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TWELVTH PARLIAMENT-SECOND SESSION

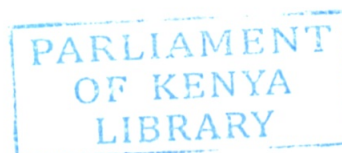
REPORT OF THE SENATE SESSIONAL COMMITTEE ON COUNTY PUBLIC
ACCOUNTS AND INVESTMENTS ON THE INQUIRY INTO THE FINANCIAL
OPERATIONS OF HOMABAY COUNTY EXECUTIVE FOR THE FINANCIAL
YEAR 2013/2014 (1ST JULY, 2013 TO 30TH JUNE, 2014)

COS

Recommended for approval

for tabling.

EF 13/06/18



CLERK'S CHAMBERS
THE SENATE
P.O.BOX 41842-00100
NAIROBI

JUNE, 2018



REPUBLIC OF KENYA

THE SENATE

ELEVENTH PARLIAMENT-THIRD SESSION

**REPORT OF THE SENATE SESSIONAL COMMITTEE ON COUNTY PUBLIC
ACCOUNTS AND INVESTMENTS ON THE INQUIRY INTO THE FINANCIAL
OPERATIONS OF HOMA BAY COUNTY EXECUTIVE FOR THE FINANCIAL
YEAR 2013/2014 (1ST JULY, 2013 TO 30TH JUNE, 2014)**

**CLERK'S CHAMBERS
THE SENATE
P.O.BOX 41842-00100
NAIROBI**

*Hon. Speaker
You may approve
for tabling.
04/11/15*

*Approved
4/11/15
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*Paper laid on the
table of the Senate on
05/11/13 by Sen. Khalwale
LHP*

*CDS
Endorsed for Consideration
and Tabling
03/11/15*

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ACRONYMS/ABBREVIATIONS

SO	- Standing Orders
OAG	- Office of the Auditor General
VAT	- Value Added Tax
PFM	- Public Finance Management
CBK	- Central Bank of Kenya
CIDP	- County Integrated Development Plan

PREFACE

Mr. Speaker Sir,

Committees are a creation of the Constitution through Article 124(1) of the Constitution which empowers each House of Parliament to establish Committees and make Standing Orders(SO) for the orderly conduct of its proceedings, including the proceedings of its Committees.

The Senate Sessional Committee on County Public Accounts and Investments is established by the Senate pursuant to Standing Order No. 212 and is mandated:-

- (a) Pursuant to Article 96(3) of the Constitution, to exercise oversight over national revenue allocated to the county governments,
- (b) Pursuant to Article 228(6) of the Constitution, to examine the report of the Controller of Budget on the implementation of the budgets of county governments,
- (c) Pursuant to Article 229(7) and (8) of the Constitution, to examine the reports of the Auditor-General on the annual accounts of the county governments,
- (d) To examine special reports, if any, of the Auditor-General on county government funds,
- (e) To examine the reports, if any, of the Auditor-General on the county public investments, and
- (f) To exercise oversight over county public accounts and investments

Mr. Speaker Sir,

The membership of the Committee comprises of the following Senators:-

1. Sen.(Dr.) Boni Khalwale - **Chairman**
2. Sen. Hassan Omar Hassan - **Vice Chairman**
3. Sen. Kipchumba Murkomen
4. Sen. Wamatangi Kimani
5. Sen. Karue Muriuki
6. Sen. (Prof.) John Lonyangapuo
7. Sen. Wangari Martha
8. Sen. Khaniri George
9. Sen. Sitswila Wako Amos
10. Sen. (Prof.) Anyang Nyong'o
11. Sen. Kennedy Okong'o Mongare

Mr. Speaker Sir,

The Committee was first constituted on 27th March, 2014 pursuant to Senate Standing Order 181 following a resolution of the House on Thursday 27th February 2014 to amend the Senate Standing Orders. The Committee was subsequently reconstituted on 17th February, 2015 Pursuant to Senate Standing Order 210(1) which requires **Sessional Committees** to be reconstituted at the Commencement of every session.

Mr. Speaker Sir,

The Senate Sessional Committee on County Public Accounts and Investments is the avenue through which the Senate under the provisions of Article 96(3) of the Constitution carries out the ex-post scrutiny of County Governments Budgets.

Mr. Speaker Sir,

The Committee largely relies on the report of the Auditor General and the Controller of Budget as key instruments for its ex-post scrutiny of County Governments Budgets.

Mr. Speaker Sir

The Office of the Auditor General on various dates from the month of June, 2015 forwarded reports on the financial operations of the County Governments for the financial year 2013/2014 to the Senate pursuant to the provisions of Article 229(7). As such, the Report of the Financial Operations of Homa Bay County Executive for the period 1st July, 2013 to 30th June, 2014 was tabled on 30th June, 2015 and stood committed to the Sessional Committee on County Public Accounts and Investments.

The Committee held several meetings with Homa Bay County Executive on various dates including 14th, 15th and 29th July, 2015 where it considered the report of the Auditor General under review. The Committee further visited the County Government on 6th August, 2015 to follow up on particular issues that required verification.

The sittings were primarily investigatory and the Committee received evidence from the Governor as the Chief Executive Officer and policy maker of the County Government of Homa Bay.

The main issue for determination and investigation was the audit queries contained in the report of the Auditor General on the Financial Operations of Homa Bay County Executive for the financial year 2013/2014 (for the period 1st July, 2013 to 30th June, 2014)

This report is issued pursuant to the requirements of Articles 96 (3) and 229(8) of the Constitution of Kenya and the Senate Standing Order 203.

Mr. Speaker Sir,

The Committee in arriving at particular recommendations in this particular report of the Auditor General for the Financial Operations of Homa Bay County Executive took into account the challenges faced by Counties at their nascent days.

The Committee was further guided by the mandate of the Senate pursuant to the provisions of Article 96(1) of the Constitution; particularly the need to strike a balance between protection and oversight of counties in accordance with the provisions of Article 96(1) and 96(3) of the Constitution.

The Committee structured its deliberations and decisions in the following manner:

- (i) **Unlawful expenditure:** In this category, the expenditure in question could not be justified under any circumstances. In instances like this, the Committee recommended immediate recovery/surcharge of the individuals who received the funds.
- (ii) **Instances where procurement rules were not followed but goods and services supplied as per the details of the requisition:** In instances where the County Government used restricted tendering method instead of open tender method but goods were delivered as per the details of the Local Purchase Order, the Committee depending on the oral and written submissions recommended that the respective accounting officers be reprimanded for not following the Public Procurement Rules and Regulations and be required to submit a report to the Senate on administrative actions and austerity measures taken to mitigate against committal of similar offences in the subsequent financial years.

- (iii) **Instances where procurement rules were not followed and the Committee could not ascertain that the public funds appropriated were used diligently:** The Committee recommended that the office of the Auditor General undertakes the value for money audit on that specific project and submit a report to the Senate within a period of one year.
- (iv) **Instances where procurement rules were not followed and goods and services delivered did not match those goods requested for by the procuring entity:** The Committee took the view that this was a fraudulent transaction and recommended that the officer who authorized payment should be surcharged and held personally liable for the loss of public funds in question.
- (v) **Instances where an irregularity occurred and the County Government detected it and took disciplinary action against the officers involved:** The Committee was lenient in such cases and depending on each case, cleared the audit query and no further action was recommended.
- (vi) **Instances where procurement rules were not followed but the Committee ascertained that no Public funds were lost in the transaction:** The Committee recommended that the audit query be cleared and no further action was recommended.
- (vii) **Instances where the County Government failed to submit the required documents during the time of audit but subsequently submitted the documents to the Auditor General and the documents were examined and the Auditor General was satisfied with the evidence submitted:** The Committee cleared the audit query but recommended that the County Government should submit the documents to the Auditor General at the time of audit.

EXECUTIVE SUMMARY

The Committee was first constituted on 27th March, 2014 pursuant to Senate Standing Order 181 following a resolution of the House on Thursday 27th February 2014 to amend the Senate Standing Orders. The Committee was subsequently reconstituted on 17th February, 2015 Pursuant to Senate Standing Order 210(1) which requires *Sessional Committees* to be reconstituted at the Commencement of every session.

In the execution of its mandate, the Committee relied on the report of the Auditor General on audited Accounts of Homa Bay County Executive for the Financial year 2013/2014(1st July, 2013 to 30th June, 2014) as the primary document for the investigations.

The Committee invited the Governor as the chief executive officer of the County Government pursuant to Article 179(4) as a witness to respond to the audit queries raised in the report under consideration.

The Committee began its work by scheduling meetings for evidence taking where the Governor was invited to respond to audit queries raised by the Auditor General in the report under consideration on various dates including 14th , 15th and 29th July, 2015 and 6th August, 2015.

The Committee considered and concluded its inquiry onto the report of the Auditor General on the Financial Operations of Homa Bay County Executive for the Financial Year 2013/2014(1st July, 2013 to 30th June, 2014).

This report documents the observations and recommendations of the Committee on each audit query and it is divided into five parts.

The preface details the place of Committees in the Constitution, Committee establishment and mandate, Committee membership and formation, the niche of the Committee in the Senate, the executive summary, key observations and recommendations and acknowledgement.

Chapter one contains a brief overview of Homa Bay County and a background to the report of the Auditor General under consideration and the subsequent visit to Homa Bay county from 5th to 7th August, 2015.

Chapter two is a record of the audit queries raised in the report of the Auditor General under consideration and observations and recommendations of the Committee on each audit query.

Chapter three captures the overall observations and findings of the Committee on the entire report of the Auditor General on financial operations of Homa Bay executive for the Financial year 2013/2014(1st July, 2013 to 30th June, 2014).

Chapter five contains the overall recommendations of the Committee on the entire report of the Auditor General on financial operations of Homa Bay executive for the Financial year 2013/2014(1st July, 2013 to 30th June, 2014).

COMMITTEE'S GENERAL OBSERVATIONS

The Committee Observed that:

- i. The County executive arm of the County Government regularly used the restricted tendering in the procurement of goods and services. This was in contravention of the existing Public Procurement Rules and Regulations.**
- ii. Apart from regular use of restricted tendering, the County Government in many instances did not follow the Public Procurement Rules and Regulations governing the procurement of goods and services in the public sector. Although the goods and services may have been supplied, lack of competitive bidding may have denied deserving business entities the opportunity to supply the said goods and services. Similarly, the County Government lost the opportunity to get the lowest bidders.**
- iii. The County Government spent considerable amount of funds at the tail end of the financial year and this was attributed to late disbursement by the National Treasury and the challenges that come with the closure of a financial year. This trend was uncalled for and may have resulted in unnecessary delays in the implementation of projects.**
- iv. The establishment of offices in the County Government was not driven by proper needs assessment and necessity for service delivery but rather on convenience and the urge to employ people.**
- v. There were unsubstantiated claims of malpractices in the recruitment of staff in the County Government whereby anonymous members of the public had alleged that some County Government officials had employed their relatives in the same departments they supervised. The County Government refuted the allegations.**
- vi. The future and sustainability of flag ship projects initiated by the County Government including the Poultry Hatcheries was uncertain because the projects were initiated without proper feasibility studies and the necessary framework for sustaining the projects. Some of the hatcheries were found not to be in use one year after their issue, some congested in one room with no security at all and others in private homes.**

- vii. The County Government recruited well qualified and equitably distributed personnel at the level of the County Executive Committee members and the Chief Officers.
- viii. The Transition Authority had not concluded the verification and authentication of assets and liabilities registers in the county,
- ix. The County Government in many instances was reluctant to avail the necessary documents to the Auditor General at the time of Audit.
- x. The County Government failed to maintain an up-to-date cash book

COMMITTEE'S GENERAL RECOMMENDATIONS

The Committee Recommends that:-

- i. The County Government should apply the use of restricted tendering sparingly in order to foster transparency, fairness, and equal distribution of opportunities and mitigate against the possible abuse of the restricted tendering to award tenders to only those favoured by the County Government officials;**
- ii. The County Government should endeavour to have what we may call "*the must have offices*" that may assist the County Government in efficient service delivery and prudent financial management. In this regard, the County Government should recruit personnel based on the existing gaps and needs in the staffing;**
- iii. The County Government should adhere to the Public Procurement Rules and Regulations in the procurement of goods and services. The County Government should in the subsequent financial years adhere to the rules and regulations governing the procurement of goods and services in the public sector;**
- iv. The Transition Authority should expedite the verification and authentication of assets and liabilities registers and submit a report to the Senate by 31st December, 2015;**
- v. The County Government should always provide all the necessary documents to the Auditor General at the time of Audit and not thereafter. The County Government should always take advantage of the management letter to respond to the audit queries raised;**
- vi. The County Government should ensure equitable distribution of jobs and opportunities to all Kenyans during the recruitment of staff.**
- vii. The County Government should maintain a comprehensive and up-to-date cash book and further ensure that bank reconciliation is carried out regularly and at least on monthly basis.**

- viii. The County Government should institutionalize feasibility studies as a key instrument for gauging the viability and sustainability of all projects financed by the County Government. Similarly, all the key stakeholders should participate in the identification of the projects to ensure that projects sponsored by public funds have wide acceptance at the County level and are based on real participation and involvement of the public.
- ix. The Office of the Auditor General should REGULARLY undertake the *value for money* audit in order to provide feedback on how best the public funds have been utilized.
- x. The County Government should utilize the interactive nature of the audit process including the entry and exit meetings, the management letter among others to respond satisfactorily to any audit queries and internal control weaknesses pointed out by the Auditor General at the time of Audit.
- xi. The County Government should at all times provide all the necessary documents to the Auditor General at the time of audit. The Committee will in the subsequent audit reports treat this as an offence that attracts severe consequences.

COMMITTEE'S SPECIFIC OBSERVATIONS, FINDINGS AND RECOMMENDATIONS ON EACH AUDIT QUERY

1.1 Failure to Maintain Revenue Cashbook

The Committee observed that although the County Government maintained cash books at every sub-county, there was need to have a general cash book at the County Treasury that provides an overall summary of revenue collection.

