

COUNTY GOVERNMENT OF KISUMU



COUNTY ASSEMBLY OF KISUMU

THE HANSARD

Official Report

THIRD ASSEMBLY – FOURTH SESSION

Thursday, 04th September, 2025

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

(The Deputy Speaker (Hon. Nereah Okombo) in the Chair)

PRAYERS

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Clerk, can you take us through the order of the day.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Next order!!

STATEMENT

STATEMENT REGARDING THE MANAGEMENT OF THE KENYATTA SPORTS
GROUND IN KISUMU CITY

BY

HON. SAMUEL DEDE, MCA, NORTH KISUMU.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable Samuel Dede.

Hon. Dede (MCA, North Kisumu): Thank you Madam Speaker. I arise pursuant to the provisions of Orders No. 41 (2) of the Kisumu County Assembly Standing Orders, to request a statement from the Chairperson, Departmental Committee on Sports, Culture, Gender and Youth Affairs regarding the management of the Kenyatta Sports Ground in Kisumu City.

Honourable Speaker, AWARE that, the County Government of Kisumu procured a contractor and entered into arrangement for the management of the Kenyatta Sports Ground with the promise that upon completion of the renovations, the business premises would be opened and to allow traders to operate as they had before.

It is however a matter of great public concern that the facility remains largely non-operational and the intended economic benefit to the traders and the larger Kisumu community has not materialized. The situation raises serious questions regarding transparency, accountability, and value for money in public resource management.

Honourable Speaker, This House has an oversight obligation under Article 185 (3) of the Constitution to demand accountability from the County Executive Committee on Management of the county resources and facilities. The Kenyatta Sports Ground being a public asset falls squarely within the preview of this mandate.

Accordingly, I seek clarification from the Chairperson, Departmental Committee on Sports, Culture, Gender and Youth Affairs on the following specific matters;

1. Who was the contractor or entity procured to manage the business centre at the Kenyatta Sports Ground and was the procurement process followed?
2. What were the contractual terms agreed upon between the county government and the said contractor, including duration, responsibilities, and obligations for both parties?
3. How much revenue has the contractor collected from the management of the facility since the completion of renovations and how much has been remitted to the county government during the same period?
4. What measures have been put in place by the County Executive to monitor, audit, and enforce compliance with the management contract in line with the requirements of the Public Finance Management Act and Public Procurement and Asset Disposal Act?
5. What plans are in place to ensure that the business centre becomes fully operational and delivers the intended socio-economic benefits to traders and residents of Kisumu?

Madam Speaker, I therefore request that the Chairperson of this House Committee to furnish this House with a comprehensive statement on this matter as the earliest opportunity. Thank you, Madam Speaker. Thank you, Madam Speaker.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable members, a statement has been raised inquiring on the current status of operations at the Kenyatta Sports Ground. This statement goes to the Chairperson, Departmental Committee on Sports, Culture, Gender and Youth Affairs, who is Honourable Nancy Matara. Currently, I cannot see Honourable Matara. Who is the Deputy Chairperson of this House Committee?

Yes, Honourable Were, any member of the group, do you have an answer to the statement raised? Honourable Were, are you a member of the Sports Committee?

Hon. Were (MCA, Nyalenda “B”): Yes, Madam Speaker. If you can give us time to come up with a report, because it is a serious issue raised by Honourable Dede, so we can investigate and come back with a proper report.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Okay. This House Committee has 21 (Twenty-one) days to look into the statement and report back to the House. Are you comfortable with 21 (Twenty-one) or 14 (Fourteen) days, Honourable Adegga?

Hon. Adegga (MCA, Kajulu): Madam Speaker. I believe that, 21 (Twenty-one) is adequate.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Fair enough. I grant you 21 (Twenty-one) days. Thank you.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Next order.

MOTION

REPORT BY THE SELECT COMMITTEE ON PUBLIC INVESTMENTS AND ACCOUNTS
ON THE AUDITOR GENERALS REPORT ON THE FINANCIAL STATEMENTS OF
KISUMU COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2023-2024

BY

HON. KENNEDY OUKO, MCA, WEST KISUMU

[CHAIRPERSON, PUBLIC INVESTMENTS AND ACCOUNTS COMMITTEE]

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable Ouko.

Hon. Ouko (MCA, West Kisumu): Thank you, Madam Speaker. Honourable Speaker, on behalf of the Public Accounts and Investments Committee (PICPAC), and Pursuant to Kisumu County Assembly Standing Orders 188, I wish to present to this House the Report of the Committee on the Audited Financial Statements of the County Executive of Kisumu for the Financial Year 2023/2024.

Honourable Speaker, pursuant to Article 229 of the Constitution of Kenya, 2010, the Office of the Auditor-General conducted an audit of the County Executive’s financial statements for the financial year 2023/2024. The purpose of the audit was to provide an independent and objective opinion on whether public funds were applied lawfully, effectively, and in a manner that promotes transparency and accountability. The audit also assessed compliance with the Public Finance Management Act, 2012, and the International Public Sector Accounting Standards (IPSAS). This report, therefore, captures the Committee’s interrogation of the Auditor-General’s findings and observations aimed at enhancing fiscal discipline, prudent financial management, and the overall integrity of the County Government’s operations.

Honourable Speaker, the Public Accounts and Investments Committee is the watchdog committee that examines Auditor General's reports laid before this House to ensure probity, efficiency, and effectiveness in the use of public resources. The Committee is established pursuant to Standing Orders 188 to examine the accounts showing appropriations of sums voted by this House to meet public expenditure and of such other accounts laid before the House as the committee may think fit. This ensures implementation of Article 229(8) of the Constitution of Kenya, 2010 on reports submitted to this House by the Auditor General.

The Committee held three sittings during which it received both written and oral evidence from the Accounting Officer on audit queries raised by the Auditor-General on the financial statements of the County Executive of Kisumu for the financial year 2023/2024.

Honourable Speaker, the Auditor General issued a Qualified Opinion on the financial statements of the County Executive of Kisumu for the Financial Year 2023/2024, indicating that except for the matters raised under the basis of opinion, the financial statements presented a true and fair view of the financial position of the County Executive of Kisumu.

Hon. Speaker, the report of the Auditor General consisted of three parts, the financial part which formed the basis for Qualified Opinion, the report on Lawfulness and Effectiveness and the use of Public resources and the report on the Effectiveness of Internal Controls.

The financial part of the report had issues relating to inaccuracies in compensation of employees, irregularities in the use of goods and services, including unsupported domestic subsistence allowances, unaccounted-for fuel, and unsupported legal expenses—along with variances in transfers to other government agencies and inaccuracies in cash and cash equivalents. It also highlighted unsupported contingent liabilities, unexplained voided IFMIS transactions, irregular payment of social security benefits, irregularities in pending bills, and weaknesses in budgetary control and performance. Additionally, the report noted unresolved prior-year matters and gaps identified during the audit of performance information.

Honourable Speaker, the report on lawfulness and effectiveness in the use of public resources revealed widespread non-compliance with key provisions of the Public Finance Management Act, 2012, the Public Audit Act, 2015, the Public Procurement and Asset Disposal Act, 2015, and other relevant regulations and policies. Notable breaches included the failure by five Level 4 hospitals to prepare and submit financial statements; excessive expenditure on the wage bill at 52% of total revenue, surpassing the 35% ceiling set under Regulation 25(1) of the PFM (County Governments) Regulations, 2015; and irregular payments to Members of the County Assembly and staff, contrary to Section 162 of the PFM Act. The report also highlighted multiple procurement irregularities, such as awards outside IFMIS, inadequate market surveys, failure to rotate service providers, and unsupported or poorly documented contracts, undermining transparency and value for money. In human resource management, the County violated several statutory and policy provisions by irregularly promoting staff, retaining officers beyond

retirement age, exceeding the statutory one-third salary deduction cap, and making prolonged acting appointments. Further, there was non-compliance with the National Cohesion and Integration Act, 2009, and affirmative action requirements on gender, ethnicity, and regional balance. Other breaches included irregular imprest management, unauthorized inter-account transfers, and exceeding the SRC-prescribed cost ceiling for the construction of the Governor's residence.

Honourable Speaker, review of the effectiveness of internal controls, risk management, and governance revealed significant weaknesses undermining operational efficiency, compliance, and accountability. Payments amounting to Kshs. 4,169,800 were made for hired car services without proper documentation or an approved transport policy, contrary to Section 149(1)(a) of the PFM Act, 2012. The internal audit function was found to be severely understaffed, with only 7 officers against an approved establishment of 20, and some officers lacking professional competence, breaching Regulation 155(2)(a) of the PFM (County Governments) Regulations, 2015.

The County also lacked a Risk Management Policy and structured risk assessment framework, contravening Regulation 158 of the PFM (County Governments) Regulations, 2015, leaving the County vulnerable to operational, legal, and financial risks. In addition, the human resource function lacked critical governance tools, including an annual recruitment plan and approved HR policies and frameworks, contrary to the Human Resource Policies and Procedures Manual for the Public Service (2016). These gaps collectively weakened internal controls and governance processes, posing risks to the effective and lawful use of public resources.

Honourable Speaker, the Committee, after engaging with the management of the County Executive of Kisumu and representatives from the Office of the Auditor General, carefully reviewed the management's responses to each audit issue.

Based on this review, the Committee has come up with both corrective and referral recommendations. The corrective recommendations are aimed at addressing identified weaknesses and ensuring compliance going forward, while the referral recommendations pertain to cases where the Committee determined that there is a need for further investigation by the relevant investigative agencies to establish possible loss of public funds.

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

1.1 Establishment and Mandate of the Public Accounts and Investments Committee

Hon. Speaker,

The Public Accounts and Investments Committee is established under Standing Order No. 188 of the Kisumu County Assembly Standing Orders and is mandated to undertake the following functions;

- 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,

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 Odera	Internal Auditor
7. CPA Mollen Achayo	Accountant
8. CPA Charles Acheng'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 KISUMU COUNTY EXECUTIVE FOR THE YEAR ENDED 30TH JUNE 2024

Honourable Speaker, Mr. George Okong'o, the County Executive Committee Member Finance, Economic Planning and ICT appeared before the Committee on 11th April 2025 to adduce evidence on the Audited Financial Statements of Kisumu County Executive for the year ended 30th June 2024.

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

1. Samuel Chege Office of the Auditor General
2. Mr. Kennedy Ong'oi Deputy Director, Office of the Auditor General, Kisumu Hub

BASIS FOR QUALIFIED OPINION

3.1 Inaccuracies in Compensation of Employees

Honourable Speaker, the statement of receipts and payments and as disclosed in Note 2 to the financial statements, reflects an amount of Kshs. 4,462,912,350 in respect of compensation of employees. However, the amount is at variance with the payroll ledger amount of Kshs.5,009,494,983, resulting in an unexplained and unreconciled variance of Kshs. 546,582,633. In the circumstances, the accuracy and completeness of compensation of employees amounting to Kshs. 4,462,912,350 in respect to could not be confirmed.

Management Response

- i. Kshs.238,422,534 Salary payments for the City of Kisumu (Self-reporting entity.)
- ii. Outstanding Salaries for June 2024 totaling to Kshs. 468,959,958, which remained unpaid as of 30 June 2024 due to inadequate funding.
- iii. Salary Payments relating to the FY 2022/2023 amounting to Kshs. 160,799,859, which were settled during the period under review due to delays in fund disbursement.

Committee Observations

1. That the financial statements disclosed Kshs. 4,462,912,350 as compensation of employees, whereas the payroll ledger reflected Kshs. 5,009,494,983, resulting in a variance of Kshs. 546,582,633, which management attributed to unpaid June 2024 salaries, prior year salary arrears, and salary payments relating to the City of Kisumu.
2. That no reconciliation and supporting schedules were provided during the time of audit and Committee deliberations to fully account for the variance of Kshs.546,582,633 between the financial statements and the payroll ledger.

Committee Recommendations

That, the Accounting Officer, within sixty (60) days upon adoption of this report, undertake the following actions and submit evidence to the Auditor General with copies to this Assembly:

1. Provide a detailed reconciliation between the payroll ledger and the amounts disclosed in the financial statements to resolve the variance of Kshs.546, 582,633.
2. Provide a detailed staff cost schedule relating to salary payments for the City of Kisumu, amounting to Kshs. 238, 422,534. The schedule should indicate the number of staff, their names, job titles, and terms of secondment.
3. Provide an update on the plan the County has to ensure that the City of Kisumu assumes direct responsibility for paying its employees through a separate payroll system.
4. The matter is unresolved.

3.2 Irregularities in Use of Goods and Services

Honourable Speaker, the statement of receipts and payments reflects use of goods and services expenditure amount of Kshs. 1,179,828,217 as disclosed in Note 3 to the financial statements. Review of documents provided for audit revealed the following anomalies;

3.2.1 Unsupported Domestic Subsistence Allowances

Honourable Speaker, the expenditure includes payments amounting to Kshs. 280,708,799 in respect of domestic travel and subsistence allowances. Review of the expenditure revealed unsupported per diems totaling Kshs. 3,381,000 with details of the nature of activities, requisitions, budgets, and subsequent approvals by accounting officers. Further, imprests issued for travels amounting to Kshs. 5,330,000 were supported with less days than the approved and paid ones. In the circumstances, the accuracy, completeness, and occurrence of domestic travel and subsistence allowances amounting to Kshs.8,711,000 could not be confirmed.

Management Response

Honourable Speaker, the management affirms that the information requested by the auditor regarding the consultative meetings was duly provided and has been resubmitted for verification.

Kshs.8,711,000 which included three imprests amounting to Kshs.1,430,000 which were included in the list of unsupported payments twice.

Management has strengthened internal controls to ensure strict adherence to Section C.17(3) of the HR Policies & Procedures Manual for Public Service (2016).

Committee Observations

That, at the time of audit review, management had issued travel imprests amounting to Kshs. 8,711,000, which had the following issues:

1. That imprests totalling Kshs. 3,381,000 were not supported with adequate documentation, such as activity details, requisitions, budgets, and approvals.
2. That imprests amounting to Kshs. 5,330,000 were supported with fewer travel days than those paid, indicating possible overstatement of expenditure.
3. That during the Committee deliberations, management was able to provide supporting vouchers and documents amounting to Kshs. 2,486,000 out of the Kshs. 5,330,000 in questioned imprests, thus leaving a balance of Kshs. 6,075,000, comprising Kshs. 3,381,000 in unverified per diem claims and Kshs. 2,694,000 in partially unsupported imprests.

Committee Recommendations

1. That, the Accounting Officer, within sixty (60) days of adoption of this report, submit to the Auditors, with copies to this Assembly, all supporting documentation relating to the total unsupported travel imprests of Kshs. 6,075,000, comprising Kshs. 3,381,000 in unverified per diem claims and Kshs. 2,694,000 in partially unsupported imprests, to enable full verification and reconciliation.
2. That, failure to provide the above documentation within the stipulated period shall result in the matter being automatically referred to the Ethics and Anti-Corruption Commission (EACC) for further investigation into possible loss of public funds.
3. That, the matter is unresolved.

3.2.2 Unaccounted for Fuel

Honourable Speaker, the expenditure includes payments amounting to Kshs. 94,821,894 in respect of fuel, oil, and lubricants. However, review of the supplier statement and work tickets provided for audit revealed discrepancies in the fuel drawn. Examination of procurement documents provided for audit revealed that the payments were based on an expired contract agreement. Further, fuel amounting to Kshs. 1,000,000 paid could not be traced in the supplier statement. In addition, work tickets for fuel expenditure totaling Kshs. 2,767,789 were not provided for audit. In the circumstances, the accuracy, occurrence, and completeness of fuel, oil, and lubricants expenditure of Kshs. 94,821,894 could not be confirmed.

Management Response

Payment of Kshs. 1,000,000 was processed on 10 November 2023, but the supplier recorded it on 24 January 2024 due to delays in reconciling their records. The contract agreement has been renewed and provided, as well as the fuel register and corresponding work tickets.

Committee Observations

The Committee observed the following in respect of expenditure on fuel, oil, and lubricants totaling Kshs. 94,821,894:

1. That payment of Kshs. 1,000,000 was not traceable in the supplier statement.
2. That fuel expenditure amounting to Kshs. 2,767,789 was not supported with work tickets.

Committee Recommendations

1. That the Accounting Officer, within sixty (60) days of adoption of this report, submit to the Auditors, with copies to this Assembly, all supporting documentation relating to Kshs. 1,000,000 untraceable supplier payments and Kshs. 2,767,789 fuel expenditure without work tickets.

2. That failure to provide the above documentation within the stipulated period shall result in the CECM responsible for Finance immediately initiating recovery of Kshs. 3,767,789 from the Accounting Officer, being Kshs. 1,000,000 relating to the untraceable supplier payments and Kshs. 2,767,789 relating to unsupported fuel expenditure without work tickets.
3. That the matter remains unresolved.

3.2.3 Unsupported Legal Expenses

Honourable Speaker, the expenditure includes payments amounting to Kshs.93,645,292 in respect of other operating expenses. Included in the expenditure is an amount of Kshs.46,078,251 paid to legal firms representing the County Executive in various legal cases and providing legal consultancy. Review of the documents provided for audit revealed the following anomalies:

- i. Expenditure amounting to Kshs.22,496,355 was not supported with documents such as list of pending legal cases, outstanding legal fees and fees paid upto date per case, contract agreements, procurement records, stage of proceedings of each case, breakdown of legal fees in fee notes and evidence of court attendance, rate as per advocate remuneration roll, statements or ledgers of advocates accounts and case files showing the value of each case.
- ii. There was no approval by the County Executive Committee to engage the legal consultants contrary to Section 16(1) of the Office of the County Attorney Act, 2020 which provides that a department or public entity established within a County Executive shall not engage the services of a consultant to render any legal services relating to the functions of the County Attorney without written approval of the County Executive Committee and a request to engage those services shall be in writing.
- iii. Management paid an amount of Kshs.3,000,000 to a legal firm as part of decretal fees. However, the certified decree and the current status of the legal case were not provided for audit. Further, the same legal firm was paid an amount of Kshs.5,570,979 for a court decree in matter of citing County Executive Committee Member (CECM) and Chief Officer Finance in contempt for disobeying court orders. No justification or explanation was provided for failure to abide to the Court orders which resulted in the wasteful expenditure. Management made a payment amounting to Kshs.14,200,000 to a legal firm for an outstanding decretal debt. However, details and current status of the debt and acknowledgment for payment for the debt were not provided for audit.
- iv. Management made a payment amount of Kshs.3,000,000 to a law firm for representing the County Executive for claim of contempt of a court order for payments of Kshs.377,873,193. The Interim fee note dated 22 December, 2022

amounted to Kshs.6,793,496. However, details of the order for payments amount of Kshs.377,873,193 were not provided for audit. Further, the amount of Kshs.3,000,000 paid was a wasteful expenditure as it was avoidable.

In the circumstances, the accuracy, completeness and proper charge on public funds on legal services amounting to Kshs.46,078,251 could not be confirmed.

Management Response

Legal fees paid following court rulings against the County, which were mandatory and not subject to procurement or contractual agreements. Supporting documentation, including a breakdown of pending legal fees per case, case statuses, and payments made, has been provided

Committee Observations

1. That payments totaling Kshs. 42,696,355 (comprising Kshs. 25,496,355 for general legal fees, Kshs. 3,000,000 for decretal fees, and Kshs. 14,200,000 for outstanding decretal debt) were made without proper documentation such as case lists, outstanding fees per case, contract agreements, procurement records, fee breakdowns, evidence of court attendance, advocates' statements, certified court decrees, acknowledgment of payments, and current status of the legal cases, thereby preventing verification.
2. That payment of Kshs. 5,570,979 was made in respect of a contempt case involving the CECM and Chief Officer Finance, without justification or explanation for failure to comply with court orders, resulting in potentially wasteful expenditure.
3. That written approval of the County Executive Committee and a formal request to engage the legal services were not provided, contrary to Section 16(1) of the Office of the County Attorney Act, 2020.
4. That the matter is unresolved.

Committee Recommendations

1. That, the Accounting Officer, within sixty (60) days of adoption of this report, submit to the Auditors, with copies to this Assembly, all supporting documentation to validate payments totaling Kshs. 39,696,355, including certified court decrees, acknowledgment of payments, case lists, fee breakdowns, and other relevant supporting documents.
2. That, the Accounting Officer, within sixty (60) days of adoption of this report, provide justification and supporting evidence to the Auditors for payments of Kshs. 5,570,979 and Kshs. 3,000,000 relating to the contempt case and the legal claim of Kshs. 377,873,193, respectively, including reasons for failure to comply with court orders where applicable.

3. That, going forward, management ensures strict compliance with Section 16(1) of the Office of the County Attorney Act, 2020, by obtaining written County Executive Committee approval before engaging legal services.
4. That, the matter is unresolved.

3.3 Variances in Transfers to Other Government Agencies

Honourable Speaker, the statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects an amount of Kshs.1,419,154,196 relating to transfers to other government units. Included in the expenditure is an amount of Kshs. 486,367,221 in respect of Appropriation-In-Aid (AIA). However, examination of receiving entities records revealed an AIA collection amount of Kshs. 475,159,612 during the year, resulting to an unexplained and an unreconciled variance of Kshs. 11,207,609. In the circumstances, the accuracy and completeness of the transfers to other government units amounting to Kshs. 1,419,154,196 could not be confirmed.

Management Response

Variances have been corrected with JV and bank statements provided to support timing differences

Committee Observations

1. That, there was an unreconciled variance of Kshs.11,207,609 in Appropriation-In-Aid (AIA) collections, arising from management recording AIA collections of Kshs.486,367,221 instead of the actual collections of Kshs.475,159,612.
2. That, the variance remained unreconciled during both the audit period and committee deliberations, thereby raising doubts about the accuracy and completeness of inter-governmental transfers.

Committee Recommendations

1. That, the Accounting Officer should reconcile the Kshs.11,207,609 variance in AIA collections with the records of receiving entities to confirm the correct amounts.
2. That, management should implement measures to ensure all collections are accurately recorded, monitored, and reconciled regularly to prevent similar variances in the future.
3. That, the matter be resolved and evidence of reconciliation be provided to confirm resolution.
4. That the matter is unresolved

3.4 Inaccuracies in Cash and Cash Equivalents

Honourable Speaker, the statement of assets and liabilities reflects cash and cash equivalents balance of Kshs.210,896,225 comprising of bank balances of Kshs.210,887,125 and cash balances of Kshs.9,100. However, review of the bank reconciliation statements for various accounts held by the County Executive had the following unsatisfactory issues:

- i. The bank reconciliation statement for the Kisumu County Deposit account reflects un-presented cheques amounting to Kshs.8,990,603 out of which stale cheques amounted to Kshs.2,901,984 which had not been reversed in the cash book.
- ii. The Kisumu County Universal Health Care Account reported a year-end bank balance of Kshs.9. The account has remained dormant for the past three (3) years, with no significant transactions or activities recorded during this period.
- iii. Note 8A to the financial statements reflects an amount of Kshs.9,495,725 under the Kisumu County Deposit Account. However, the bank reconciliation statement as well as the manual cashbook reflects a balance of Kshs.18,486,329 resulting in a variance of Kshs.8,990,603 which has not been reconciled or explained.
- iv. Review of cashbooks and reconciliations provided for audit revealed four (4) bank accounts with a bank balance of Kshs.7,236,579 were not reported in the financial statements. In the circumstances, the accuracy, existence and completeness of cash and cash equivalents balance of Kshs.210,896,225 could not be confirmed.

Management Response

The cashbook is yet to be updated with the receipts in the bank statements. The dormant bank remains operational. Balances on unspent funds should ideally be recognized as receivables. Further, THS-Department of Health has not been disclosed, Kisumu ABDP disclosed at an amount varying-Kshs. 862,059

Committee Observations

Based on the Auditor's findings, the Committee noted the following unresolved issues relating to cash and cash equivalents:

1. The Kisumu County Deposit Account reflected un-presented cheques amounting to Kshs. 8,990,603, out of which stale cheques valued at Kshs. 2,901,984 had not been reversed in the cashbook as required.
2. The Kisumu County Universal Health Care Account has remained dormant for the past three (3) years with no significant transactions or activities recorded during this period, thereby exposing the County to potential risks of future abuse.
3. The financial statements reflected Kshs. 9,495,725 under the Kisumu County Deposit Account, whereas the bank reconciliation statement and manual cashbook reflected Kshs.

18,486,329. This resulted in an unexplained variance of Kshs. 8,990,603 for which management did not provide reconciliation.

4. Four (4) bank accounts with a combined balance of Kshs. 7,236,579 were not reported in the financial statements, thereby undermining the completeness and reliability of the reported cash and cash equivalents.

