circumstances, valuation and existence of the Hospitals intangible assets could not be confirmed.

Management Responses

Management acknowledges the auditors observation and states that there was no disclosure in the year under review however management has since made a disclosure in the subsequent year of 2023/24 in the statement of financial position as evidenced In (Annex IX)

Committee observation

That during the time of audit, the Management had installed an Integrated Health Care Information Management System. However, Management did not provide for audit purposes the copyright registration, the signed handover documents and the value was not disclosed in the financial statements. The same had been provided as at the time of committee deliberations

Committee Recommendation

That the matter is resolved

Other Matter

3.9 Unresolved Prior Year Matters

Honourable Speaker, in the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the issues have not been disclosed in the financial statements. Further, Management had not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

Management Response

Management acknowledges the auditors observation and states that the facility is in the process of resolving most of the issues as shown in the status report on follow up of auditor's recommendation. (Annex X)

Committee Observation

That several prior year matters relating to the report on the financial statements and reports on lawfulness and effectiveness in the use of public resources are yet to be addressed.

Committee Recommendations

1. That within 60 days of adoption of this report, the Accounting Officer submits to the Implementation Committee an implementation action plan for all the recommendations by the Office of the Auditor General and the County Assembly.
2. That this matter is unresolved

4.0 Inconsistencies in the Presentation of Financial Statements

Honourable Speaker, a review of the annual reports and financial statements revealed the following inconsistencies and inaccuracies:

- i. The report of the medical superintendent at page (xii) indicates that the total expenditure during the period amounted to Kshs.9, 893,225 which is at variance with an amount of Kshs.7, 360,518 reflected in the statement of financial performance resulting to an unexplained variance of Kshs.2, 532,737.
- ii. Evidence by way of Board minutes confirming that the annual report and financial statements were approved by the Hospital's Board of Management was not provided for audit.
- iii. The Hospital's Management identified five (5) strategic pillars under the statement of performance against predetermined objectives at page (xiv). However, the annual report omits progress on attainment of the identified strategic development objectives as

prescribed in the reporting requirements set by the Public Sector Accounting Standards Board.

- iv. The Management's Discussion and Analysis at page (xvii) does include the financial performance of the Hospital as prescribed in the reporting requirements.

In the circumstances, the financial statements were not compliant with the format prescribed in the Annual Financial Reporting template issued by the Public Sector Accounting Standards Board.

Management Responses

Management acknowledges the auditors finding on inaccuracies in the presentation of the financial statement and a disclosure of the issues raised has been reflected in the 2023/2024 financial statement as evidenced in Annex XI

The management acknowledges the audits observations and wish to state that it is true that there was no minutes showing the Financial Statement was approved by the Hospital Board however we have since corrected for the year 2023/2024 as evidence. (Annex XII)

Committee observation

The hospital's annual report and financial statements contained inconsistencies between reported figures, lacked evidence of Board approval, and omitted key disclosures required under the Public Sector Accounting Standards Board reporting framework

Committee Recommendations

1. That in future, the Management should ensure full compliance with the Public Sector Accounting Standards Board financial reporting template and guidelines
2. That the matter is resolved

4.1 Irregular Engagement and Payment of Casual Employees

Honourable Speaker, the statement of financial performance reflects employee costs amount of Kshs.807, 000 as disclosed in Note 16 to the financial statements. Review of employees' related documents including payrolls revealed that the expenses were incurred in respect casual wages to casual workers during the period under review. However, the approved staff establishment showing deficiency of staff to be filled by the casuals, formal requests done from the departmental heads on the need for engaging casuals and Board of Management's approval were not provided for audit. This implies that Management irregularly engaged and paid the casual employees during the period under review. Further, Management engaged the casual employees for more than six months without review of their terms contrary to Section 37(1)(b) of the Employment Act, 2007 which provides that where a casual employee performs work for more than three months, the

contract of service of the casual employee shall be deemed to be one where wages are paid monthly and Section 35(1)(c) shall apply to that contract of service.

In addition, the casual workers were paid monthly wage ranging from Kshs.2, 520 to Kshs.9, 000 against the recommended minimum wage rate of Kshs.13, 573 for the general casuals as per the minimum wage guidelines.

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

Management Responses

Management acknowledges the auditors finding and wish to state that it was true that formal requests done from the departmental heads on the need for engaging casuals and Board of Management's approval were not provided for audit. However, the management commits to correct it in the subsequent year.