The Committee while relying on the oral and written submissions from the County Government and guidance from the Office of the Auditor General agreed to clear the audit query but recommends that the County Government should institutionalize proper recording keeping and ensure that the cash book is always up-to-date and a monthly bank reconciliation is undertaken at all times.

The Committee further recommends that the County Government should maintain a detailed and updated Cash Book at the County treasury in addition to the cash books maintained at the sub-county levels.

1.2 Failure to appoint County Receiver of Revenue

The Committee observed that although the requirements of section 157(1) of the PFM Act, 2012 were not complied with at the time of audit, the County Government had taken appropriate steps to comply with the law.

The Committee was satisfied with the response provided by the County Government on the audit query and the matter was *cleared and no further action was recommended.*

2.1 Additional Hostel at Sero Polytechnic

The Committee observed that although the County Government provided the necessary documents to clear the audit query, the County Government used quotation method instead of open tendering method in the procurement of the materials.

The Committee while relying on both oral and written submission from the County Government and the advice from the Auditor General finds that the County Government did not follow the existing public procurement rules and regulations.

The Committee through its visit to the County confirmed that the additional hostel at Sero Polytechnic had been constructed and therefore although the public procurement rules and regulations were not followed, all the records for the supplied materials were availed for verification by the Auditor General. The project was near completion at the time of visit.

The Auditor General further informed the Committee that apart from the faulty procurement process, all the other audit issues relating to the matter had been resolved.

The Committee therefore recommends that the Accounting Officer should be reprimanded for not following the existing public procurement rules and regulations in the procurement of the goods and services.

The Committee also recommends that the accounting officer takes internal disciplinary action against officers who were culpable in the flouting of procurement rules and regulations in the project.

The Committee further recommends that the Accounting Officer files a report to the Senate by 31st December, 2015 on administrative actions and austerity measures taken to mitigate against committal of similar offences in the future.

2.2 Purchase of Furniture and Fittings

The Committee observed that the decision to use restricted tendering was unjustified and therefore the County Government flouted the public procurement rules and regulations in purchase of furniture and fittings referred in the audit query.

The Committee in arriving at its decision took into consideration the transitional challenges faced by the County Government at its inception including staff shortage and lack of proper institutional structures.

The Committee through its visit to the County and advice from the Auditor General confirmed that the furniture and fittings were delivered to the County Government and were in use and therefore although the public procurement rules and regulations were not followed, no public funds were lost in the project.

The Committee therefore recommends the Accounting Officer should be reprimanded for not following the existing public procurement rules and regulations in the procurement of goods and services.

The Committee also recommends that the accounting officer takes internal disciplinary action against officers who were culpable in the flouting of procurement rules and regulations in the purchase of the items.

The Committee further recommends that the Accounting Officer files a report to the Senate by 31st December, 2015 on administrative actions and austerity measures taken to mitigate against committal of similar offences in the future.

2.3 Renovation of Governor's Office

The Committee observed that the decision to use restricted tendering was unjustified and therefore the County Government flouted the public procurement rules and regulations in the procurement of goods and service under the audit query.

Although the oral and written submission by the County Government attributed noncompliance to the challenges faced by the County Government during its nascent days, the Committee still found the County Government culpable for not following the public procurement rules and regulations.

However, the Committee while relying on the submissions from the Auditor General confirmed that the renovations on the Governor's Office were undertaken and no public funds was lost.

The Committee therefore agreed to clear the audit query but recommends that the Accounting Officer should be reprimanded for not following the existing public procurement rules and regulations in the procurement of goods and services.

The Committee also recommends that the accounting officer takes internal disciplinary action against officers who were culpable in the flouting of procurement rules and regulations in the purchase of the items.

The Committee further recommends that the Accounting Officer files a report to the Senate by 31st December, 2015 on administrative actions and austerity measures taken to mitigate against committal of similar offences in the future.

2.4 Ablution Block, Sentry and Perimeter Wall

The Committee observed that the submissions from the County Government sufficiently addressed the audit query and therefore cleared the matter and no further action was recommended.

2.5 Alteration and Extension of the Governor's Office

The Committee on the strength of the oral and written submissions by the County Government cleared the audit query and no further action is recommended.

2.6 Partition of the Education Hall

The Committee on the strength of the oral and written submissions by the County Government cleared the audit query and no further action is recommended.

2.10 Solar Lighting Project (Okonyo Welo)- (Ministry of Energy)

The Committee observed that the County Government failed to submit the necessary documents during the time of audit. This was largely an attempt by the County Government to frustrate and sabotage the audit function and by extension the accountability that is required in the management of public funds.

Nonetheless, the Committee having considered the period under review and corrective measures taken by the County Government in the establishment of tender committees and other related committees, agreed to consider both the oral and written submissions from the County Government.

The Committee further noted that the agreement signed between the County Government and Horizon Media Investments Limited expressly excluded VAT from the contract sum and therefore the subsequent inclusion of the VAT at the time of payment resulted in the variations and inflated the project cost by the VAT component.

The Committee finds that the exclusion of the VAT component in the contract sum was an illegality that should not be condoned by the accounting officer and should not be repeated.

The Committee also noted that the County Government may have been denied the opportunity to spend less through competitive bidding and the value for money may not have been realized in the project.

However, the Committee on the strength of both the oral and written submissions by the County Government and the advice from the Auditor General agreed to clear the audit query but recommends that the concerned Accounting Officer should be reprimanded for not following the existing public procurement rules and regulations in the procurement of goods and services.

The Committee also recommends that the accounting officer takes internal disciplinary action against officers who were culpable in the flouting of procurement rules and regulations in the purchase of the items.

The Committee further recommends that the Accounting Officer files a report to the Senate by 31st December, 2015 on administrative actions and austerity measures taken to mitigate against committal of similar offences in the future.

The Committee further recommends that the Auditor General should carry out the value for money audit of the project and submit a report to the Senate within a period of one year.

2.11 Poultry Hatcheries (Ministry of Agriculture)

The Committee observed that the method used in the identification of the beneficiary groups was largely subjective, arbitrary and without merit. Political considerations may have formed part of the basis for selecting beneficiaries because Members of the County Assembly were key stakeholders in the identification of the beneficiaries. Therefore the Committee found that the formula used in the identification of beneficiaries was without merit.

The Committee further noted that although the Poultry Hatcheries project was one of the projects listed in the ICDP, no feasibility studies were undertaken to support the viability and sustainability of the project. Under the circumstances, the sustainability of the project could not be ascertained.

The Committee further observed that the County Government continued to support the project through repairs of the machines, supply of spare parts and continuous capacity building of the beneficiary groups.

The Committee further found that although some Hatcheries were operational, a number of hatcheries were not operational owing to challenges relating to electricity shortage and mechanical break downs.

Although the visit to the County Government revealed that some Hatcheries were operational and generating an income for the beneficiaries, there were a number of hatcheries that were not operational. In this regard, the Committee had difficulty determining whether the project yielded the economic benefits envisaged by the County Government.

The Committee therefore recommends that the County Government should reevaluate its strategy on the project and undertake a detailed feasibility studies particularly on the specific challenges of electricity, maintenance and spare parts and the sustainability component.

The Committee also recommends that the County Government should steer the project in such a manner that in future it divorces itself from the management of the project in order to ensure that its sustainability is guaranteed.

The Committee further recommends that the office of the Auditor General should carry out *the value for money audit* of the project and submit a report to the Senate within a period of one year.

2.12 Renovation of Governors/Deputy Governors Residences

The Committee observed that although the County Government had since completed the two houses and submitted the relevant documents on the project to the Auditor General for verification, the failure and/or laxity in submitting documents to the Auditor General amounted to deliberate intention to frustrate the auditing process. This was unacceptable and will attract severe sanctions if reported in the subsequent audit report.

Nevertheless, the Committee while relying on the evidence submitted by the County Government and the advice from the Auditor General agreed to clear the audit query but recommends that the County Government should always provide all the necessary documents to the Auditor General at the time of Audit.

2.13 Rehabilitation of Sewerage Works in Homa Bay Town (Min. of Water & Sanitation)

The Committee observed that although the County Government had submitted the necessary documents to the Auditor General for verification and examination, it failed to do so at the time of audit or within a reasonable time after the audit. This

was unacceptable and will attract severe sanctions if reported in the subsequent audit report.

The Committee recommends that the County Government should utilize the window provided by the elaborate audit process including entry and exit meetings, management letters and other interactions during the audit process to provide the required documents to the Auditor General in order to minimize the audit queries reported in the subsequent financial years.

Moreover, the Committee after extensive deliberations agreed to clear the audit query and no further action is recommended.

3.1 Non-Compliance with the Budget process

The Committee while relying on the oral and written submission from the County Government and the guidance from the Auditor General agreed to clear the audit query and no further action is recommended.

4.1 Printing and Advertising Expenditure

The Committee on the strength of the evidence submitted by the County Government and advice from the Auditor General observed that the issue under consideration was partly a transitional one and was persuaded by the submission of the County Government.

The Office of the Auditor General further confirmed that the company was prequalified by the defunct local authority and the relevant authority letter was provided for verification.

In view of the foregoing the Committee agreed to clear the audit query and no further action is recommended.

4.2 Irregular Hire of Motor Vehicles

The Committee observed that the County Government failed to submit the necessary documents to clear the audit query even after it was afforded the opportunity to do so one year thereafter.

In the absence of any supporting documents including the Local Purchase Order and authority to hire vehicles, the Committee finds that the County Government misappropriated **Kshs. 2,080,000.**

The Committee therefore recommends that the amount of Kshs. 2,080,000 should be recovered from the responsible accounting officer

and a report on the recovered be submitted to the Senate by 31st December, 2015.

5.1 The County Organizational Structure

The Auditor General submitted that the response of the County Government on the audit query was satisfactory and the audit query should be cleared

The Committee while noting the submission from the Auditor General agreed to clear the audit query and no further action is recommended.

5.2 Payroll Audit

The Office of the Auditor General informed the Committee that although at the time of audit, the files for the transferred doctors had not been forwarded to the County Government, the transferred doctors had reported to the County Government and their files were subsequently submitted to the County Government thereafter.

In view of the new development and the advice from the office of the Auditor General the Committee agreed to clear the audit query and no further action is recommended.

5.3 Expired Contract for Consultancy Service (Ministry of Trade)

The Auditor General Informed the Committee that the audit query had since been cleared after submission and verification of the relevant documents.

The Committee while relying on the submission from the Auditor General agreed to clear the audit query and no further action is recommended.

6.1 Weaknesses in the Processing of Imprest

The Auditor General Informed the Committee that the audit query had since been responded to and subsequently cleared.

The Committee while relying on the submission from the Auditor General agreed to clear the audit query and no further action is recommended.

7.0 Cash and Bank Balance

The Committee while relying on the submission from the auditor General agreed to clear the audit query and no further action is recommended.

8.0 Non Maintenance of Debtors Ledger

The Committed observed that the audit query relates to the issue of assets and liabilities registers which was a transitional challenge for all Counties. The

Committee noted that the matter could only be conclusively dealt with after the Transition Authority had concluded the verification and authentication of assets and liabilities registers in the County.

The Committee under the circumstances recommends that the Transition Authority should expedite the verification and authentication of assets and liabilities registers and submit a report to the Senate by 31st December, 2015.

9.0 Non Maintenance of Creditors Ledger

The Committee observed that the audit query relates to the issue of assets and liabilities registers which was a transitional challenge for all Counties. The Committee noted that the matter could only be conclusively dealt with after the Transition Authority had concluded the verification and authentication of assets and liabilities registers in the County.

The Committee under the circumstances recommends that the Transition Authority should expedite the verification and authentication of assets and liabilities registers and submit a report to the Senate by 31st December, 2015.

ACKNOWLEDGEMENTS

The Committee wishes to acknowledge the support it received from the Office of the Speaker and the Clerk of the Senate in undertaking the County Visit.

The Committee further appreciates the cooperation it received from the County Government of Homa Bay during the consideration of the report and county visit.

Final appreciation goes to the distinguished and dedicated members of the Committee who created time out of their busy schedule to attend and actively participate in the proceedings of the visit.

Mr. Speaker Sir,

I wish to confirm that the resolutions of the Committee on the observations and recommendations of the Committee in this report were unanimous.

Mr. Speaker Sir,

This report is issued in accordance with the provisions of the Senate Standing Order 203.

Mr. Speaker,

It is therefore my pleasant duty and privilege, on behalf of the Senate Sessional Committee on County Public Accounts and Investments to table this report and commend it to the House for debate and adoption pursuant to the provisions of the Senate Standing Order 203(6).

SIGNED:

DATE: 22 / 1 / 2014

HON. SEN. (DR.) BONI KHALWALE, MP

CHAIRPERSON

CHAPTER ONE

1.1 Background to the report

Following the submission of the report of the Auditor General on the Financial Operations of Homa Bay County Executive for the Financial year 2013/2014(1st July, 2013 to 30th June, 2014) to the Senate pursuant to the provisions of Article 229(7), the report was laid on 30th June, 2015 and stood committed to the Sessional Committee on County Public Accounts and Investments.

The Committee subsequently invited the Governor to its investigatory meetings held on 14th, 15th and 29th July, 2015 to give evidence and respond to the audit queries raised in the report under consideration as the Chief Executive Officer of the County Government of Homa Bay pursuant to Article 179(4) of the Constitution.

The investigatory meetings were followed by a county visit to Homa Bay from 5th to 8th August, 2015. This visit was a follow up on specific issues/projects that required verification on the ground.

1.2 Brief overview of Homa Bay County

Homa Bay is located in the former Nyanza Province, along the south shore of Lake Victoria's Winam Gulf. The county covers an area of 3,183.3 sq km with a population of about 963,794 people. It is located about 420km from Nairobi.