Committee Recommendations

1. That, within ninety (90) days of adoption of this report, the Accounting Officer ensures that all stale cheques amounting to Kshs. 2,901,984 are properly reversed in the cashbook and reconciliations updated accordingly.
2. That, within ninety (90) days of adoption of this report, the Accounting Officer either closes the dormant Universal Health Care Account or provides proper justification as to why it should remain open despite its three (3) years of inactivity.
3. That, within thirty (30) days of adoption of this report, the Accounting Officer provides a reconciliation to explain the variance of Kshs. 8,990,603 reflected in Note 8A of the financial statements, and submits the same to the Auditor-General with a copy to the Implementation Committee.
4. That, going forward, management must ensure that all bank accounts and their respective balances are fully disclosed in the financial statements to enhance completeness and reliability.
5. That, the issue is unresolved

3.5 Unsupported Contingent Liability

Honourable Speaker, note 10 under other important disclosures to financial statements reflects contingent liabilities for the current year balance of Kshs. 3,326,834,404. However, the contingent liabilities register at Annex 8 reflects a balance of Kshs.2,157,868,820 resulting to an unexplained and an unreconciled variance of Kshs. 1,168,965,584. Further, the contingent liabilities were not supported by relevant documentary evidence. In the circumstances, the accuracy, completeness and existence of the contingent liabilities balance of Kshs. 3,326,834,404 could not be confirmed.

Management response

No response

Committee Observations

1. That there was an unreconciled variance of Kshs.1,168,965,584 between the contingent liabilities reported in the financial statements (Kshs. 3,326,834,404) and those in the contingent liabilities register (Kshs. 2,157,868,820).

2. That the contingent liabilities were not supported by relevant documentary evidence, thereby raising doubts about the accuracy, completeness, and existence of the reported contingent liabilities.

Committee Recommendations

1. That, the Accounting Officer should reconcile all contingent liabilities in the financial statements with the contingent liabilities register and ensure that all amounts are supported by relevant documentation.
2. That, management should update and maintain a complete contingent liability register and ensure that any new liabilities are promptly recorded, documented, and approved.
3. That, internal controls over recognition, documentation, and verification of contingent liabilities be strengthened to prevent unsupported or overstated balances.
4. That the issue be resolved.

3.6 Unexplained Voided IFMIS Transactions

Honourable Speaker, analysis of the Integrated Financial Management Information System payments transactions revealed that four thousand, one hundred and twenty-seven (4,127) transactions valued at Kshs.2,667,105,751 were voided during the year under review. However, Management did not provide supporting documents of the voided transactions by way of voided payment vouchers, requests to void, The National Treasury approvals and Exchequer requisitions from the Controller of Budget. Further, reconciliation of voided payments to pending accounts payables and cancelled payments were not provided for audit. In the circumstances, the accuracy and completeness of total voided expenditure amounting to Kshs.2,667,105,751 could not be confirmed.

Management Response

No response

Committee Observations

1. That, a total of 4,127 IFMIS transactions valued at Kshs. 2,667,105,751 were voided without supporting documentation, such as payment vouchers, void requests, National Treasury approvals, or exchequer requisitions.
2. That, there was no reconciliation of the voided transactions to pending accounts payable or cancelled payments, making it impossible to verify the legitimacy and accuracy of the voided expenditures.

Committee Recommendations

1. That, the Accounting Officer should provide full documentation for all voided IFMIS transactions, including void requests, payment vouchers, approvals from the National Treasury, and exchequer requisitions, to the Office of the Auditor-General and copy to the Implementation Committee.
2. That, management should immediately reconcile voided transactions with pending accounts payable and cancelled payments to ensure the accuracy, completeness, and transparency of financial records.
3. That, the matter remains unresolved.

3.7 Irregular Payment of Social Security Benefits

Honourable Speaker, the statement of receipts and payments and as disclosed in Note 6 to the financial statements reflects social security benefits payments amount of Kshs.85, 169,981. Included in the expenditure is gratuity payments of Kshs.1,571,788 to a Senior Assistant Administrator who was on contractual terms since 3 June, 2013. However, Management did not provide evidence that the case was referred to the County Public Service Board (CPSB) for renewal. The Officer had been on contract for more than ten (10) years contrary to Section B.15 of the County Human Resource Manual, 2013 which states that contract employment will be kept to a maximum period of five (5) years. Contracts can be renewed for another period of five years once. Further, the social security benefits include gratuity of an amount of Kshs.1,109,839 payable to a County Senior Staff member who had been reinstated back to service in July, 2020 after resignation in 2017. However, documents to support the reappointment and re-designation by the County Public Service Board (CPSB) were not provided for audit. In the circumstances, the completeness and regularity of gratuity benefits amounting to Kshs. 2,681,627 could not be confirmed.

Management Response

No response

Committee Observations

That, there were possible irregular gratuity payments totaling Kshs. 2,681,627 arising from:

1. The prolonged contract of a Senior Assistant Administrator exceeding the maximum permissible period under the County Human Resource Manual without evidence of renewal by CPSB; and
2. The reinstatement of a County Senior Staff member without supporting documentation from CPSB to validate reappointment and re-designation, thereby raising doubts about the completeness and regularity of social security benefits.

Committee Recommendations

1. That the County Executive Committee Member (CECM) for Finance immediately initiate an inquiry to determine the circumstances surrounding the irregular payments and identify officers responsible.
2. That if the findings confirm irregularity, the County Executive Committee Member (CECM) for Finance should recover the full amount of Kshs. 2,681,627 from the officers responsible, based on the findings of the inquiry.
3. That internal controls be strengthened to ensure compliance with HR policies and
4. That the issue is unresolved

3.8 Irregularities in Pending Bills

Honourable Speaker, note 1 under other important disclosures to financial statements reflects pending bills balance of Kshs.2,735,945,419. However, pending bills schedule reflects pending bills balance of Kshs.2,743,140,069 resulting to an unexplained and an unreconciled balance of Kshs.7,194,650. Further, the schedule provided for audit excluded outstanding rent arrears for liaison offices amounting to Kshs.27,425,508. In addition, pending bills balance of Kshs.1,493,858,913 which should have been paid as a first charge were still outstanding as at 30 June, 2024. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which provides that debt service payments shall be a first charge on the County Revenue Fund. Payments totalling Kshs.10,917,576 paid during the year under review were not listed or disclosed as part of the pending bills in the audited financial statements for the prior years. In addition, pending bills totalling to Kshs.20,263,671 were over paid by Kshs.3,853,727. Management has not done an analysis for pending accounts payables at annex 2 and 3 as prescribed by the financial reporting template. In the circumstances, the Management was in breach of the law and continued accumulation of pending bills exposes the County Executive to potential losses and adversely affects the budgetary provisions. Emphasis of Matter 893.

Management Response

No response

Committee Observations

1. That, there was an unreconciled variance of Kshs.7,194,650 between the pending bills reported in the financial statements (Kshs. 2,735,945,419) and the pending bills schedule (Kshs. 2,743,140,069), arising from differences in recording, omission of certain transactions, and lack of timely reconciliation between accounting records and supporting schedules.

2. That, several obligations, including rent arrears of Kshs.27, 425,508, were excluded from the pending bills schedule, leading to incomplete reporting.
3. That, pending bills totaling Kshs. 1, 493,858,913, which should have been settled as a first charge, remained unpaid as at 30 June 2024, contrary to Regulation 41(2) of the PFM (County Governments) Regulations, 2015.
4. That, payments of Kshs.10, 917,576 made during the year were not disclosed in prior years' pending bills.
5. That overpayments totaling Kshs. 3, 853,727 were made, reflecting weak internal controls.
6. That, the continued accumulation of pending bills exposes the County Executive to potential losses and adversely affects budgetary provisions.

Committee Recommendations

1. That, this matter be referred to the Ethics and Anti-Corruption Commission for further investigation into possible loss of public funds
2. That, the Accounting Officer should reconcile the pending bills reported in the financial statements with supporting schedules, investigate the causes of the variance, and ensure all amounts, including rent arrears, are accurately reflected.
3. That, management should prioritize payment of first-charge pending bills in accordance with Regulation 41(2) of the PFM (County Governments) Regulations, 2015, to ensure compliance with the law.
4. That, management should recover overpayments totaling Kshs.3, 853,727 from the respective suppliers or entities that received the overpayments; and that if recovery from the suppliers is not possible, the amount should be recovered from the officers who authorize the overpayments.
5. That, the management carry out review of prior-year transactions to identify and rectify undisclosed payments, Kshs. 10, 917,576.
6. That, going forward, management should prepare and submit the required analysis of pending accounts payable as prescribed in the PSASB reporting template to ensure completeness and compliance.
7. That, regular monitoring of pending bills should be implemented to prevent unnecessary accumulation, reduce potential losses, and ensure proper budgetary provisions.
8. That, the issue is unresolved

3.9 Budgetary Control and Performance

Honourable Speaker, the statement of comparison and actual amounts (recurrent and development combined) reflects final receipts budget and actual on comparable basis of Kshs.12,557,553,292 and Kshs.8,584,243,710 respectively, resulting in an under funding of

Kshs.3,973,309,582 or 32% of the budget. The under-funding affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

No response

Committee Observations

1. That, there was a significant under-funding of Kshs.3,973,309,582, representing 32% of the approved budget (Kshs.12,557,553,292), against actual receipts of only Kshs.8,584,243,710.
2. That, the under-funding affected the implementation of planned activities, potentially limiting service delivery to the public.

Committee Recommendations

1. That, the County Treasury should review and strengthen budget planning and revenue forecasting to ensure more realistic and achievable budget estimates.
2. That, the County Treasury should implement regular monitoring and reporting mechanisms to track budget performance and take timely corrective measures when shortfalls are identified.
3. That, management should strengthen own-source revenue collection to supplement exchequer releases and reduce dependency on the same.
4. That the matter is resolved.

4.0 Unresolved Prior-Year Matters

Honourable Speaker, in the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management had not resolved the issues or given any explanation for the failure to adhere to the provisions of the Public Sector Accounting Standards Board template as at 30 June 2024.

Management Response

No response

Committee Observations

Honourable Speaker, in the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management had not resolved the issues or given any explanation

for the failure to adhere to the provisions of the Public Sector Accounting Standards Board template as at 30 June 2024.

Committee Recommendations

1. That the management Fast-track the implementation of prior year resolutions and submit the same to the Office of the Auditor General
2. That the matter is not resolved

4.1 Audit of Performance Information

Honourable Speaker, review of performance as per monitoring and evaluation reports against County Predetermined Objectives for the year indicated that the County's 2023-2027 County Integrated Development Plan (CIDP) had identified key strategic development objectives. During the year under review Management implemented a program on procurement of dairy cows for Maseno ATC and KDDC. Chapter 8.1.2 of the monitoring and evaluation report indicated that twenty (20) in-calf dairy cows were delivered. However, the department did not provide evidence that the Department of Agriculture conducted tests to ascertain viability, quality and suitability of the cows before procurement. Further, comprehensive project implementation status report was not provided for audit to confirm the effectiveness of the programme.

Management Response

No response

Committee Observation

That, the department implemented a program for procurement of twenty (20) in-calf dairy cows for Maseno ATC and KDDC, but no evidence was provided that the Department of Agriculture conducted viability, quality, and suitability tests prior to procurement, raising concerns about the effectiveness and compliance of the procurement process.

Committee Recommendations

1. That, the Accounting Officer should henceforth ensure that all livestock or asset procurement is supported by technical verification reports from relevant departments before payment, to prevent recurrence of unverified and potentially ineffective procurements going forward.
2. That, the issue is resolved

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

5.1 Failure to Submit Financial Statement by County Entities

Honourable Speaker, Five (5) County Level 4 hospitals did not prepare and submit their financial statements for the financial year ended 30 June, 2024 and prior years to the Auditor-General. These include Miranga Sub-County Hospital, Ober Kamoth Sub-County Hospital, Masogo, Sub-County Hospital, Nyahera Sub-County Hospital and Rabuor Sub-County Hospital.

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

Management Response

During the financial year in question, five health facilities—Masogo, Miranga, Rabuor, Ober Kamoth, and Nyahera Sub-County Hospitals—were officially categorized as Level 3A facilities, as per attached Kenya Gazette Vol. CXXII - No. 24 of 4th February 2020, issued by the Cabinet Secretary for Health under the powers conferred by Section 23 of the Medical Practitioners and Dentists Act, in consultation with the Kenya Medical Practitioners Council (KMPDC)

However, after the close of the financial year, these facilities were reclassified by KMPDC as Level 4 hospitals, thereby requiring them to adopt IPSAS Accrual-based financial reporting in compliance with the PSASB's prescribed standards.

Consequently, in accordance with the Public Audit Act, 2015, these facilities shall formally commence substantive self-reporting using IPSAS Accrual accounting standards effective from the 2024/2025 financial year. (Annex xiv page 330-344)

Committee Observations

- 1) That, during the financial year under review, five (5) County hospitals—Miranga, Ober Kamoth, Masogo, Nyahera, and Rabuor Sub-County Hospitals—did not prepare and submit financial statements for the year ended 30th June 2024 and prior years, contrary to public financial reporting requirements.
- 2) That, during deliberations with the Committee, management clarified that the five facilities mentioned by the Auditor-General were officially categorized as Level 3A hospitals, as per the Kenya Gazette Vol. CXXII - No. 24 dated 4th February 2020. As such, they were not obligated to prepare and submit financial statements under IPSAS Accrual standards at the time.
- 3) That, the reclassification to Level 4 status occurred after the close of the financial year. Consequently, their obligation to adopt formal financial reporting standards would commence in the financial year 2024/2025.

Committee Recommendations

- 1) That the County Executive Committee (CEC) Member for Finance and Economic Planning, in collaboration with the Department of Health and Sanitation, should ensure that the newly reclassified Level 4 hospitals are adequately trained, resourced, and guided to comply with IPSAS Accrual-based reporting requirements.
- 2) That moving forward, respective hospital accounting officers must ensure the timely preparation and submission of financial statements for audit, in accordance with the Public Audit Act, 2015; Public Finance Management Act, 2012; Public Finance Management Regulations; and Public Sector Accounting Standards Board (PSASB) guidelines.
- 3) That the matter is considered resolved.

5.2 Non-Compliance with Fiscal Responsibility on Wage Bill

Honourable Speaker, the statement of receipts and payments reflects payments totaling Kshs.4, 462,912,350 in respect of compensation of employees representing 52% of the total receipts of Kshs.8, 584,243,710. This was contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the County Government's expenditure on wages and benefits for its public officers shall not exceed 35% of the County Government's total revenue.

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

Management Response

The county exceeded the 35% threshold for personnel emoluments primarily due to insufficient own-source revenue collection, which disproportionately skewed the wage bill ratio.

Committee Observations

1. The County Government's expenditure on compensation of employees during the financial year amounted to Kshs. 4,462,912,350, representing 52% of total revenue of Kshs. 8,584,243,710.
2. This expenditure exceeded the 35% ceiling prescribed under Regulation 25(1)(a) and (b) of the PFM (County Governments) Regulations, 2015, constituting a breach of the law.
3. The Committee noted management's explanation that the breach was primarily due to underperformance in own-source revenue collection, resulting in a mismatch between the wage bill and total receipts.

Committee Recommendations

1. The County Executive Committee, in collaboration with the County Public Service Board and relevant departments, should develop and implement a comprehensive strategy for managing the county wage bill to ensure progressive compliance with the law. The Office of the Auditor-General should report on the progress in subsequent audits.
2. The County Government should institute measures to enhance its own-source revenue collection, including improving enforcement, expanding the revenue base, and addressing revenue leakages.
3. The County Executive Committee Member for Finance, Economic Planning, and ICT must ensure strict compliance with Regulation 25(1) of the PFM (County Governments) Regulations, 2015, in the future.
4. That the issue is unresolved.

5.3 Irregular Payments to Members of County Assembly and Staff

Honourable Speaker, the statement of receipts and payments and as disclosed in Note 3 to the financial statements reflects use of goods and services amounting to Kshs.1,179,828,217 which includes domestic travel and subsistence of Kshs.280,708,799. The domestic travel and subsistence include imprest totaling Kshs.4, 172,000 paid to County Executive staff members to facilitate County Assembly Budget and Appropriation Committee and Secretariat members for consultative meetings on proposed budget and Annual Development Plan 2024/2025. However, these payments which should have been paid by the County Assembly, were wrongly charged to the County Executive contrary to Section 162 of the Public Finance Management Act, 2012 which requires a public officer to ensure that resources within the officer's area of responsibility are used in a way that is lawful and authorized, effective, efficient, economical and transparent.

In the circumstances, the regularity of the domestic travel and the subsistence amount of Kshs.4, 172,000 could not be confirmed.

Management Response

These meetings were for stakeholders convened by the County Executive and required the participation of Members of the County Assembly (MCAs), who were formally invited to contribute to the preparation of the FY 2024/2025 Budget and Annual Development Plan. The expenditure was appropriately charged to the Executive vote, as it covered costs incurred by the Executive in organizing and facilitating these consultative meetings.

Committee Observations

1. That, the statement of receipts and payments included an imprest of Kshs. 4,172,000 issued to County Executive staff to facilitate consultative meetings involving the County Assembly's Budget and Appropriations Committee and Secretariat for the FY 2024/2025 Budget and Annual Development Plan.

2. That, the Auditor-General initially considered the expenditure irregular and contrary to Section 162 of the Public Finance Management Act, 2012, which requires public officers to ensure that resources under their responsibility are used in a lawful, authorized, effective, and transparent manner.
3. That, during Committee deliberations, management explained that the consultative meetings were convened and organized by the County Executive as part of its mandate to develop the Annual Development Plan and Budget for FY 2024/2025.
4. That, Members of the County Assembly (MCAs) and the Secretariat participated through formal invitations as part of the stakeholder engagement process required under Section 125 of the Public Finance Management Act, 2012, and Section 104 of the County Governments Act, 2012, which assigns responsibility to the County Executive Committee for coordinating the planning and budgeting process.
5. That, initiation and execution of the activity were undertaken by the Executive; therefore, it was appropriate for the Executive to incur the associated logistical costs and record the expenditure under its vote.

Committee Recommendations

1. That, in future, the County Executive must ensure comprehensive documentation of consultative activities, including invitations, attendance registers, expenditure justifications, and activity reports, to support audit reviews.
2. That, the Auditor-General should, in future assessments, consider the nature and context of stakeholder engagements initiated by the Executive to avoid misclassification of legitimate expenditures.
3. That, no further audit action is warranted on the Kshs. 4,172,000 expenditure, as it was lawfully and appropriately incurred by the organizing entity in accordance with relevant public finance and planning laws.
4. That, the issue is resolved.

5.4 Irregular Payment to Machine-Based Staff Allowances

Honourable Speaker, the statement of receipts and payments reflects transfer to other government entities of Kshs.1, 419,154,196 as disclosed in Note 4 to the financial statements. Included in the amount is other capital grants and transfers of Kshs.596, 898,258 out of which Kshs.2, 384,450 was paid in respect to machine-based staff allowances. However, justification on why staff were getting extra payments for performing their normal duties within their workstations was not provided, contrary to Section 162 of the Public Finance Management Act, 2012, which requires a public officer to ensure that resources within the officer's area of responsibility are used in a way that is lawful and authorized, effective, efficient, economical and transparent.

In the circumstances, the regularity of the machine-based staff allowances of Kshs.2, 384,450 could not be confirmed.

Management Response

The machine-based lunch allowance of Ksh. 2,384,450 was paid to staff engaged in machine-based road projects while working away from their designated workstations. All Public Works technical staff are officially stationed at the Public Works Bandani Main Office. The expenditure is supported by relevant documentation, including Annex xv (a), which outlines the work plan and project implementation timelines, Annex xv (b), detailing the budget breakdown that includes the Ksh. 6,000,000 allocations for logistics such as lunch allowances, annex xv (c), providing a progress report on the ongoing machine-based road projects, and Annex xv (d), illustrating staff work schedules. (See Annex xv page 345-378)

Committee Observations

1. That, the management paid a total of Kshs. 2,384,450 in machine-based staff allowances but failed to provide adequate justification for the additional payments to staff performing what was considered normal duties within their designated workstations at the time of the audit.
2. That, during committee deliberations, management satisfactorily explained that the allowances were lunch stipends paid to staff engaged in machine-based road projects conducted away from their official workstation and submitted supporting documentation, including a work plan, logistics budget, staff schedules, and a project progress report.
3. That, the committee finds the explanation of the management satisfactory, and resolved the issue

Committee recommendations

1. That, the Accounting Officer should ensure that a proper explanation is provided to the auditor during the audit period to avoid unnecessary audit queries.
2. That, the matter is resolved

5.5 Irregularities in Procurement

Honourable Speaker, the County Executive awarded various contracts in respect of provision of services. However, the following anomalies were observed:

- i. Review of records revealed that a payment of Kshs.928,000 and Kshs.2,699,235 were made for provision of documentary services for the State of County address by the Governor and provision of event management services for 2023 Finance Bill public participation respectively. However, the procurement was conducted outside IFMIS contrary to

Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020. Further, during the public participation activity, it was noted that the service provider made partial deliveries as evidenced by the items in the LSOs which did not match with the delivery notes. The inspection and acceptance committee report did not contain details of the services provided. Additionally, the approved supplementary budget for advertising and publicity was Kshs.500,000 resulting to excess expenditure of Kshs.2,199,235.

- ii. Review of payment voucher no. 863988 amounting to Kshs. 2,998,500 for event management and logistical support for the County Public Stakeholder Feedback revealed that the tender was awarded using request for proposal. However, review of minutes of evaluation committee held on 1 February, 2024, indicated that the committee did not carry out the preliminary and financial evaluations as per Regulation 74(1) of the Public Procurement and Asset Disposal Regulations, 2020. The basis of the professional opinion and recommendations to the Accounting Officer of February, 2024 could not be confirmed. In addition, no documentary evidence to show appointment of evaluation committee and market survey was provided for audit.
- iii. During the year under review, Management made a payment of Kshs. 2,998,780 for the provision of catering services during the World Food Day and World Rabies Day. However, the evaluation report and the invoices were dated 10 August, 2023, and 30 August, 2023, respectively, while the requisition to procure was dated 7 September, 2023. The records suggested that due process was not followed in the procurement as the requisition to procure came after the delivery of the services, contrary to Regulation 71(1) of the Public Procurement and Asset Disposal Regulations, 2020. Further, documentary evidence to confirm receipt of goods and services, including the inspection and acceptance report in accordance with Section 48 of the Public Procurement and Assets Disposal Act, 2015, was also not provided.
- iv. Management paid Kshs. 2,996,800 for inspectorate uniforms and Kshs. 2,307,424 for office stationery supplies. However, both deliveries were made beyond thirty (30) days after issuance of Local Purchase Orders, contrary to the requirements of Regulation 52(1) of the Public Finance Management (County Governments) Regulations, 2015. Further, the uniform supplier was not among the registered suppliers.

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

Management Response

- i. The procurement for the documentary services and event management for the 2023 Finance Bill public participation was conducted outside IFMIS due to the delay in uploading the approved FY 2023/2024 budget into the system, which prevented initiation of procurement through IFMIS.

However, approval for the procurement was sought from the CEC Finance to ensure compliance and continuity of essential county functions. Despite this, the services were fully delivered as per the Local Service Order (LSO), and the public participation exercise was successfully conducted to the county's satisfaction. Moving forward, measures will be taken to ensure timely budget uploads in IFMIS to facilitate system-based procurement processes.

The payment of Kshs.2, 699,235 in respect to event management services for 2023 Finance Bill public participation was charged under catering services which had a budget of Kshs. 8,000,000 contrary to the audit observation. The expenditure, therefore, was within the budget as per the attached approved budget estimates extract Annex xvi page 379-383.

- ii. The procurement for event management and logistical support followed the Request for Quotations (RFQ) method as per the law, with the evaluation committee conducting the required preliminary and financial evaluations, as confirmed in the minutes submitted to the Auditor General. The professional opinion to the Accounting Officer was based on these evaluations, and evidence of the committee's appointment has been provided. A market survey was conducted by obtaining quotations from other service providers, ensuring compliance with procurement regulations. All supporting documents, including evaluation minutes, appointment letters, and market survey reports, have been submitted for audit verification. (Annex xvii page 384-391)
- iii. Management acknowledges the audit issue regarding the procurement of catering services before proper requisition and regrets the error. This error was caused by double requisitions which lead to wrong requisition attached, moving forward we have strengthened internal controls, and mandatory documentation checklist that ensures complete accuracy in documentation. For catering services inspection and acceptance report is not mandatory.
- iv. The delay in delivering inspectorate uniforms (Kshs. 2,996,800) and office stationery (Kshs. 2,307,424) was procedurally addressed through a contract extension that was sought and approved before the lapse of the initial delivery period, ensuring compliance with procurement regulations. Additionally, the uniform supplier, EPZ, was registered with the County Government of Kisumu at the time of award and delivery, contrary to the audit observation. No financial loss was incurred, and procurement processes adhered to the Public Procurement and Asset Disposal Act (PPADA), 2015. (Annex xviii page 392-396).

Committee Observations

1. Payments of Kshs. 928,000 and Kshs. 2,699,235 were made for documentary services for the State of the County Address by the Governor and for public participation on the 2023

Finance Bill outside IFMIS, which is contrary to Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020. Management explained that this happened due to delays in uploading the approved FY 2023/2024 budget into IFMIS, and that approval was sought and granted by the CEC Finance.