The management paid casual labourers wages of between sh. 6500 and sh. 9000 during the year under review however currently management has increased the rates to between sh. 9000 and sh.11, 000. We are working on increasing our own source revenue to eventually increase their wages to Kshs. 13,573. Attached are the improved casual wages payrolls.

Committee observations

1. That the hospital engaged and paid casual employees without documented justification, approved staff establishment records, formal departmental requests, or Board of Management approval.
2. That some casual employees worked for periods exceeding the legal threshold for conversion to formal contracts, contrary to the Employment Act, 2007. Wages paid were also below the statutory minimum wage guidelines. While management has since adjusted rates upwards and committed to further reviews, compliance gaps in recruitment, approval, and remuneration processes remain

Committee Recommendations

1. That in future, the Management should ensure that the engagement of casual employees is supported by documented needs assessments, formal departmental requests, and prior approval from the Board of Management
2. That Employment terms should comply with the Employment Act, including conversion of long-term casual engagements into formal contracts. Wage rates must be aligned with statutory minimum wage requirements, with adjustments factored into future budgets to ensure compliance and fair labour practices
3. That the matter is resolved

4.2 Irregular Procurement of Clinical and Medical Supplies

Honourable Speaker, as disclosed in Note 15 to the financial statements, the statement of financial performance reflects clinical and medical costs amounting to Kshs.4, 238,816 in respect of pharmaceutical and non-pharmaceutical supplies. Review of payment vouchers revealed that the Hospital Management procured the supplies from various suppliers. However, the evidence of competitive bidding, method of procurement and identification of the supplier could not be ascertained since the supporting procurement documents including user requisitions, letters of appointment of opening and evaluating committees, tender opening and tender evaluation minutes, professional opinions, award letters, stores ledgers and and contract or service agreements were not provided for audit.

In the circumstances, value for money of the expenditure of Kshs.4, 238,816 in respect of clinical and medical supplies could not be confirmed.

Management Response

The management takes note of this observation. The management uses county approved suppliers who had already gone competitive bidding as attached in Annex Xiv. All required documents from the respective suppliers had not been filed at that time but are all currently available.

Committee observations

1. The Management failed to provide supporting evidence such as user requisitions, letters of appointment of opening and evaluating committees, tender opening and tender evaluation minutes, professional opinions, award letters, stores ledgers and and contract or service agreements for audit.
2. That the same had been provided as at the time of committee deliberations

Committee recommendations

1. That in future, the management must ensure that supporting documents are provided during the time of audit upon request by the Auditors.
2. That the matter is resolved

4.3 Lack of Approved Budget

Honourable Speaker, the statement of comparison of budget and actual amounts reflects original and final budget amounts of Kshs.9, 597,077 and Kshs.5, 249,049 for revenue and re-calculated expenditure respectively. However, the minutes of the Board approving the budgets were not provided for audit. This was contrary to Section 149(1) of the Public Finance Management Act, 2012 which states that an Accounting Officer is accountable to the County Assembly for ensuring

that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized.

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

Management Response

Management acknowledges the auditors finding and wish to state that it is true there was no budget for the year under review that was approved by the board however we have since corrected the anomaly and currently we have a budget for year 2023/24

Committee Observation

The hospital implemented its activities during the year under review without an approved budget by the Board, contrary to Section 149(1) of the Public Finance Management Act, 2012. The absence of documented budget approval undermines transparency, accountability, and lawful use of public resources. However, management has acknowledged the lapse and has since ensured that a budget for the subsequent financial year has been approved.

Committee Recommendations

1. Management should ensure that all budgets are prepared, reviewed, and formally approved by the Hospital Board in line with legal and regulatory requirements before implementation. Supporting documentation such as approval minutes should be retained for audit purposes.
2. That the matter is resolved

4.4 Non-Functional and Unutilized Medical Equipment

Honourable Speaker, verification of the Hospital's records and equipment revealed that most of the essential medical equipment were either completely or partially not functional resulting to slow or compromised health care service delivery to the public as detailed below:

No.	Equipment	Quantity	Audit Observation
1	Autoclave 59 L	2	One unit is partially functional while the other is completely broken down.
2	Suction Machine	2	One unit is completely broken down
3	Laboratory Microscope	2	One unit is functional while the other is completely broken down.
4	Electrolyte/Lipid Profile Analyzer Machine	1	Not available