Homa Bay borders five counties; Migori to the south, Kisii and Nyamira to the east, and Kericho and Kisumu to the north east. The county also borders Lake Victoria to the north and west. Homa Bay County is made up of **eight constituencies**: Mbita, Ndhiwa, Homabay Town, Rangwe, Karachuonyo, Kabondo, Kasipul and Suba.

Population: Homa Bay County has a population of 963,794 (male - 48% and female - 52%), according to the 2009 National Census. The Luo and Abasuba people are the dominant communities in Homa Bay, making at least 95% of the county's population.

Fishing and **agriculture** are the main economic activities in Homa Bay County. They produce some of the best fish in the world. Fishing is practiced mainly by people living near the shores of Lake Victoria. Areas around Kasipul Kabondo, Rangwe and Ndhiwa are very fertile; producing bounty harvests of cotton, maize, sugar cane, cassava, banana, pineapples, sorghum, millet, sunflower, sorghum, ground nuts and potatoes. **Sugar cane** grown in the county is crushed at the Sony Sugar factory in Awendo.

Tourism is also a major income-earner for Homa Bay, with tourist attraction sites such as Ruma National Park and Mfangano Island drawing thousands of visitors to the county.

Health Facilities: Homa Bay County has several healthcare facilities serving its residents. Notable hospitals include Homa Bay District Hospital, Mbita District Hospital and Karachuonyo, Rangwe and Ndhiwa sub-district hospitals.

Education: There are 1000 primary schools and 235 secondary schools in Homa Bay County, serving 283,162 pupils and 31,317 students respectively. The county's Teacher to Pupil Ratio is 1:45 for public primary schools and 1:27 for public high schools.

CHAPTER TWO

2.0 AUDIT QUERIES AND FINDINGS

1.0 REVENUE

1.1 Failure to Maintain Revenue Cashbook

The officer in charge of the County revenue had failed to maintain a cashbook for revenue, making it difficult to ascertain how much was collected by the revenue clerks, banked and accounted for in accordance with the Public Finance Management Act, 2012. Further, they did not carry out a bank reconciliation to ascertain whether all the revenues collected had been banked/ accounted for.

The Committee heard that the County Government had adopted a decentralized system of revenue collection. In the decentralized system of revenue collection, the revenue collected at each sub-county was deposited in a cash book maintained at the Sub-County level. The Committee further heard that at the time of Audit, no central cash book was maintained at the County Treasury but all revenue collection summaries were available and will be availed to the Committee and the Auditor General for verification. The Committee also heard that the automation of revenue collection was ongoing.

The Committee received the necessary documents on the audit query from the County Government and was satisfied with both the oral and written evidence submitted by the County Government in its bid to clear the audit query. The evidence submitted included the updated cash book and bank reconciliation statements.

The Committee observed that although the County Government maintained cash books at every sub-county, there was need to have a general cash book at the County Treasury that provides an overall summary of revenue collection.

The Committee while relying on the oral and written submissions from the County Government and guidance from the Office of the Auditor General agreed to clear the audit query but recommends that the County Government

should institutionalize proper recording keeping and ensure that the cash book is always up-to-date and a monthly bank reconciliation is undertaken at all times.

The Committee while relying on the oral and written submissions from the County Government and guidance from the Office of the Auditor General agreed to clear the audit query but recommends that the County Government should institutionalize proper recording keeping and ensure that the cash book is always up-to-date and a monthly bank reconciliation is undertaken at all times.

The Committee further recommends that the County Government should maintain a detailed and updated Cash Book at the County treasury in addition to the cash books maintained at the sub-county levels.

1.2 Failure to appoint County Receiver of Revenue

As at 30 June 2014 the County Executive Committee had not appointed in writing the County Receiver of revenue as required in the Public Finance Management Act, Section 157 (1).

The Committee heard that during the period under review, the county had appointed the County Principal Finance Officer from the Transition Authority as the receiver of revenue and further in compliance with PFM Act, section 157(1), the County Committee Member for Finance and Economic Planning designated **Mr. Evans Abeka**, the Chief Finance Officer for Finance and Economic Planning as the receiver of revenue with effect from 1st July, 2014.

The Committee observed that although the requirements of section 157(1) of the PFM Act, 2012 were not complied with at the time of audit, the County Government had undertaken appropriate steps to comply with the law.

The Committee was satisfied with the response provided by the County Government on the audit query and the matter was cleared and no further action was recommended.

2.0 NON CURRENT ASSETS

2.1 Additional Hostel at Sero Polytechnic

The County Government sponsored the construction of the additional Hostel at Sero Polytechnic at a cost of Kshs.4,300,000. The Contract to supply material was awarded to Sulpet Enterprises Ltd, however there was no tender minutes and bills of quantities availed to show how the materials to be used were arrived at and to be compared with tender bids.

The firm was paid Kshs.2,494,919 for the supply of building materials, of which no delivery records and other records were availed to confirm that the materials were delivered and received by the polytechnic. Further, the analysis for this payment amounted to Kshs.1, 467,980 leading to an unexplained variance of Kshs.1, 026,939.

The manager of the polytechnic was paid vide payment voucher number 11 of Kshs.200,000 in his name for the payment of labour cost offered by the trainees from the polytechnic instead of the Institution's name.

On the physical verification, it was noted that the hostel has been constructed to lintel level and the material supplied by the firm like sand, concrete, doors, windows, iron sheets, timber and steel wires were at the site and could not be verified as there were no records to show how they were received.

The Committee heard that the County Government in its effort to support the youth polytechnics in the area decided to support Sero Polytechnic by supplying it with material for construction of a hostel facility for the students and the same materials will be used by students for their practical lessons.

The Committee further heard that the County Government used restricted tendering to select the contractor who supplied the materials and all the materials were received by the principal of the polytechnic and the project was 90 % complete.

The County Government provided the required documents including quotation for the materials, Bill of quantities, delivery notes and S13 Vouchers in its bid to clear the audit query.

Although the County Government provided the necessary documents to clear the audit query, there was evidently no justification for the County Government to use quotation method instead of open tendering method in the procurement of the materials.

The Office of the Auditor General faulted the County Government for its inclination towards restricted tendering and quotation methods in procurement of the construction materials.

The Committee while relying on both oral and written submission from the County Government and the advice from the Auditor General finds that the County Government flouted the existing public procurement rules and regulations.

The Committee therefore recommends that the County Government should at all times adhere to the existing public procurement rules and regulations in the procurement of goods and services.

2.2 Purchase of Furniture and Fittings

During the year the County Government procured furniture using restricted tendering worth Kshs.1,264,000, Kshs.1,475,000, Kshs.958,300 and Kshs.10,058,500 from four different firms all totaling to Kshs.13,755,800. The payments to suppliers were not supported by counter receipt vouchers, nor examined, approved and posted to the cashbook.

The payment voucher for Harujo construction was not numbered, delivery note was not signed to confirm receipt of the furniture nor did they avail S13 and S3 for verification. On the physical verification it was noted that the furniture in place were not labelled and it was difficult to identify the furniture supplied by the suppliers.

The County Government submitted that at the time of audit the County Government had started using the IFMIS system which generates cash books

automatically and the payment for the furniture was therefore carried out through the system and there was no need for the counter receipt vouchers.

The Committee further heard that the permission to use restricted tendering method was granted by the tendering Committee since the items were needed urgently for use by the County Government official who had just been appointed. The Committee also heard that the County Government had received the funds towards the tail end of the financial year and therefore needed to commit funds before the end of financial year.

The County Government submitted the Counter Receipt voucher (S13) and delivery notes for the furniture and provided documents to prove that payment vouchers had been posted in the cash book.

The Committee observed that the decision to use restricted tendering was unjustified and therefore the County Government flouted the public procurement rules and regulations in purchase of furniture and fittings referred in the audit query.

The Committee in arriving at its decision took into consideration the transitional challenges faced by the County Government at its inception including staff shortage and lack of proper institutional structures.

The Committee therefore finds that the County Government flouted the public procurement rules and regulations applicable in the purchase of the said furniture and fittings.

Nonetheless, the Committee through its visit to the County and advice from the Auditor General confirmed that the furniture and fittings were delivered to the County Government and were in use and therefore although the public procurement rules and regulations were not followed, no public funds was lost in the project.

The Committee therefore recommends that the Accounting Officer should be reprimanded for not following the existing public procurement rules and regulations in the procurement of goods and services.

The Committee also recommends that the accounting officer takes internal disciplinary action against officers who were culpable in the flouting of procurement rules and regulations in the purchase of the items.

The Committee further recommends that the Accounting Officer files a report to the Senate by 31st December, 2015 on administrative actions and austerity measures taken to mitigate against committal of similar offences in the future.

2.3 Renovation of Governor's Office

During the period under review the administration block renovation work was awarded to Nile Bay General works at a contract sum of Kshs.11,600,000 by use of restricted tendering which was later scaled down to Kshs.4.3 million by management who cited inadequate funds as the reason for scaling down the project. However, there is no evidence that approval of the County tender committee to scale down the project was sought. Also, the project bills of quantities to show the estimate of the renovation of the building and how it was arrived at were not availed for audit verification and the comparison of the tendered amount. The payments were made without the certification of the inspection and acceptance committee as the county did not appoint an inspection and acceptance committee.

The payments made vide payment vouchers numbers 287B, 122C, and 10 to Nile Bay General Works of Kshs.1,800,000, Kshs.1000,000 and Kshs.500,000 were not examined. The vote amount was indicated and approved except that there was no authority to pay.

The Committee heard that the County Government had not established the inspection Committee for purposes of the project and relied on the Certificates from the Ministry of Public works to pay the contractors.

The Committee further heard that the restricted tendering method was used in the process of tendering and awarding the tender. It was also clear from the submissions of the County Government that a permanent inspection Committee had been established to oversee the delivery of goods supplied to the County Government contrary to the Public Procurement rules and regulations that require the Committee to be ad hoc. In this particular matter the County Government admitted having made a mistake in establishing a permanent Committee instead of an ad hoc one.

The Committee further heard that scaling down of the project was done at the award of tender stage due to lack of funds to implement the entire project in one phase.

The Committee observed that some of the mistakes committed by the County Government on the audit query were related to the transitional challenges faced by Counties at their inception. Under the circumstances, the Committee cleared the Audit query but recommends that the County Government should in the subsequent financial years adhere to the rules and regulations governing the procurement of goods and services in the public sector.

2.4 Ablution Block, Sentry and Perimeter Wall

During the period under review the ablution block, sentry and perimeter wall construction work was awarded to Obwanda Osum Investments at the contract sum of Kshs.16,307,934. However, the bills of quantities to show the estimate of the construction and how it was arrived at was not availed for verification and the comparison to the tendered amount. The payments were made without the certification of the Inspection and acceptance committee as the County did not appoint an inspection and acceptance committee for the project.

The County Government submitted that although payments relating to the project were made without the inspection and acceptance committee, it was done upon certification by Public Works Officer who was the designated valuer for the Government Construction and related works.

The County Government further submitted that it had subsequently appointed the inspection and acceptance Committee in accordance with the requirements of the Public Procurement and Disposal Regulations.

The Committee observed that the submissions from the County Government sufficiently addressed the audit query and therefore cleared the matter and no further action was recommended.

2.5 Alteration and Extension of the Governor's Office

During the period under review alteration and extension works on the Governor's Office was awarded to MADIP Investment at a cost of Kshs.19,596,027, however, the bill of quantities to show the estimate of the

renovation of the building was not availed for audit verification and comparison with the tendered amount. The payments were made without the certification of the inspection and acceptance committee as the county did not appoint the committee for the project. The payments made vide un-numbered payment vouchers to MADIP Investments of Kshs.1,425,775, Kshs. 6,660,000, Kshs.7,840,000 and Kshs.428,332 were not examined, vote amount indicated and approval except for the authority to pay. As at the time of audit the work for the alteration and extension was complete. However there was no work in progress register maintained by the county office to indicate how much was spent on the project. The position of the balance of Kshs.3,241,920 could not be established as the payment vouchers were not availed for verification.

The County Government submitted that although payments relating to the project were made without the inspection and acceptance committee, it was done upon certification by Public Works Officer who was the designated valuer for the Government Construction and related works.

The County Government also submitted that the alteration and extensions referred on the audit query relate to construction on the County Treasury block. This was a separate block from the block that houses the office of Governor.

The Governor further informed the Committee that the County Government had faced challenges relating to the capacity and ability of locals to implement projects that required substantial finances.

The Governor further informed the Committee that the County Government in its bid to ensure that there was a balance between tenders awarded to local business entrepreneurs and other Kenyan investors with capacity to undertake projects that required substantial finances, resolved to award implement projects that required substantial financing resolved to structure the award of tenders in a manner that benefits the two groups and at the same time ensure timely implementation of the County projects.

The County Government submitted all the necessary documents including payment vouchers and the approval of payment on the audit query and the said documents were verified by the Auditor General.

The Committee on the strength of the oral and written submissions by the County Government cleared the audit query and no further action is recommended.

2.6 Partition of the Education Hall

The County Government partitioned the education hall at the cost of Ksh.1.3 million; however there were no tender documents, bill of quantities nor breakdown provided to show how the Kshs1.3 million was utilized and payment vouchers for the same were not availed for audit verification. On the physical verification, it was noted that the hall was partitioned into several offices and they were in use. However, there was no information provided as to how the materials were procured, received and utilized.

The County Government submitted the tender documents, bill of quantities and payment voucher to justify how Kshs. 1,300,000 was appropriated in the partitioning of the Education Hall.

The Committee on the strength of the oral and written submissions by the County Government cleared the audit query and no further action is recommended.

2.10 Solar Lighting Project (Okonyo Welo)- (Ministry of Energy)

A joint venture agreement was signed on 28 November 2013 between the County

Government of Homabay and Horizon Media Investments Limited for a solar lighting project (Okonyo Welo) for rural and urban market centres in Homa Bay County and each of the parties was to contribute 50% of the total project & share advertising revenue in the same ratio. The project would entail installation of 800 high solar floodlight masts in about 284 selected market centres.