2. Payment of Kshs. 2,998,500 was made for event management and logistical support, although there were concerns that the evaluation committee had not conducted the required preliminary and financial evaluations. Management clarified that the procurement followed the Request for Quotations (RFQ) method, and that all evaluation procedures were duly followed. Evaluation minutes and market survey reports were provided for audit verification.
3. Payment of Kshs. 2,998,780 was made for catering services during World Food Day and World Rabies Day, even though the procurement requisition was dated after the service delivery. Management acknowledged the error, explaining it was caused by double requisitions which led to attaching incorrect documents. Management also assured the Committee that internal controls have since been strengthened to prevent such errors. The Committee noted the explanation and urged continued diligence in following proper procurement procedures.
4. Management paid Kshs. 2,996,800 for inspectorate uniforms and Kshs. 2,307,424 for office stationery supplies, but deliveries were made more than thirty (30) days after the issuance of Local Purchase Orders, contrary to procurement regulations. Management explained that contract extensions were approved before the original delivery period lapsed, and confirmed that the supplier for uniforms was duly registered with the County Government at the time of supply.

Committee Recommendations

1. That, Management should ensure timely budget uploads into IFMIS to avoid non-compliance with procurement regulations.
2. That, the Accounting Officer should ensure that all procurement processes are fully documented, including the appointment of ad hoc committees, evaluation reports, professional opinions, and market surveys, and that these are retained for audit verification.
3. That the matter is resolved.

5.6 Procurement Using Un-Prequalified Suppliers

Honourable Speaker, the statement of receipts and payments reflects use of goods and services totaling Kshs.1, 179,828,217 as disclosed in Note 3 to the financial statements. Included in the amount is rental of produced assets expenditure of Kshs.23,228,672 out of which, Kshs.1,999,790 was incurred in respect of hiring of excavator machine for Miriu Ogenga Stream-Kabonyo. Review of procurement documents revealed that the firm was not prequalified

under the required category. This was contrary to Section 106(2) of the Public Procurement and Asset Disposal Act, 2015, which require the accounting officer to give the request for quotations to persons that are registered by the procuring entity. Further, there was no evidence that the works were registered with National Construction Authority (NCA). This was contrary to Regulation 17(1) of the National Construction Authority Regulations, 2014 which requires that all construction works, contracts or projects either in the public or private sector to be registered with the Authority.

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

Management Response

For the procurement for Hiring of Excavator for Miriu-Ogenya Stream in Kabonyo Kanyagwal was reserved for AGPO – category Youth. The Contractor duly submitted an NCA certificate and was in the registered list of suppliers under AGPO by the procuring entity. Moving forward, management will ensure that all construction works are registered with NCA. (Annex xix page 397-399)

Committee Observations

1. That, management incurred an expenditure of Kshs. 1,999,790 for the hiring of an excavator for the Miriu Ogenga Stream-Kabonyo project, and that there was no evidence that the firm awarded the contract was prequalified, contrary to Section 106(2) of the Public Procurement and Asset Disposal Act, 2015, which requires contracts to be awarded to registered suppliers.
2. That, there was no evidence that the works were registered with the National Construction Authority (NCA), in contravention of Regulation 17(1) of the NCA Regulations, 2014.
3. That, during Committee deliberations, management clarified that the supplier was AGPO-registered and had submitted an NCA certificate; however, no audit evidence was provided to confirm registration of the contractor or the works with NCA. The Committee emphasized the need for strict compliance with procurement laws.

Committee Recommendations

1. That, in future, the Accounting Officer must ensure that contracts are awarded only to prequalified firms under the appropriate categories.
2. That, all construction-related works are registered with the National Construction Authority before commencement.
3. That, the matter is resolved.

5.7 Lack of Market Survey Reports

Honourable Speaker, management entered into contracts totaling Kshs.1. 499,045 for the supply and delivery of tyres. However, no evidence was provided to demonstrate that a market survey was conducted to confirm that the offers were at prevailing market prices, contrary to Regulation 90(1)(d)(ii) of the Public Procurement and Asset Disposal Regulations, 2020, which requires accounting officers to ensure offers are at prevailing market prices before entering into contracts.

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

Management Response

At the time of the audit, the market survey reports were not provided to the auditors within the required timeframe. However, they have now been made available for verification to the auditor general, with copies attached for reference. Additionally, the management has initiated a Framework Agreement for this service, ensuring that, moving forward, only pre-qualified suppliers under the framework contract will be engaged. Annex xx page 400-401).

Committee Observations

1. That, management entered into contracts amounting to Kshs. 1,499,045 for the supply and delivery of tyres but failed to provide any documentation to confirm that a market survey was conducted, contrary to the requirements of the Public Procurement and Asset Disposal Regulations, 2020.
2. That, during Committee deliberations, management clarified that the market survey reports were not provided to the auditors during the audit period but have since been submitted for verification.
3. That, the late submission of documents to the Auditor-General violates Section 62 of the Public Audit Act, 2015, which requires all relevant documents to be made available to the Auditor-General in a timely manner.

Committee Recommendations

1. That going forward, the Accounting Officer must ensure the timely provision of documents in accordance with the requirements of the Public Audit Act, 2015.
2. That the matter is resolved.

5.8 Delayed Execution of Consultancy Services on HR Manual

Honourable Speaker, review of procurement and payment records revealed that the County Executive contracted consultancy services for reviewing the Kisumu County HR Policies and Procedures Manual, 2015, at a cost of Kshs.2, 950,000 on 14 September, 2023. Although the consultant had been, the final document was not delivered within the three (3) month contract period, no contract extension was approved as required by Section 139(2) of the Public

Procurement and Asset Disposal Act, 2015 and there was no evidence that the consultant's qualifications were considered in the tender evaluation, while key approvals and progress reports remain unprovided.

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

Management Response

The contract for consultancy services for development of human resource policy and policy manual was valid as at the time of conclusion of the consultancy as per attached contract agreement. Prior to engagement, due diligence was undertaken, including a thorough evaluation of the lead consultant's qualifications. The inspection and acceptance process was successfully completed, affirming compliance with the required standards. Subsequently, the final HR manual was formally adopted by the Cabinet. With the adoption complete, the document has been finalized and is now in the process of being operationalized. (Annex xxi page 402-406)

Committee Observations

1. That, the County Executive awarded a consultancy contract worth Kshs. 2,950,000 on 14th September 2023 for the review of the Kisumu County HR Policies and Procedures Manual (2015).
2. That, by the close of the financial year under review, the HR Manual had not been received within the stipulated three-month contract period, and that no formal extension had been approved as required under Section 139(2) of the Public Procurement and Asset Disposal Act, 2015.
3. That, during Committee deliberations, Management confirmed that the contract was valid at the time of engagement and that the deliverable has since been completed, and
4. That, the revised HR Manual has been formally adopted by the County Cabinet and is currently under implementation.

Committee Recommendations

1. That moving forward, the Accounting Officer must ensure strict adherence to contract timelines and obtain formal approval for any necessary extensions, in accordance with applicable procurement laws.
2. That the matter is resolved.

5.9 Delayed Execution of Consultancy Services on Training Policy

Honourable Speaker, the County Executive contracted consultancy services for a training needs analysis at a cost of Kshs. 2,920,000 on 4 September 2023. However, the full payment was made despite the contract expiring without renewal or extension, contrary to Section 139(2) of the Public Procurement and Asset Disposal Act, 2015. In addition, no approved policy document,

key approvals, or progress reports were provided for audit. Further, no evidence that due diligence on the lead consultant's qualifications was done and were not provided for audit.

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

Management Response

The contract for consultancy services for development of training needs analysis was valid as at the time of conclusion of the consultancy as per attached contract agreement. An inspection and acceptance report was duly completed, affirming the quality and adherence of the deliverables to the agreed specifications. Subsequently, the final Training Policy document was formally adopted by the Cabinet. With the approval process concluded, the policy is now finalized and is in the process of being fully operationalized. (Annex xxii page 407-411).

Committee Observations

1. That, the County Executive paid Kshs. 2,920,000 for consultancy services on a training needs analysis, even though the contract had expired and no formal extension had been granted, contrary to procurement regulations.
2. That, no supporting documentation, such as the final policy, approvals, progress reports, or proof of due diligence on the consultant, was provided for audit.
3. That, during Committee deliberations, Management confirmed that the contract was valid at the time of engagement and that the deliverable has since been completed, and that the Training Policy document has been formally adopted by the County Cabinet and is currently under implementation

Committee Recommendations

1. That moving forward, the Accounting Officer must ensure strict adherence to contract timelines and obtain formal approval for any necessary extensions, in accordance with applicable procurement laws.
2. That the matter is resolved.

6.0 Unsupported Procurement of Proposed Completion of Pap Konam Agriculture Training College

Honourable Speaker, management entered into contracts for the construction of Konam Agriculture Training College, Phase I, at a cost of Kshs.17, 617,607, and Phase II at a cost of Kshs.39,869,732 totalling Kshs.57,487,339. However, critical documentation tender advertisement, tender security, tender evaluation minutes, professional opinion, performance bond, acceptance offer, inspection and acceptance reports, joint measurements, and interim/ completion certificates issued by the inspection and acceptance committee and project implementation committee reports were not provided for audit verification on several requests.

In the circumstances, the validity and proper charge on public funds for the expenditure of Kshs.57, 487,339 spent on the project could not be confirmed.

Management Response

The construction of Pap Konam Agriculture Training College at a cost of Kshs. 57,487,339 was procured through an open tender process in compliance with the Public Procurement and Asset Disposal Act, 2015. All key procurement and project implementation documents, including tender advertisement, tender security, evaluation minutes, professional opinion, performance bond, acceptance offer, inspection and acceptance reports, joint measurements, interim/completion certificates, and project implementation committee reports, were duly prepared and availed. Phase I of the project was lawfully terminated due to contractor abandonment and failure to provide performance security within the extended contract period. The payment file, along with all required supporting documents, was provided to the audit team during the review and has been resubmitted to the Office of the Auditor General for verification. The expenditure is properly accounted for, and management remains committed to transparency, accountability, and compliance with public financial management laws. Annex xxiii page 412-590 -file availed for audit review

Committee Observations

1. That, management entered into contracts for the construction of Konam Agriculture Training College, Phase I at a cost of Kshs. 17,617,607 and Phase II at a cost of Kshs. 39,869,732, but failed to provide key supporting documents such as tender records, evaluation minutes, professional opinions, performance bonds, acceptance and inspection reports, and completion certificates to the auditors during the audit process.
2. That, at the time of the Committee's deliberations, management had prepared and submitted all the required procurement documents to the Auditor, thereby addressing the earlier documentation gaps.

Committee Recommendations

1. That, going forward, management must ensure that all required documents are made available to the auditors during the audit process.
2. That, the matter is resolved.

6.1 Irregular Procurement of Energy-Efficient Streetlights and High Masts

Honourable Speaker, management entered into a contract for the supply, installation, testing & commissioning of energy efficient streetlights & high mast in Maseno & Kombewa in March, 2024 at a contract sum of Kshs.7, 697,915. However, review of the tendering process revealed that the bid was irregularly awarded to a firm who did not satisfy the mandatory requirement as

indicated in the evaluation reports. The winning bidder did not provide bid bond as required by the evaluation criteria which is contrary to Section 80(2) of the Public Procurement Assets and Disposal Act, 2015, which requires that the evaluation and comparison shall be done using the procedures and criteria set out in the tender documents.

In the circumstances, the contract was awarded to a firm that did not meet the mandatory requirements.

Management Response

The tender was advertised in the Daily Nation on November 10, 2023, on page 38. According to the tender opening minutes, four bids were received and duly opened. As noted in the audit report, no bid bond was provided. This is because the tender was issued under the Access to Government Procurement Opportunities (AGPO) program, which exempts participating firms from submitting bid bonds ref to sec 61 (5) of public procurement and assets disposal act 2015. Additionally, the evaluation report confirms that a bid bond was not a mandatory requirement as per the outlined criteria. Copies of the advertisement and the preliminary evaluation report are attached for reference. The evaluation report dated December 7, 2023, indicates that M/S Lysons Investments Ltd. was the lowest evaluated bidder. This position was further supported by the professional opinion of the Head of Supply Chain, who noted that the bid bond requirement was not mandatory, given that the tender was reserved for special groups under AGPO.

Committee Observations

1. That management awarded a contract for the supply and installation of energy-efficient streetlights and high masts in Maseno and Kombewa in March 2024, at a cost of Kshs. 7,697,915, to a bidder who did not provide a bid bond, thereby appearing to violate the provisions of Section 80(2) of the Public Procurement and Asset Disposal Act, 2015.
2. That during the Committee's deliberations, management clarified that the bidder did not submit a bid bond because the tender was issued under the Access to Government Procurement Opportunities (AGPO) program, which exempts participating firms from submitting bid bonds, as provided under Section 61(5) of the same Act.

Committee Recommendation

The issue is resolved

6.2 Failure to Rotate Service Providers

Honourable Speaker, a review of records revealed that the County Executive awarded travel agency and air ticketing contracts to five (5) service providers from the list of ten (10) registered/pre-qualified suppliers. It was noted out of the payments totaled Kshs. 44,570,543, one (1) firm was awarded contracts totalling Kshs. 39,037,353 or 88% across the County departments

in the year under review. This is contrary to Regulation 91(5) of the Public Procurement and Asset Disposal Regulations, 2020, which requires the accounting officer to ensure a fair and equitable rotation amongst the persons in the list of registered suppliers. No justifiable reason was given to show why the Management preferred to award contracts to only the five (5) suppliers.

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

Management Response

The County Executive acknowledges the audit concerns regarding the award of travel agency and air ticketing contracts. The limited rotation among suppliers was due to cash flow constraints, which led to many listed firms declining to offer services on credit. The supplier in question demonstrated financial capacity, reliability, and flexibility in extending credit terms, ensuring service continuity.

Committee Observations

1. That, the County Executive awarded travel agency and air ticketing contracts to five (5) out of ten (10) registered/pre-qualified suppliers.
2. That, out of total payments of Kshs. 44,570,543, one (1) firm received Kshs. 39,037,353, representing 88% of the total payments across County departments during the year under review.
3. That, although the County Executive cited cash flow constraints as the reason for limited supplier engagement, the awarding of 88% of the total contract value to a single firm without adequate justification constitutes non-compliance with Regulation 91(5) of the Public Procurement and Asset Disposal Regulations, 2020, which requires fair and equitable rotation among registered suppliers.

Committee Recommendations

1. That, going forward, the County Executive must strictly adhere to the provisions of Regulation 91(5) of the Public Procurement and Asset Disposal Regulations, 2020, by ensuring fair and equitable rotation among all pre-qualified suppliers.
2. That, management should maintain proper documentation to justify any deviations from procurement regulations, including evidence of communication with suppliers who declined to offer services, to support audit and oversight processes.
3. That, the County Executive should strengthen cash flow planning and management to reduce overreliance on a single supplier.
4. That, the matter is resolved

6.3 Unsupported Framework Agreements

Honourable Speaker, review of procurement records revealed that Management entered into a contract totaling Kshs.29, 702,592 for the supply and delivery of medical items through framework agreement. However, no documentary evidence was provided to show that Management prepared value for money assessment reports as required by Section 114(2) of Public Procurement and Asset Disposal Act, 2015 or that Management prepared and submitted to the Accounting Officer with a copy to the internal auditor quarterly reports detailing analysis of the items procured through framework agreements as required by Section 114(6) of Public Procurement and Asset Disposal Act, 2015. In addition, no documentary evidence was provided to show that the Accounting Officer reported the contracts awarded to Public Procurement Regulatory Authority as required in Section 138(2) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, it was not possible to confirm the competitiveness in the procurement process valued at Kshs.29,702,592.

Management Response

Management acknowledges the audit observations regarding the procurement of medical items through framework agreements valued at Kshs. 29,702,592. These framework contracts were awarded following an open, competitive, and transparent tendering process, in which multiple suppliers participated, ensuring fairness and value for money.

Prior to contract award, a comprehensive market survey was conducted to benchmark prices against prevailing market rates, including the Kenya Medical Supplies Authority (KEMSA) pricing structure. At the time of the audit, a formal annual value-for-money assessment report had not been finalized since the contract was still within its first year. However, the department has since conducted the assessment, evaluating the contract's performance for the initial year and providing recommendations to the Accounting Officer for necessary action.

Regarding quarterly procurement reports, these were duly prepared and submitted in compliance with Section 114(6) of the Public Procurement and Asset Disposal Act, 2015. Copies of these reports were made available during the audit process and have been resubmitted for verification. Additionally, documentary evidence confirming submission of these reports to the Internal Audit Department has been provided.

Concerning the submission of quarterly procurement reports to the Public Procurement Regulatory Authority (PPRA), these were consolidated at the Directorate of Supply Chain Management level for all departments. Moving forward, the department has fully transitioned to real-time electronic reporting through the Public Procurement Information Portal (PIIP) to enhance compliance, efficiency, and transparency in procurement reporting.

Committee Observations

- 1) That, contrary to the provisions of Section 62 of the Public Audit Act, 2015, which requires the timely submission of documents to auditors, Management entered into framework agreements totaling Kshs. 29,702,592 for the supply and delivery of medical items, but failed to provide documentary evidence to support compliance with key provisions of the Public Procurement and Asset Disposal Act, 2015, including:
 - I. A value-for-money assessment report as required under Section 114(2),
 - II. Quarterly reports on framework agreements submitted to the Accounting Officer and Internal Auditor, as per Section 114(6), and
 - III. Reporting of awarded contracts to the Public Procurement Regulatory Authority (PPRA) as required under Section 138(2).
- 2) That, during committee deliberation, Management acknowledged the audit concerns and clarified the following:
 - I. That the framework agreements were awarded through an open and competitive tendering process, with participation from multiple suppliers.
 - II. That a comprehensive market survey was conducted prior to awarding the contracts, comparing prices with prevailing market rates, including those from the Kenya Medical Supplies Authority (KEMSA), to ensure value for money.
 - III. That although the value-for-money assessment report was not finalized at the time of the audit, it has since been completed and submitted to the Accounting Officer.
 - IV. That quarterly procurement reports were prepared and made available to auditors for verification.
 - V. That reports to the PPRA are now being consolidated and submitted through the Directorate of Supply Chain Management using real-time electronic reporting via the Public Procurement Information Portal (PPIP), to enhance compliance and transparency.

Committee Recommendations

- 1) That going forward, management should adhere to the provision of section 62 of the Public Finance Management Act 2015 on the timely provision of documents to the auditors
- 2) That the issue is resolved

6.4 Poor Contract Administration

Honourable Speaker, the Department of Energy, Infrastructure and Public Works entered into various contracts with different contractors. The contract agreements were signed on 30 March, 2023 for a contract period of twelve (12) weeks. However, audit inspections in the month of September, 2024 and the project implementation status reports revealed the following:

- i. Review of twenty-seven (27) sampled projects revealed that they remained incomplete despite the expiry of the project duration and no document was provided for audit in respect of the extension of the project completion period. This was contrary to Section 88(2) of the Public Procurement and Asset Disposal Act, 2015 which states that the accounting officer of a procuring entity shall give in writing notice of an extension under subsection (1) to each person who submitted a tender
- ii. In addition, the contractors' performance bonds had expired and there was no evidence that they had been renewed.
- iii. The contractors who were not on site failed to carry out the works as per the revised work plans and Management had initiated the process of terminating the contract by issuing a default notice to the contractor on 9 November, 2023 as provided by Section 151(2)(a)(g) of the PPADA, Public Procurement and Asset Disposal Act, 2015.
- iv. Further, there was a disparity between completion levels as per the status report and the actual works carried as at the time of audit.

Management Response

- i. As of the time of the audit, the 27 sampled projects remained incomplete due to exogenous factors, and no payments had been initiated. Additionally, some projects had been suspended due to unfavorable weather conditions, as attached contract extensions and suspension of works. (Annex xxvi page 591-618)
- ii. Performance bond was not a mandatory requirement for these tenders, as stipulated in the evaluation criteria as per attached copy of the evaluation criteria. The 27 listed projects fall within the procurement threshold for goods, works, and non-consultancy services that do not require performance security. as provided under section 142(3) of the public procurement and asset disposal act (PPADA), 2016, and section 135(1) of the public procurement and asset disposal regulations, 2020, performance security is only required for contracts exceeding five million shillings. (Annex xxvii page 619)
- iii. The contractors who failed to fulfill their contractual obligations were issued with termination notices, resulting in the termination of six contracts. Consequently, 21 projects were successfully completed as per the attached completion certificates and contract termination notices. (Annex xxviii a page 620-650)

- iv. The works were completed within the approved timelines. The six contracts which were terminated were later retendered. (Annex xxvii b page 651-654)

Committee Observations

1. That, the Department of Energy, Infrastructure, and Public Works entered into contract agreements on 30 March 2023, with a contract duration of twelve (12) weeks. However, audit inspections conducted in September 2024 revealed that twenty-seven (27) sampled projects remained incomplete beyond the stipulated contract period.
2. That, no documentary evidence was provided to support formal extensions of the project completion period, contrary to Section 88(2) of the Public Procurement and Asset Disposal Act, 2015.
3. That, Management attributed the delays to external factors, including unfavorable weather conditions
4. That, the auditor noted cases of expired performance bonds without evidence of renewal during the audit which management clarified during committee that performance bonds were not mandatory for these tenders, as the contract values fell below the threshold specified in Section 142(3) of the Public Procurement and Asset Disposal Act, 2015, and Section 135(1) of the Public Procurement and Asset Disposal Regulations, 2020.
5. That, at the time of the committee's deliberation, twenty-one (21) of the twenty-seven (27) projects had been completed, while the remaining six (6) contracts were terminated following the issuance of default notices.

Committee Recommendations

1. That, in future, Management must ensure timely documentation and formal approval of contract extensions in accordance with Section 88(2) of the Public Procurement and Asset Disposal Act, 2015.
2. That, the department must strengthen contract management practices, including real-time tracking and independent verification of project status.
3. That, Management should enhance monitoring and enforcement mechanisms to ensure the timely execution of works, and take prompt action against underperforming contractors.
4. The matter resolved

6.5 Idle Health Facilities

Honourable Speaker, during the year under review, Management awarded contracts for proposed construction to completion of Dago K'otiende and Kowino Maternity Unit and Rehabilitation at the Chulaimbo Sub-County Hospital at a cost of Kshs.10, 880,291. Review of the projects

indicated that the works were done as per the bill of quantities. However, physical verification in the month of September, 2024 revealed that the facilities were complete but remained idle. Further, there was evidence of canalization of electrical works in the Hospital and the compounds were in a state of neglect.

In the circumstances, value for money on the expenditure of Kshs.10, 880,291 incurred on the proposed health facilities could not be confirmed.

Management response

DAGO K'OTIENDE PROJECT

During the year under review, the Department of Medical Services, Public Health, and Sanitation awarded contractors for the proposed construction to completion of Dago K'otiende. The Contractor executed the works as was in the Bill of quantities to completion as per the BOQ.

On 26th February 2024, Kenya registered Nurse was posted from Mbaka Oromo Dispensary to Dago K'otiende Health Centre to start a new facility as the facility in charge. Refer to officer no. 102 in the attached posting order. The officer was due to report to start operationalization of the facility when theft occurred and electrical appliances were stolen and this forced the department to temporarily suspend the opening of the facility. The unfortunate event of theft was reported to police through OB No. 9/11/8/2024 at 09.38 Hours. Theft investigation is still with the police.

However, the Department of Medical Services Public Health and Sanitation has since rectified all the electrical works that were stolen, mobilized all necessary basic equipment, the compound has been cleared, and the Security of the facility has been improved by engaging one night guard by the community members. The officer has since reported to the facility, and it is now operational. Kindly refer to the posting order of the staff who was posted to the facility attending to a patient. (Annex xxix page 655-656)

KOWINO MATERNITY

Kowino Health Centre was a functional health facility at the time of auditing. The proposed construction of maternity was an extension of the services offered by the facility. This was a multi phased project which was being funded annually. The project's structural works are complete but cannot start its operations without septic tank and placenta pit to manage the effluent and wastes generated from the facility.

The department of Medical Services is concerned with the facility's catchment population who are demand for maternal services from the facility.

The department of Medical Services, Public Health and Sanitation has since budgeted for the final phase of the project in the financial year 2024/2025 FY to complete the project and purchase of necessary equipment to operationalize it, copy of development projects Budget

attached. The contracts for the completion of remaining civil works and procurement of medical equipment have since been given out to contractors. (Annex xxx page 657-658)

REHABILITATION OF CHULAIMBO

The project of rehabilitation of Chulaimbo Outpatient Department (OPD) and radiology units was done as per the bill of quantities. The OPD rehabilitation was completed and occupied immediately to facilitate the continuity of services within the hospital

The rehabilitation of the radiology unit was done in preparation for the Radiology services. The Radiology Machine which was in the facility was obsolete hence cannot be used and the department is currently in the process of Purchasing a new machine which will be installed in the rehabilitated building. The department has since submitted projected development projections to the Economic planning directorate for planning purposes in 2025/2026 Financial year. The old radiology machine will be disposed of as per laid down legal process.

Committee Observations

1. That, Management awarded contracts worth Kshs. 10,880,291 for the construction and rehabilitation of Dago K’otiende, Kowino Maternity Unit, and Chulaimbo Sub-County Hospital.
2. That, although the projects were physically completed as per the Bills of Quantities, an audit inspection in September 2024 revealed that the facilities remained idle, vandalized, and neglected, raising concerns regarding the value for money invested in the projects.
3. That, theft of electrical appliances delayed the opening of Dago Kotiende, but the facility is now operational, and a night guard has been hired by the community to enhance security.
4. That, for Kowino Maternity Unit, Management clarified that while the works are complete, operations cannot commence due to the lack of essential sanitation infrastructure (septic tank and placenta pit) and that the final phase of the project has been budgeted for in FY 2024/2025, and contracts for the remaining works and procurement of medical equipment have already been awarded.
5. That, for Chulaimbo Hospital, Management stated that the outpatient department (OPD) was completed and is in use. However, the rehabilitated radiology unit remains unused due to the unavailability of a functional radiology machine.