No.	Equipment	Quantity	Audit Observation
5	Infant Incubator	1	Not functional
6	Maternity Delivery Beds	2	One unit is functional while the other is broken down due to missing parts.
7	Patients Beds	26	Ten (10) beds are broken down and therefore require replacement.
8	Stretcher	1	The only existing unit is fully depreciated and non-functional.
9	Examination Lights	2	One unit is functional while the other is faulty thus non-functional.
10	Examination Coach	8	Two units are partially functional.
11	Emergency Crash Cart/Emergency Trolley	0	Not available
12	Drip Stand	4	Only two units are functional while the other two are broken down.
13	Dressing Trolley	1	Not functioning
14	Patients Screen 4-Fold	4	Only one unit is in use while the other three units are broken down.

In the circumstances, value for money may not be obtained by the public and the quality of health care service offered to the public is likely to be compromised.

Management Responses

Management acknowledges the auditors observation and wish to state that its true most of the equipment's are either not functional or broken down because we have budgetary constraints to be able to repair them we however are working to ensure that the equipment's are repaired in the subsequent budgets

Committee Observation

A significant portion of essential medical equipment at the hospital was found to be either partially functional, completely broken down, or unavailable. This affects the hospital's capacity to deliver quality and timely healthcare services

Committee Recommendations

1. That the Management should prioritize the repair, replacement, and maintenance of critical medical equipment through appropriate allocation of resources in subsequent budgets.

2. That an equipment maintenance plan should be developed and regularly updated to guide servicing schedules and prevent long-term breakdowns.
3. That the matter is resolved

4.5 Non-compliance with Universal Health Coverage (UHC) Requirements

Honourable Speaker, a 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 80 staff requirements or 79% of the authorized establishment.

Staff Requirements	Level 4 standard	Number in Hospital	Variance	Percentage (%)
Medical officers	16	3	13	81
Anesthesiologists	2	-	2	100
General surgeons	2	-	2	100
Pediatrician	2	-	2	100
Radiologists	2	1	1	50
Kenya Registered Community Health Nurses	75	17	58	77
Gynecologists	2	-	2	100
	101	18	80	79

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

Service	Level 4 Hospital Standard	Actuals in the Hospital	Variance	Percentage (%)
Bed Capacity	150	26	124	83
Newborn Incubators	5	-	5	100
New Born Unit Cots	5	-	5	100
Resuscitative Theatre	1	-	1	100
Resuscitative in Labor Ward	2	1	1	50

Functional Intensive Care Unit Beds	6	-	6	100
Renal Unit with at Least 5 Dialysis Machines	5	-	5	100

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.

Management Response

The county recruit's staffs to the facility based on workload indicators for staffing need guidelines, therefore staff deployment is done on output basis as per WHO standards. This is more staffing and equipping.

Committee Observation

The hospital has not met 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 Health must put appropriate measures in place to ensure that the facility progressively move towards adherence with key specifications outlined in the Kenya Quality Model for Health policy guidelines, particularly in the areas of medical personnel and equipment
2. That the matter is not resolved

4.6 Lack of Risk Management Policy and Disaster Recovery Plan

Honourable Speaker, the Hospital Management has not put in place a risk management policy, strategies and risk register to mitigate against risk. It was therefore not clear how risk exposure was managed. This is in contravention of Regulation 158(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism; and the County Government entity develops a system of risk management and internal control that builds robust business operations. Further, the Hospital did not have a disaster recovery and business continuity plans required for identifying, preventing, and mitigating against disasters and ensuring that its operations are not interrupted. This was contrary to provisions of Regulations 158(b)(1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the existence of an effective risk management could not be confirmed.

Management Responses

The hospital management acknowledges the auditors observation and wish to state that we are currently working towards adopting the risk management policy and the disaster recovery plan

Committee Observation

That the hospital had not established a risk management policy, strategy, or risk register to identify, assess, and mitigate risks, including fraud and operational disruptions. Additionally, there was no disaster recovery or business continuity plan in place. This is contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which require the development of risk management systems and fraud prevention mechanisms

Committee Recommendations

1. That the County Executive Committee Member Finance, Economic Planning and ICT should develop and implement a comprehensive risk management policy to be used by the County Government entities
2. That the matter is unresolved

4.7 Use of Manual Accounting Records

Honourable Speaker, the hospital's financial information to risk of inaccuracies, inefficiencies, manipulations and loss. The explanation to justify why the financial transactions were not maintained the system was not provided. The Hospital has HealthCare Information Management System. However, it was noted that Management had not fully utilized the System since the financial records including cashbook and ledgers were maintained in manual form which do not have the necessary backups thereby exposing the

In circumstances, the controls on the accounting records and systems could not be confirmed.