The contract sum was Kshs.143,100,000 exclusive of VAT shared in the agreed ratio of which 40% was to be paid immediately,30% halfway through the project and 30% after commissioning of project. Commencement date of the mentioned project was not stated in the agreement documents although the

completion date was 4 months after commencement. Restricted tendering method was used for supply and delivery of batteries, charge controls, photocell & timers under tender No.HBC/ENR/01/2013-2014, supply and delivery of solar panels under tender No.HBC/ENR/02/2013-2014, supply and delivery of floodlights under tender No.HBC/ENR/03/2013-2014 and tender No.HBC/ENR/04/2013-2014 for supply of remote kits, cabling wires and double sided advertising panels with aluminium casing. Six bidders were invited to tender. It was noted that the County Government paid a total sum of Kshs.83,000,000 which was the total amount expected of them in the agreement while the media company had not met their part of the bargain. The following issues should be clarified.

- The reasons for using restricted tender method were not explained.
- No records were availed to show the receipt and issues of the project components.
- There was advance payment and yet approximately 350 lights were done and not fully completed with the advertising panels and further the County has paid for the expected 800 lights.
- Documents showing payments made by the media were not availed.
- There was delay in execution which would lead to cost over runs. The project should have been completed 4 months after commencement date but is still ongoing several months after the expected completion.
- Prices and costs were inflated with VAT being excluded from the tender prices.

The County Government submitted that it entered into a joint venture with Horizon Media Investments Limited over installation of 800 units of solar lights in all market places across the County. The project was split into various phases and the first phase was to cover the installation of 450 units of solar lights as per the provisions of the MoU signed between the County Government and the Horizon Media Investments Limited on 28th November, 2013. Initially, the first phase was to be completed within a period of four months and due to operational challenges, the project had delayed and this

prompted the use of restricted tendering method in the processing of the tender.

The County Government further tabled documents including receipts for disbursement of funds, delivery notes, the Memorandum of Understanding (MoU) and the necessary approvals for the project implementation. The office of the Auditor General verified the documents but faulted the County Government for using restricted tendering in the sourcing of the contractor.

The Committee observed that the County Government failed to submit the necessary documents during the time of audit. This was largely an attempt by the County Government to frustrate and sabotage the audit function and by extension the accountability that is required in the management of public funds.

Nonetheless, the Committee having considered the period under review and corrective measures taken by the County Government in the establishment of tender committees and other related committees, agreed to consider both the oral and written submissions from the County Government.

The Committee further noted that the agreement signed between the County Government and Horizon Media Investments Limited expressly excluded VAT from the contract sum and therefore the subsequent inclusion of the VAT at the time of payment resulted in the variations and inflated the project cost by the VAT component.

The Committee finds that the exclusion of the VAT component in the contract sum was an illegality that should not be condoned by the accounting officer and should not be repeated.

The Committee also noted that the County Government may have been denied the opportunity to spend less through competitive bidding and the value for money may not have been realized in the project.

However, the Committee on the strength of both the oral and written submissions by the County Government and the advice from the Auditor General agreed to clear the audit query but recommends that the concerned Accounting Officer should be reprimanded for not following the existing public procurement rules and regulations in the procurement of goods and services.

The Committee also recommends that the accounting officer takes internal disciplinary action against officers who were culpable in the flouting of procurement rules and regulations in the purchase of the items.

The Committee further recommends that the Accounting Officer files a report to the Senate by 31st December, 2015 on administrative actions and austerity measures taken to mitigate against committal of similar offences in the future.

The Committee further recommends that the Auditor General should carry out the value for money audit of the project and submit a report to the Senate within a period of one year.

2.11 Poultry Hatcheries (Ministry of Agriculture)

The Ministry of Agriculture procured 306 poultry hatcheries totaling to Kshs.123, 663,200 to be distributed to 227 groups. The distribution of the same was done at the various wards through the offices of the members of the County Assembly. However the number of groups allocated the hatcheries could not be confirmed as management had not done proper documentation. Verification of some of the intended beneficiaries by way of questionnaires done through phone calls revealed that some hatcheries were yet to be given to the registered groups. The ones that were distributed, other than the one given to Makongeni Youth Group were not yet operational. In addition to this, it was noted in some situations that individuals were given the hatcheries instead of the initial plan of giving registered groups or relocated to other groups that were not in the receipt list. In addition not all hatcheries were fully accounted for.

Further, it was noted that most groups were yet to identify sites with electricity to install the hatcheries or were still waiting for distribution of eggs from the county government. The political interference in the implementation of the procurement output lead to a waste of resources.

The decision to implement the procurement output rested on the Members of the County Assembly which lead to underutilization/waste of resources.

The Governor informed the Committee that at the time of initiating the project, the County Government had not recruited the Ward Administrators to implement its projects at the ward level. This prompted the County Government to enlist the support of the MCAs in the implementation of the projects particularly in the identification of the beneficiary groups.

The Governor further submitted that although the Hatcheries may not have been working at the time of audit, most hatcheries, apart from the nine(9) units which had not been allocated to any group had been operationalized and the beneficiaries had started to enjoy the economic benefits of the project.

The Committee further heard that all the procurement processes were duly followed and the necessary approvals were sought before the implementation of the project.

The Committee observed that the method used in the identification of the beneficiary groups was largely subjective, arbitrary and without merit. Political considerations may have formed part of the basis for selecting beneficiaries because Members of the County Assembly were key stakeholders in the identification of the beneficiaries. Therefore the Committee found that the formula used in the identification of beneficiaries was without merit.

The Committee further noted that although the Poultry Hatcheries project was one of the projects listed in the County Integrated Development Plan (CIDP), no feasibility studies were undertaken to support the viability and sustainability of the project. Under the circumstances, the sustainability of the project could not be ascertained.

The Committee further observed that the County Government continued to support the project through repairs of the machines, supply of spare parts and continuous capacity building of the beneficiary groups.

The Committee further found that although some Hatcheries were operational, a number of hatcheries were not operational owing to challenges relating to electricity shortage and mechanical break downs.

Although the visit to the County Government revealed that some Hatcheries were operational and generating an income for the beneficiaries, the number of the hatcheries that were not operational was equally high. In this regard,

the Committee had difficulty determining whether the project yielded the economic benefits envisaged by the County Government.

The Committee therefore recommends that the County Government should reevaluate its strategy on the project and undertake a detailed feasibility studies particularly on the specific challenges of electricity, maintenance and spare parts and the sustainability component.

The Committee further recommends that the office of the Auditor General should carry out the value for money audit of the project and submit a report to the Senate within a period of one year.

2.12 Renovation of Governors/Deputy Governors Residences

A contract of Kshs.11,668,904 was awarded to an investments and general supplies company to undertake the proposed boundary walling for Governor's Residence. Another contract of Kshs.10,275,280 awarded to a different contractor to undertake the similar works at the Deputy Governor's Residence. Section 54(3) of the procurement regulations provides that where restricted tendering is used pursuant to section 73(2) (b) of the Act, the procuring entity shall invite tenders from at least ten firms selected from the list maintained by the entity. However, in this case only three contractors were invited to participate in the tendering process.

According to the letter of award, these contracts were deliberated upon and awarded by tender minute number 10 of 2 December 2013. However, this minute has not been made available for audit verification.

The contract for the Deputy Governor's house had been allocated a budgetary provision of Kshs.7, 500,000 leading to a budget overrun of Kshs.2, 775,280 that has not been subjected to supplementary estimates as required. To date, the residences are yet to be completed leading to the Governor and his deputy commuting daily from far away destinations using public funds.

The Committee heard that the houses were completed and occupied by the respective County Government officials. The Governor further informed the Committee that the two houses were initially in bad shape but have been

renovated to suit the status of the Governor and the Deputy Governor respectively.

The Auditor General informed the Committee that the two houses were in good shape and had been occupied by the Governor and the Deputy Governor. However, the value for money component of the project would be part of the audit for the financial year 2014/2015.

The Auditor General further informed the Committee that although the County Government had failed to submit the required documents on the project during the audit period, the relevant documents had since been submitted and examined.

The Committee observed that the although the County Government had since completed the two houses and submitted the relevant documents on the project to the Auditor General for verification, the failure and/or laxity in submitting documents to the Auditor General amounted to deliberate intention to frustrate the auditing process. This was unacceptable and will attract severe sanctions if reported in the subsequent audit report.

Nevertheless, the Committee while relying on the evidence submitted by the County Government and the advice from the Auditor General agreed to clear the audit query but recommends that the County Government should always provide all the necessary documents to the Auditor General at the time of Audit and not thereafter.

2.13 Rehabilitation of Sewerage Works in Homa Bay Town (Min. of Water & Sanitation)

The County Government carried out rehabilitation of sewerage works in Homa Bay Town for Kshs.6,335,500 out of which Kshs.3,347,250 had been paid to the Contractor at the time of audit. The bills of quantities, signed agreement and acceptance letters were not availed for audit verification. The management also acted in total disregard of Section 67(1) of the Public Procurement and Disposal Act, which requires that before the expiry of the period during which tenders must remain valid, the procuring entity shall notify the person submitting the successful tender that his tender has been accepted and Section 68(1) which requires that the person submitting the successful tender and the procuring entity shall enter into a written contract based on the tender documents. Further, there was no inspection and acceptance committee in

place. In the circumstances, management did not adhere to the procurement regulations.

The County Government informed the Committee that the relevant documents on the audit query were not submitted to the Auditor General for verification at the time of Audit. However, the said documents had since been submitted to the office of the Auditor General for verification.

The Auditor General submitted that although the relevant documents had been submitted, the County Government had failed to submit the said documents for verification at the time of audit despite the fact that the audit process is an interactive one and affords the management an opportunity to respond to the audit issues raised before the audit report is submitted to the Senate and the relevant County Assemblies.

The Committee observed that although the County Government had submitted the necessary documents to the Auditor General for verification and examination, it failed to do so at the time of audit or within a reasonable time after the audit. This was unacceptable and will attract severe sanctions if reported in the subsequent audit report.

The Committee further directed the County Government to utilize the window provided by the elaborate audit process including entry and exit meetings, management letters and other interactions during the audit process to provide the required documents to the Auditor General in order to minimize the audit queries reported in the subsequent financial years.

The Committee after extensive deliberation agreed to clear the audit query and no further action is recommended.

3.0 BUDGET PERFORMANCE

3.1 Non-Compliance with the Budget process

The County Government of Homa Bay did not follow the process required by section 128 of the Public Finance Management Act, 2012 on the preparation of the budget for 2013/2014. The County entities were not served with a circular giving guidance as to what was required for the budget preparation. Further it was noted that the county government did not have an operational county budget and economic forum as required by section 137(1) of the Public Finance Management Act 2012.

The County Government informed the Committee that it complied with the requirements of the PFM Act on budgeting processes. The County Government further informed the Committee that it had a properly constituted budget and economic forum with highly qualified personnel.

The Committee while relying on the oral and written submission from the County Government and the guidance from the Auditor General agreed to clear the audit query and no further action is recommended.

4.0 PROCUREMENT OF GOODS AND SERVICES

4.1 Printing and Advertising Expenditure

The County Government of Homa Bay procured receipt books from African Herald Publishing House at a cost of Kshs.1,102,406 without following the Public Procurement procedures through tender as per the requirements of section 54 of the Public Procurement Act 2005. The receipt books were received as per various delivery note numbers and S13, however the entry into S3 and counter foil receipt book register was not availed to confirm how the receipt books were taken on charge in the store and issued for revenue collection. The receipt books ordered are no longer in use as the county government ordered other types of receipts which are in use and discarded the use of the receipt books ordered from Africa Herald Publishing House.

The County Government informed the Committee that the supporting documents were not submitted to the Auditor General at the time of audit. However, the documents were subsequently submitted to the Auditor General.

The Office of the Auditor General further confirmed that the company was prequalified by the defunct local authority and the relevant authority letter was provided for verification.

The Committee on the strength of the evidence submitted by the County Government and advice from the Auditor General observed that the issue under consideration was partly a transitional one and was persuaded by the submission of the County Government.

In view of the foregoing, the Committee agreed to clear the audit query and no further action is recommended.

4.2 Irregular Hire of Motor Vehicles

Payments totaling Kshs.2,080,000 were made to a tour and travel firm in respect of hire of transport without following the required procurement procedures. The following anomalies were noted:

- (i) Hire of transport was not advertised
- (ii) Supplier was not competitively sourced
- (iii) Payment Voucher was not fully supported since there was no authority for hire of transport and there were no Local Service Orders issued to the supplier of transport services.

The County Government informed the Committee that the supporting documents were not submitted to the Auditor General at the time of audit. However, the documents were subsequently submitted to the Auditor General.

The Auditor General reviewed the documents submitted by the County Government in its response to the audit query and informed the Committee that the procurement processes were not followed in procuring the hire of vehicles.

The Auditor General further informed the Committee that payment vouchers did not have the necessary supporting documents including the Local Purchase Order and the Authority to hire vehicles.

The Committee observed that the County Government failed to submit the necessary documents to clear the audit query even after it was afforded the opportunity to do so during the investigation and consideration of the report of the Auditor General under review.

In the absence of any supporting documents including the Local Purchase Order and authority to hire vehicles, the Committee finds that the County Government misappropriated Kshs. Kshs.2,080,000.

The Committee therefore recommends that the amount of Kshs. 2,080,000 should be recovered from the responsible accounting officer and a report on the recovered be submitted to the Senate by 31st December, 2015

5.0 PERSONNEL

5.1 The County Organizational Structure

The County Government of Homa Bay has not documented its organizational structure that is clearly defined by means of an approved organization chart. It has also not put in place a performance management plan to evaluate the performance of the county public service and the implementation of county policies. Section 148(1) of the Public Finance Management Act, 2012 requires the county executive committee member for finance to designate in writing accounting officers to be responsible for managing the finances of the county government entities. However, the accounting officers have not been appointed in writing as required. Section 41(1) of the County Government Act requires meetings of the county executive committee to be recorded in writing. However, minutes for such meetings were not made available for audit verification. The County Executive member for finance is required under section 107(1) (c) to develop regulations that limit the county government's expenditure on wages and benefits for its public officers to a percentage of the county government's total revenue. These regulations have not been developed as required by law.