Committee Recommendations

1. That, Management must ensure the timely operationalization of completed health facilities to avoid wastage of public resources and maximize the value for money spent on completed capital projects.

2. That, security arrangements must be included in the planning of all new facilities to mitigate possible vandalism and theft.
3. That, the County Executive should expedite the procurement and installation of the new radiology machine at Chulaimbo to ensure the full utilization of the rehabilitated unit and improve access to diagnostic services.
4. That, moving forward, the department must enhance planning and coordination to ensure that facilities are not only constructed but also effectively utilized, thereby achieving their intended purpose.
5. That, the matter is unresolved

6.6 Delay in Implementation of Contracts

Honourable Speaker, review of records provided revealed that the County Executive entered into eleven (11) contracts on various dates. However, there was no evidence that the Project Management Committee held any site meetings to hand over the site and/or assess the implementation of the project. The Management did not give satisfactory reasons for delays in implementation of the contracts contrary to Regulation 33 of the Public Procurement and Asset Disposal Regulations, 2020 which states that a procuring entity shall establish a procurement function which shall monitor contract management by user departments to ensure implementation of contracts in accordance with the terms and conditions of the contracts.

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

Management Response

The auditor's observation is hereby acknowledged; however, the County Government has always ensured that Project Management Committees (PMCs) are in place before the commencement of any project, with their clear mandate covering project supervision from site hand-over to completion.

The County has submitted the PMC appointment letters and site meeting minutes to the Auditor for verification, confirming that the committees actively monitored project implementation. These documents provide sufficient evidence of compliance with project oversight requirements, and we request the Auditor to review and consider the submitted records.

Committee Observations

1. That, during the audit, Management failed to provide evidence confirming the constitution of Project Management Committees (PMCs), as required under Regulation 33 of the Public Procurement and Asset Disposal Regulations, 2020.
2. That, during the Committee's deliberations, Management informed Members that PMC appointment letters and site meeting minutes had since been submitted, indicating that

PMCs were operational at the time of the audit, but the necessary records were not promptly availed.

3. That, the failure to submit these documents in a timely manner constitutes a breach of Section 62 of the Public Audit Act, 2015, which requires public entities to provide auditors with access to information without undue delay.

Committee Recommendations

1. That, the County Government should enhance its documentation and record-keeping practices to ensure all project oversight documents are properly filed and readily accessible for audit and review purposes.
2. That, Management must adhere to the provisions of Section 62 of the Public Audit Act, 2015, by ensuring the timely submission of required documents to the Auditor-General.
3. That, the matter is resolved.

6.7 Late Commitment for Supply of Goods and Services

Honourable Speaker, procurement records provided for audit indicated that expenditure commitments/contracts totaling Kshs.93, 006,730 were made after 31 May, 2024 without the written approval of the Accounting Officer. This is contrary to Regulation 50(1) of the Public Finance Management (County Governments) Regulations, 2015, that requires all commitments for the supply of goods or services to be done not later than 31 May each year, except with the express approval of the Accounting Officer in writing.

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

Management Response

The delay in expenditure commitments totalling Kshs. 93,006,730 beyond 31st May 2024 was due to delays in the approval and uploading of the supplementary budget, which affected timely procurement processes.

However, the Accounting Officer provided written approvals for these commitments, and a copy of the approval letter, which we have submitted to the Office of the Auditor General for verification.

To prevent similar occurrences, measures have been put in place, including timely budget approvals, enhanced compliance monitoring, and strengthened internal controls to ensure adherence to procurement regulations.

Committee Observations

1. That, procurement commitments totaling Kshs. 93,006,730 were made outside the statutory deadline of 31 May 2024, without evidence of prior written approval being available at the time of audit, thereby breaching Regulation 50(1) of the Public Finance Management (County Governments) Regulations, 2015.
2. That, during committee deliberations, Management clarified that the delays was due to late supplementary budget approval and system delays, and that written approvals from the Accounting Officer have since been submitted to the Auditor-General.
3. That, the delay in availing the required approval documents during audit review reflects a gap in compliance with section 62 of the Public Audit Act 2015 on the timely submission of documents to the auditor.

Committee Recommendations

1. That, the County Government must ensure strict compliance with Regulation 50(1) of the PFM (County Governments) Regulations, 2015 by finalizing all procurement commitments by 31 May or obtaining prior written approval before committing funds beyond the deadline.
2. That, Accounting Officers must ensure timely communication and documentation of approvals, and that such documents are provided to the auditor when required in a timely manner.
3. That, the issue is resolved

6.8 Irregular Termination of Contracts

Honourable Speaker, during the year under review, the Management terminated contracts under the Department of Energy, Infrastructure and Public Works due to non-performance by the contractors. However, the following exceptions were noted:

- i. The contracts were not terminated within a reasonable time after the lapse of the contract period stipulated in the contract agreement.
- ii. There was no evidence of legal advice sought from the County Attorney or a designated legal officer within the County.
- iii. The contracts were terminated before the expiry of the dates indicated in the default notice.
- iv. Contract termination was initiated by the accounting officer contrary to Regulations 141 of the Public Procurement and Asset Disposal Regulations, 2020.
- v. There was no implementation committee that gave the recommendations for the termination, and no report was written to the Authority within fourteen (14) days as stipulated in Section 63(2) and (3) of the Procurement Act.

Management Response

- i. The management admits that no termination contracts report was forwarded to the Public Procurement Regulatory Authority. We commit to adhering to the requirements on reporting.
- ii. There was a delay initiating the termination of the project occasioned by delayed response by the contractor to our correspondence over the same. Annex xxxiii (page 659-675).
- iii. The management wrote to the County Attorney seeking for professional advice on termination of procurement projects. (Annex xxxiv page 676)
- iv. The contracts were not terminated prematurely but only after the default notice periods had lapsed. The termination followed due process, as the contractors failed to rectify defaults within the given time. Supporting documentation, including default notices and termination letters, confirms compliance with contractual terms. (Annex xxxv page 677)
- v. The contract termination was initiated by the Project Engineers through recommendation to terminate to the Accounting officer which was marked to the procurement officer to deal- see annex 18 (d)- Recommendation to Terminate letter. in FY 24-25, the county has adopted Contract Implementation Teams for management and administration of projects.

Committee Observations

1. That, while contract termination was justified due to contractor non-performance, procedural lapses occurred, including failure to report the terminations to the Public Procurement Regulatory Authority (PPRA) and lack of timely legal consultation.
2. That, the contract termination by the Accounting Officer was done in contravention of Regulation 141 of the Public Procurement and Asset Disposal Regulations, 2020.
3. That, although Management asserted that terminations followed due process, no clear documentation was presented during the audit or Committee deliberations to support these claims.

Committee Recommendations

1. That, all future contract terminations must be preceded by formal legal advice from the County Attorney.
2. That, the County Government must strictly adhere to Regulation 141, ensuring that contract terminations are properly initiated and documented in accordance with procurement laws.

3. That, the County must report all contract terminations to the PPRA within the stipulated 14-day period, as required by Section 63(2) and (3) of the Public Procurement and Asset Disposal Act, 2015.
4. That, the matter is resolved.

6.9 Irregularities in Automation County Revenue Management System

Honourable Speaker, during the year under review, Management awarded a tender for supply, delivery, design, development, installation, deployment, testing, commissioning and maintenance of fully automated County Revenue Management System at a contract sum of Kshs.49, 556,676 on 31 October, 2023. Review of the payment voucher and supporting documents revealed the following anomalies:

- i. Clause 10 of the special contract terms required that the vendor should provide support and maintenance of the system for a period of three (3) years. However, a comprehensive service level agreement and annual maintenance contract had not been approved as at the time of this audit in September, 2024.
- ii. Clause 11 to the contract on hardware provision and maintenance stated that supplier was required to provide four hundred (400) branded android smart phones. However, review of the delivery notes revealed that three hundred and eighty-five (385) smart phones and two (2) tablets were delivered. It is not clear and Management has not explained the variation of the contract deliverables.
- iii. Review of clause 8.1 to the contract (Delivery and Documentation), revealed that Phase III on structured revenue streams advertisement, hire of county assets, land rates and physical planning integration to 3rd party systems was yet to be implemented five (5) months after the expiry of the contract period. There was no indication of approval for any extension given the delayed completion of the project contrary to Regulation 139(2)(a) of the Public Procurement and Assets Disposal Regulations, 2020 requiring justification from the tenderer for extension of contract period and approval from the accounting officer for the extension.

In the circumstances, the value for money invested in the Automated County Revenue Management System could not be confirmed.

Management Response

- i. It is true that the comprehensive service level agreement and annual maintenance contract had not been approved as at the time of this audit, however, the contract for Service Level Agreement was signed between the parties on 12th November 2024. Anne xxxviii page 678-683
- ii. The variation in the contract deliverables was conducted in compliance with procurement procedures, allowing the adjustment of the quantity of Android smartphones and the

inclusion of tablets to enhance backend monitoring and supervision. This decision was based on operational needs, ensuring effective coordination and data analysis. The procurement process followed the Public Procurement and Asset Disposal Act, 2015, with proper approvals and documentation in place. There was no financial loss, and the supplier met the required specifications. Management has provided the necessary documentation to support this variation and ensure clear contract amendments in future procurements for transparency and accountability. (Annex xxxix page 684)

- iii. The Structured Revenue streams including Outdoor Advertisement, Land Rates, Physical Planning, integration of 3rd parties like KCB and Cooperative Banks were completed on time. See attached Screenshots from the system indicating we were already collecting Revenue from those Modules/ Streams in February 2024, March 2024 etc. This was within the contract Period. We integrated the Banks KCB, Cooperative and are being used to receive Single Business and other payments. (Annex xl page 685-686)

Committee Observations

1. That, comprehensive Service Level Agreement (SLA) and annual maintenance contract required under Clause 10 of the contract had not been signed at the time of the audit in September 2024 and was only signed in November 2024, after the audit period.
2. That, Clause 11 of the contract required the supplier to provide four hundred (400) branded Android smart phones; however, only three hundred and eighty-five (385) smart phones and two (2) tablets were delivered.
3. That, Clause 8.1 on Delivery and Documentation required implementation of Phase III covering structured revenue streams, including advertisement, hire of County assets, land rates, and integration with third-party systems and which were not operational within the contract period. However, during Committee deliberations, management provided evidence showing that the previously unimplemented modules are now fully operational and integrated with third-party systems such as KCB and Cooperative Bank for revenue collection.
4. That, in the circumstances, while the system is now operational and delivering intended functionalities, the initial delays in signing agreements and undocumented variations indicate gaps in contract management and compliance, which could affect accountability and audit verification.

Committee Recommendations

1. That, going forward, the County Executive must ensure that all Service Level Agreements and maintenance contracts are signed concurrently with the main contract or within a clearly defined timeframe.

2. That, the County Executive ensures that any variations to contract deliverables, including changes in quantity or specifications, are formally documented as contract amendments, with proper justification and approvals.
3. That management strengthens contract monitoring and verification processes to ensure all project deliverables, including system modules, are implemented within the contract period.
4. That the matter is resolved.

7.0 Irregularities in Human Resource Management Practices

7.0.1 Irregular Promotion of County Staff

Honourable Speaker, review of the payroll records revealed instances where thirty-nine (39) employees of the County Executive were promoted by two (2) or more job groups within a year. The basis of these unusual promotions was not supported by documentary evidence such as advertisements, a list of applicants, interview minutes and a budget for the promotions. Although the Management explained that the promotions were due to long stagnation, no proper justification was given to support of the unusual movement in job groups. This was contrary to Section B.25 of the Public Service Commission Human Resource Policy, 2016 which requires promotions in the public service to be based on qualifications and other requirements for appointment as stipulated in the career progression guidelines.

In the circumstances, Management was in breach of the Public Service Policies and Procedures.

Management Response

Honourable Speaker, we confirm that the first two staff in the table below were new appointments and not promotions as indicated in the query. An ad hoc Committee on Confirmations, Promotions and Re-designations, which worked on the requests as per the attached appointment letter and report. The recommendations were approved by CHRAC and submitted to the CPSB for action. The CPSB, thereafter, appointed/promoted/re-designated officers accordingly.

Table C

	Staff Name	Personal No.	Initial Job Group	New Job Group	Response
1	Wadegu Clement Ombewa	2009008055	J	P	New Appointment Position was competitively advertised as per Section 2.16.3 the County Government of

	Staff Name	Personal No.	Initial Job Group	New Job Group	Response
					<p>Kisumu- County Public Service Human Resource Policy and Procedure Manual 2016</p> <p>a. Annex xlii a. Copy of the advertisement</p> <p>b. Annex xlii b. List of applicants</p>
2	Mr. Odemba Justus Ochieng	20200448030	H	K	<p>New Appointment</p> <p>Position was competitively advertised as per Section 2.16.3 the County Government of Kisumu- County Public Service Human Resource Policy and Procedure Manual 2016</p>
3	Kitangala Wycliffe	1997014189	K	M	<p>1. Promotion was based on qualifications and other requirements for appointment as stipulated in the various career progression guidelines/ schemes of service as stipulated in section B.25 of the Human Resource Policies and Procedures Manual for Public Service, May, 2016.</p> <p>2. The accelerated promotions were approved by the County Human Resource Management Advisory Committee (copy of minutes attached) due to long</p>
4	Korir Victor Cheruiyot	2008083484	K	M	
5	Ajowi Stephen Ochieng	2009054234	F	J	
6	Omondi Paul Onyango	2009107304	K	M	
7	Aseka Titus Oloo	2010014572	G	J	
8	Miss Okello Cecilia Atieno	2010142040	G	J	
9	Lucas Stanley Olewe	2010146840	K	N	
10	Miss Bunyasi Vicky Nabangi	2010152150	J	L	
11	watha Wycliffe	2010156887	J	M	
12	Awino Wycliffe Omondi	2013111143	J	L	
13	Oduor Washington	2013111554	J	L	

	Staff Name	Personal No.	Initial Job Group	New Job Group	Response
	Nyawanga				<p>stagnation in the same job group</p> <p>3. The Promotions were approved by the County public service Board and letters issued</p> <p>4. The Kisumu County Public Service Board is an equal opportunity employer, the minority, marginalized groups, and persons with disabilities who meet the minimum requirements are encourages to apply for promotions or any advertised position</p> <p>Annex xlii c. County Human Resource Management Advisory Committee</p> <p>Annex xl d. Kisumu County Public Service Board Minutes</p>
14	Atieno Lilian Oduor	19940013249	K	M	
15	Adhiambo Rose Onyango	19990027471	C	E	
16	Obadha Beatrice Jane Awuor	20000012939	L	N	
17	dire James	20010004609	A	C	
18	Wagude Laban Otieno	20010006032	B	D	
18	Ochieng Henry Bondo	20010006087	C	E	
20	Jagero Enosh Otieno	20100004304	C	S	
21	unala Silvanus	20100004466	J	L	
22	Ms Karimi Anne Wakuthi	20110006150	E	G	
23	Rono Caroline Chelangat	20120004819	D	H	
24	Miss Ochieng Monicah Awuor	20150066943	J	L	
25	Ogwela Carren Atieno	20150067664	J	L	
26	Ong'Wech Samwel Otieno	20150099577	J	L	
27	Mukonyole Wyclife Misiayi Welanga	20150102257	J	L	
28	Auma Elizabeth Opondo	20150109247	J	L	
29	Atudo Denis Okoth	20170104355	H	K	
30	Olango Sarah Julia	20170104382	H	L	
31	Miss Obiero Eunice Awuor	20170140995	H	K	
32	Okeyo Laban Onyango	20170144519	L	N	

	Staff Name	Personal No.	Initial Job Group	New Job Group	Response
33	Mr. Wambia Benson Ouma	20200441389	J	M	
34	Mr. Daud Dekow Mohamed	20200447597	H	K	
35	Mr. Agumba Erick Otieno	20200447644	H	K	
36	Mr. Makori Evans Benson	20200460668	D	G	
37	Opolo Joycelida Anita	20200463624	D	F	
38	Mr. Ogunde Patrick Ochieng	20200466216	K	M	
39	Omino Judith Atieno	20220252140	G	J	
40	Mr. Oguda Benard Owaga	20220262755	K	M	

Committee Observations

1. That thirty-nine (39) employees of the County Executive were promoted by two (2) or more job groups within a single year and that the basis for these unusual promotions was not supported by documentary evidence such as:
 - a. Advertisements
 - b. Applicant lists
 - c. Interview minutes
 - d. Approved promotion budgets
2. That these actions were contrary to Section B.25 of the Public Service Commission Human Resource Policy (2016), which requires promotions in the public service to be based on qualifications and other requirements for appointment as stipulated in the career progression guidelines.

Committee Recommendations

1. That this matter be referred to the Ethics and Anti-Corruption Commission for further investigation into possible loss of public funds

2. That, going forward, Management must strictly adhere to Section B.25 of the Public Service Commission Human Resource Policy (2016) and ensure that all promotions are supported by the requisite documentation.
3. That the matter is unresolved.

7.0.2 Irregular Payment of Salaries outside the IPPD

Honourable Speaker, review of personnel records indicated that the County Executive had two (2) payroll systems in operation – a manual payroll and an Integrated Personnel and Payroll Database (IPPD) system. The supporting documents revealed salary payments amounting to Kshs.210,009,458 were processed through the manual payroll which is prone to errors. Although the Management attributed this to lack of payroll numbers, inability to define some of the cadre of staff in the system and the temporary nature of engagement of some of the employees, this was contrary to the National Treasury Circular Ref. TNT/IFMIS/INT/100 ‘A’ (60) dated 18 May, 2021 which requires payroll to be managed through the IPPD system.

In the circumstances, Management was in breach of the National Treasury Circular.

Management Response

The delay in processing of unified payroll number (UPN) by the State Department for public service leads to the payment of salaries outside IPPD pending allocation issuance/reactivation of UPN. Officers who have not been issued with payroll numbers cannot be onboarded to IPPD. Attached is communication to the State Department of Public Service requesting for issuance of numbers.

Committee Observations

1. That, payments amounting to Kshs. 210,009,458 were processed through the manual payroll, which is prone to errors and which Management attributed to:
 - a) Lack of payroll numbers
 - b) Inability to define some staff cadres in the system
 - c) Temporary nature of engagement of some employees

This was contrary to the National Treasury Circular Ref. TNT/IFMIS/INT/100 ‘A’ (60) dated 18 May 2021, which requires payrolls to be managed through the IPPD system.

2. That, delays by the State Department for Public Service in processing Unified Payroll Numbers (UPN) led to the payment of salaries outside IPPD.

Committee Recommendations

1. That, the Committee on Implementation immediately follow up with the CEC Member for Finance, Economic Planning, and ICT on the processing of the Unified Payroll Number (UPN) at the State Department for Public Service.
2. That, the matter is unresolved.

7.0.3 Retention of Staff Beyond Mandatory Retirement Age

Honourable Speaker, during the audit review, examination of the payroll provided for audit revealed that seventy-nine (79) employees who had attained the retirement age of 60 years were still appearing in the June, 2024 payroll. This was contrary to Gazette Notice Ref No.OP.CAB.2/7A of March, 2009 and Section D. 21 of Human Resource Policies and Procedures Manual for the Public Service, 2016. The policy stipulates that all officers shall retire from the service on attaining the mandatory retirement age of 60 years or 65 years for persons with disabilities and/or as may be prescribed by the government from time to time. Management did not provide explanation for the anomaly.

In the circumstances, Management is in breach of the Public Service Policies and Procedures.

Management Response

The list that was provided by the auditor on persons above 60 years were 27 names and not 79. The list included elected officials, county executive committee members, board members and governor advisors. We have provided categories for the 27 as attached. Annex

NO.	NAME	PAYROLL NO	DESIGNATION	TERMS
1	NYONGO PETER ANYANG	1993015612	COUNTY GOVERNOR	CONTRACT
2	KAPIYO JACINTA MARY	1981157822	CPSB MEMBER	CONTRACT
3	OROT STEPHEN OTIENO	1984097657	CPSB MEMBER	CONTRACT
4	OOKO CHARLES MAURICE	1988060505	CHIEF OFFICER	CONTRACT
5	OYUCHO JOHN	20130032843	ASSISTANT DIRECTOR	CONTRACT

	ODERO		SECURTY SERVICES	
6	OYWA JOHN ODERO	20130045046	CHIEF OFFICER	CONTRACT
7	NGINYA TOM JUMA	20160068824	ADMINISTRATIVE OFFICER	CONTRACT
8	MADANJI PATRICK	20170105334	DIRECTOR ADMINISTRATION	CONTRACT
9	OCHOLA JOHN OKISE	20170108200	PERSONAL ASSISTANT TO GOVERNOR	CONTRACT
10	ODALLO CANON ESAU	20170108200	CHIEF DRIVER	CONTRACT
11	AKELLO PHILIP OLENYO	20170110139	CHIEF DRIVER	CONTRACT
12	OGONY MAURICE ACHOLA	20170145481	COOK	CONTRACT
13	NYABALA ZAKARIA ZOMBE	20178598751	SUPPORT STAFF	CONTRACT
14	KOCHUNG EDWARD JOASH	20190048296	CPSB MEMBER	CONTRACT
15	OYARE JANE AKINYI OLAGO	20190048303	CPSB MEMBER	CONTRACT
16	KARAN CHARLES BABU	20190109856	CPSB MEMBER	CONTRACT
17	AWITI JOHN OBIERO	20200270322	CPSB MEMBER	CONTRACT
18	ADERO SAMSON BILLY	20200448111	ADMINISTRATIVE ASSISTANT	CONTRACT
19	ODHIAMBO MARGARET AWINO	20200448331	ADMINISTRATIVE ASSISTANT	CONTRACT
20	JAGERO JOSHUA	20200455655	ADMINISTRATIVE ASSISTANT	CONTRACT
21	ONYANGO	20200466096	ADMINISTRATIVE	CONTRACT

	ELIZABETH ATIENO		ASSISTANT	
22	KANJEJO JOAN ACHIENG	20210527022	DIRECTOR SUPPLY CHAIN	CONTRACT
23	OYAMO MARY ANYANGO	20210567357	SUPPORT STAFF	CONTRACT
24	NYATING PHOEPE AKINYI	20210631392	SUPPORT STAFF	CONTRACT
25	OCHOLA JENIFFER OKELLO	20210631392	SUPPORT STAFF	CONTRACT
26	AUMA JOHN OCHIENG	20220333776	COUNTY SECRETARY	CONTRACT
27	RAE GEORGE OTIENO	20230198990	CEO JOOTRH	CONTRACT

Committee Observations

1. That, seventy-nine (79) employees who had attained the mandatory retirement age of 60 years were still appearing in the June 2024 payroll. This was contrary to Gazette Notice Ref. No. OP.CAB.2/7A/7A of March 2009 and Section D.21 of the Human Resource Policies and Procedures Manual for the Public Service (2016), which stipulate that all officers shall retire from the service upon attaining the mandatory retirement age of 60 years, or 65 years for persons with disabilities, or as may otherwise be prescribed by the Government from time to time.
2. The management explained that the list that was provided by the auditor on persons above 60 years were 27 names and not 79. The list included elected officials, county executive committee members, board members and governor advisors. We have provided categories for the 27 as attached. Annex

Committee Recommendations

1. That, going forward, Management must strictly adhere to Gazette Notice Ref. No. OP.CAB.2/7A/7A of March 2009 and Section D.21 of the Human Resource Policies and Procedures Manual for the Public Service (2016).
2. That, the matter is resolved.

7.0.4 Non-Compliance with a Third of Basic Salary Rule

Honourable Speaker, review of the County Government payroll for the year indicated that in the month of June, 2024, the net salaries for four hundred and forty-nine (449) officers totalling Kshs. 3,831,569 were less than the calculated one-third of their respective basic pay. This was contrary to Section C (3) Human Resource Policies and Procedures Manual for the Public Service, May 2016, which requires that public officers shall not over-commit their salaries beyond two-thirds (2/3) of their basic salaries. No explanations were provided for the anomaly.

In the circumstances, Management is in breach of the Public Service Policies and Procedures.

Management Response

The introduction of the new levies and taxes by the government i.e. affordable housing levy, NSSF & SHIF, occasioned the drop below the 1/3 rule. In addition, this has also increased employer liability as it was not foreseen and never budgeted as it requires the employer to match the employee deduction.

Committee Observation

Honourable Speaker, that payroll for June 2024 revealed that the net salaries of four hundred and forty-nine (449) officers, totalling Kshs. 3,831,569, were less than one-third (1/3) of their respective basic pay contrary to Section C (3) of the Human Resource Policies and Procedures Manual for the Public Service (May 2016), which requires that deductions shall not exceed two-thirds (2/3) of basic pay. No explanations were provided for the anomaly.

Committee Recommendations

1. That, going forward, Management must strictly adhere to Section C (3) and configure payroll controls to prevent deductions exceeding two-thirds (2/3) of basic pay.
2. That the matter is resolved.