Management Responses

Management acknowledges the auditor's observation and wish to state that the HealthCare Information Management System was acquired in the year 2022 vide Local Service Order no 13227 which shows that the system was procured as a billing system and not as an accounting system and therefore we had to rely on manual records. We have since noted the gap and are currently migrating to a new system which will have both the accounting and billing modules as evidenced in Annex XVII

Committee Observation

The hospital relied on manual accounting records for maintaining financial transactions, despite having a HealthCare Information Management System in place. The use of manual cashbooks and ledgers without system backups exposed the financial information to risks of inaccuracies, inefficiencies, and potential manipulation. However, management has acknowledged this gap and has initiated migration to a more integrated system that incorporates both billing and accounting functionalities.

Committee Recommendations

1. That the Management should expedite the full transition to the new integrated system to ensure that both billing and accounting functions are captured electronically with appropriate security, audit trails, and backup capabilities
2. That the matter is resolved

4.8 Weak Internal Controls on Revenue Management System

Honourable Speaker, a review of the Hospital's revenue collection and management system revealed various internal control weakness that could affect the reliability to generate accurate and complete revenue reports. It was noted that there was lack of segregation of duties as the cashier doubled as the billing clerk. Further, there was no evidence of daily reconciliations of revenue collected manually verses mobile payment transactions used in banking. In addition, Management did not conduct daily or periodic reconciliations of mobile revenue collections against the Integrated Health Care Management Information System.

In the circumstances, the existence and or effectiveness of internal controls over revenue collection could not be confirmed.

Management Responses

Management acknowledges the auditors observation and states that we are currently carrying out daily reconciliations as evidenced in appendix xii we have however not segregated the duties of a cashier and the billing clerk but we have a written a letter to the county government requesting for a billing clerk letter attached

Committee Observations

1. That the hospital's revenue collection processes were found to have significant control weaknesses, including inadequate segregation of duties; where the same officer performed both billing and cash collection functions; and absence of documented reconciliations between manual records, mobile payment transactions, and the Integrated Health Care Management Information System. These gaps compromised the accuracy, completeness, and accountability of revenue records.

2. That as at the time of committee deliberations, the management demonstrated corrective measures that have since been initiated

Committee recommendation

That the matter is resolved

4.9 Lack of Standard Operating Procedures and Policies

Honourable Speaker, the Hospital did not provide approved standard operating procedures which play an important role in guiding operations and acting as a reference guide. Further, Management had not developed a finance policy to guide in its financial and administrative functions.

In the absence of standard operating procedures and policies, it was not possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended during the year under review.

Management Responses

Management has adopted the operating procedures and policies of the county government in carrying out its functions for instance we use procurement procedures as established by Kisumu County Referral hospital since it's the main procurement center.

Committee Observation

That the Management did not provide approved standard operating procedure and had also not developed a finance policy to guide in its financial and administrative functions

Committee Recommendations

1. That the Accounting Officer initiate the process of developing a Standard operating procure manual and a finance policy and present for approval by the Board to guide in its administrative and Financial functions
2. That the matter is not resolved

5.0 Lack of Internal Audit Review

Honourable Speaker, during the year under review, it was noted that there was no internal audit review of the Hospital's activities contrary to Regulation 153(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires internal auditors to review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in county government entities and review the effectiveness of the financial and non-financial performance management systems of the entities.

In the circumstances, internal control mechanisms that could have an impact on achievement of the strategic objectives of the Hospital may be undetected and hence not rectified in good time.

Management Response

Management acknowledges the auditors observation on lack of internal audit review and wish to state that there was no audit review carried out for the year 2022/2023. However, audit review was carried out for year 2023/2024 and a draft report issued dated 11th September 2024 and responded to on 31st October 2024 as attached in Annex XVIII.

Committee Observation

The Hospital did not have an audit committee in place contrary to Section 155(1) (a) of the Public Finance Management Act, 2012, which requires a county government entity to establish appropriate arrangements for conducting internal audits in accordance with guidelines issued by the Accounting Standards Board.