The County Government informed the Committee that the Ministry of Devolution gazetted and launched the Capacity Assessment and Rationalization of Public Service (CARPS) Programme where the issue of staff establishment and organizational structure is one of the components of the programme.

The County Government further submitted that although departmental organizational structures were in use, their adoption will only be done after the conclusion of CARPS exercise.

The Auditor General submitted that the response of the County Government on the audit query was satisfactory and the audit query should be cleared

The Committee while noting the submission from the Auditor General and the County Government agreed to clear the audit query and no further action is recommended.

5.2 Payroll Audit

(i) County Government employees on the IPPD payroll increased from 593 employees in August 2013 to 2044 employees in June 2014 as a result of recruitment of additional staff. This resulted in an increase in monthly payroll wage bill from Kshs.33million to Kshs.122,701,375. However, a human resource audit has not been carried out to determine the actual number of the County Government staff.

(ii) Forty seven doctors with a monthly wage bill of Kshs.8,084,167 were added into the County IPPD payroll in the month of January 2014. However, a physical verification revealed that twenty two doctors drawing a monthly pay of Kshs.3,496,132 do not work for the County Government.

(iii) An audit of salary payments revealed that a total of Kshs.100,519,650 was paid to staff that were not on the IPPD payroll between the period September 2013 and June 2014 (Kshs.43,481,814 -September 2013 to March 2014, Kshs.57,037,836.20 – April and June 2014). 2014 and Kshs.10,853,959.35 remitted to various banks on their behalf in respect of loan recoveries. Although this was attributed to payments made to staff that were yet to be allocated personal numbers and those employed on temporary terms, the payroll department did not maintain manual payrolls to support these payments.

(iv) The list of staff taken over from the defunct Local Authorities, National Government and those employed during the year was not provided. The payment of salaries and deduction from employees for various institution for the months of April, May and June 2014 of Kshs.150,000,000, Kshs.152,000,000 and Kshs.13,200,000 respectively were made without support documentation to indicate how the salaries and deduction were arrived at and the payment vouchers were not numbered as required.

(v) The salaries and remuneration commission circular Reference SRC/TS/CGOVT/3/61 dated 20 August 2013 provided that county executive committee members be allocated a motor vehicle of engine capacity not exceeding 1,800 cc. The circular further provided that prior to allocation of the said motor vehicle, the members be paid monthly commuter allowance of Kshs.20,000 each. However, it was noted that the members continued to draw the monthly allowance of Kshs.20,000 despite the fact that they have since been allocated official transport. This has led to an estimated overpayment of Kshs.1,200,000 as at 30 June 2014.

(vi) Section E.13 (1) of the County Public Service Manual prohibits officers from overcommitting their salaries and that no salary deduction will be effected beyond two thirds of an officer's basic salary. In the payroll month of March 2014, thirty seven employees suffered deductions in excess of this set limit.

(vii) As part of the internal controls, it is a requirement that reconciliation between payroll and human resource records be carried out on a regular basis. However, the human resource department has not put in place vital records such as approved employee list and personal files.

(viii) Uniform allowances of Kshs.4.8 million were paid to medical staff in the payroll month of March 2014. A circular to support this payment was not made available for audit verification.

(ix) The entity is required to put in place a backup of its data which should be stored in a secure offsite storage facility. However, the payroll department was unable to make available payrolls for the period July and November 2013 citing loss of data.

The County Government informed the Committee that it had submitted the relevant documents on the audit query to the Auditor General for examination and verification.

The Office of the Auditor General informed the Committee that although at the time of audit, the files for the transferred doctors had not been forwarded to the County Government, the transferred doctors had

reported to the County Government and their files were subsequently submitted to the County Government thereafter.

In view of the new development and the advice from the office of the Auditor General the Committee agreed to clear the audit query and no further action is recommended.

5.3 Expired Contract for Consultancy Service (Ministry of Trade)

The Ministry of Trade contracted a consultant from 1 August 2013 to 31 October 2013 at a monthly consultancy fee of Kshs.143,748. It was however observed that even after the expiry of the contract in October 2014, the Consultant continued to draw the monthly consultancy fee of Kshs.143,748 for eight months to 30 June 2014 leading to an irregular payment of Kshs.1,149,948. Further it was not explained how the consultant was identified.

It was also noted that various consultants were contracted for the various projects that the department was undertaking and as such the position of the Project Coordinator was irrelevant in the months after October 2013.

Further, 5 casuals were engaged at the Homa Bay Feeds Industry with a total salary of Kshs.41, 000 per month. It was however not clear how they were hired, what they do and for what period they will be at the factory.

The Auditor General Informed the Committee that the audit query had since been cleared after submission and verification of the relevant documents.

The Committee while relying on the submission from the Auditor General agreed to clear the audit query and no further action is recommended.

6.0 EXPENDITURE

6.1 Weaknesses in the Processing of Imprest

The County imprest processing was noted to be done without proof of authorization by the AIE holder, certification by the vote book accountant, and the payment of casual wages who ought to be paid through bank accounts. Further, imprest register in use did not have information on, employee

personal number, date when imprest is due for surrender, details of the AIE holder and department/branch, amounts surrendered in cash, or in receipted bills and outstanding balance or amounts recovered from salary in event of default and surrendered imprest. Also the voucher number was not indicated in the register.

The Auditor General Informed the Committee that the audit query had since been responded to and subsequently cleared.

The Committee while relying on the submission from the Auditor General agreed to clear the audit query and no further action is recommended.

7.0 Cash and Bank Balance

The cash books were not updated on a daily basis as required. As at the time of audit in January 2015, the bank accounts of development account-CBK had only been posted up to June 2014 but were not reconciled, while the recurrent account at CBK and standing imprest account at Co-operative bank had been posted up to March 2014 and were without the details of transaction date, allocation/code of the transaction, voucher no, Chq/Ref number.

The county revenue fund account at CBK, revenue collection account at Kenya Commercial Bank and development account at Kenya Commercial Bank cash books were not maintained.

Also, due to weaknesses in the entity's filing system, the following bank statements were missing:

(i) County Revenue Fund-CBK a/c 1000171065 - for the period 1 April 2013 to 2 July 2013, 6 June 2014 to 30 June 2014.

recurrent account-CBK a/c 1000170627 - for the period April to 30 June

development account-CBK a/c 1000170611 for the period 21 May to 30 June 2014.

(iv) Development account number 11408005649-KCB for the period October 2013 to 30 June 2014.

The Committee heard that at the time of audit the cash book was not updated and the relevant bank reconciliation was not undertaken regularly. This was attributed to lack of adequate staff to undertake the roles.

The County Government further submitted the updated bank reconciliation statements and the office of the Auditor General verified the documents and advised the Committee to clear the audit query.

The Committee while relying on the submission from the auditor General agreed to clear the audit query and no further action is recommended.

8.0 Non Maintenance of Debtors Ledger

The County government did not avail the debtors Ledger and therefore, it was difficult to establish the correct position of the debtors during the period covered by the audit.

The County Government submitted that it had adopted and implemented the recommendation of the Auditor General on the matter.

The Committee observed that the audit query relates to the issue of assets and liabilities registers which was a transitional challenge for all Counties. The Committee noted that the matter could only be conclusively dealt with after the Transition Authority had concluded the verification and authentication of assets and liabilities registers in the County.

The Committee under the circumstances recommends that the Transition Authority should expedite the verification and authentication of assets and liabilities registers and submit a report to the Senate by 31st December.

9.0 Non Maintenance of Creditors Ledger

The County government did not maintain the creditors' ledger as required; therefore, it was difficult to establish the amount owed by the county.

However from the correspondence, it was noted that the county Government was required to settle the outstanding contribution for defunct local authority staff amounting to Kshs.34,075,806.70.

The County Government submitted that it had adopted and implemented the recommendation of the Auditor General on the matter.

The Committed observed that the audit query relates to the issue of assets and liabilities registers which was a transitional challenge for all Counties. The Committee noted that the matter could only be conclusively dealt with after the Transition Authority had concluded the verification and authentication of assets and liabilities registers in the County.

The Committee under the circumstances recommends that the Transition Authority should expedite the verification and authentication of assets and liabilities registers and submit a report to the Senate by 31st December, 2015.

CHAPTER THREE

3.0 COUNTY VISIT

3.1 MEETING WITH THE EXECUTIVE

The Committee visited the County and held a meeting with the executive on 6th August, 2015 and thereafter visited six hatcheries out of which four were operational and two were not operational owing to challenges of electricity and break downs.

During the meeting held between the Committee and the County Executive headed by the Governor, the following audit queries were revisited and the details of the responses are provided as outlined below:-

Audit query 1.1 Failure to Maintain Revenue Cashbook

The Committee received the relevant bank statements and Bank reconciliations from the County Government and the Auditor General confirmed that documents submitted sufficiently addressed the audit query.

The Committee therefore cleared the audit query but recommended that the County Government should at all times maintain an updated cashbook at the County Treasury.

2.1 additional Hostel at Sero Polytechnic

The Office of the Auditor General informed the Committee that it had perused the documents submitted on the audit query and finds as follows:-

- That the Bills of quantities and quotation for materials provided was sufficient
- That the delivery records and S13 were seen and confirmed as genuine
- That the method of procurement used by the County Government was against the public procurement and regulations because the County Government used quotation method instead of open tendering method. The County Government therefore flouted the public procurement rules and regulations in procuring for the goods and service in this particular project.

2.2 Purchase of Furniture and Fittings

The Office of the Auditor General informed the Committee that it had perused the documents submitted on the audit query and finds that:-

- the counter receipt vouchers(S13) and delivery notes were genuine and satisfactory although they had not been attached to the payment vouchers
- Payment vouchers had been posted on the cash book

- The County Government flouted the public procurement rules and regulation in sourcing for the goods and services under this particular audit query.
- Bills of quantities and quotation for materials provided was sufficient
- That the delivery records and S13 were seen and confirmed as genuine
- That the method of procurement used by the County Government was against the public procurement and regulations because the County Government used quotation method instead of open tendering method. The County Government therefore flouted the public procurement rules and regulations in procuring for the goods and service in this particular project.

2.6 Partition of the Education Hall

The Office of the Auditor General informed the Committee that it had perused the documents submitted on the audit query and finds that:-

- i. The County Government availed the relevant payment vouchers, delivery notes and invoices for verification.
- ii. The County Government flouted the public procurement rules and regulation in the procurement of goods and services in this project.

2.10 Solar lighting project (Okonyo Welo)-(Ministry of Energy)

The Office of the Auditor General informed the Committee that it had perused the documents submitted on the audit query and finds that:-

- i. The County Government submitted the necessary documents relating to the schedule of disbursements showing the contribution of Harizon Media Company.
- ii. Value Added Tax was not included in the contract sum thereby inflating the amount of the total payment made with an amount equivalent to the VAT component.
- iii. The County Government failed to follow the existing public procurement rules and regulations in the procurement process in awarding the tender

Audit query 2.11 Poultry Hatcheries (Ministry of Agriculture)

The Committee chairman informed the meeting that the Committee during its previous meeting with the County Government was not satisfied with the responses provided and therefore decided to visit the project in order to ascertain a number of issues including but not limited to the following:-

- i. Inspect the poultry hatcheries to ascertain whether they were supplied and distributed as alleged by the County Government.
- ii. Receive specific documents including the contract/agreement signed between the County Government and the supplier, the County Executive

- Committee minutes, the project concept note and payment vouchers relating to the project among others and
- iii. Seek clarifications on the sustainability of the project

The County Government submitted the following documents to the Committee during the meeting:-

- i. Contract Agreement for Kshs. 97, 920,000
- ii. A copy of the Minutes of the County Executive Committee meeting that approved the project
- iii. Project concept note and
- iv. A letter clarifying that the final expenditure of Kshs. 123,663,200 for the project also included the training element of Kshs. 10,080,000 and VAT of Kshs. 15,667,200

The Committee visited a number of the Hatcheries and made the following observations:-

- i. A number of Hatcheries whose beneficiaries were along the power grid were operational and the beneficiaries were receiving income from the project.
- ii. Some Hatcheries were not operational due to either breakdowns or lack of electricity in the location of the beneficiaries. Not all hatcheries had a backup generator
- iii. Nine Hatcheries had not been distributed and were still in the stores of the County Government at the time of the visit and no sufficient reasons were given for failure to distribute them.
- iv. The sustainability of the project could not be ascertained because the beneficiaries continued to rely on the county government for repairs and spare parts. The County Government continued to support the beneficiaries and no plans on how the project was going to be managed by beneficiaries themselves without the support of the County Government.
- v. The process of identifying beneficiaries was unclear and without merit. Furthermore, the Members of the County Assembly (MCAs) should never have been involved in the identification of the project because that constitutes a conflict of interest as the oversight arm of the County Government.
- vi. It was evident that maintenance of the Hatchery machines remained a big challenge to the beneficiaries because the county Government continued to be the only source of repairs and capacity building.
- vii. One group was never trained on how to use and manage the Hatchery for one year. This therefore implied that capacity building issues remained unaddressed.

- viii. Although the County Government submitted documents to the effect that a feasibility studies was undertaken before the implementation of the project, many gaps existed that pointed out that the feasibility studies undertaken may not have been sufficient.

Audit query 3.1 Non Compliance with the Budget Process

During the meeting between the Committee and the County Executive held in Nairobi on 29th July, 2015, anonymous members of the public had alleged that the County Government had condoned nepotism, cronyism and favouritism in the recruitment of staff. This included the allegation that county officials had recruited their relatives in the same Ministries they were supervising.