7.0.5 Employees on Acting Capacity beyond Stipulated Period

Honourable Speaker, review of the human resource records provided revealed that thirteen (13) members of staff had been appointed in acting capacity. The members of staff had acted for more than six (6) months. This was in contravention of paragraph C.14 (1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which requires that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty per cent (20%) of his substantive basic salary and that acting allowance will not be payable to an officer for more than six (6) months.

In the circumstances, Management is in breach of the Public Service Policies and Procedures.

Management Response

The officers acted beyond six months since the county had not recruited staff to fill the substantive posts due to budgetary constraints.

Committee Observations

1. That, thirteen (13) members of staff had been in acting positions for more than six (6) months, contrary to paragraph C.14(1) of the Human Resource Policies and Procedures Manual for the Public Service (2016), which limits acting appointments to a maximum of six months.
2. That, while Management cited budgetary constraints as the reason for failure to fill the substantive positions, no evidence of budget planning or prioritization for recruitment to resolve the acting positions was provided.

Committee Recommendation

1. That, Management fast-track the process of filling the substantive positions currently held in an acting capacity.
2. That, going forward, Management must strictly adhere to paragraph C.14 (1) of the Human Resource Policies and Procedures Manual for the Public Service (2016).
3. That, the matter remains unresolved pending receipt and review of evidence of compliance.

7.1 Non-Compliance with National Cohesion and Integration Act, 2009

Honourable Speaker, review of the IPPD for the month of June 2024 revealed a workforce of four thousand six hundred and thirty-two (4632). However, out of this number, four thousand and fifty-six (4,056) were members of the dominant community This represents 87% of the total workforce contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 that requires public establishments to seek to represent the diversity of the people of Kenya in the employment of staff. Further, the County Executive recruited three hundred and ninety-five (395) employees during the year under review, out of which three hundred and ninety (390) or 99% were from the dominant ethnic community

Management Response

No response

Committee Observations

The committee noted that 87% of the total workforce comprises individuals from a single dominant community, indicating a lack of diversity and inclusivity in recruitment and staffing.

Committee Recommendations

1. That, the County Executive should ensure equitable representation of all communities in recruitment, in line with the principles of fairness, inclusivity, and cohesion.
2. That, regular monitoring and reporting on workforce composition should be done to track progress towards achieving balanced representation
3. That, the matter is not resolved

7.2 Non-Compliance with Affirmative Action on Gender, Ethnicity, and Regional Distribution

Honourable Speaker, review of the Integrated Personnel and Payroll Database (IPPD) records for the month of June, 2024 revealed that the County Executive had a workforce of four thousand six hundred and thirty-two (4,632). However, out of this number, four thousand and fifty-six (4,056) were members of the dominant community. This represents 87% of the total workforce contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 that requires public establishment to seek to represent the diversity of the people of Kenya in employment of staff. In addition, the County Executive recruited three hundred and ninety-five (395) employees during the year under review, out of which three hundred and ninety (390) or 99% were from the dominant ethnic community.

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

Management Response

The Kisumu County Public Service Board is an equal opportunity employer, the minority, marginalized groups, and persons with disabilities who meet the minimum requirements are encouraged to apply for any advertised position.

In the year under review, advertisement was done nationally and the majority of the applicants came from the dominant community in the region and not only from Kisumu County. Other than the dominant community, the County Government has employed officers from other ethnic communities as attached. The County inherited staff from National government and defunct local authority which contributed to this imbalance but progressively we will endeavour to achieve the diversity requirement.

Committee Observations

1. That, out of 4,632 employees, 4,056 (87%) were from the dominant community, contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which requires public institutions to ensure diversity and inclusivity in staffing.
2. That during the year under review, 395 employees were recruited, out of which 390 (99%) were from the same dominant community, thereby worsening the imbalance.

Committee Recommendations

1. That, the County Executive should develop and implement a comprehensive Diversity and Inclusion Policy to progressively align staffing with the requirements of the National Cohesion and Integration Act, 2008.
2. That, the matter is unresolved.

7.3 Unsupported Staff Recruitment

Honourable Speaker, the County Public Service Board advertised for various positions that were filled in the current year under review in the Agriculture and Health Departments. However, review of the approved staff establishment revealed that the optimum staffing level allowed for these were exceeded. This is contrary to Section A.15 of the Human Resource Policies and Procedures Manual for Public Service, May 2016, which states that the functions of Ministerial Human Resource Management Advisory Committees (MHRMAC) entail making recommendations to the Authorized Officer regarding: - inter alia (viii) establishment and complement control. Further, the documentary evidence for the recruitment process for boarding forty-six (46) city casual workers through memo Ref: KPSB/20/04/2024 and Ref: KPSB/34/04/2024 was not provided for audit.

In the circumstances, Management was in breach of the public service policies and procedures.

Management Response

The County proposed optimal staffing numbers as per CARPS Report (2014) requires that the Department of Agriculture, Livestock and Fisheries should have a total of 864 staff while Department of Medical Services, Public Health and Sanitation should have a total of 2821 staff.

In addition, the County Government of Kisumu Approved Final Staff Establishment (optimum staffing level allowed) Report (2023) for the two departments are as stated in the table below:

Department	In Post	Optimal	Variance
Agriculture, Fisheries, Livestock Development, and Irrigation	189	488	299
Medical Services, Public Health and Sanitation	2222	4006	1784

The table above demonstrate that the optimum staffing level allowed were not exceeded

The two departments made requisition for recruitment which were approved by the Cabinet, County Human Resource Management Advisory Committee meeting, availability of budget was confirmed and finally the County Public Service Board approved and advertised for various

positions that were filled in line with Section 59 of the County Government Act, 2012; Section A.15 of the Human Resource Policies and Procedures Manual for Public Service, May, 2016 and Section 2 (appointments) of the County Government of Kisumu- County Public Service Human Resource Policy and Procedure Manual 2016.

Committee Observations

1. That, while the Auditor raised concerns on exceeding optimal staffing levels, management demonstrated using the Capacity Assessment and Rationalization of the Public Service (CARPS) (2014) report and the Approved Final Staff Establishment Report (2023) that the departments were operating below optimal levels, hence the Auditor's position was not supported by the records.
2. That, despite the explanation on staffing numbers, the recruitment process of forty-six (46) city casual workers through memo Ref: KPSB/20/04/2024 and Ref: KPSB/34/04/2024 lacked supporting documentary evidence for audit verification.

Committee Recommendations

1. That, the recruitment process of the forty-six (46) city casual workers be submitted to the Office of the Auditor-General for verification and clearance, with a copy forwarded to the County Assembly Implementation Committee within sixty (60) days of adoption of this report.
2. That, in future, the County Public Service Board and the respective departments must strictly adhere to the approved staffing establishment and seek proper approvals for any deviations.
3. That, the matter is resolved.

7.4 Irregularities in Imprests Management

Honourable Speaker, the statement of assets and liabilities reflects outstanding imprests and advances balance of Kshs.5,151,666 which was issued during the year under review. Review of records revealed that as at the time of the audit the imprests which ought to have been surrendered had not been surrendered. This was contrary to Regulation 93(5) and (8) of the Public Finance Management (County Governments) Regulations, 2015 which requires that imprest be surrendered or accounted for within seven (7) working days after returning to duty station and prohibits issue of new imprests to officers with outstanding imprests. Further, there were instances of staff members issued with multiple imprests totaling Kshs.2,005,600. This was contrary to Regulation 93(4)(b) and Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015, which requires that before issuing temporary imprests, the Accounting Officer shall ensure that the applicant has no outstanding imprests.

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

Management Response

The observation regarding outstanding imprests and advances totaling Kshs. 5,151,666 as of 30th June 2024, and the issuance of multiple imprests amounting to Kshs. 2,005,600 to officers with pending accounts is acknowledged. Un-surrendered imprests have since been surrendered and accounted for. Internal controls will be enforced to ensure that no multiple imprests are issued.

Committee Observations

1. That, Management had issued imprests amounting to Kshs. 5,151,666, which had not been surrendered at the time of audit, contrary to Regulation 93(5) and (8) of the Public Finance Management (County Governments) Regulations, 2015. The Regulations require surrender within seven (7) working days after returning to duty station and prohibit issuance of new imprests to officers with outstanding balances.
2. That, some staff members were irregularly issued with multiple imprests totaling Kshs. 2,005,600, contrary to Regulation 93(4)(b) and Regulation 93(5) of the same Regulations, which requires the Accounting Officer to ensure applicants have no outstanding imprests before issuing new ones.
3. That, by the time of the Committee's deliberations, Management had regularized the matter by ensuring full surrender and accounting for the previously outstanding imprests, thereby addressing the anomaly.

Committee Recommendation

That, the matter is resolved.

7.5 Overdrawn Salary Bank Account

Honourable Speaker, rreview of bank records provided for audit revealed that the County Executive Salary Account held at the KCB had been overdrawn up to Kshs. 3,004,716,885 during the year under review. However, Management did not provide details and authorization of any agreement between the County Executive and the Bank for the overdraft facility. This was contrary to Regulation 82(7) of the Public Finance Management (County Governments) Regulations, 2015 which states that no official County Government bank account shall be overdrawn, nor shall any advance or loan be obtained from a bank account for official purposes beyond the limit authorized by the County Treasury in line with Section 119(4) of the Public Finance Management Act, 2012.

Further, the overdraft of Kshs.3, 004,716,885 was over and above the required threshold of Kshs.484, 595,306 being 5% on the most recent County Government revenue of Kshs.9, 691,906,112. This was contrary to Section 107(3) of the Public Finance Management Act, 2015,

which states that short-term borrowing shall be restricted to the Management of cash flows and shall not exceed five percent of the most recent audited County Government revenue.

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

Management Response

The County entered into an indicative term sheet/ agreement together with the approval from the county assembly for early salary processing with KCB as a temporary measure taken solely to ensure the timely payment of staff salaries due to delays in exchequer releases from the National Treasury. This step was necessary to avoid payroll disruptions and ensure essential services continued uninterrupted. This was occasioned by the late disbursements of equitable share from National Treasury. Individual monthly advances were repaid in time The payment was eventually done. (See Annex xlv a page 727-731).

Committee Observations

1. That, Salary Account held at the KCB had been overdrawn up to Kshs. 3,004,716,885 during the year under review.
2. That, Management failed to provide details and authorization of any agreement between the County Executive and the Bank for the overdraft facility thus contravening Regulation 82(7) of the Public Finance Management (County Governments) Regulations, 2015 which states that no official County Government bank account shall be overdrawn, nor shall any advance or loan be obtained from a bank account for official purposes beyond the limit authorized by the County Treasury in line with Section 119(4) of the Public Finance Management Act, 2012.
3. That, the overdraft of Kshs. 3,004,716,885 was over and above the required threshold of Kshs.484, 595,306 being 5% of the most recent County Government revenue of Kshs. 9,691,906,112 and again contrary to Section 107(3) of the Public Finance Management Act, 2015, which states *that short-term borrowing shall be restricted to the Management of cash flows and shall not exceed five percent of the most recent audited County Government revenue.*

Committee Recommendations

1. That, the County Treasury should strictly comply with Regulation 82(7) of the Public Finance Management (County Governments) Regulations, 2015.
2. That, the matter is resolved

7.6 Unauthorized Inter-Account Transfers

Honourable Speaker, the statement of assets and liabilities and as disclosed in Note 10 to the financial statements reflects deposits and retentions balance of Kshs.9, 495,726 being retention

amount held till end of defect liability at 10% of project cost. Review of the deposit bank statement revealed that the Management transferred Kshs.7, 455,150 to recurrent account. However, there was no authorization for the inter-account transfers contrary to Regulation 47(1)(e) of the Public Finance Management (County Government) Regulations, 2015 which states that allocations earmarked by the County Treasury for a specific purpose may not be used for other purposes, except with the treasury's approval.

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

Management Response

Honourable Speaker, the transfer of Kshs. 7,455,150 from the Deposit Account, which was a temporary borrowing to address urgent operational needs caused by cash flow constraints during the period under review. These transfers were approved by the County Executive Committee Member (CECM) for Finance as a necessary measure to ensure the continuity of essential operations. The decision was made in good faith to manage immediate financial needs without jeopardizing ongoing services. The borrowed amount has since been fully reimbursed to the Deposit Account, and the retention balances have been restored. The County has ensured that all depositor obligations have been met. Measures have been implemented to strengthen internal controls and ensure proper procedures are followed for any future inter-account transfers. Borrowing authorizations were done by the CECM finance as per pfm Act 2012 sec 140 and 142. (See Annex xliv b page 727-731)

Committee Observations

1. That, Management transferred Kshs. 7,455,150 from the deposit bank account to the recurrent account without obtaining the necessary authorization for inter-account transfers.
2. That, this was contrary to Regulation 47(1)(e) of the Public Finance Management (County Governments) Regulations, 2015, which provides that allocations earmarked by the County Treasury for a specific purpose may not be applied to other purposes without prior approval from the County Treasury.

Committee Recommendations

1. That, Management should henceforth strictly comply with Regulation 47(1)(e) of the Public Finance Management (County Governments) Regulations, 2015, by seeking Treasury authorization before undertaking any inter-account transfers.
2. That, the matter is resolved.

7.7 Construction of Governor's Residence

Honourable Speaker, management awarded a construction contract for the construction of the Governor's residence at a cost of Kshs. 42,510,290 on 3 February, 2023 for a period of eight (8) months. Project verification conducted in September 2024 revealed that the Governor's residential building under phase one had been completed and occupied. However, the completion certificate and the inspection and acceptance report were not provided for audit. Further, the Management awarded another construction company a contract of Kshs. 48,483,827 in respect of phase II resulting in aggregated total cost for the project of Kshs. 90,994,117. This was contrary to the Salaries and Remuneration Commission (SRC) issued Circular No. SRC/TS/COG/6/61/48 VOL11 (64) dated 20 May, 2019, on cost limits for Governor's residences set out at Kshs. 45,000,000.

In the circumstances, Management was in breach of the Salaries and Remuneration Commission (SRC) Circular.

Management Response

The initial phase of the construction complied with the SRC cap at a cost of 42 M. The contract was completed, and the premises was occupied. Upon occupation, an assessment was done by the Project Management Committee led by engineers from the Department of Public Works, and auxiliary works were required. Although the House was completed within the set ceilings, the County had to inject additional funds to meet the cost of the auxiliary works which included;

Security perimeter wall, driveways, office, gates, a swimming pool, water tanks, landscaping, and construction of servant quarters, among other facilities. (Annex xlv page 732-738)

Committee Observation

That, Management awarded two contracts for the construction of the Governor's residence at a total aggregated cost of Kshs. 90,994,117, far above the cost ceiling of Kshs. 45,000,000 prescribed by the Salaries and Remuneration Commission (SRC) in Circular No. SRC/TS/COG/6/61/48 VOL11 (64) dated 20 May 2019. This was contrary to the SRC guidelines governing cost limits for the Governor's residences.

Committee Recommendations

1. That, Management must henceforth comply strictly with the SRC guidelines on prescribed ceilings for construction of public officers' residences, and ensure that any future projects exceeding these limits receive prior approval from the SRC.
2. That the matter is resolved

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

8.1 Management of Hired Car Services

Honourable Speaker, review of payment vouchers provided revealed that Kshs.4,169,800 was paid to a firm in respect of car hire for County visitors for various activities. However, there was no documentary evidence to confirm that the transport officer certified and confirmed that the departments did not have enough vehicles to justify hiring of the vehicles. Further, no evidence was provided for audit to confirm if the County has a transport policy guideline on management of transport.

In the circumstances, the effectiveness of internal controls over management of hired car services could not be confirmed.

Management Response

The available vehicles were not in good state at the material time, prompting the management to hire. The County has now acquired new fleet of vehicles for use by County visitors.

Committee Observations

1. That, Kshs. 4,169,800 was paid to a firm for car hire services without documentary evidence confirming that the Transport Officer had certified the lack of adequate vehicles to justify the hire.
2. That, Management did not provide evidence of an approved transport policy or guidelines to govern the management and use of transport.
3. That, during deliberations, Management explained that most of the available vehicles were un-roadworthy at the time, necessitating the hire, and further stated that a new fleet of vehicles had since been acquired for use.

Committee Recommendations

1. That, going forward, Management must address the inefficiency in transport management by:
 - i. Ensuring strict adherence to Section 149(1)(a) of the Public Finance Management Act, 2012, which requires the Accounting Officer to ensure resources are used lawfully and effectively;
 - ii. Instituting and enforcing a comprehensive transport policy; and
 - iii. Ensuring adequate justification and documentation for any car hire services.
2. That the matter is resolved

8.2 Weaknesses in Internal Audit Function

Honourable Speaker, review of the internal audit function and governance revealed the following weaknesses: -

During the year under review, the County Executive had an internal audit function in place with a total staff of seven (7) officers. Review of the approved staff establishment of the County Government revealed that internal audit department was supposed to be staffed with twenty (20) officers. This resulted to understaffing of thirteen (13) officers contrary to Regulation 155(2)(a) of the Public Finance Management (County Governments) Regulations, 2015, which states that an Accounting Officer shall ensure that the organizational structure of the internal audit unit facilitates the entity to accomplish its internal audit responsibilities. Information obtained from the Management indicated that the officers carrying out duties of the internal audit were employed as ward administrators and deployed to the unit casting doubt on the effectiveness of the unit.

Management Response

The concerns raised regarding weaknesses in the internal audit function are valid and have been duly noted. The current understaffing—where only seven (7) officers are serving in the internal audit unit against the approved establishment of twenty (20) officers—is primarily due to resource constraints and adherence to the county wage bill ratio. To mitigate this challenge, the County has strategically deployed qualified personnel from within its existing workforce to support the internal audit function. These officers will be formally re-designated to align their roles with the requirements outlined in the County Internal Audit Manual, as published by the Public Sector Accounting Standards Board (PSASB). This realignment aims to enhance operational efficiency while ensuring compliance with established internal audit standards and best practices.

Committee Observations

1. That, during the year under review, the County Executive had an internal audit function staffed with only seven (7) officers against the approved staff establishment of twenty (20) officers, resulting in an understaffing of thirteen (13) officers.
2. That, some of the officers performing internal audit duties were initially employed as Ward Administrators and merely redeployed to the audit unit, raising concerns on their professional competence and independence.
3. That, the understaffing and redeployment of non-audit professionals compromised the effectiveness of the internal audit unit, contrary to Regulation 155(2) (a) of the Public Finance Management (County Governments) Regulations, 2015, which requires that the organizational structure of the internal audit function facilitates the entity to accomplish its audit responsibilities.

Committee Recommendations

1. That, the Accounting Officer, within ninety (90) days of adoption of this report, provide to the office of the Auditor General and copy to the Implementation Committee evidence of measures which have been taken or are being taken to address the staffing gap in the Internal Audit Department.
2. That, the matter is unresolved.

8.3 Lack of Risk Management Policy

Honourable Speaker, the management did not have an approved Risk Management Policy and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks as stipulated under Regulation, 158 of the Public Finance Management (County Governments) Regulations, 2015. Further, contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 no risk assessment activity was carried out during the year. Therefore, Management lacked rational means to identify operational and other risks faced by the County Executive, to assess the likelihood of their occurrence and significance and to establish means to mitigate their possible effects.

In the circumstances, the effectiveness of the County Executive risk management processes could not be confirmed.

Management Response

Management acknowledges the absence of an approved Risk Management Policy and structured risk assessment but has prioritized addressing this gap. A Risk Management Policy is being developed and will be submitted for approval to align with Regulation 158 of the PFM (County Governments) Regulations, 2015. A Risk Management Framework is also being established, including a Risk Register and structured assessment processes. Plans are in place to conduct a county-wide risk assessment, integrate risk management into strategic planning and budgeting, and enhance staff training to embed a risk-conscious culture. Additionally, a Risk Monitoring and Reporting System will be implemented to ensure continuous oversight and mitigation. These measures will strengthen governance and compliance while ensuring proactive risk management.

Committee Observations

1. That, the Management did not have an approved Risk Management Policy and therefore had no approved processes and guidelines on how to mitigate operational, legal, and financial risks as stipulated under Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015.
2. That, contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015, no risk assessment activity was carried out during the year.

3. That, at the time of committee deliberations, the Management was in the process of developing a Risk Management Framework.

Committee Recommendations

1. That, the Management must fast-track the process of developing the Risk Management Framework and risk policy and report to the House progress within one hundred and twenty (120) days upon adoption of this report.
2. That, the matter is unresolved.

8.4 Weakness in Human Resource Management Practices

8.4.1 Lack of an Annual Recruitment Plan

Honourable Speaker, during the audit review, it was noted that the Human Resource Department did not prepare and submit the recruitment plans to the County Public Services Board contrary to Section B(2)(1) of the Human Resource Policies and Procedures Manual for the Public Service of May, 2016 which requires every Ministry or State Department to prepare Human Resource Plans to support achievement of goals and objectives in their strategic plans and that the plans shall be based on comprehensive job analysis and shall be reviewed every year to address emerging issues and needs.

Management Response

No response

Committee Observation

That, the Human Resource Department did not prepare and submit the recruitment plans to the County Public Services Board contrary to Section B (2)(1) of the Human Resource Policies and Procedures Manual for the Public Service of May, 2016

Committee Recommendations

1. That, the Human Resource Department develops and submits an annual recruitment plan to the County Public Service Board in line with the Human Resource Policies and Procedures Manual.
2. That, the matter is unresolved

8.4.2 Lack of Human Resource Plans and Policies

Honourable Speaker, review of human resources records revealed that the County Executive lacked approved key policy manuals for Human Resource Management, including a customized Scheme of Service, Career Progression Guidelines and Human Resource Plans, making it impossible to confirm the appropriateness of the current staffing level for achieving the County Executive's strategic objectives. This was contrary to the Human Resource Policies and

Procedures Manual for the Public Service, 2016, which requires departments to prepare human resource plans. Further, staff promotions during the year were based solely on qualifications, as the County Executive had not developed career progression guidelines. Further, the County Executive did not maintain a skills inventory for its employees, hindering effective training, recruitment and succession management decisions. In the circumstances, the existence of an effective control mechanisms on human resource management could not be confirmed.

Management Response

No response

Committee Observations

1. That, the County Executive lacked approved key policy manuals for Human Resource Management, including a customized Scheme of Service, Career Progression Guidelines, and Human Resource Plans, making it impossible to confirm the appropriateness of the current staffing level for achieving the County Executive's strategic objectives
2. That, the County Executive did not maintain a skills inventory for its employees, hindering effective training, recruitment, and succession management decisions

Committee Recommendations

1. The County Executive immediately develops, customizes, and seeks approval of key human resource policy documents, including a Scheme of Service, Career Progression Guidelines, and Human Resource Plans, to guide staffing decisions and align human capital with strategic objectives
2. That the County Public Service Board, within a period of 60days upon adoption of this report, develop and maintain a comprehensive skills inventory for all employees to facilitate informed decision-making in training, recruitment, deployment, and succession planning.
3. 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 Kisumu County Executive for the year ended 30 June 2024. May Call upon Honourable James Omollo to second. Thank you, Madam Speaker.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta "B"): Honourable James Omollo.

Hon. Omollo (MCA, West Nyakach): Thank you, Madam Speaker. Madam Speaker, I rise to second this 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

Financial Statements of the Kisumu County Executive for the Financial Year 2023-2024. Thank you.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable members, a motion has been moved by Chairperson, Select Committee on Public Investments and Accounts (PIC/PAC) on the Examination of the Report of the Auditor General on the Financial Statements of the Kisumu County Executive for the Financial Year 2023-2024. Seconded, I therefore want to propose that the motion be open for debate.

Honourable Members, the Chairperson, Select Committee on Public Investments and Accounts has moved a motion that this House debate on the report of the Auditor General on the financial statements of the Kisumu County Executive for the year ended 30th June 2024. The motion has been moved and seconded. It is now open for discussion.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Yes, Honourable Warindu.

Hon. Warindu (MCA, Miwani): Thank you, Madam Speaker, for giving me the opportunity to contribute to this report. Madam Speaker, let me appreciate the work that the Chairperson, , Select Committee on Public Investments and Accounts and the members are doing. At least this is a House Committee where the Chairperson is one of the active members, unlike other House Committees where the Chairperson knows the non-active members and is also an inactive member.

Madam Speaker, there are so many glaring mistakes in this report of the Kisumu County Executive for the year ended 30th June 2024. Initially, I wanted to at least appreciate the County Executive for giving us a Qualified Opinion on the report. However, if you look at the gaps that have been identified, with the objective of a Public Investments and Accounts Committee to ensure that there is prudent use of public resources, the report and the opinion does not, in a way, rhyme.

Madam Speaker, there are so many gaps that have been identified and I am only going to give my argument on one major gap, that is Irregularities in Use of Goods and Services. If you look at the report, in those irregularities in use of goods and services, if you look at the first part which is unsupported domestic substance allowance, there is an amount which was allocated or was spent for domestic travel and substance allowances of around Kshs. 28,708,799. On review during the House Committee deliberations from this, there were unsupported Per Diems of Kshs 3,381,000 which there were no documents to prove or to verify such per diems. Again, there was an imprest which was issued an imprest for travels which was Kshs 5,030,000 but it was supported with less days.

The amount that was given was more than the days that were supposed to be paid and the days that were approved and the ones that were to be paid. That was Kshs 5,030,000, the days were

less. Again, if you review that deeper, you will find that the accuracy and the completeness of these domestic travels and substance allowances could not be confirmed or verified.