Committee Recommendations

1. That the Kisumu County Internal Audit Department should develop and implement an annual audit work plan that includes regular reviews of the hospital's activities in the subsequent financial years
2. That the matter is unresolved

5.1 Weak Internal Controls in Stores and Lack of Inventory Management System

Honourable Speaker, a review of the Hospital's stores and stock cards revealed that there was lack of stock take reports as the Management did not conduct stock take at the close of the financial year. Further, the Hospital had different stores for each department, manned by user departments. However, the stores were manned by staff with no evidence of technical training in stores management. In addition, lack of segregation of duties was noted as the same officer in charge of stores requisitioned for stocks, made issuance, utilized the stores, maintained stores records and carried out stock take with no evidence of checks and balances. Furthermore, there was lack of inventory management system for recording stock received or issued and the manual stock cards were also not regularly updated.

In the circumstances, effectiveness of internal controls implemented in the stores department to safeguard against possible losses could not be confirmed.

Management Response

Management acknowledges the auditor's observation of no stock take carried during the year we have since carried out a stock take for year ended 2024 as evidenced in appendix XIV we have not yet established a procurement unit because of budgetary challenges. However, the persons in charge of the stores from the various departments are working on updating the stores records

Committee Observations

1. That there were significant weaknesses in stores management, including lack of year-end stock take, unqualified personnel managing departmental stores, inadequate segregation of duties, and absence of an inventory management system.
2. That Manual records were inconsistently maintained, raising concerns over the effectiveness of internal controls and the reliability of inventory data.

Committee Recommendations

1. Management should establish a centralized stores function under the supervision of trained and qualified personnel to enhance accountability.
2. That an inventory management system should be adopted to support real-time tracking of stock movement.
3. That the management must ensure proper segregation of duties and regular stock takes to strengthen internal controls and minimize the risk of stock loss or mismanagement.
4. That the matter is resolved

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF CHULAIMBO, SUB COUNTY LEVEL 4 HOSPITAL FY 2023/2024.

6.1 Receivables from Exchange Transactions

Honourable Speaker, the statement of financial position and as disclosed in Note 11 to the financial statements, reflects Kshs. 3,240,850 in relation to receivables from exchange transactions. Included reflects Kshs. 3,220,850 relating to medical services, which was supported with ledger.

In the circumstances, the accuracy and completeness of revenue from exchange transaction amount of Kshs. 3,240,850 as at 30 June 2024 could not be confirmed.

Management Response

Receivables from exchange transactions are normally obtained from the NHIF system. During the audit period, the NHIF system was already defunct due to the introduction of the Social Health Insurance Fund. Attached in Annex (i) is the schedule from the system.

Committee Observations

1. That Kshs. 3,220,850 relating to medical services were not supported with ledgers.
2. That receivables from exchange transactions are obtained from the NHIF system, and that during the audit period, the NHIF system was already defunct due to the introduction of the Social Health Insurance Fund

Committee Recommendations

1. The accounting officer must immediately initiate a reconciliation process with SHIF to resolve the unsupported amount of Kshs. 3,220,850.
2. That the matter is unresolved

6.2 Inaccurate Disclosure of Prior Year Employee Dues

Honourable Speaker, the statement of financial position reflects Kshs. 1,390,200 in respect of employees' costs. However, review of payment vouchers and other supporting documents provided for audit revealed that casual payments amounting to Kshs. 105,000 related to prior year wages. During the year under review, Management made payments amounting to Kshs. 513,000 in relation to prior year wages, resulting in unexplained variance of Kshs. 407,500.

In the circumstances, the accuracy and completeness of employees of Kshs. 1,390,200 as at June 2024 could not be confirmed

Management Response

The variance of 513,000 was due to increase in casual wages. Attached is the master payroll in annex (ii).

Committee Observations

1. That review of payment vouchers and other supporting documents by the Auditors revealed that casual payments amounting to Kshs. 105,000 related to prior year wages, and that during the year under review, Management made payments amounting to Kshs. 513,000 in relation to prior year wages, resulting in an unexplained variance of Kshs. 407,500.
2. That the Management failed to provide documentation to Auditors for verification contrary to Section 62(1)(b) of the Public Audit Act, 2015, which states that “*a person shall not, without justification, fail to provide information required under this Act.*”
3. That at the time of committee deliberation, the management adduced that the variance of 513,000 was due to an increase in casual wages.