The Committee put the officials on oath and asked them to respond to the alleged malpractices in the recruitment process and all the allegations were denied.

Although the Committee was satisfied with the responses of the County Government on the matter, the Committee warned the County officials to stop perpetuating nepotism and cronyism in the recruitment of staff in order to give all county residence equitable opportunity employment opportunities.

The Committee further directed the County Government to ensure that although all county residents required equal treatment in the recruitment processes, where conflict of interest was likely to affect the impartial and independent judgement of the officers, particularly where members of the same family were recruited to work for the County Government, those individuals should be deployed to work in different departments.

Audit query 4.1 printing and advertising expenditure

The Office of the Auditor General informed the Committee that it had perused the documents submitted on the audit query and finds that:-

- i. The letter authorizing the defunct local authority to procure the printing and advertising services from African Herald Publishing House was availed for scrutiny.
- ii. The entries into the S3 and counter receipt book register were not availed for confirmation and verification. Therefore, it was not possible to confirm the expenditure.

Audit query 4.2 Irregular Hire of Motor Vehicles

The Office of the Auditor General informed the Committee that it had perused the documents submitted on the audit query and finds that:-

- i. The payment vouchers did not have supporting documents including the Local Purchase Orders (LPOs) which are mandatory documents in any expenditure
- ii. The Authority to hire the vehicles or any relevant document on the approvals of the hire of vehicles was not provided.
- iii. The supplier of the hired vehicles was not competitively sourced and therefore the County Government breached the public procurement rules and regulation in the procurement of hired motor vehicles.

Audit query 5.2 Payroll Audit

The Office of the Auditor General informed the Committee that it had perused the documents submitted on the audit query and finds that:-

- i. There was need to further establish the actual numbers of employees inherited by the County Government from the defunct local authorities and the National Government at the onset of the County Governments and further establish the numbers of employees recruited by the County Government
- ii. The County Government needs to confirm the existence of 47 doctors and specifically provide information relating to their deployment status

Audit query 7.0 Cash and Bank Balances

The Office of the Auditor General informed the Committee that it had perused the documents submitted on the audit query and finds that:-

- i. The County Government did not maintain an up-to-date cashbook at the County Treasury but efforts had been made to maintain an updated cashbook at the county headquarters
- ii. The bank reconciliation had been undertaken and all the relevant bank statements were submitted for verification and were confirmed as true records of the County Government's Accounts.
- iii. The audit query should be cleared because all the audit queries were adequately addressed by the County Government.

CHAPTER FOUR

4.0 COMMITTEE'S GENERAL OBSERVATIONS

The Committee Observed that:

- I. The County executive arm of the County Government regularly used the restricted tendering in the procurement of goods and services. This was in contravention of the existing Public Procurement Rules and Regulations.**
- II. Apart from regular use of restricted tendering, the County Government in many instances did not follow the Public Procurement Rules and Regulations governing the procurement of goods and services in the public sector. Although the goods and services may have been supplied, lack of competitive bidding may have denied deserving business entities the opportunity to supply the said goods and services. Similarly, the County Government lost the opportunity to get the lowest bidders.**
- III. The County Government spent considerable amount of funds at the tail end of the financial year and this was attributed to late disbursement by the National Treasury and the challenges that come with the closure of a financial year. This trend was uncalled for and may have resulted in unnecessary delays in the implementation of projects.**
- IV. The establishment of offices in the County Government was not driven by proper needs assessment and necessity for service delivery but rather on convenience and the urge to employ people.**
- V. There were unsubstantiated claims of malpractices in the recruitment of staff in the County Government whereby anonymous members of the public had alleged that some County Government officials had employed their relatives in the same departments they supervised. The County Government refuted the allegations.**
- VI. The future and sustainability of flag ship projects initiated by the County Government including the Poultry Hatcheries was uncertain because the projects were initiated without proper feasibility studies and the necessary framework for sustaining the projects. Some of**

the hatcheries were found not to be in use one year after their issue, some congested in one room with no security at all and others in private homes.

- VII. The County Government recruited well qualified and equitably distributed personnel at the level of the County Executive Committee members and the Chief Officers.
- VIII. The Transition Authority had not concluded the verification and authentication of assets and liabilities registers in the county,
- IX. The County Government in many instances was reluctant to avail the necessary documents to the Auditor General at the time of Audit.
- X. The County Government failed to maintain an up-to-date cash book

CHAPTER FIVE

5.1 COMMITTEE'S GENERAL RECOMMENDATIONS

The Committee Recommends that:-

- I. The County Government should apply the use of restricted tendering sparingly in order to foster transparency, fairness, and equal distribution of opportunities and mitigate against the possible abuse of the restricted tendering to award tenders to only those favoured by the County Government officials;**
- II. The County Government should endeavour to have what we may call "*the must have offices*" that may assist the County Government in efficient service delivery and prudent financial management. In this regard, the County Government should recruit personnel based on the existing gaps and needs in the staffing;**
- III. The County Government should adhere to the Public Procurement Rules and Regulations in the procurement of goods and services. The County Government should in the subsequent financial years adhere to the rules and regulations governing the procurement of goods and services in the public sector;**
- IV. The Transition Authority should expedite the verification and authentication of assets and liabilities registers and submit a report to the Senate by 31st December, 2015;**
- V. The County Government should always provide all the necessary documents to the Auditor General at the time of Audit and not thereafter. The County Government should always take advantage of the management letter to respond to the audit queries raised;**
- VI. The County Government should ensure equitable distribution of jobs and opportunities to all Kenyans during the recruitment of staff.**

- VII. The County Government should maintain a comprehensive and up-to-date cash book and further ensure that bank reconciliation is carried out regularly and at least on monthly basis.
- VIII. The County Government should institutionalize feasibility studies as a key instrument for gauging the viability and sustainability of all projects financed by the County Government. Similarly, all the key stakeholders should participate in the identification of the projects to ensure that projects sponsored by public funds have wide acceptance at the County level and are based on real participation and involvement of the public.
- IX. The Office of the Auditor General should REGULARLY undertake the *value for money* audit in order to provide feedback on how best the public funds have been utilized.
- X. The County Government should utilize the interactive nature of the audit process including the entry and exit meetings, the management letter among others to respond satisfactorily to any audit queries and internal control weaknesses pointed out by the Auditor General at the time of Audit.
- XI. The County Government should at all times provide all the necessary documents to the Auditor General at the time of audit. The Committee will in the subsequent audit reports treat this as an offence that attracts severe consequences.

5.2 COMMITTEE'S SPECIFIC OBSERVATIONS, FINDINGS AND RECOMMENDATIONS ON EACH AUDIT QUERY

1.1 Failure to Maintain Revenue Cashbook

The Committee observed that although the County Government maintained cash books at every sub-county, there was need to have a general cash book at the County Treasury that provides an overall summary of revenue collection.

The Committee while relying on the oral and written submissions from the County Government and guidance from the Office of the Auditor General agreed to clear the audit query but recommends that the County Government should institutionalize proper recording keeping and ensure that the cash book is always up-to-date and a monthly bank reconciliation is undertaken at all times.

The Committee further recommends that the County Government should maintain a detailed and updated Cash Book at the County treasury in addition to the cash books maintained at the sub-county levels.

1.2 Failure to appoint County Receiver of Revenue

The Committee observed that although the requirements of section 157(1) of the PFM Act, 2012 were not complied with at the time of audit, the County Government had taken appropriate steps to comply with the law.

The Committee was satisfied with the response provided by the County Government on the audit query and the matter was *cleared and no further action was recommended.*

2.1 Additional Hostel at Sero Polytechnic

The Committee observed that although the County Government provided the necessary documents to clear the audit query, the County Government used quotation method instead of open tendering method in the procurement of the materials.

The Committee while relying on both oral and written submission from the County Government and the advice from the Auditor General finds that the County Government did not follow the existing public procurement rules and regulations.

The Committee through its visit to the County confirmed that the additional hostel at Sero Polytechnic had been constructed and therefore although the public procurement rules and regulations were not followed, all the records for the supplied materials were availed for verification by the Auditor General. The project was near completion at the time of visit.

The Auditor General further informed the Committee that apart from the faulty procurement process, all the other audit issues relating to the matter had been resolved.

The Committee therefore recommends that the Accounting Officer should be reprimanded for not following the existing public procurement rules and regulations in the procurement of the goods and services.

The Committee also recommends that the accounting officer takes internal disciplinary action against officers who were culpable in the flouting of procurement rules and regulations in the project.

The Committee further recommends that the Accounting Officer files a report to the Senate by 31st December, 2015 on administrative actions and austerity measures taken to mitigate against committal of similar offences in the future.

2.2 Purchase of Furniture and Fittings

The Committee observed that the decision to use restricted tendering was unjustified and therefore the County Government flouted the public procurement rules and regulations in purchase of furniture and fittings referred in the audit query.

The Committee in arriving at its decision took into consideration the transitional challenges faced by the County Government at its inception including staff shortage and lack of proper institutional structures.

The Committee through its visit to the County and advice from the Auditor General confirmed that the furniture and fittings were delivered to the County Government and were in use and therefore although the public procurement rules and regulations were not followed, no public funds were lost in the project.

The Committee therefore recommends the Accounting Officer should be reprimanded for not following the existing public procurement rules and regulations in the procurement of goods and services.

The Committee also recommends that the accounting officer takes internal disciplinary action against officers who were culpable in the flouting of procurement rules and regulations in the purchase of the items.

The Committee further recommends that the Accounting Officer files a report to the Senate by 31st December, 2015 on administrative actions and austerity measures taken to mitigate against committal of similar offences in the future.

2.3 Renovation of Governor's Office

The Committee observed that the decision to use restricted tendering was unjustified and therefore the County Government flouted the public procurement rules and regulations in the procurement of goods and service under the audit query.

Although the oral and written submission by the County Government attributed noncompliance to the challenges faced by the County Government during its nascent days, the Committee still found the County Government culpable for not following the public procurement rules and regulations.

However, the Committee while relying on the submissions from the Auditor General confirmed that the renovations on the Governor's Office were undertaken and no public funds was lost.

The Committee therefore agreed to clear the audit query but recommends that the Accounting Officer should be reprimanded for not following the existing public procurement rules and regulations in the procurement of goods and services.

The Committee also recommends that the accounting officer takes internal disciplinary action against officers who were culpable in the flouting of procurement rules and regulations in the purchase of the items.

The Committee further recommends that the Accounting Officer files a report to the Senate by 31st December, 2015 on administrative actions and austerity measures taken to mitigate against committal of similar offences in the future.

2.4 Ablution Block, Sentry and Perimeter Wall

The Committee observed that the submissions from the County Government sufficiently addressed the audit query and therefore cleared the matter and no further action was recommended.

2.5 Alteration and Extension of the Governor's Office

The Committee on the strength of the oral and written submissions by the County Government cleared the audit query and no further action is recommended.

2.6 Partition of the Education Hall

The Committee on the strength of the oral and written submissions by the County Government cleared the audit query and no further action is recommended.

2.10 Solar Lighting Project (Okonyo Welo)- (Ministry of Energy)

The Committee observed that the County Government failed to submit the necessary documents during the time of audit. This was largely an attempt by the County Government to frustrate and sabotage the audit function and by extension the accountability that is required in the management of public funds.

Nonetheless, the Committee having considered the period under review and corrective measures taken by the County Government in the establishment of tender committees and other related committees, agreed to consider both the oral and written submissions from the County Government.

The Committee further noted that the agreement signed between the County Government and Horizon Media Investments Limited expressly excluded VAT from the contract sum and therefore the subsequent inclusion of the VAT at the time of payment resulted in the variations and inflated the project cost by the VAT component.

The Committee finds that the exclusion of the VAT component in the contract sum was an illegality that should not be condoned by the accounting officer and should not be repeated.

The Committee also noted that the County Government may have been denied the opportunity to spend less through competitive bidding and the value for money may not have been realized in the project.

However, the Committee on the strength of both the oral and written submissions by the County Government and the advice from the Auditor General agreed to clear the audit query but recommends that the concerned Accounting Officer should be reprimanded for not following the existing public procurement rules and regulations in the procurement of goods and services.

The Committee also recommends that the accounting officer takes internal disciplinary action against officers who were culpable in the flouting of procurement rules and regulations in the purchase of the items.

The Committee further recommends that the Accounting Officer files a report to the Senate by 31st December, 2015 on administrative actions and austerity measures taken to mitigate against committal of similar offences in the future.

The Committee further recommends that the Auditor General should carry out the value for money audit of the project and submit a report to the Senate within a period of one year.

2.11 Poultry Hatcheries (Ministry of Agriculture)

The Committee observed that the method used in the identification of the beneficiary groups was largely subjective, arbitrary and without merit. Political considerations may have formed part of the basis for selecting beneficiaries because Members of the County Assembly were key stakeholders in the identification of the beneficiaries. Therefore the Committee found that the formula used in the identification of beneficiaries was without merit.

The Committee further noted that although the Poultry Hatcheries project was one of the projects listed in the ICDP, no feasibility studies were undertaken to support the viability and sustainability of the project. Under the circumstances, the sustainability of the project could not be ascertained.

The Committee further observed that the County Government continued to support the project through repairs of the machines, supply of spare parts and continuous capacity building of the beneficiary groups.

The Committee further found that although some Hatcheries were operational, a number of hatcheries were not operational owing to challenges relating to electricity shortage and mechanical break downs.

Although the visit to the County Government revealed that some Hatcheries were operational and generating an income for the beneficiaries, there were a number of hatcheries that were not operational. In this regard, the Committee had difficulty determining whether the project yielded the economic benefits envisaged by the County Government.

The Committee therefore recommends that the County Government should reevaluate its strategy on the project and undertake a detailed feasibility studies particularly on the specific challenges of electricity, maintenance and spare parts and the sustainability component.