Madam Speaker, there is the second issue which is unaccounted amounts for fuel. There was Kshs 94,821,894 which was set aside for fuel, oil and lubricants. Then again, on review, if you go deeper into the report that is given, on review of supplier statements and work tickets provided for audit reveals a lot of discrepancies in the fuel that were drawn from the stations.

For example, there is an examination of procurement documents which reveals that the payment was based on expired contract agreements. The payment was being given but the contract that was signed had expired and I like to believe that was against the Public Finance Management Act. Again, fuel amounting to around Kshs 1,000,000 which was paid could not be traced in the supplier statement.

That is, what the supplier was given, the statement for the supplier could not be traced, could not give the indication of how Kshs 1,000,000 which was paid by the County Executive. Again, if you go deeper into it, you will find that there were work tickets for fuel expenditures amounting to Kshs 2,767,789 that were not provided for audit. And it will surprise you when the County Executive will be engaging the Senate, Select Committee on Public Investments and Accounts, those documents will be provided.

No. 3, the third issue there was Unsupported Legal Expenses. The most surprising one was there was the payment of Kshs 5,000,000. Madam Speaker, let me start with the first one. The operating expenses for this voted was Kshs 93,645,292. Then the first one was legal funds were paid Kshs 46,070,251, the legal funds that were representing the County Executive.

On a review, there was an expenditure amounting to Kshs 22,596,355 which was not supported with the documents such as list of pending legal cases, outstanding legal fees. Again, there was no approval for County Executive Committee to engage legal consultants and this was contrary to Section 16.1 of the Office of the County Act 2020. Then again, there was Kshs 3,000,000 which was paid to legal funds as part of Decretal Fees.

However, the certified decree and correct status of legal case were not provided. The same legal firm was paid Kshs 5,000,000 to a court decree in a matter citing County Executive Committee Member and the Chief Officers in contempt for disobeying court orders. Again, they did not give the clear reasons why they decided not to obey the court orders and this led to wastefulness in expenditures.

Madam Speaker, there was no justification or explanation provided for failure to abide by the court orders. So, if you look at this whole report, for those who took their time to go through the report, at least it was sent in a good time and we were able to go through it, you will find that this was just one of the legal gaps that we identified. Madam Speaker, if you look at the recommendations that were provided for this issue only, they are giving the County Executive a

minimum of 60 days to come up with the missing documents and to clarify all the reasons that have been identified in this.

However, I wish that after the House adopts this report and the resolutions, that the Select Committee on Implementation, which I am also a member of, should be keen on the timeline that is provided so that at least we can get value for the public resources that have been misused in this county. Madam Speaker, with those remarks, I beg to support. Thank you.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable Adeg, I thought you were on your feet together with Honourable Warindu. Honourable Adeg, you had wanted to contribute earlier.

Hon. Adeg (MCA, Kajulu): No, Madam Speaker.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable Adeg, please resume your seat.

Hon. Adeg (MCA, Kajulu): Thank you, Madam Speaker.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable Adeg, the youth leader is on her feet. When the youth leader gets on her feet, the whole House keeps quiet. Yes, Youth Leader. Honourable Ochele, why are you competing with the youth leader? Why are you scared?

Hon. Ochola (Nominated Member): Thank you, Madam Speaker. May I call the mover to reply.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable members, the youth leader had read the mood because nobody wanted to stand, however I saw Honourable Ochele standing together with the youth leader. So, please allow me to grant Honourable Ochele a moment before the wishes or the request of the youth leader can be granted. Yes, Honourable Ochele.

Hon. Ochele (MCA, East Kano Wawidhi): Thank you Madam Speaker. I had read the mood of Honourable Ochola. Madam Speaker, I just want to contribute on two key items on this report by the Select Committee on Public Investments and Accounts. However, before I contribute, I'm just wondering aloud if this term, executive, includes all departments.

Madam Speaker, this is because, the department which I expected to be mentioned most is the Department of Infrastructure, Energy and Public Works, more so in line with a project called Machine-based. Us as laymen and members of this Assembly, Madam Speaker, we identified several grey areas with the machine-based program. And I thought it was a cash cow which the Auditor General would have highlighted such areas.

Madam Speaker, since it is by and large missing, I missed a note or place. Is this report for the County Executive with the ten departments in it, or is it just specific departments? That note withstanding, Madam Speaker, my brother Honourable Warindu has quite well elaborated on certain key areas which I had interest in. There is an area which was raising concern. There are some of the staff that were recruited or rather employed past their retirement ages. I do not know whether this is in the area of Auditor General to alert the House. Since the inauguration of the Third Assembly the third country government a number of staff senior and junior are in their past retirement ages. Some are placed on contract whereas others are acting as public servants whose engagement is against Employment Act. Madam Speaker, there is also redundancy in employment and as the Departmental Committee on Administration of Law, Constitutional Affairs, Justice, Good Governance and Security, we recall that we had requested the County Executive to give us staff audit. This staff audit has not been brought and we consistently talk of the ballooning wage bill. Now, I thought the Auditor General could have highlighted what is the scores of the ballooning wage bill and if indeed there is redundancy in recruiting staff or if we have indeed, we call them ghost workers within these departments that's why the wage bill keeps on spiking day by night. Madam Speaker, I also expected the Auditor General to focus on the department called Kisumu County Public Service Board.

Madam Speaker, the Department of the Kisumu County Public Service Board should be a consistent occurrence in the Auditor's Report because before the elapse of the tenure of the previous board members there are erroneous activities conducted by the board members, which activities have not been captured. Such activities include most departments the end-use departments did requisition that department where they requested for employment of Environmental Scientists. Seven Environmental Scientists and the seven Water Engineers. At the end of the product in that financial year Madam Speaker the board ended up recruiting 140 general staff. So, I thought that could appear within that financial year because it is giving a serious problem in the Department of Water Environment and Natural Resources. It is seriously understaffed but overstaffed by redundant employees. When we attended the swearing-in of members of the new board, the Governor stated that, this department bloated the workforce. They bloated the workforce with the redundant useless staff. However, above all they are employed on permanent and pensionable terms. That means the Governor is irritated by the number. The number is not delivering. 140 members of staff in a department you cannot even deploy them while the same department is lacking staff. It is a serious challenge Madam Speaker.

Madam Speaker, my other area is on the Department of Finance. It has been mentioned that there are serious projects they call them voiding. They pump in so many projects for payment and I believe if you pump projects in the conveyor belt, you should be certain of getting money to pay them. However, midway, the projects in the system which we call the window in layman's language, how do these projects fail to be paid and how in the first place do they get their way

into that window if there is inadequate finances. These are areas Madam Speaker, we should be keen on to ensure that we don't behave like uncouth and unprofessional staff but do things based on the provisions and the set rules in terms of payment.

Madam Speaker, based on that I want to believe that this Assembly has a Petition lying before a certain House Committee where the contractors also raised concern. One was on voiding of files/projects and the second one was on how certain strange projects get their way into the payment ring. In the same financial year, there was an outcry from the Department of Finance that when they realized that they had paid certain files which ought not have been paid. How did these files get their way into the system? I want to believe some staff were suspended and those staffs who were suspended more so those who are permanent and pensionable, later got their way back into the employment. How did the inquiry conclude and what were they charged for? Why are they back before a conclusive report is out?

Finally, Madam Speaker we as a House, we are tasked with the responsibility of overseeing the County Executive, and a number of times we unveil inconsistencies from the County Executive. When we deal with these inconsistencies, we raise them in ways of statements and motions, and at the end of the day nothing is done. I want to believe there is fatigue in the Select Committee on Public Investments and Accounts. The reason they do not want to exhaust some of these issues is because, even if they shout loudest, nothing will be done. This is I believe that, is about the 28th or 29th report from this House Committee, and they normally give very sounding recommendations. What has happened with these recommendations? I have never witnessed or heard any head rolling as per the recommendations from this House Committee and supported and approved by this House. So, I do not know Madam Speaker because nowadays it has come to be a common business, the Chairperson comes, reads the report of this house Committee, it is seconded and the one seconding the report lacks a word to say because maybe they are tired of making recommendations and often just calls the mover to reply. This is because despite us debating or highlight what is to be done, nothing comes forth.

Madam Speaker, it is my belief that, the way out should be obtained to ensure that any recommendation made by this House is implemented.

Finally, as I conclude, I want to beseech, the Select Committee on Implementation, chaired by my brother and friend, Honourable James Omollo that, when we are wondering aloud as members that; what happens with the recommendations and resolutions of this House? It is like we are asking that; Is our Chairperson, select Committee on Implementation active, present and ready to assist us in responding to some of these questions we are wondering about because Honourable Ouko does his part. Where are these reports and what necessary steps have been taken? That answer should be obtained from the Select Committee on Implementation plus a number of the resolutions made from other respective House Committees and even privately

sponsored motions. So, kindly, Select committee on Implementation, wake up and allow us to be active again because we are dying down, and we are losing the morale to fight on. Kindly rekindle it. Thank you, Madam Speaker.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Thank you Honourable Ochele.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Yes, Honourable Peter Obaso.

Hon. Obaso (Nominated Member): Thank you, Madam Speaker. Let me start by commending members of this House Committee for a well-documented report. Madam Speaker, from this report we can identify lapses in these from revenue collections in these great county.

In addition, we can identify areas that this county has failed and these are some of the reasons why we cannot attain projected revenue targets on our own source revenue. From this report there are instances where we had automated machines not being used in collection of revenue like in collection of liquor revenues. Despite availability of machines, they do not use them, and we can see that Kshs 20.7 million was collected manually instead of them using the automated machines.

Secondly, Madam Speaker, there are unsupported receipts and there is a case where Kshs 702, 447,319 lacked proper documentation. In addition, this report also indicates that an amount of Kshs. 1.5 billion from own source revenue had unsupported ledger, receipts details to show if they were from either parking fees, advertisements or hospitals, they could not trace exactly the stream of collection. It is my belief that, if we continue with this trend then, we are failing as a county and it is upon those office holders to up their game so that we attain the set target on own source revenue. With those few remarks, Madam Speaker, I support and also congratulate the committee for this well-documented report. Thank you.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable members, the mover had been called upon to reply.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Yes, Honourable Benny Oiko Pete.

Hon. Oiko (MCA, Kabonyo/Kanyagwal): Thank you Madam Speaker, the work is becoming heavy because we have to struggle to open our eyes wide to look at the thin font writings on the mobile phone.

Madam Speaker, when we look at this report of Kisumu County Executive for the financial year ended 30th June, 2023-2024, and the matters raised by the Office of the Auditor General, we have a lot to look at.

Madam Speaker, we are being informed on page 23 of Irregularity in Pending Bills. That is what the Office of the Auditor General is telling us. The pending bill has been a thorny issue in this county. When the records are asked, the Department of Finance drags its feet to provide those records. Today, the Office of the Auditor General is informing this House that, there is a lot of irregularity, and these irregularities are supported by problems in the IFMIS. When the transactions have been put on the IFMIS for payment, they are voided. When you look at that report, over Kshs. 2 billion have been voided, and the transactions are about 4,000. Madam Speaker, you wonder why when these contractors finish work and forward their records to the office, they are fed on the IFMIS. At what time do they become necessary to be voided? Why were they being uploaded? This has now become common information in this House. We talk from time to time, tell stories, and we take no action. Madam Speaker, the problem now lies with this House. When the Office of the Auditor General gives us this picture, what recommendation do we give at the end of it?

Madam Speaker, we are also being informed of Non-compliance with Fiscal Responsibility on Wage Bills. We are being informed about the wage bill figures are not balancing. There is over Kshs. 5 billion, and there is some over Kshs 4 million not adding up. I remember Honourable Chairperson talking about the irregularity in employment. If we have known of irregularity in employment, and that the figures are not adding up, then what action are we taking? When you go through this report, you will also find out that, over Kshs. 200 million which is being paid by the City of Kisumu, could not be accounted for. What kind of financial records are being kept in Kisumu County? Is it a mere financial mess or is it intentional, Madam Speaker?

Madam Speaker, when Honourable Ochele was talking of recommendations we make here, that the Select Committee on Implementation to take action. When you read the Audit Act of 2015, it is upon this House to make a recommendation, and the recommendation we can make on this report is for further professional advice, professional action to be taken. This could only be taken by the Ethics and Anti-Corruption Commission or Director of Criminal Investigation. When the Assembly can rise up to that level, then we shall be aware of what our roles are. When we keep on quarrelling the Select Committee on Implementation, and we have made sweeping recommendations, then we are heading nowhere.

Madam Speaker, I wish that this House had made a recommendation based on the information we are given here, that further investigation to be done to pin the County Executive down on matters flagged by the Office of the Auditor General. If we do not make such decision, Madam Speaker, we shall be merely talking in this House. Madam Speaker, I am being accused that I do not deserve whether I support or oppose. However, the argument is, the content of the argument of a member gives direction whether he supports or not. The content of the contribution gives direction. Madam Speaker, going through this record on a soft copy is very tedious. If I could be

given a little more time, I get the final recommendation of this House Committee. It will now force me to take the next five minutes of scrolling down to get what they recommended.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable Pete, you have to move with the current times of the digital world. That is why they simply gave you a very beautiful iPad, to help you do your research and do your reports.

Hon. Oiko (MCA, Kabonyo/Kanyagwal): Madam Speaker didn’t you see the way I have contributed while reading through the soft copy?

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable Oiko Pete, I am giving you two more minutes so that you can continue searching.

Hon. Oiko (MCA, Kabonyo /Kanyagwal): Madam Speaker, you are very right. However, I plead with this House Committee that, the next report that will come, let us see their recommendations in bold, so that we follow the recommendations they have made. I so contribute.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Thank you, Honourable Pete. Yes, Honourable Kelvin.

Hon Oraro (MCA, Kolwa Central): Thank you Madam Speaker, likewise to my fellow colleagues, I also rise to contribute to this special motion by the Select committee on Public Investments and Accounts.

Madam Speaker, my attention generally is on a serious debate about the Assembly members being in a position to oversight the County Executive. Well, it is a big debate, and in most cases, Madam Speaker, the major House Committee that plays an oversight role and receive investigation report by a third party who is the Auditor General is this House Committee and this is a very important House Committee to the Assembly and most of their reports, if you look at, it tends to achieve a certain standard.

Madam Speaker. I will not be shy by saying that the secretariat plus the House Committee members actually came out and did their best to address a certain issue under normal audit and for me Madam Speaker, there seems to be some lose ends. As an Assembly, we have been in a quagmire and especially during allocations where members will lament that the budget consisting of various components of Pending Bills and other things make it difficult for us to achieve certain goals and objectives and directly interfere with what people see on the grounds in terms of implementation and in many Wards vary to prove that the County Government is working. So, when such a House Committee comes up with this kind of a report, we actually applaud them but we also borrow a leaf from Honourable Ochele and also encourage my brother

Honourable James Omollo that some of the recommendations of this House Committee are just kept on the shells. Nothing is being done,

Madam Speaker, it has become a routine that we debate on reports and then what next? If the recommendations can help the county in certain way forward, if they are not acted upon then what do they become? We only become to be people who just rubber stamps some of the recommendations and we do not care what next. Madam Speaker, it is high time that as we debate on such reports and also listen to the recommendations of this very special House Committee, we also need to see the direction that we are taking as an Assembly which specifically be felt by the County Executive. By so doing that, I believe we will be helping to get our name on the right track that we are capable of doing oversight.

Madam Speaker, we are aware that some Honourable Members of Kericho County Assembly was there in the Senate and we could see a weakness in that Assembly by virtue of communication. In Kisumu County Assembly, we can say that we are okay and doing well. The only thing that we need to increase is to interrogate some of the recommendations that we get from this House Committee directly on some of the officers and even do vote for others maybe to face the consequence on cases facing them. Thank you.

The Deputy Speaker (Hon. Okombo MCA, Manyatta “B”): Yes Honourable member representing Awasi Onjiko, Honourable Maurice Ngeta.

Hon. Ngeta (MCA, Awasi Onjiko): Thank you Madam Speaker. Foremost I arise to congratulate the able House Committee led by my friend Honourable Kennedy Ouko and Honourable Warindu. Madam Speaker, it has been said and is also on the public domain.

(Hon. Oraro interjects with a Point of Information)

The Deputy Speaker (Hon. Okombo MCA, Manyatta “B”): Yes Honourable Kelvin Oraro whom do you want to inform?

Hon. Oraro (MCA, Kolwa Central): Madam Speaker, I wanted to inform Honourable Ngeta

The Deputy Speaker (Hon. Okombo MCA, Manyatta “B”): Madam Speaker, the member has resumed his seat meaning he has allowed you to inform him. Please continue.

Hon. Oraro (MCA, Kolwa Central): Madam Speaker, I would like to inform the member that, Honourable Warindu is no longer the Deputy Chairperson of the House Committee. I hope that is not what the member meant so, I wanted him to be updated.

The deputy Speaker (Hon. Okombo MCA, Manyatta “B”): Honourable Ngeta, does that amount to information...

Hon. Ngeta (MCA, Awasi Onjiko): Madam Speaker, I believe that the Honourable member wants to behave as if he is not a senior member of this House Madam Speaker. Honourable Warindu is a member of that House Committee and he has supported the report perfectly. So Madam Speaker...

The deputy Speaker (Hon. Okombo MCA, Manyatta "B"): Honourable Ngeta, Honourable Warindu used to be a member

Hon. Ngeta (MCA, Awasi/Onjiko): Yes, the member in question used to be a member Madam Speaker

The Deputy Speaker (Hon. Okombo, MCA, Manyatta "B"): He used to be member but was moved to another House Committees. I believe that the member is currently the Deputy Chairperson, County Budget and Appropriations Committee

Hon. Ngeta (MCA, Awasi/Onjiko): Madam Speaker, I have said clearly that the Committee led by Honourable Kennedy Ouko...

The Deputy Speaker (Hon. Okombo, MCA, Manyatta "B"): Please continue Honourable Ngeta.

Hon. Ngeta (MCA, Awasi/Onjiko): Madam Speaker, the report has come out clearly and there are some fundamental areas that have been touched. All of us are here because of the betterment of people of this great County Madam Speaker and also we want to give our people whom we represent hope for the future. At time, we need to rise up so that we can set precedence of doing things correctly. This is the time that we must set a legacy so that those who will come after us will get a good, bright and with a great future.

Madam Speaker, I want to ask my friend Honourable James Omollo and the entire team of the Implementation Committee so that they can carry out their mandate accordingly. So, that, after this House Committee has done their job, they can be tasked to do what it takes to do so that these recommendations can be followed up to the letter so that we have a corruption free County where things can be done in accordance with the Law. Otherwise, without much ado, I support and thank you very much Madam Speaker.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta "B"): Thank you Honourable Ngeta.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta "B"): Honourable member, silence means the House has exhausted debate on the motion of the report on the floor. The Youth Leader had invited the mover to reply. Yes, Honourable Kennedy Ouko.

Hon. Ouko (MCA, West Kisumu): Thank you Madam Speaker. This House Committee is for the Assembly. It belongs to any member of the County Assembly. It represents the County Assembly. It does not only belong to its assigned members. Madam Speaker, we need a lot of cooperation the way this House has been giving us a lot of support especially on matters to do with our reports.

Madam Speaker, Honourable members, these report is of greater concern to Kisumu County. When we talk about Adverse Opinion by the Auditor General, we have had several of them until just recently when we got Qualified Opinion from the County Executive report. When we talk about that, we mean the entire system of the County Executive inclusive of all the departments that belongs there. When we talk about this it means all the departments.

Madam Speaker let me talk to the members of the Assembly that we had a very candid conversation with the office of the Auditor General and they stated that, if we identify any kind of mischief or where we suspect especially on financial matters that we may be having a problem even in the Wards or anywhere in the County, kindly please do not hesitate to represent such kind of report to the office of the Auditor General. If you cannot go there, kindly come to the Select Committee on Public Investments and Accounts so that we forward such anomalies to be audited together with this. So they are open for that and maybe you were not aware.

Madam Speaker, back to what I was talking about which is the Adverse Opinion. The one which the County Executive had before was insinuating that it does not present fairly in all material facts. That is now what we call Adverse Opinion. However, the Qualified Opinion is very clear except for the few matters on the audit queries, it is fairly presentable. We were to question the office of the Auditor General to justify the opinion very clearly. That is because, according to our perception as the House Committee, we were not seeing any kind of improvement. We saw the matters on the previous years. They did not respond towards that and they kept on repeating themselves and we tried to ask the office of the Auditor General, how comes they were elevating this opinion to Qualified yet it does not qualify. So, we had some beef with them but eventually we agreed to accept the report and go against it.

Madam Speaker, we had a Special Audit on Payroll. It is done within the period for the past three years and it is going to be in the Assembly. It is a special audit requested by the Governor and you will now really understand what is happening in the payroll and the labour system of Kisumu County Executive. I also would like to request that those who are interested to kindly please join us when we will be dealing with the Special Audit Report on Payroll. It is equally very murky but until then, we will have to explain that to members and you will see what is happening.

Madam Speaker, there is what we call Voided Transactions. When the County Executive wants to request any payment to any contract or work done or services, there is a template which is required for them to fill. This form contains the names of the contractor and the service providers. This template must first go through the office of the Controller of Budget whereby there is one in Kisumu here and be verified then forwarded to Nairobi. When it is taken there, it is approved. In the event that it is approved, it is brought back to the County and the County will now start paying.

Madam Speaker, now, what is called Voided, instead of following the approved template from the Controller of Budget, somebody in Kisumu County will start giving priority to some other people whose names or whose companies did not appear in the template and thereby avoiding those who were approved by the Controller of Budget and the innocent person whose payment was approved would now not be paid and it then end as a Pending Bill. These are some of the things which are causing a lot of Pending Bills within the County.

Madam Speaker, effective today, we can say that sometimes back you had the office of the Controller of Budget proposing that from this budget here, they will ensure that, there is an amendment taken to the Senate so that these voided payments do not actually exist anymore.

Applause

It is a pronouncement. It is within the Senate now the exercise concerning this. Madam Speaker...

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable Ouko, you have eaten into your replying time so kindly wind up because we have another report before the House.

Hon. Ouko (MCA, West Kisumu): Madam Speaker, that is fair enough. Madam Speaker, when we were talking about lawfulness and faithfulness in the use of public resources, it is revealed that there is a wide spread non-compliance with key provisions of Public Finance Management Act. Really, there are no policies guiding how the employees are to be promoted and you will realize that there are some seven officers who are working in the Department of Audit and these employees do not have any qualifications for this and remember they are twelve in number. So, you can see, what do we expect from the Department of Audit, the internal mechanism put in place to cushion the county from any misdeeds. So, there is a lot of problem, we do not expect anything from this.

So, I would like to request the line committee Chairpersons to pick issues from this report so that we can move on. For instances, the Departmental Committee on Labour and Social Welfare has issues which can be taken up by this House Committee. The Select Committee on Implementation, kindly let us work together so that we move forward. I reply, thank you madam Speaker.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable members, a Motion on the 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 Statement of Kisumu County Executive for the Year Ended 30th June, 2024 was moved, seconded, debated upon and has been replied upon. I therefore want to put a question of adoption.

(Question put and agreed upon)

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable members, the Motion of the 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 Statement of Kisumu County Executive for the Year Ended 30th June, 2024 is hereby adopted today Thursday the 04th of September, 2025 at 03:47 hours.

Honourable members, I direct that report together with the Hansard report be prepared and forwarded to the County Executive and other relevant institutions for action.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Next order!!

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 FINANCIAL STATEMENT OF RECEIVER OF REVENUE FOR THE YEAR ENDED 30TH JUNE, 2024

BY

HON. KEN OUKO, MCA, WEST KISUMU

(CHAIRPERSON, PUBLIC INVESTMENTS AND ACCOUNTS)

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Yes, the Honourable Chairperson, Select Committee on Public Investments and Accounts.

Hon. Ouko (MCA, West Kisumu): Thank you Madam Speaker. Honourable Speaker, on behalf of the Public Accounts and Investments Committee (PICPAC), and Pursuant to Kisumu County Assembly Standing Orders 188, I wish to present to this House the Report of the Committee on the Audited Financial statements of Receiver of Revenue for the Financial Year 2023/2024.

Honourable Speaker, the Receiver of Revenue is under the Department of Finance. At the County Executive Committee level, the Receiver of Revenue is represented by the County Executive Committee Member for Finance, Economic Planning and ICT, who is responsible for the general policy and strategic direction of the Receiver of Revenue. The Receiver of Revenue is designated as a receiver by the County Executive Committee Member for Finance, Economic Planning and ICT, in accordance with Section 157 of the PFM Act, 2012.

The principal activity of the receiver of revenue is to collect revenue and remit to the County Revenue Fund. Hon. Speaker, as such, it is one of the entities subject to audit by the Office of the Auditor-General, in line with Article 229(4)(b) of the Constitution of Kenya, 2010.

The Public Accounts and Investments Committee is the watchdog committee that examines Auditor General’s reports laid before this House to ensure probity, efficiency, and effectiveness in the use of public resources. The Committee is established pursuant to Standing Orders 188 to

examine the accounts showing appropriations of sums voted by this House to meet public expenditure and of such other accounts laid before the House as the committee may think fit. This ensures implementation of Article 229(8) of the Constitution of Kenya, 2010 on reports submitted to this House by the Auditor General.