Committee Recommendations

1. That going forward, the Management must adhere to the provisions of Section 62(1)(b) of the Public Audit Act, 2015.
2. That the matter is resolved

6.3 Poor Inventory Management

Honourable Speaker, the statement of financial position reflects Kshs. 4,082,310 in relation to inventories. However, this was not supported with end-of-year stock take report as required by to Section 162(2) of the public procurement and asset disposal Act 2015.

In the circumstances the accuracy and completeness of inventories balance of Kshs. 4,082,310 as 30June 2024 could not be confirmed.

Management Response

The management had done the stock take for all inventories as required; however, the facility lacked a procurement officer to ascertain the inventory's completeness. The county has so far provided a procurement officer to manage inventories going forward. Attached in annex (iii).

Committee Observation

1. The statement of financial position reflected Kshs. 4,082,310 in relation to inventories. However, this was not supported with an end-of-year stock take report contrary to Section 162(2) of the Public Procurement and Asset Disposal Act 2015.
2. That the facility lacked a procurement officer to ascertain the inventory's completeness. However, at the time of committee deliberations, the County had so far provided a procurement officer to manage inventories in the facility.

Committee Recommendation

That the matter is resolved

6.3 Intangible Asset Balance

Honourable Speaker, the statement of financial position reflects the intangible assets amount of Kshs. 240,000. However, the Management did not carry out amortization of the asset as required by IPSAS 31.73.

In the circumstances, the accuracy and completeness of the intangible asset balance of Kshs. Could not be confirmed.

Management Response

The management has since then worked on finding the value of intangible assets has attached in annex (IV), a value of KSH 300,000. The amortization value has also been attached as required.

Committee Observation

That at the time of committee deliberation, the Management had provided the value of intangible assets and amortization

Committee Recommendations

1. That moving forward, the Management must ensure strict adherence to IPSAS 31.73.
2. That the matter is resolved

6.4 Failure to Maintain Fixed Asset Register

Honourable Speaker, the statement of financial position reflects the property, plant, and equipment balance of Kshs.3, 615,692. However, the hospital did not maintain an asset register to record its fixed and movable assets as required by 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 relevant law.

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

Management Response

The management notes the auditor's observation. We wish to state that the facility was initially managed by the county government before it became semi-autonomous; thus, a number of assets were not valued during the audit period.

Committee Observation

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

Committee Recommendations

1. That going forward, the Management must adhere to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015
2. That the Committee on Implementation immediately follow up on the matter with the County executive committee member of Medical Services, Public Health, and Sanitation, and provide to the House the status/ actions which have been taken regarding the maintenance of the asset register by health facilities.
3. That the matter is unresolved

6.5 Non-Implementation of Prior Year Audit Recommendation

Honourable Speaker, in the audit report of the previous year, several issues were raised. Although the management has indicated that prior year issues were resolved and partially resolved, no evidence was provided to confirm how these matters were resolved.

Management Response

No Response

Committee Observation

That several prior year matters relating to the report on the financial statements and reports on lawfulness and effectiveness in the use of public resources are yet to be addressed.

Committee Recommendations

3. That within 60 days of adoption of this report, the Accounting Officer submits to the Implementation Committee an implementation action plan for all the recommendations by the Office of the Auditor General and the County Assembly.
4. That this matter is unresolved

6.6 Irregularity in the Procurement of Goods and Services

Honourable Speaker, the hospital purchases medical/clinical items of Kshs.4, 359,963. However, there were no approved requisitions from the user department, a signed contract between the supplier and the Hospital Management and an Inspection and Acceptance Committee report.

Payment made to a supplier in reference to purchase of medical drugs through payment voucher No.011 revealed that LPO for the supplied drugs was raised on 15 May, 2024, while delivery and invoice is dated 13 May, 2024.

Management Response

All documentation presented by the management adhered to the Public Procurement and Asset Disposal Act 2015 and Public Procurement and Asset Disposal Regulations 2020. The medical drugs were ordered on 13 May 2024, the LPO was written and stamped on 15th May 2024, and the drugs were received on 24th May 2024.

Committee Observations

1. That the Hospital purchase medical/clinical items of Kshs.4, 359,963. However, there were no approved requisitions from the user department, a signed contract between the supplier and the Hospital Management, and an Inspection and Acceptance Committee report.
2. That the medical drugs were ordered on 13 May 2024, the LPO was written and stamped on 15th May 2024, and the drugs were received on 24th May 2024.