The Committee also recommends that the County Government should steer the project in such a manner that in future it divorces itself from the management of the project in order to ensure that its sustainability is guaranteed.

The Committee further recommends that the office of the Auditor General should carry out *the value for money audit* of the project and submit a report to the Senate within a period of one year.

2.12 Renovation of Governors/Deputy Governors Residences

The Committee observed that although the County Government had since completed the two houses and submitted the relevant documents on the project to the Auditor General for verification, the failure and/or laxity in submitting documents to the Auditor General amounted to deliberate intention to frustrate the auditing process. This was unacceptable and will attract severe sanctions if reported in the subsequent audit report.

Nevertheless, the Committee while relying on the evidence submitted by the County Government and the advice from the Auditor General agreed to clear the audit query but recommends that the County Government should always provide all the necessary documents to the Auditor General at the time of Audit.

2.13 Rehabilitation of Sewerage Works in Homa Bay Town (Min. of Water & Sanitation)

The Committee observed that although the County Government had submitted the necessary documents to the Auditor General for verification and examination, it failed to do so at the time of audit or within a reasonable time after the audit. This was unacceptable and will attract severe sanctions if reported in the subsequent audit report.

The Committee recommends that the County Government should utilize the window provided by the elaborate audit process including entry and exit meetings, management letters and other interactions during the audit process to provide the required documents to the Auditor General in order to minimize the audit queries reported in the subsequent financial years.

Moreover, the Committee after extensive deliberations agreed to clear the audit query and no further action is recommended.

3.1 Non-Compliance with the Budget process

The Committee while relying on the oral and written submission from the County Government and the guidance from the Auditor General agreed to clear the audit query and no further action is recommended.

4.1 Printing and Advertising Expenditure

The Committee on the strength of the evidence submitted by the County Government and advice from the Auditor General observed that the issue under consideration was partly a transitional one and was persuaded by the submission of the County Government.

The Office of the Auditor General further confirmed that the company was prequalified by the defunct local authority and the relevant authority letter was provided for verification.

In view of the foregoing the Committee agreed to clear the audit query and no further action is recommended.

4.2 Irregular Hire of Motor Vehicles

The Committee observed that the County Government failed to submit the necessary documents to clear the audit query even after it was afforded the opportunity to do so one year thereafter.

In the absence of any supporting documents including the Local Purchase Order and authority to hire vehicles, the Committee finds that the County Government misappropriated **Kshs. 2,080,000.**

The Committee therefore recommends that the amount of Kshs. 2,080,000 should be recovered from the responsible accounting officer and a report on the recovered be submitted to the Senate by 31st December, 2015.

5.1 The County Organizational Structure

The Auditor General submitted that the response of the County Government on the audit query was satisfactory and the audit query should be cleared

The Committee while noting the submission from the Auditor General agreed to clear the audit query and no further action is recommended.

5.2 Payroll Audit

The Office of the Auditor General informed the Committee that although at the time of audit, the files for the transferred doctors had not been forwarded to the County Government, the transferred doctors had reported to the County Government and their files were subsequently submitted to the County Government thereafter.

In view of the new development and the advice from the office of the Auditor General the Committee agreed to clear the audit query and no further action is recommended.

5.3 Expired Contract for Consultancy Service (Ministry of Trade)

The Auditor General Informed the Committee that the audit query had since been cleared after submission and verification of the relevant documents.

The Committee while relying on the submission from the Auditor General agreed to clear the audit query and no further action is recommended.

6.1 Weaknesses in the Processing of Imprest

The Auditor General Informed the Committee that the audit query had since been responded to and subsequently cleared.

The Committee while relying on the submission from the Auditor General agreed to clear the audit query and no further action is recommended.

7.0 Cash and Bank Balance

The Committee while relying on the submission from the auditor General agreed to clear the audit query and no further action is recommended.

8.0 Non Maintenance of Debtors Ledger

The Committed observed that the audit query relates to the issue of assets and liabilities registers which was a transitional challenge for all Counties. The Committee noted that the matter could only be conclusively dealt with after the Transition Authority had concluded the verification and authentication of assets and liabilities registers in the County.

The Committee under the circumstances recommends that the Transition Authority should expedite the verification and authentication of assets and liabilities registers and submit a report to the Senate by 31st December, 2015.

9.0 Non Maintenance of Creditors Ledger

The Committed observed that the audit query relates to the issue of assets and liabilities registers which was a transitional challenge for all Counties. The Committee noted that the matter could only be conclusively dealt with after the Transition Authority had concluded the verification and authentication of assets and liabilities registers in the County.

The Committee under the circumstances recommends that the Transition Authority should expedite the verification and authentication of assets and liabilities registers and submit a report to the Senate by 31st December, 2015.

APPENDICES

Minutes of the Committee

**MINUTES OF THE 51ST SITTING OF THE SENATE SESSIONAL COMMITTEE
ON COUNTY PUBLIC ACCOUNTS AND INVESTMENTS HELD IN THE
SENATE CHAMBER, MAIN PARLIAMENT BUILDING ON WEDNESDAY, 7TH
OCTOBER, 2015 AT 10.00AM**

PRESENT

Sen. (Dr.) Boni Khalwale
Sen. Hassan Omar Hassan
Sen. Khaniri George
Sen. Martha Wangari
Sen. (Prof.) Anyang' Nyong'o
Sen. (Prof.) John Lonyangapuo
Sen. Wamatangi Kimani
Sen. Kennedy Mong'are

- **Chairman**
- **Vice Chairman**

ABSENT WITH APOLOGY

Sen. (Eng.) Karue Muriuki
Sen. Murkomen Kipchumba
Sen. Sitswila Wako Amos

IN ATTENDANCE

THE SENATE SECRETARIAT

Mr. Derick Koli
Mr. Joseph Tiyan
Mr. Elijah Ichwara

- First Clerk Assistant
- Research Officer
- Audio recorder/officer

MIN.265/2015: PRELIMINARIES

The Chairperson called the meeting to order at 10.22 am and the meeting started with a word of prayer. Thereafter the chairman called for a round of introductions.

The chairman thereafter clarified that the meeting was convened mainly to adopt the report of the Committee on its consideration of the report of the Auditor General on the Financial operation of Homa Bay County Executive for the financial year 2013/2014(1st July, 2013 to 30th June, 2014) and consideration of the statement sought from the County Government of Narok by the Senator for Narok County, Sen. Stephen Ole Ntutu.

MIN.266/2015: ADOPTION OF THE REPORT OF THE COMMITTEE ON ITS CONSIDERATION OF THE REPORT OF THE AUDITOR- GENERAL ON THE FINANCIAL OPERATIONS OF HOMA BAY COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2013/2014 (1ST JULY 2013 TO 30TH JUNE, 2014).

The Committee considered and unanimously adopted its report on the consideration of the report of the Auditor General on the financial operations of Homa Bay County Executive for the financial year 2013/2014(1st July, 2013 to 30th June, 2014).

The Committee further confirmed the all the minutes relating to the meetings held between the Committee and the Homa Bay County Executive on various dates including the minutes of the County visit undertaken on 7th August, 2015.

The minutes listed in the following paragraph were confirmed as true record of the respective proceedings and signed by the chairman having been proposed and seconded by Sen. Hassan Omar Hassan, MP and Sen. George Khaniri, MP respectively.

- (i) The minutes of the 26th Sitting held on 14th July, 2015;
- (ii) The Minutes of the 27th Sitting held on 15th July, 2015;
- (iii) The Minutes of the 30th Sitting held on 29th July, 2015;
- (iv) The Minutes of the 32nd Sitting held on 6th August, 2015;
- (v) The Minutes of the 34th Sitting held on 26th August, 2015;
- (vi) The Minutes of the 49th Sitting held on 6th October, 2015; and
- (vii) The Minutes of the 51st Sitting held on 7th October, 2015.

Resolutions of the Committee

- 1. That the report of the Committee on its consideration of the report of the Auditor General on the Financial Operations of Homa Bay County Executive for the financial year 2013/2014(1st July, 2013 to 30th June, 2014) be tabled in the Senate immediately.**
- 2. That the Minutes of the meetings held on 14th July, 2015, 15th July, 2015, 29th July, 2015, 6th August, 2015, 26th August, 2015, 6th October, 2015 and 7th October, 2015 be confirmed and signed by the chair and attached to the report referred in (1) above**
- 3. That the hansard of all proceedings of the meetings of the Committee and Homa Bay County Executive be attached as an appendix to the report referred in (1) above.**

MIN. 267/2015: STATEMENT SOUGHT FROM NAROK COUNTY GOVERNMENT(EXECUTIVE) BY THE SENATOR FOR NAROK COUNTY, SEN. STEPHEN OLE NTUTU

The Chairman informed the Committee that he had received a statement signed by the County Secretary of Narok County Government and moved the motion that the Committee allows him to issue the statement on the material day. The Chairman in moving the motion, informed the Committee that some issues had been raised on whether the matter before the Committee should not be executed owing to the fact that the finance committee had already dealt with the matter.

The Committee in making its decision on the matter was guided by the following:-

1. The Committee was sanctioned by the House to provide information requested to the Senator on behalf of the House. Therefore the issue was properly before the Committee and any issues relating to a matter that has already been responded to by the Senate through another Committee will be dealt with in the floor of the House and the Committee will accept to be informed on any information that is already available.
2. Even in the event that an issue has already been dealt with, members are usually at liberty to seek further clarifications and since the matter came to the House with the approval of the Speaker, the Committee was obliged to provide the information requested or else, it would have defied a directive of the House.

The Committee deliberated on the motion and resolved that the statement be issued as submitted and the Committee will subsequently be guided further by the House on how to handle the matter.

MIN. 268/2015: ANY OTHER BUSINESS

- 1) Senator Paul Wamatangi expressed his concerns on the leniency of the Committee on the recommendations and actions to be taken on those who flouted the public procurement rules and regulations in the procurement of goods and services particularly on audit queries 2.10(Solar Lighting project(Okonyo Welo)- (Ministry of Energy)) and audit query 2.11(Poultry Hatcheries (Ministry of Agriculture)).
- 2) The Committee opined that the recommendations made on each audit query were informed by the oral and written submissions as well as the

verification visit carried out by the Committee and the advice received from the Office of the Auditor General on the matters considered.

- 3) The Committee further opined that the recommendations arrived at took into account the transitional challenges faced by Counties at the onset of devolution and recommendations of the Committee will be harsh in the subsequent reports- because counties would have put the requisite structures in place particular in the management of finances.

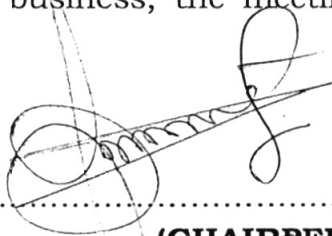
MIN. 269/2015: DATE OF THE NEXT MEETING

The next meeting was to be held on Thursday 8th October, 2015.

MIN.270/2015: ADJOURNMENT

The being no other business, the meeting was adjourned at fifteen minutes past twelve o'clock.

SIGNED:



.....
(CHAIRPERSON)

DATE:

22 / 10 / 15
.....

MINUTES OF THE 49TH SITTING OF THE SENATE SESSIONAL COMMITTEE ON COUNTY PUBLIC ACCOUNTS AND INVESTMENTS HELD IN THE COMMITTEE ROOM 4, 1ST FLOOR, MAIN PARLIAMENT BUILDING ON TUESDAY, 6TH OCTOBER, 2015 AT 8.00AM

PRESENT

Sen. (Dr.) Boni Khalwale
Sen. Hassan Omar Hassan
Sen. Kennedy Mong'are

- **Chairman**
- **Vice Chairman**

ABSENT WITH APOLOGY

Sen. (Prof.) John Lonyangapuo
Sen. Wamatangi Kimani
Sen. (Eng.) Karue Muriuki
Sen. Martha Wangari Sen. Khaniri George
Sen. (Prof.) Anyang' Nyong'o
Sen. Murkomen Kipchumba
Sen. Sitswila Wako Amos

IN ATTENDANCE

THE SENATE SECRETARIAT

Mr. Derick Koli
Mr. Joseph Tiyan

- First Clerk Assistant
- Research Officer

MIN.255/2015: PRELIMINARIES

The Chairperson called the meeting to order at 8.30 am and the meeting started with a word of prayer. Thereafter on the Chairman informed the Members present that the meeting was convened to adopt the report of the Committee on the consideration of the report of the Auditor General on the financial operations of Homa Bay County Executive for the year 2013/2014.

MIN.256/2015: ADOPTION OF THE REPORT OF THE COMMITTEE ON THE CONSIDERATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL OPERATIONS OF HOMABAY COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2013/2014 (1ST JULY 2013 TO 30TH JUNE, 2014).

The Committee reviewed the report and recommended that an additional recommendation relating to audit query 2.11 on Poultry Hatcheries (Ministry of Agriculture) be included in the report. The additional recommendation was that:-

The Committee also recommends that the County Government should steer the project in such a manner that in future it divorces itself from the management of the project in order to ensure that its sustainability is guaranteed.

The Committee directed the secretariat to include the additional recommendation on the main report and finalize the report for adoption on 7th October, 2015. However, since the requisite quorum for adopting the report was not attained, the adoption of the report was postponed to a later date.

The Secretariat was also directed to finalize on the report of the Homa Bay County Assembly in readiness for adoption on 8th October, 2015.

MIN. 257/2015: ANY OTHER BUSINESS

The Chairman requested members to attend the meeting scheduled the same day at 10:00am

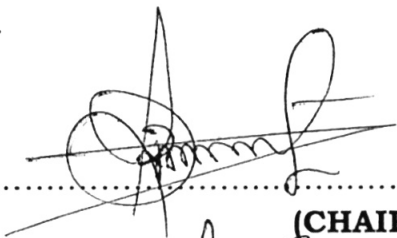
MIN. 258/2015: DATE OF THE NEXT MEETING

The next meeting was to be held on Tuesday, 6th October, 2015 at 10:00am.