The Committee held three sittings during which it received both written and oral evidence from the Accounting Officer on audit queries raised by the Auditor-General on the financial statements of Receiver of Revenue for the financial year 2023/2024.

Honourable Speaker, the Auditor General's opinion on the financial statements of the Receiver of Revenue for the FY 2023/2024 was a Disclaimer of Opinion, implying that the Auditor General was unable to obtain sufficient and appropriate audit evidence to provide a basis for an opinion on the accuracy, completeness, and reliability of the financial statements.

The following matters formed the basis of the Disclaimer of Opinion;

1. Late submission of financial statements accompanied by unsigned revenue statements. The financial statements were submitted to the Auditor-General eleven (11) days after the statutory deadline, Contrary to Section a7(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act| 2012 and any other legislation, shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate. Further, the revenue statements presented were not signed by the substantive Accounting Officer contrary to the requirements of prescribed template of the Public Sector Accounting Standards Board. The Management attributed the late submission and unsigned status of the financial statements to the transition in the leadership of the Kisumu County Revenue Board at the time the report was due for signing.
2. Inaccuracies in revenue statements. There were multiple unreconciled and unexplained variances across key records, including differences between bank balances, disbursements, and payables. These discrepancies compromised the accuracy and completeness of the revenue statements.
3. Unsupported receipts and own-source revenue. A balance of Kshs.702,047,319 described as receipts not through the County Revenue Fund lacked explanatory notes, making its accuracy, completeness, and disclosure unverifiable. The management explained that the amount comprised FIF revenue collections of Kshs.681,358,291 and liquor collections of Kshs.20,689,029. However, this breakdown was not reflected in the notes and disclosures to the financial statements, and the supporting documents such as returns, ledgers, and bank statements were also not provided.
4. Weaknesses in cash management. The audit revealed significant control lapses, including lack of a register of authorized bank accounts, unreconciled receipts and payments

totaling millions of shillings, unexplained variances between bank and cashbook balances, and missing bank and board of survey certificates.

5. Unsupported Own Source of Revenue. The reported Kshs.1,509,121,029 in County own-source revenue lacked adequate supporting documentation. Key gaps included missing ledgers and schedules, unsupported collections for parking fees, advertising fees, and public health fees, non-collection of motorcycle parking fees as provided by law, and lack of detailed hospital fee reports. This matter has persisted for the last three financial years.
6. Unbanked own-source revenue – Revenue totaling Kshs.6,415,821 was withdrawn directly from the Pay bill account instead of being transferred to the designated County bank account, contrary to PFM Regulations. Accountability by the collecting agents could not be confirmed, raising concerns over possible mismanagement of funds.
7. Non-automation of liquor revenue collection. The County collected Kshs.20,689,030 in liquor licensing fees without automating the process, despite the availability of the IRMS liquor licensing module. This was a breach of PFM Regulations, indicating weak internal controls and reduced accountability. The committee observed that the integration of liquor was effectively on-boarded from July 2024 and due to stages planned by the system developers to complete their system development. This matter was therefore addressed with an recommendation to this House to resolved that the Auditor General to report on implementation in the subsequent audit.
8. Unsupported Revenue Arrears. The County reported arrears totaling Kshs.1,225,580,275 (land rates and property rent), but failed to provide an ageing analysis, supporting records, or schedules for the arrears and the Kshs.23,651,393 reportedly collected. As a result, the accuracy, completeness, and recoverability of these arrears could not be confirmed
9. Long Outstanding Revenue Arrears. The County reported arrears of Kshs.1,223,717,801 in land rates and Kshs.1,862,474 in property rent, relating to FY 2023/2024 and earlier years. No evidence was provided of strategies to recover these arrears as required under Section 63(1) of the Public Finance Management (County Governments) Regulations, 2015. The failure to recover these funds may have adversely affected service delivery to resident.
10. Failure to Disburse Collected Revenue. A total of Kshs.702,047,319 meant for transfer to the County Revenue Fund was not disbursed within the legal timeframe, leaving an unreconciled difference of Kshs.699,579,889. This non-compliance breached the PFM (County Government) Regulations, 2015.

11. Budgetary underperformance. The County under-collected Kshs.773,723,667 (34%) of its targeted revenue, indicating unrealistic targets or weak controls, which negatively impacted funding and service delivery.

Hon. Speaker, the issues highlighted above formed the basis for the Disclaimer of Opinion issued on the Financial Statements of the Receiver of Revenue for FY 2023/2024.

In reviewing the matters, the Committee convened a sitting with the Management and the Office of the Auditor General to deliberate on the findings and to allow Management an opportunity to provide any additional evidence that may not have been provided during the time of audit.

Hon. Speaker, the persistent inaccuracies and multiple unreconciled variances in the financial statements, pointed to either inadequate capacity among accounting personnel or deliberate non-compliance with the Public Audit Act, particularly in the timely provision of information to the auditors.

Accordingly, the Committee recommends that this House resolves as follows:

1. That CECM for Finance, Economic Planning, and ICT immediately designate qualified accountants to the office of the Receiver of Revenue to strengthen financial management and reporting.
2. That the CECM for Finance, Economic Planning, and ICT takes immediate administrative action against officers found responsible for the mismanagement and failure to comply with audit requirements.

Hon. Speaker,

In addition to the specific recommendations outlined above, the Committee further submits to this House the following general corrective measures aimed at strengthening financial management, enhancing accountability, and ensuring greater compliance with applicable laws and regulations to help the Receiver of Revenue achieve its objectives;

General Recommendations

1. Strengthen Capacity and Training

The County Treasury should facilitate continuous professional training for revenue and finance officers on the Public Finance Management Act, Public Audit Act, and International Public Sector Accounting Standards (IPSAS) to enhance compliance and reporting accuracy.

2. Full Automation of Revenue Systems

That the County Treasury should fast-track the integration of all revenue streams including land rates, property rent, hospital fees, and parking fees into the Integrated Revenue Management System (IRMS) to ensure real-time reconciliation and minimize revenue leakages.

3. Establish Robust Internal Controls

That the County Treasury develop and implement clear Standard Operating Procedures (SOPs) for revenue collection, reconciliation, and reporting, with mandatory periodic reviews by internal audit.

4. Enforce Timely Reconciliation and Reporting

Institute a strict monthly reconciliation process between the cashbook, bank statements, and IRMS reports, with sign-offs by both revenue officers and supervisors to enhance accuracy and transparency.

5. Develop a Comprehensive Revenue Arrears Recovery Strategy

Create a structured arrears management framework that includes aging analysis, issuance of demand notices, enforcement actions, and incentives for voluntary compliance to recover long-standing arrears.

6. Implement Accountability and Sanctions Framework

Enforce clear accountability measures, including administrative and legal actions, against officers or agents who fail to remit collections or comply with financial regulations.

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;

- v. 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;
- vi. Examination of the working of the Public Investments
- vii. Examine the reports and accounts of the Public Investments and,
- viii. 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

Honourable Speaker, the Committee as currently constituted comprises the following Honorable Members,

Table 1: Committee Membership as at August 2025

NAME	POSITION
MEMBERS	
10. Hon. Ken Ouko	Chairperson
11. Hon. Tom Onditi	Vice Chairperson
12. Hon. Habil Nyasuna	Member
13. Hon. Nancy Matara	Member
14. Hon. Rueben Rakwach	Member
15. Hon. James Were	Member
16. Hon. James Omollo	Member
17. Hon Mickey Ochieng	Member
18. Hon. Seth Okumu	Member
SECRETARIAT	
9. Austine Ochieng'	Committee Clerk
10. Chrispine Oguta	Clerk Assistant
11. Patrick Okoyo	Hansard Officer
12. Faith Judith	Sargent-at-arm
13. Wycliffe Owade	Researcher
14. CPA Naboth Odero	Internal Auditor
15. CPA Mollen Achayo	Accountant
16. CPA Charles Ageng'o	Internal Auditor

Legal Framework & Guiding Principles - Legal Framework

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

5. 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;

- ix. The accounts of the National and County governments,
- x. The accounts of all funds and authorities of the National and County governments,
- xi. Accounts of all courts,
- xii. The accounts of every commission and independent office established by this constitution,
- xiii. The accounts of National Assembly, the Senate and the county assemblies,
- xiv. The accounts of the political parties funded from the public funds,
- xv. The public debt and
- xvi. 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”.

2. 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.

6. 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
7. 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
8. 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 –
 - c) Lawful and authorized; and
 - d) 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 RECEIVER OF REVENUE FOR THE YEAR ENDED 30TH JUNE 2024

Honourable Speaker, CPA Martin Okode appeared before the Committee on 8th April, 2025 to adduce evidence on the Audited Financial Statements of the Receiver of Revenue for the year ended 30th June 2024.

Mr. Kennedy Ong'oi, the Deputy Director, Office of the Auditor General Kisumu Hub represented the Office of the Auditor General in the meeting.

BASIS FOR DISCLAIMER OPINION

3.1 Late Submission of Revenue Statements

Honourable Speaker, the financial statements for the financial year ended 30 June 2024 were submitted to the Auditor-General on 11 October 2024, which is eleven (11) days after the statutory deadline of 30 September 2024. This is contrary to Section 47(1) of the Public Audit Act, 2015, which states that the financial statements required under the Constitution, the Public Finance Management Act| 2012, and any other legislation, shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate. Further, the revenue statements presented were not signed by the substantive Accounting Officer, contrary to the requirements of prescribed template of the Public Sector Accounting Board.

In the circumstances, Management was in breach of the law while the revenue statements are not in compliance with the reporting framework.

Management Response

The management responded that there was a transition in the Management of the Kisumu County Revenue Board at the time the Report was to be signed.

Committee Observations

1. That the management submitted the financial statements late by 11 days and the revenue statements were unsigned by the substantive Accounting Officer, contrary to Section 47(1) of the Public Audit Act, 2015 and the Public Sector Accounting Standards Board (PSASB) reporting framework, indicating weaknesses in financial management and compliance controls.
2. That the revenue statements presented were not signed by the substantive Accounting Officer, contrary to the requirements of prescribed template of the Public Sector Accounting Board

Committee Recommendations

1. That the management of the receiver of revenue should establish strict internal timelines to ensure financial statements are prepared, reviewed, and submitted within the statutory timelines.
2. That in future, the substantive Accounting Officer must sign all financial statements in line with PSASB requirements to ensure accountability and compliance.

3.2 Inaccuracies in the Revenue statements

Honourable Speaker, the following errors were noted in the revenue statements and the accompanying explanatory notes:

- i. The statement of assets and liabilities and as disclosed in Note 20 to the financial statements, reflects bank balances of Kshs.2,467,430 while the explanatory note reflects Kshs. 2,834,261, resulting in an unreconciled and unexplained difference of Kshs. 366,831.

Management Response

The bank balance of Kshs.366,829.90 variance was an omission in the revenue statement.

Committee Observations

That there was an unreconciled variance between the bank balances reported in the financial statements and those disclosed in the accompanying explanatory notes.

Committee Recommendations

1. That the management should strengthen its controls to ensure accuracy and consistency between financial statements and supporting notes.

2. That the matter is resolved

- ii. The statement of receipts and disbursements disclosed balance due for disbursement of Kshs.702,047,319, while the statement of assets and liabilities as disclosed in Note 20 to the financial statements reflects bank balances of Kshs.2,467,430 resulting in an unreconciled and unexplained difference of Kshs. 699,579,889.

Management Response

The balance due for disbursement is Kshs. 702,047,319 being the FIF and Liquor categories.

Committee Observation

Honourable Speaker, that there was an unreconciled variance of Kshs. 699,579,889 between the balance due for disbursement (Kshs. 702,047,319) in the statement of receipts and disbursements and the bank balances (Kshs. 2,467,430) in the statement of assets and liabilities.

Committee Recommendations

- 1. That the County Treasury should immediately reconcile the variance of Kshs. 699,579,889 and provide a clear breakdown of FIF and Liquor balances supporting the figures. The same be submitted to the Office of the Auditor-General
- 2. That the matter is unresolved

- iii. The statement of financial assets and liabilities and as disclosed in Note 22, reflects payables due to CRF balance of Kshs. 704,514,749, which differs from the re-casted amount of Kshs. 702,047,218 on the explanatory note, resulting in unreconciled variance of Kshs. 2,467,531.

Management Response

Omission of Kshs. 2,467,431 from the statement of financial assets and liabilities, which we adjusted in the amended receiver of revenue report, and the correct position is Kshs. 704,514,749.

Committee Observation

That there was an unreconciled variance of Kshs. 2,467,531 between the payables due to CRF reported in the statement of financial assets and liabilities (Kshs. 704,514,749) and the re-casted amount in the explanatory note (Kshs. 702,047,218)

Committee Recommendations

1. That, the County Treasury should ensure all variances are fully reconciled and documented before submission of financial statements to the Auditor-General.
2. That, the matter is resolved
- iv. As disclosed in Note 22 in the revenue statements, the closing balance as at 30 June 2023 in respect of payables due to CRF balance was Kshs. 7,369,744, which differs with the Nil balance brought forward at the beginning of the year.

Management Response

Payable due to the CRF of Kshs. 764,369,744 was not brought forward because the amount is utilized at the source.

Committee Observation

That there was failure to carry forward the closing balance of Kshs. 7,369,744 as opening balance indicating poor record-keeping and weak reconciliation practices.

Committee Recommendations

1. That, in future, the Management should ensure that all balances are accurately carried forward in line with PSASB requirements.
2. That, the County Executive Committee Member Finance, Economic Planning and ICT takes administrative action against the Officers responsible for such omissions this omission administrative sanctions to enforce accountability.
3. That the matter is not resolved

3.3 Unsupported Other Receipts not through County Revenue Fund (CRF)

Honourable Speaker, the statement of financial assets and liabilities reflects a balance of Kshs.702,047,319 described as other receipts not through County Revenue Fund. However, notes to explain the balance as to the nature of the receipts were not provided.

Honourable Speaker, in the circumstances, the accuracy, completeness, and disclosure of the other receipts balance of Kshs. 702,047,319 could not be confirmed.

Management Response

FIF Revenue collections of Kshs.681,358,291 and Liquor Collections of Kshs.20,689,029.

Committee Observation

That receipts totaling Kshs. 702,047,319 were not adequately supported with detailed schedules or disclosure on their nature.

Committee Recommendations

1. That, the County Treasury immediately provide to the Auditor General a full schedule classifying FIF and Liquor receipts with bank references for verification.
2. That, the matter is not resolved

3.4 Weaknesses in Cash Management

Honourable Speaker, the statement of financial assets and liabilities reflects bank balances of Kshs. 2,467,430 as disclosed in Note 20 to the revenue statements. However, the following weaknesses were noted in Cash Management:

- i. Management did not maintain a register of authorized bank accounts for the Receiver of Revenue-County Government of Kisumu during the year under review, contrary to Regulation 87 of Public Finance Management (County Governments) Regulations, 2015, which states that the County Head of Accountancy Services shall maintain a register of bank accounts opened by County government entities.

Management Response

Management hereby discloses authorized bank accounts.

Committee Observation

That the management did not maintain a register of authorized bank accounts for the Receiver of Revenue, thereby contravening Regulation 87 of the PFM (County Governments) Regulations, 2015, and exposes the County to risk of unauthorized accounts.

Committee Recommendations

1. That, the County Treasury should immediately prepare a comprehensive register of all authorized bank accounts. The Auditor General to follow up and report on the same in the subsequent financial years
 2. That, the matter is unresolved
- ii. The bank reconciliation statements disclose receipts in bank statement, not in cashbook amounting to Kshs. 3,482,138, whose details were not provided for audit.

Management Response

The amount of relates to payments by clients who had not surrendered their deposit slips for receipting.

Committee Observation

The bank reconciliation statements disclosed receipts amounting to Kshs. 3,482,138 appearing in the bank statement but not recorded in the cashbook.

Committee Recommendations

1. That, the management immediately investigate and reconcile the unexplained receipts to ensure all revenue is properly recorded in the cashbook
2. That, the management provide to the Auditor General the supporting documents within a period of 21days upon adoption of this report
3. That, the matter is unresolved
- iii. Further, the bank reconciliation statements also disclose payments in bank statement but not recorded in the cash book, amounting to Kshs. 30,830. The amounts relate to bank charges dating back to August 2023. No explanation has been given for failure to address the reconciling items on a timely basis.

Management Response

Bank charges deducted from revenue collections.

Committee Observation

Honourable Speaker, the bank reconciliation statements disclosed payments amounting to Kshs. 30,830, reflected in the bank statement but not recorded in the cashbook. These amounts relate to bank charges dating back to August 2023

Committee Recommendations

1. That, the management to ensure prompt update of the cashbook to accurately reflect all bank charges and other related transactions.
2. That, the County Treasury review and strengthen internal controls to ensure that bank reconciliations are performed and cleared on a timely and regular basis
3. That, the County Treasury consider deploying adequately qualified and competent personnel to manage bank reconciliations and related financial processes to enhance accuracy, efficiency, and compliance
4. That, the matter is resolved
- iv. The Bank reconciliations disclose receipts in cashbook not recorded in the bank amounting to Kshs.3,075,743, whose details were not provided for audit.

Management Response

Relates to post banking by clients.

Committee Observations

The bank reconciliation statements disclosed receipts totaling Kshs. 3,075,743 recorded in the cashbook but not reflected in the bank statement. Management failed to provide supporting documentation or explanations for these reconciling items during the audit and committee deliberations

Committee Recommendations

1. That, in future, the management must ensure that all supporting documents are provided to the Auditor General during the time of Audit
 2. That, the matter is resolved
- v. The bank balances for two (2) accounts revealed a total variance of Kshs.38,645,822 compared to the cashbook balance, which was not explained or reconciled.

Management Response

Balance relates to swiped revenue for the two accounts as opposed to the actual bank balances Kshs.2,467,208 and Kshs.21.9 for KCB and COOP respectively.

Committee Observations

Honourable Speaker, the bank balances for two (2) accounts revealed a total variance of Kshs.38,645,822 compared to the cashbook balance, which was not explained or reconciled

Committee Recommendations

1. That, the management immediately provide a detailed reconciliation to the Auditor General, clearly breaking down the swiped revenue and actual bank balances for the affected accounts
 2. That, this matter is unresolved
- vi. The balances for three (3) accounts were not supported with bank certificates and board of survey certificates.

Management Response

The certificate of balance and board of survey certificates are hereby attached.

Committee Observations

1. The balances for three (3) bank accounts were not supported by bank certificates and board of survey certificates as required during the audit and committee deliberations
2. That the certificate of balance and the board of survey reports were provided during the time of committee deliberations

Committee Recommendation

That this matter is resolved

3.5 Unsupported Own Source of Revenue

Honourable Speaker, the statement of receipts and disbursements reflects County own source revenue of Kshs.'1,509,121,029 as disclosed from Notes 17 to the revenue statements. However, review of revenue records revealed the following anomalies;

- i. Management did not provide ledgers and other requisite schedules to support the revenue statements.
- ii. The incomes under structured revenue streams were not supported by data indicating invoices generated and paid through the Integrated Revenue Management System (IRMS).
- iii. The statements further reflect parking fees of Kshs.98,551,263. However, the amount was unsupported with serialized receipt books, register of parking slots available and collection control sheets and cashbooks.
- iv. The motor cycle parking fee of Kshs.500 per motor cycle was not collected in the year under review. This was contrary to Part 139 of the Kisumu County Finance Act,2024 which provides for a monthly motor cycle parking fee of Kshs.500.
- v. The statement of receipts and disbursements and as disclosed in Note 7 to the revenue statements reflects advertising fees amount of Kshs.170,957,830. However, Management did not have billboard and compliance registers to show the number of billboards within the County and whether the companies had complied with the laid down and approved procedures. Further, a register of all the advertisements done on the billboards and payments from the billboard companies was not provided for audit review. An updated register of signages within the County indicating the company name, type of signage, size of signage was not provided for audit review.
- vi. Management did not provide a listing of the businesses charged under public health services for food quality inspection, and food hygiene license fee was not provided for audit review. The accuracy and completeness of the public health service fees of Kshs. 8,608,602 could not be confirmed.

- vii. The statement of receipts and disbursements reflects hospital fees of Kshs.672,749,689 generated from various hospitals as disclosed in Note 8 to the revenue statements. However, Management did not provide detailed fee collection reports from the hospitals to support the revenue.

Honourable Speaker, in the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

Management Response

Ledgers and schedules and other documents to support the revenue statements are submitted.

Motor Cycle parking fee collection experienced challenges.

Committee Observations

1. That, the issue of unsupported revenue has persisted for the last three financial years, with management consistently failing to provide the supporting documentation
2. That, the County Executive reported own source revenue of Kshs. 1,509,121,029 but failed to provide supporting records and reconciliations for various revenue streams. Key gaps included:
 - i. Lack of ledgers and requisite schedules to support the revenue statements.
 - ii. Absence of IRMS data showing invoices generated and paid.
 - iii. Parking fees of Kshs. 98,551,263 unsupported by receipt books, parking slot registers, control sheets, or cashbooks.
 - iv. Failure to collect the legally mandated Kshs. 500 monthly motorcycle parking fees as per Part 139 of the Kisumu County Finance Act, 2024.
 - v. Advertising fees of Kshs. 170,957,830 unsupported by billboard registers, compliance records, or signage listings.
 - vi. No listings for businesses charged under public health services, raising questions over the Kshs. 8,608,602 collected.
 - vii. Hospital fees of Kshs. 672,749,689 unsupported by detailed collection reports from the respective health facilities.

Committee Recommendations

1. That, the County Executive Committee Member (CECM) for Finance, Economic Planning, and ICT should take immediate administrative action against the officers who have consistently failed to provide supporting documentation for revenue to the Auditor General
2. That, supporting documents be provided to the Auditor General for all the unsupported revenue within a period of 21days upon adoption of this report
3. That the matter is unresolved

3.6 Unbanked Own Source of Revenue

The statement of receipts and disbursement reflects total own source revenue of Kshs.1,509,121,029 for the year ended 30 June, 2024. Review of the revenue records revealed that revenue from the Paybill number 425542 is automatically swiped every end of day to the Kenya Commercial Bank account 114991705. However, revenue totaling Kshs.6,415,821 was withdrawn from the Paybill account instead of being transferred to the bank account. This was contrary to Section 63(4) of the Public Finance Management (County Governments) Regulation, 2015 which require that all public moneys collected by a receiver of revenue or collector of revenue or collected and retained by a County government entity, shall be paid into the designated bank accounts of the County government.

The accountability by the collecting agents was not evident and therefore receiving and banking in the County Revenue Fund Account as required by law could not be confirmed.

Management Response

The commercial bank account acknowledged the transfer of money from County Paybill 425542. Safaricom was requested to address these variances identified and confirmed through a letter attached that no money was lost and system challenges may have caused the variations.

Committee Observation

1. That, revenue amounting to Kshs. 6,415,821 collected through the County Paybill number 425542 was withdrawn directly from the Paybill account instead of being transferred to the designated County Revenue Fund account, contrary to Section 63(4) of the Public Finance Management (County Governments) Regulations, 2015.
2. That, the Management was given the opportunity during audit and committee deliberations to provide explanations and supporting documentation but failed to demonstrate accountability for the funds.
3. That as a result, the receipt and banking of the funds into the County Revenue Fund Account could not be confirmed by both auditors and the committee

Committee Recommendations

1. That, this matter be referred to the Ethics and Anti-Corruption Commission (EACC) for further investigation into possible loss or misappropriation of public funds arising from the irregular withdrawals of Public funds
2. The matter is unresolved

3.7 Failure to Automate Liquor Revenue Collection

During the year under review, an amount of Kshs.20,689,030 was received in respect of Liquor Licensing Fees. However, information provided indicated that the Liquor Fund had not automated its revenue collection system despite the Integrated Revenue Management System

(IRMS) deliverables being met on go live on the liquor licensing module. This was contrary to Regulation 22(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the accounting officers shall, in accordance with Article 226(2) of the Constitution and Section 149 (1) of the Act, be accountable to the County Assembly for maintaining effective systems of internal control and the measures taken to ensure that they are effective.

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

Management Response

The integration of liquor was effectively on-boarded from July 2024 and due to stages planned by the system developers to complete their system development.

Committee Observation

That the integration was confirmed from the web-based IRMS during the verification of the executive's report, according to the Office of the Auditor General.

Committee Recommendation

That the matter is resolved

3.8 Unsupported Revenue Arrears

The statement of arrears of revenue reflects a balance of Kshs.1,223,717,801 and Kshs.1,862,474 in respect of land rates and property rent, respectively. However, Management did not provide an ageing analysis of the arrears as required by the Public Sector Accounting Standards Board reporting template. Further, the Management did not provide records or schedules to support the total outstanding revenue arrears of Kshs. 1,225,580,275.

Honourable Speaker, in addition, no records were provided to support the arrears received during the year of Kshs. 23,651,393.

In the circumstances, the accuracy, completeness, and recoverability of revenue arrears totaling Kshs. 1,225,580,275 could not be confirmed.

Management Response

Management hereby attached is a soft copy of the outstanding arrears on land rates in soft copy.

Committee Observations

1. That, the management failed to provide supporting records, schedules, or an ageing analysis for revenue arrears totaling Kshs. 1,225,580,275 (comprising land rates of Kshs.