Committee Recommendation

1. That in future, the management must ensure strict adherence to provisions of the Public Procurement and Asset Disposal Act, 2015, and the Public Procurement and Asset Disposal Regulations, 2020.
2. That the matter is resolved

6.7 Deficiencies in Implementation of Universal Health Coverage (UHC) requirements

Honourable Speaker, during the year under review, Management of the Hospital did not have in place a risk management policy contrary to Section 158(1) of the Public Finance Management

(County Government) Regulations, 2015 which requires each County Government entity to develop risk management strategies and a system of risk management to enable the entity develop appropriate risk strategies in order to improve on effective and efficient management of public resources.

In the circumstances, the effectiveness of the Hospital's risk management measures could not be confirmed.

Management Response

The county government of Kisumu uses the WHO workload indicator for staffing needs. This implies that deployment of staff is done based on workload output.

Committee Observation

The hospital has not met 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 Health must put appropriate measures in place to ensure that the facility progressively moves towards adherence with key specifications outlined in the Kenya Quality Model for Health policy guidelines, particularly in the areas of medical personnel and equipment

2. That the matter is not resolved

6.8 Non-Compliance with Financial Management Regulations on Settlement of Outstanding Accounts

Honourable Speaker, the statement of financial performance reflects the general expenses amount of Kshs.2, 699,964, which includes an amount of Kshs. 444 000 relating to contracted security services. However, payments amounting to Kshs. 394 000 related to prior year outstanding payments. Further, the hospital was sued by the security company for non-payment of security services for the month of September 2020.

In addition, the hospital did not disclose any outstanding trade payables of over one year in the creditors' aging analysis

Management Response

The facility has faced major challenges in raising adequate revenue to be able to cater to all services as required; however, we have made major efforts, including registering people for insurance, to raise revenue.

Payment of outstanding dues for the month has been made, including for contracted guards, as attached in annex (VI)

Committee Observation

That contrary to the provisions of National Treasury Circular No. 10/2020 dated 16th June 2020, and Provisions of Regulation 41(2) of the Public Finance Regulation 2015, which requires the accounting officer to prioritize pending bills as the first charge, the management failed to pay Ksh. Kshs. 394 000 related to prior years.

Committee Recommendations

1. That the Accounting Officer must put measures to offset all the pending bills in the subsequent years on a first charge basis.
2. That going forward, the Accounting officer must adhere to the National Treasury Circular No. 10/2020 and the PFM Regulation 2015 to avoid suits by clients that can cause the facility unnecessary interests and penalties.
3. That the matter is unresolved

6.9 Lack of Quarterly Revenue Report

Honourable Speaker, the Hospital did not prepare and submitted to the County treasury with a copy to the Auditor General as per the requirement of Regulations 64. (1) Of the Public Finance Management (County) Regulations, 2015.

Management Response

The management normally reports all revenue monthly to the county; in acknowledgment of this, we will begin doing quarterly reports.

Committee Observation

The Management failed to comply with the requirements of Regulation 64. (1) Of the Public Finance Management (County) Regulations, 2015, which states that the Accounting officer or receiver of revenue or collector of revenue shall prepare a quarterly report not later than the 15th day after the end of the quarter.

Committee Recommendations

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT, AND GOVERNANCE

7.1 Lack of Policy Manual on Recruitment of Casuals

Honourable Speaker, the statement of financial performance reflects the Employee costs of Kshs. 1,390,000, relating to casual wages, as disclosed in note 16 to the financial statements. However, review of records and information provided for audit revealed that the hospital had no approved policy manual for recruitment of casuals contrary to, Section 42(1)(d) of the Public Finance Management Regulations 2015 for County Governments which requires that an accounting officer shall manage control and ensure that policies are carried out efficiently and wastage of public funds is eliminated.

In the circumstance, it was not possible to confirm how the casuals were engaged in the absence of a policy manual.

Management Response

This was not available at the time of the audit, and the management has so far worked on the policy, recruitment manual, and department requisitions. Attached in annex (vii).

Committee Observation

That at the time of committee deliberations, the management had so far worked on the policy, recruitment manual, and department requisitions

Committee Recommendation

That the matter is resolved

7.2 Late Payment of Casual Wages

Honourable Speaker, the statement of financial position reflects employee costs of Kshs. 1,390,200 relating to casual wages, as disclosed in Note 16 to the financial statement. However, review of payment vouchers and supporting documents revealed that there were delays in payment of casual wages for a duration of up to five (5) months, contrary to the provisions of the Employment Act, 2007. In addition, wages for the months of February to June 2024 were paid during the year under review. This is contrary to Section 18 of the Employment Act, 2007.