1,223,717,801 and property rent of Kshs. 1,862,474), contrary to the Public Sector Accounting Standards Board (PSASB) reporting template.

2. That, there was no documentation to support arrears received during the year amounting to Kshs. 23,651,393, raising concerns on the accuracy, completeness, and recoverability of the reported arrears

Committee Recommendations

1. That, the management immediately prepares and maintains an accurate and up-to-date ageing analysis of revenue arrears in line with PSASB guidelines. The same be submitted to the Office of the Auditor General
2. That, the documentation to support the arrears received during the year amounting to Kshs. 23,651,393, be provided to the Office of the Auditor General within a period of 60days upon adoption of this report
3. That the matter is unresolved

3.9 Long Outstanding Arrears of Revenue

Honourable Speaker, the statement of arrears of revenue reflects land rate and property rent of Kshs.1,223,717,801 and Kshs.1,862,474 respectively. However, as disclosed in the statement of arrears of revenue, the balances relate to the financial year 2023/2024 and earlier years and were outstanding for more than one year. Further, there was no evidence of Management having put in place strategies to recover the outstanding rates as provided for under Section 63(1) of Management (County Governments) Regulations, 2015 which requires a Receiver of Revenue to ensure adequate safeguards exist and are applied for the prompt collection and proper accounting for, all County Government revenue and other public moneys relating to their County departments or agencies.

Failure to collect the outstanding rates may have negatively impacted services delivery to the residents of Kisumu County.

Management Response

Management formed Debt collection Unit for the purpose of pursuing revenue arrears.

The City Manager was assigned to the structure revenue streams.

Committee Observation

That, the County Executive has long outstanding arrears of revenue totaling Kshs. 1,225,580,275 (comprising land rates of Kshs. 1,223,717,801 and property rent of Kshs. 1,862,474), some of which have been outstanding for more than one year, with no clear recovery strategies in place

Committee Recommendations

1. That, the management develops and implements a robust revenue recovery strategy, including enforcement actions, to collect the outstanding arrears. A progress report on the status of recovery be submitted to this Assembly and the Office of the Auditor General within a period of 60days upon adoption of this report.
2. That, the County Government should fast-track the completion of the valuation Roll and implement effective recovery measures to enhance revenue collection
3. That, the matter is not resolved

4.0 Failure to Disburse Collected Revenue

Honourable Speaker, the statement of receipts and disbursements reflects balance due for disbursement to County Revenue Fund of Kshs.702,047,319. This was contrary to Regulation 81(2) of the Public Finance Management (County Government) Regulations, 2015 which requires that the receivers of revenue shall promptly pay the revenue received into the County Revenue Fund, as soon as possible and in any case not later than five (5) working days after receipt thereof. Further, as disclosed in Note 20 to the financial statements, the bank accounts had balances totaling Kshs.2,467,430, resulting in an unreconciled and unexplained difference of Kshs.699,579,889 between the funds available and the funds due for disbursement.

Honourable Speaker, in the circumstances, Management was in breach of the law

Management Response

The undisbursed amount of Kshs.702,047,319 are a combination of FIF and Liquor which are spent at source as authorized by law and could not be transferred to CRF.

Committee Observation

That, the balance due for disbursement to County Revenue Fund of Kshs.702,047,319 was not supported with accountable and verifiable records

Committee Recommendations

1. That, the County Executive Committee member for Finance, Economic Planning and ICT immediately takes disciplinary action against the officers who failed to provide supporting documents during the time of audit and as at the time of committee deliberations
2. That, the matter is not resolved

4.1 Budgetary Control and Performance

Honourable Speaker, the statement of comparison of budget and actual amounts reflects budgeted and actual receipts of Kshs. 2,282,844,694 and Kshs.1,509,121,029 respectively resulting to under collection of Kshs. 773,723,667 or 34 of the budgeted revenue. The under collection could be indicative of unrealistic revenue targets or failure to put in place measures to prevent revenue pilferage by Management.

The under collection of own source revenue adversely affected the funding of planned activities and the overall performance of the County Government programmes.

Management Response

The decline is occasioned by the litigation tussle in implementing valuation roll being that an association had put a conservatory order to the rating Acts.

Committee Observation

That, there was under collection of own source revenue adversely affected the funding of planned activities and the overall performance of the County Government programmes

Committee Recommendations

1. That, the National Treasury should strictly adhere to the approved cash disbursement schedule, as approved by the Senate, to ensure timely and predictable release of funds to County Government entities for efficient budget execution and service delivery
2. That, the matter is resolved

Conclusion

Honourable Speaker, I hereby request that this House adopts this report of the Public Accounts and Investments Committee on the consideration of the Auditor General's Report on the Financial Statements on Receiver of Revenue for the year ended 30, June 2024. May I call upon Honourable Omollo to second.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta "B"): Honourable James Omollo.

Hon. Omollo (MCA, West Nyakach): Thank you Madam Speaker, I rise to second the report of the Select Committee on Public Investments and Accounts on the Examination of the Report of the Auditor General on the Financial Statement of the Receiver of Revenue for the year ended 30th June, 2024.

Madam Speaker, as you can see, there is a lot of gaps killing our ability to collect revenue in this County and there are a lot of loopholes. There is no enhancement in terms of City of Kisumu to enhance revenue collection and some of the officers deployed to do the same evade using the ICT and do it manually.

Madam Speaker, you can check from the report that there are some revenue streams like the Liquor Board where they are not using the right software to do the revenue collection and they end up doing it manually. Yet this money do not enter into the coffers of the County, Madam Speaker, the recommendation thereof is so strict and if adhered to, I believe that, it will enhance

revenue collection. As a County, we have to enhance this because in most cases, these affect our deliveries in terms of projects, Recurrent Budget, Operations and Maintenance and any other.

Madam Speaker, this County projects so much in terms of local collections but, they fall sort of it year in year out, and this includes this Financial Year we are talking about. So, it is high time that these recommendations are followed and enhanced so that we can make good use of the systems put in place.

Madam Speaker, of importance is that however this County has tried to enhance revenue collection via ICT Systems, we still find that our officers, and some of them are known and I believe have been summoned or otherwise, just blatantly refuse to comply with the systems and end up misusing the same and collecting manually. And these monies you will find that they are not getting into the CRF account of this county. So, it is high time that, this House makes, stamp its authority in terms of making such culprits be liable for whatever they are doing because whatever they are doing affects our projects, affects the day-to-day running of this county. Madam Speaker, I beg to second thank you.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honorable members, the motion has been moved for the 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 Statement of the Receiver of Revenue for the year ended 30th June, 2024. This was seconded by Honourable James Omollo, I therefore want to propose that the motion be open for debate.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable Warindu.

Hon. Warindu (MCA, Miwani): Thank you once again Madam Speaker. Let me also still thank this House Committee for continually bringing the business for the House. Madam Speaker, this is an oversight body and if we see the reports like this, then as a county it is like we are heading nowhere.

Madam Speaker, there are three diseases that mainly affects our county, one of them was in terms of Own Source Revenue which was supposed to supplement what the treasury funds are doing in our county. The second one is the huge Wage Bill that we are having and lastly we have the Pending Bills which I really doubt if they will be cleared during this Third Term of Devolution. Madam Speaker, if we really mean well for the county to move forward in terms of development, then we must tighten our belts when it comes to our Own Source Revenue (OSR).

Madam Speaker, there has always been a gap each and every time that the county is making its budget. We give the target and we always fail to achieve it even a quarter of that target. For those who were keen during the news bulletin yesterday night, it was reported that Kisumu County had collected around Kshs 620,000,000 million against a target of Kshs 3.7 million.

Madam Speaker, if that gap is left that way, then it means that most of our development projects will not take off and as a county will behave like a payroll station where we wait for the release of money from the Exchequer so that we can use it to pay the workers of Kisumu County. For those who are keen enough, we had discuss a motion here to allow the County Executive to have a Short-term Borrowing so that they can pay the salaries for their workers. If we were an effective county which respects the systems that have been put in place, then paying the employees of Kisumu County their salaries should not even be a problem. Madam Speaker, there are so many gaps and there is no one who is willing to take actions or to see if these gaps are going to be eradicated.

Madam Speaker, there is late Submission of Revenue Statements which I believe some of them are just intentional. There are inaccuracies in the revenue statements and there is one Unbanked Own-Source Revenue. Again, in this one I have to thank this House Committee because Honorable Oiko has been requesting for bold recommendations in these reports. If you look at this, the recommendation there is that the matter should be taken to the investigative body the EACC and I want to believe that is the farthest this House Committee can reach.

However, if we really want to move forward as a county, we need to be keen on these gaps and find ways in which these ones can be corrected. So, if we do not stand our ground as an over-seeing body and we see these things happening day and night, then as a county we are digging our own graves. It is so funny when we walk along the corridors of this town when a revenue officer went to at least take the parking fee. The only statement that we heard there was you can send that money into my M-Pesa account. I don't know how that will be accounted for and that is what is going on all through. And if we do not come out strongly, Madam Speaker, then as a county I am not afraid to say that we are going to fail as a county.

Madam Speaker, I am looking forward and I'm urging the House that at least let us as ones take these recommendations and resolutions strongly so that we can at least redeem the public confidence on us. We have so many recommendations and resolutions, but the only problem is just implementation. If we can go through these ones, one by one, then I believe as a county we will try to at least bridge the gaps that we have in terms of financial management. Let us as a county, and this is to the County Executive, not burden the funds that are coming from the National Government.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable Warindu, your time is up, please wind up.

Hon. Warindu (MCA, Miwani): Let us not pay so much attention on what is coming from the National Government while we have so many potential revenue streams and we are not using them. Madam Speaker, I beg to separate.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Yes, Honourable Benny.

Hon. Oiko (MCA, Kabonyo/Kanyagwal): Thank you Madam Speaker, I also want to make my little contribution and my big problem today, I do not know, I did not even get the good recommendation made by this House Committee.

However, Madam Speaker, the Office of the Auditor General has given us a clear picture of what ails the financial department of Kisumu. The Auditor General is informing this House in a broad daylight that we have failed to oversight the Department of Finance. They have equally failed to do their work effectively when you look at this report.

Madam Speaker, with this kind of scenario, the Minister for Finance has been in that office from 2019. Why changes cannot be brought about in that office is the big question. And this assembly should also note that since His Excellency Governor Nyongó became the Governor of Kisumu, the Chief Officers of Finance have been on an Acting Capacity. That will also be taken to be a major weakness in that department. And then one wonders, why can't we have a Chief Officer in that department who is approved by this House? Is it intentional to bring this message in that department? And that is a question that is a phrase that should go to the Governor himself. And what the Auditor General is saying here.

Madam Speaker, when Honourable Ochele was talking here, he referred to a statement that was raised by Honourable Samuel Onyang'o. This is on the Revenue Officers who were employed recently. When we are informed of inaccuracies in revenue statement, what picture are we being told by the Office of the Auditor General? When you look at the advert that was made, when that employment was to take place, they even wanted people who had majored in Social Sciences. When you look at the list of those who were employed, the Nursery School Teachers were employed as Revenue Collectors. Madam Speaker, can a nursery school teacher can prepare what financial record? Someone who has done social work was employed in that department. What financial record can they prepare? So this report of the Auditor General is very accurate of what is happening at the Department of Finance. They cannot prepare proper financial statements because of the caliber of staff they are employing. And is the Assembly aware of that? We must connect these reports that come to the Assembly so that we gauge exactly what is ailing this county.

Madam Speaker, we have been informed of the weakness in Cash Management. When there is weakness in cash management, what does it imply? Proper procedure is not being followed. Who

is supposed to institute the proper procedure in that department? It is the Chief Officer of Finance. And there what we have are people in acting capacity. So, these are matters that we must say loudly for the Governor to hear.

Madam Speaker, if Own Source Revenue (OSR) is collected and it's not bank, where does this money end up? Money is collected, it is not bank. And Unbank Own Source Revenue, where is the money going to? There is also weak cash management, which means money is being spent at source. And when money is being spent at source, what control measures are put in place?

Madam Speaker, the picture we are being given here, I wish the leadership was here, the Chairperson, Budget and Appropriations Committee was here, so that when we are complaining about the world's best projects, they should not manipulate us. This is because, the country has failed its people. When they cannot collect enough money, which is assumed is being collected, whose mistake it is? If money from the liquor is being collected manually, what is the intention? And Madam Speaker, mapping has been done in this county. And at one time you were informed that, when proper mapping is done, proper collection is done through digital, this county can collect seven billion.

Madam Speaker, we are again informed that, if this county can get the revenue from the government institutions, from the National Government, collection can knock about Kshs 27 billion. Kisumu County is rich in terms of own source revenue. But we have failed to do proper work for our people. This is the report the Auditor General is giving us. And the Auditor General is informing this House that, the Department of Finance has failed the county. So, the respective House Committees that are there to oversight the Department of Finance must wake up and we must tell the Minister, the Governor, the true position. Madam Speaker, with those few remarks, I so contribute. And I hope measures will be taken. The Assembly will not go to sleep with this kind of report.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable Kelvin Oraro.

Hon. Oraro (MCA, Kolwa Central): Thank you Madam Speaker. As earlier said, I believe that, majority of the Members never took the time to read the report. And for that reason, do not avail themselves to come and discuss this report, which is very important to the management of this county.

Madam Speaker, when talking about revenue collection, and seeing the observation that this House Committee highlighted, I realized that actually we do not know what we are doing, and the injury we are causing this county. Our Governor was elected, and is the head of Executive, County Government of Kisumu. He has a lot of plans, and if not guided well through our role as

oversight institution, then actually he may not know what is going on. And that is why most of our roles tend to go to the Senate, by virtue that we do not take issues seriously.

Madam Speaker, in this, I want to say that the House Committee headed by Kennedy Ouko was trying to dance, and tried to just avoid making serious recommendations. This is because, this House Committee clearly points to us some of the serious issues that they flagged out as a House Committee. One, is lack of ledgers, requisite schedules to support the revenue statements, absence of IRMS data showing invoices generated and paid. These are serious issues. Parking fee of Kshs 98,551,263 unsupported by receipt books. Parking slot register, control sheets or cash book. Simply, this House Committee was able to tell that this money alone that was discovered, there is some fishy, fishy things going on in this department. Meaning that, we can even get more on parking fee.

Madam Speaker, again this House Committee is informing this House that, this department failed to collect the legally mandated Kshs 500 monthly Motorcycle Fee, as per the Kisumu County Finance Act, 2024. Which i believe is okay, the county is not collecting Kshs 500 like other counties do. Advertising fee of Kshs 170,957,000 and supported by billboard registers. The billboards we see around generate a lot of money. And where the money is coming in, you realize that there is a lot of information that is not adding up. That is a discovery made by this House Committee.

Madam Speaker, there is no listing for Businesses Charged under Public Health Services. There is no listing. Raising questions over Kshs 8 million collected. Then, that means that something wrong is happening. Hospital fee of Kshs 672 million unsupported by detailed collection reports from the respective health facilities. This is the House Committee able to find and even point out in the report. But now the question comes. And this is where I can say the Chairperson was trying to dance and avoid confrontation. I do not know from the big brother. The recommendation that came after the observation clearly indicates that, this House Committee had no intention to even dig deeper and get the full report from those. So, with that, they were giving very nice words. That, the County Executive Committee Member, Finance and Economic Planning and ICT takes immediate administrative action.

Madam Speaker, I recall that, this is the place where our county is failing. Many counties, Homa bay county, you'll find people talking about revenue enhancement. But ours is not increasing. Who is there to stamp his authority? Do we expect that 'mama mbogas' from the villages we represent to come and say this? They pay their levies as required of them. The money does not reach the county coffers. Then, at the end of the day, this is discovered. This House Committee is also able to tell. However, the manner of recommendation provided simply means that they don't want problem.. And that is why the Chairperson is very comfortable together with his secretariat.

By choosing very nice words that do not try to annoy someone sitting somewhere, Madam Speaker.

So, in this case, Madam Speaker, I want to say that this House Committee nailed it. You provided very good observation. Nonetheless, these recommendations are somehow friendly in a manner. And I hope if I was sitting in that chair with those recommendations, I'm not a worried person. I will continue sitting there so that, I look for a friendly administrative way of trying to correct maybe one. And year in, year comes, year goes. We are now approaching election period. And the problem that we have not solved as a Third Assembly is to see revenue collection enhanced. It is in public domain that once removed from the county government, then the revenue that we normally get will somehow drop. What are we doing as an assembly to assist, exert pressure on the County Executive so that they can do something on revenue collection? Our House Committee was given the work to investigate a fraud that was realized by the ICT person. And it forced even the Chairperson, Kisumu County Revenue Board to resign. Meaning that, we have problems. And such recommendation does not give way forward that can make it so serious. Madam Speaker, I have seen that you already wanted to speak, allow me 30 seconds.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable member, this is to remind you to please summarize. I'm giving you another one minute.

Hon. Oraro (MCA, Kolwa Central): Thank you so much, Madam Speaker. So, in reality, we know where the problem is. It is not about the Chairperson, of this House Committee, but it is the problem that assembly knows very well. And if this assembly is not going to strengthen and see some of these officers are moved or even suspended, then I'm seeing a situation where some of our reports will just be prepared and discussed without repercussions as recommended. But if we can take advantage after realizing the problem and we face them head on, then Honourable Ouko you will be like Honourable Bonnie Khalwale who sent Kimunya home. So, Honourable Chairperson, try as much to be that Honourable Bonnie Khalwale. Thank you.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Yes Honourable Obaso.

Hon. Obaso (Nominated Member): Thank you, Madam Speaker. I remember few months ago, when we were passing the Kisumu County Budget Estimates and the Appropriations Bill, 2025, there were complaints on where we could find the development money. And some of the resolutions that we made were that we enhance our Own Source Revenue (OSR). And with this trend, Madam Speaker, it is my considered opinion that, as a County, we still have a long way to go.

Madam Speaker, the mismanagement of public funds is one of the greatest challenges costing this county, and unless decisive action is taken, we risk failing as a county. Madam Speaker, I

therefore urge our able Governor to take firm charge of his cabinet and make own-source revenue a central part of his agenda.

Madam Speaker, currently, this county relies heavily on the Equitable Share, yet we have the potential to generate far more revenue internally—well beyond the targets we set. Without major reforms in the Department of Finance, however, we shall remain over-dependent on allocations from the National Government. It is therefore our responsibility, as policy makers, to sit down with the Governor and ensure that own-source revenue becomes a priority for this county. Otherwise, we will continue lamenting about the shortage of funds for development.

Madam Speaker, I also wish to commend this House Committee for the commendable work they are doing in exposing the mistakes and wrongs within the County Executive. Their oversight role is crucial in safeguarding the interests of our people. With those remarks, Madam Speaker, I support the motion before this House. Thank you.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta B): Honourable Member, representing Chemelil Ward that is Honourable Odari.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Yes, the Honourable Member, representing Chemelil/Tamu.

Hon. Odari (MCA, Chemelil/Tamu): Thank you very much, Honourable Speaker. I will be very brief. I have a very serious concern regarding this document. However first, let me commend this House Committee for the good work they have done. Now, it is upon us, as members, to decide whether to help this county or not.

Madam Speaker, if you look at section 3.6 on banked Own Source Revenue, you will realize that, under code 1509-121-002 for the year ending 30th June 2024, a review of revenue records revealed that collections from pay bill number 425542 were automatically swept into account number 114991705. I want to bring to the attention of this House that what we are discussing here is *revenue collection*.

The official Kisumu County Revenue Collection Account is 01101496329001, with pay bill number 4222. Madam Speaker, it is now evident to me that the Department of Finance, which has been misleading this Assembly, has also had the audacity to mislead the Office of the Auditor General. This is unacceptable, and we must take action if we truly want to save this county.

Secondly, Madam Speaker, if revenues are being received through a separate pay bill number before being transferred to the County Government Account, then we must question the motive.

The account number 114991705 is indeed a Kisumu County account at KCB, but the practice of diverting collections through other channels raises serious accountability issues. On the ground, revenue collectors are even using their own M-Pesa agents. If this continues, we cannot succeed in managing our resources effectively.

Finally, Madam Speaker, I submit that this House must summon the County Executive Committee Member, Finance and Economic Planning and ICT to appear before us and provide answers. The truth is, despite several invitations, he has failed to honour them, disregarding the authority of our committees. In doing so, the County Executive Committee Member, Finance and Economic Planning and ICT has contravened the Powers and Privileges of the Kisumu County Assembly under Section 27, Cap 265. With that, Madam Speaker, I support.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Yes, Honourable Carren.

Hon. Carren (MCA, Kaloleni Shaurimoyo): Thank you, Madam Speaker, I wish to call the mover to reply.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable Kennedy Ouko.

Hon. Ouko (MCA, West Kisumu): Thank you Madam Speaker, and Honourable Members of this County Assembly. I truly appreciate all of you stated because without your contributions, there would be no committee of the House. This is not a House Committee for ourselves alone—it is a House Committee of this Assembly. We welcome both criticism and praise, because that is what helps us grow.

Madam Speaker, we must admit that we are sitting on a time bomb. If we do not treat these matters with utmost seriousness, the operations of Kisumu County will grind to a halt. This House agreed that revenue collection in Kisumu County should be automated, and indeed we were once taken through a fool proof system in Naivasha. At that time, we all believed, and even celebrated, that at last we had a solution. Yet today, we are confronted with another pay bill number being used to collect revenue, and instead of being deposited into the designated account as required by law, the funds are diverted elsewhere. How then can we expect to realize our own-source revenue targets? Clearly, something is very wrong, and this malpractice risks dragging the name of our Governor into disrepute.

Madam Speaker, Section 157 of the Public Finance Management Act, 2012, is very clear. It states that the County Executive Committee Member, Finance and Economic Planning and ICT shall, in writing, Designate a Receiver of County Government Revenue, who will be responsible for collecting, receiving, and accounting for specific revenue. Each receiver of revenue remains

directly accountable to the County Executive Committee Member, Finance and Economic Planning and ICT .

It has been suggested that the County Executive Committee Member, Finance and Economic Planning and ICT should appear before this House. Indeed, every fund has a Fund Manager, appointed by the County Executive Committee Member, Finance and Economic Planning and ICT, who is the first point of accountability. If the Assembly is not satisfied with the fund manager's responses, then it is fully within our mandate to invite the County Executive Committee Member, Finance and Economic Planning and ICT. I want to confirm, Madam Speaker, that with respect to this House Committee, the County Executive Committee Member, Finance and Economic Planning and ICT has always honoured our invitations. We have never had cause to summon him, because a summons only arises after three ignored invitations. Perhaps the same may not apply to other House Committees, but to the Select Committee on Public Investments and Accounts, the County Executive Committee Member, Finance and Economic Planning and ICT has been cooperative.

Madam Speaker, that said and done, it is also clear that there are no sound policies guiding revenue collection and management in this county. Equally worrying is the absence of competent officers to oversee the finances once collected. Unless this is addressed, we shall remain in deep trouble.

Madam Speaker, I urge members of this Assembly to rise to the occasion and be counted. Our Standing Orders provide room to amend reports and recommendations. This means we can strengthen the report before us, even forwarding parts of it to the EACC if necessary. Let us take advantage of this provision.

Finally, I emphasize that most of these challenges could be avoided if Quarterly Financial Reports were properly scrutinized by the Departmental Committee on Finance and ICT before they are escalated. If this process is strengthened, many of the problems we see today would be identified and resolved early. With those remarks, Madam Speaker, I agree with the recommendations brought by Honourable Pete. I beg to reply. Thank you.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta "B"): Thank you, Honourable Ouko. Seeing the man of the hour, I chose to be patient and lenient with you—but I must commend you for the wonderful job you have done.

Honourable member, please allow me to offer some advice arising from the debate on these two motions. As per our Standing Orders, it is the responsibility of the Departmental Committee on Finance and ICT to thoroughly scrutinize financial statements. We have observed that the Auditor General only reviews selected areas and does not comprehensively cover all aspects of

the statements. That mandate, therefore, rests squarely with the Departmental Committee on Finance and ICT to ensure that every detail is examined, and the Assembly is fully informed of what is happening.

When the recommendations of the Departmental Committee on Finance and ICT are combined with those of Public Investments and Accounts, they will provide stronger guidance for the sound financial management of our county.

Honourable members, I want to sincerely appreciate your consistency throughout this debate. We have sat long today, and I know considering two consecutive reports from the Select Committee on Public Investments and Accounts is not easy. Yet, you remained engaged to the end, and for that, I thank you. Honourable Members, allow me to put a question on the motion of the 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 the Receiver of Revenue for the period ended 30th June 2024 be adopted.

(Question put and agreed to)

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable members, the motion on adoption of the report of Select Committee on Public Investments and Accounts on the Examination of the Report of the Auditor General on the financial Statements of the Receiver of Revenue for the period ended 30th June 2024 stands adopted today, Thursday, the 04th of September 2025 at 17:50 hours.

In furtherance to that, I direct that this report together with the Hansard be prepared and forwarded to the relevant department and any other authority for necessary action.

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Next order!

ADJOURNMENT

The Deputy Speaker (Hon. Okombo, MCA, Manyatta “B”): Honourable members, we are reminded of Kamukunji after this session. There being no any other business to transact,, this House stands adjourned until Tuesday, 09th September, 2025 at 02.30 p.m.

(House rose at 05.52 p.m.)

Addendum

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