In the circumstances, Management was in breach of the law

Management Response

The facility has faced major challenges in raising adequate revenue to be able to cater for all services as required; however, we have made major efforts, including registering people for insurance, to raise revenue. The management has made efforts to pay all employees as required. Attached in annex (viii).

Committee observation

That the Management delayed in payment of casual wages for a duration of up to five (5) months, contrary to the provisions of the Employment Act, 2007.

Committee recommendations

1. That the Management must put in place the necessary mechanisms to increase revenue collection in the facility to cater required services.
2. That the matter is unresolved

7.3 Failure to Carry Out Creditors Aging Analysis

Honourable Speaker, trade and other payables balance of Kshs.2, 783,550 However, no aging analysis was done to disclose payables outstanding for more than one year as required by Regulations 54 of the Public Finance Management Act, Regulations 2015 (County Governments).

Management response

Due to staff turnover at the revenue/billing department, some records were not available at the time of audit. The management has since done an aging analysis and attached in annex (ix).

Committee observations

1. That at the time of committee deliberations, the Management had done and provided an aging analysis
2. The Management did not comply with the requirements of Regulations 54 of the Public Finance Management Act, Regulations 2015 (County Governments).

Committee recommendation

1. In the future, the Management must comply with the requirements of Regulation 54 of the Public Finance Management Act, 2015 (County Governments).
2. That the matter is resolved

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 the Chulaimbo County Level IV Hospital for the financial years 2022/2023 and 2023/2024. May I call upon Honourable James Omollo to second. Thank you, Mr. Speaker.

(Hon. James Omollo bowed to second)

The Speaker (Hon. Oraro): Honourable Members, now that the Motion adoption of the Report of the Select Committee on Public Investments and Accounts (PIC/PAC) on the Examination of the

Report of the Auditor General on the Finance Statement of Chulaimbo Sub-County Hospital for the Financial Year 2022/2023 and 2023/2024 has been moved, and seconded.

Honourable members, I want to propose a question and I propose that the Motion on the adoption of the Report of the Select Committee on Public Investments and Accounts (PIC/PAC) on the Examination of the Report of the Auditor General on the Finance Statement of Chulaimbo Sub-County Hospital for the Financial Year 2022/2023 and 2023/2024 is open for debate.

The Speaker (Hon. Oraro): Yes, Chief Whip.

Chief Whip (Hon. Kanga, MCA, Market Milimani): Thank you, Mr. Speaker. I call the mover to reply.

The Speaker (Hon. Oraro): Yes, Honourable Kennedy Ouko.

Hon. Ouko (MCA, West Kisumu): Thank you, Mr. Speaker. I am happy for the Members. I understand the mood of the House. At the same time, I would like to inform you that we had 29 pending reports concerning this Auditor General's report. We will be slotting these reports in the House as required by the House Business Committee. Thank you very much. I only ask for your positive response. I reply, Mr. Speaker.

The Speaker (Hon. Oraro): Honourable members, now that the Motion of the adoption of the report of the Select Committee on Public Investments and Accounts (PIC/PAC) on the Examination of the report of the Auditor General on the Finance Statement of Chulaimbo Sub-County Hospital for the Financial Year 2022/2023 and 2023/2024 has been moved, seconded, I therefore put a question for the adoption of the same report.

(Question put and agreed to)

The Speaker (Hon. Oraro): Honourable Members, now that the Motion of the adoption of the report of the Select committee on Public Investments and Accounts (PIC/PAC) on the Examination of the report of the Auditor General on the Finance Statement of Chulaimbo Sub-County Hospital for the Financial Year 2022/2023 and 2023/2024 is hereby adopted today Tuesday, the 05th of August, 2025 at 15:02 hours.

Honourable members, I direct that the recommendation of the report be conveyed to the right department for action and the Select Committee on Implementation to follow up on the same for implementation.

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

ADJOURNMENT

The Speaker (Hon. Oraro): Honourable members, please be upstanding. There being no any other business in the Order Paper to transact, therefore, this House stands adjourned until tomorrow, Wednesday, the 06th of August, 2025 at 09.00 a.m.

(House rose at 3:03 p.m.)

Addendum

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