MIN.259/2015: ADJOURNMENT

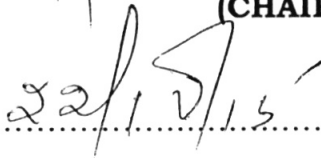
The being no other business, the meeting was adjourned at thirty minutes past nine o'clock.

SIGNED:



(CHAIRPERSON)

DATE:



MINUTES OF THE 34TH SITTING OF THE SENATE SESSIONAL COMMITTEE ON COUNTY PUBLIC ACCOUNTS AND INVESTMENTS HELD ON WEDNESDAY, 26TH AUGUST, 2015 AT SENATE COMMITTEE ROOM NO. 4, FIRST FLOOR, MAIN PARLIAMENT BUILDINGS, AT 9.00AM

PRESENT

Sen. (Dr.) Boni Khalwale	- Chairperson
Sen. Hassan Omar Hassan	- Vice Chairperson
Sen. Mong'are Okong'o Kennedy	

ABSENT WITH APOLOGY

Sen. Wamatangi Kimani
Sen. (Prof.) John Lonyangapuo
Sen. Sitswila Wako Amos
Sen. Khaniri George
Sen. Karue Muriuki
Sen. (Prof.) Anyang Nyong'o
Sen. Martha Wangari
Sen. Murkomen Kipchumba

IN ATTENDANCE

Mr. Victor Bett
Mr. Joseph Tiyen

THE SENATE SECRETARIAT

- Committee Clerk
- Research Officer

MIN.NO. 171/2015

- PRELIMINARIES

The Chairman called the meeting to order at 9.30am and the meeting started with a word of prayer.

MIN.NO.172/2015

- ADOPTION OF THE AGENDA

The agenda of the sitting was adopted having been proposed and seconded by Sen. Hassan Omar Hassan and Sen. Kennedy Mong'are Okong'o respectively.

MIN.NO. 173/2015

- CONSIDERATION AND ADOPTION OF THE REPORT OF HOMABAY COUNTY EXECUTIVE FOR FY 2013/2014

The Chairman, after a round of introductions welcomed members to the meeting and introduced the agenda.

The Committee asked the secretariat to take the Committee through the report and amendments were introduced to the observations and recommendations as follows;

Observations

There were unverified claims of nepotism in recruitment but the Committee could not proof the allegations.

- Some Poultry Hatcheries were yet to be used one year after their issuance, while others were located in one room due to electricity problems.
- There was no evidence that there was declaration of interest in recruitment of relatives by the County Executive.

Recommendations

- The County Government must ensure that they take full advantage of the audit entry and exit meetings to avail all documents to address the audit queries raised. Failure to this, would lead to immediate disciplinary action to the officers responsible.
- Offices should not be merely for creating Job opportunities but meant to improve the efficiency and effectiveness of service delivery and this will go a long way in controlling the wage bill.
- The county government must inspect administrative infrastructure for hatcheries before issue to ensure that the hatcheries are distributed to prepared groups for the projects objectives to be realized.
- The Committee recommends that the County Government should undertake a detailed feasibility study in order to draw a road map for hatcheries project sustainability especially on the 123 hatcheries.
- The Committee also agreed that the secretariat in its recommendations should highlight clearly instance where the County Executive was surcharged.

MIN.NO.174/2015

- ANY OTHER BUSINESS

The Committee resolved that:

- The report of the County Assembly of Homa Bay will be considered during its sitting scheduled for Wednesday, 2nd September, 2015.
- The Statement sought from the County Government of Narok by the Senator for Narok County, Sen. Stephen Ole Ntutu will be considered during the next sitting of the Committee.

MIN.NO. 175/2015

- DATE OF THE NEXT MEETING

The next meeting was to be held on Wednesday, 2nd September, 2015 at 9.00am.

MIN.NO. 176/2015

- ADJOURNMENT

There being no other business, the meeting was adjourned at fifteen minutes past twelve o'clock.

SIGNED:

(CHAIRPERSON)

DATE: 22/10/15

MINUTES OF THE 32ND SITTING OF THE SENATE SESSIONAL COMMITTEE ON COUNTY PUBLIC ACCOUNTS AND INVESTMENTS HELD IN THE GOVERNOR'S BOARD ROOM, HOMA BAY COUNTY ON THURSDAY, 6TH AUGUST, 2015 AT 10.00AM

PRESENT

Sen. (Dr.) Boni Khalwale	- Chairman
Sen. Hassan Omar Hassan	- Vice Chairman
Sen. (Prof.) John Lonyangapuo	
Sen. Wamatangi Kimani	
Sen. Kennedy Mong'are	

ABSENT WITH APOLOGY

Sen. (Eng.) Karue Muriuki
Sen. Martha Wangari Sen. Khaniri George
Sen. (Prof.) Anyang' Nyong'o
Sen. Murkomen Kipchumba
Sen. Sitswila Wako Amos

IN ATTENDANCE

(I) THE COUNTY EXECUTIVE OF HOMABAY

Cyprian Awiti	- Governor
Hamilton Orata	- Deputy Governor
Isaiah Ogwe	- County Secretary
Prof. Tom Peter Ogada	- CEC Trade & Industrialization
James Mukenya	- Deputy County Secretary
Naphtally Matah	- CEC Education & ICT
Pharesh Ratego	- CEC Energy
Eliud Otieno	- CEC Transport
Damaris Amollo	- Ag. Chair PSB
David Okeyo	- CEC Agriculture
Joseph Rading'	- Principal Finance Officer
Nicholas Koriko	- CEC, Finance and Economic Planning
Beatrice Ogolla	- CEC Lands Fiscal Planning and Urban Development
Dr. Lawrence Koteng	- CEC Health

(II) THE OFFICE OF AUDITOR GENERAL

Mr. Walter Gumbo	- OAG - Director, Kisumu Hub
Mr. Justus Ole Kimiri	- OAG - Senior Supervisor
Mr. Jushua M. Kereda	- OAG-Senior Manager, Kisumu Hub

(III) THE SENATE SECRETARIAT

Mr. Derick Koli	- First Clerk Assistant
Ms. Gloria Nyawira	- Third Clerk Assistant
Mr. Victor Bett	- Third Clerk Assistant

Mr. Joseph Tiyan
Ms. Rose Ometere

- Research Officer
- Audio recorder/officer

MIN.161/2015: PRELIMINARIES

The Chairperson called the meeting to order at 10.20 am and the meeting started with a word of prayer. Thereafter the Chairman clarified that the meeting was not convened by the Governor but by the Senate Sessional Committee on County Public Accounts and Investments. The Chairman further clarified that the proceedings of the meeting will be recorded on hansard and all witnesses were presumed to be on oath while giving evidence to the Committee and anything said during the meeting could be used against the individual in a court of law. The Chairman further informed the meeting that the proceedings of the meeting were covered by Parliamentary privileges and immunities and nobody can be victimized because of what he said in the meeting.

MIN.162/2015: FOLLOW UP ON THE CONSIDERATION OF THE REPORT OF THE AUDITOR- GENERAL ON THE FINANCIAL OPERATIONS OF HOMABAY COUNTY ASSEMBLY FOR THE FINANCIAL YEAR 2013/2014 (1ST JULY 2013 TO 30TH JUNE, 2014).

Audit query 1.1 Failure to Maintain Revenue Cashbook

The Committee received the relevant bank statements and Bank reconciliations from the County Government and the Auditor General confirmed that documents submitted sufficiently addressed the audit query.

The Committee therefore cleared the audit query but recommended that the County Government should at all times maintain an updated cashbook at the County Treasury.

2.1 additional Hostel at Sero Polytechnic

The Office of the Auditor General informed the Committee that it had perused the documents submitted on the audit query and finds as follows:-

- That the Bills of quantities and quotation for materials provided was sufficient
- That the delivery records and S13 were seen and confirmed as genuine
- That the method of procurement used by the County Government was against the public procurement and regulations because the County Government used quotation method instead of open tendering method. The County Government therefore flouted the public procurement rules and regulations in procuring for the goods and service in this particular project.

2.2 Purchase of Furniture and Fittings

The Office of the Auditor General informed the Committee that it had perused the documents submitted on the audit query and finds that:-

- the counter receipt vouchers(S13) and delivery notes were genuine and satisfactory although they had not been attached to the payment vouchers
- Payment vouchers had been posted on the cash book
- The County Government flouted the public procurement rules and regulation in sourcing for the goods and services under this particular audit query.
- Bills of quantities and quotation for materials provided was sufficient
- That the delivery records and S13 were seen and confirmed as genuine
- That the method of procurement used by the County Government was against the public procurement and regulations because the County Government used quotation method instead of open tendering method. The County Government therefore flouted the public procurement rules and regulations in procuring for the goods and service in this particular project.

2.6 Partition of the Education Hall

The Office of the Auditor General informed the Committee that it had perused the documents submitted on the audit query and finds that:-

- i. The County Government availed the relevant payment vouchers, delivery notes and invoices for verification.
- ii. The County Government flouted the public procurement rules and regulation in the procurement of goods and services in this project.

2.10 Solar lighting project (Okonyo Welo)-(Ministry of Energy)

The Office of the Auditor General informed the Committee that it had perused the documents submitted on the audit query and finds that:-

- i. The County Government submitted the necessary documents relating to the schedule of disbursements showing the contribution of Harizon Media Company.
- ii. Value Added Tax was not included in the contract sum thereby inflating the amount of the total payment made with an amount equivalent to the VAT component.
- iii. The County Government failed to follow the existing public procurement rules and regulations in the procurement process in awarding the tender

Audit query 2.11 Poultry Hatcheries (Ministry of Agriculture)

The Committee chairman informed the meeting that the Committee during its previous meeting with the County Government was not satisfied with the responses provided and therefore decided to visit the project and ascertain a number of issues including but not limited to the following:-

- i. Inspect the poultry hatcheries to ascertain whether they were supplied and distributed as alleged by the County Government.
- ii. Receive specific documents including the contract/agreement signed between the County Government and the supplier, the County Executive Committee minutes, the project concept note and payment vouchers relating to the project among others and
- iii. Seek clarifications on the sustainability of the project

The County Government submitted the following documents to the Committee:-

- i. Contract Agreement for Kshs. 97, 920,000
- ii. A copy of the Minutes of the County Executive Committee meeting that approved the project
- iii. Project concept note and
- iv. A letter clarifying that the final expenditure of Kshs. 123,663,200 for the project also included the training element of Kshs. 10,080,000 and VAT of Kshs. 15,667,200

The Committee visited a number of the Hatcheries and made the following findings:-

- i. A number of Hatcheries whose beneficiaries were along the power grid were operational and the beneficiaries were receiving income from the project.
- ii. Some Hatcheries were not operational due to either breakdowns or lack of electricity in the location of the beneficiaries. Not all hatcheries had a backup generator
- iii. Nine Hatcheries had not been distributed and were still in the stores of the County Government at the time of the visit and no sufficient reasons were given for failure to distribute them.
- iv. The sustainability of the project could not be ascertained because the beneficiaries continued to rely on the county government for repairs and spare parts. The County Government continued to support the beneficiaries and no plans on how the project was going to be managed by beneficiaries themselves without the support of the County Government.
- v. The process of identifying beneficiaries was unclear and without merit. Furthermore, the Members of the County Assembly (MCAs) should never have been involved in the identification of the project because that constitutes a conflict of interest as the oversight arm of the County Government.
- vi. It was evident that maintenance of the Hatchery machines remained a big challenge to the beneficiaries because they did not know where to get spare parts or get experts to repair the machines.

- vii. One group was never trained on how to use and manage the Hatchery for one year. This therefore implied that capacity building issues remained unaddressed.
- viii. It was wrong to implement the project without carrying out extensive feasibility studies to establish and document the possible challenges and the pros and cons of the project.

Audit query 3.1 Non Compliance with the Budget Process

During the meeting between the Committee and the County Executive held in Nairobi on 29th July, 2015, issues had been raised concerning nepotism and cronysm in the recruitment of staff where anonymous members of the public had alleged that county officials had recruited their relatives in the same Ministries they were supervising.

The Committee sought clarification from the officers mentioned and the officers refuted claims of any malpractices in the recruitment process and reported that all officers were recruited competitively.

Although the Committee was satisfied on the responses of the County Government on the matter, the Committee warned the County officials to stop perpetuating nepotism and cronysm in the recruitment of staff in order to give all county residence equitable opportunity in the distribution of jobs.

Audit query 4.1 printing and advertising expenditure

The Office of the Auditor General informed the Committee that it had perused the documents submitted on the audit query and finds that:-

- i. The letter authorizing the defunct local authority to procure the printing and advertising services from African Herald Publishing House was availed for scrutiny.
- ii. The entries into the S3 and counter receipt book register were not availed for confirmation and verification. Therefore, it was not possible to confirm the expenditure.

Audit query 4.2 Irregular Hire of Motor Vehicles

The Office of the Auditor General informed the Committee that it had perused the documents submitted on the audit query and finds that:-

- i. The payment vouchers did not have supporting documents including the Local Purchase Orders (LPOs) which are mandatory documents in any expenditure

- ii. The Authority to hire the vehicles or any relevant document on the approvals of the hire of vehicles was not provided.
- iii. The supplier of the hired vehicles was not competitively sourced and therefore the County Government breached the public procurement rules and regulation in the procurement of hired motor vehicles.

Audit query 5.2 Payroll Audit

The Office of the Auditor General informed the Committee that it had perused the documents submitted on the audit query and finds that:-

- i. There was need to further establish the actual numbers of employees inherited by the County Government from the defunct local authorities and the National Government at the onset of the County Governments and further establish the numbers of employees recruited by the County Government
- ii. The County Government needs to confirm the existence of 47 doctors and specifically provide information relating to their deployment status

Audit query 7.0 Cash and Bank Balances

The Office of the Auditor General informed the Committee that it had perused the documents submitted on the audit query and finds that:-

- i. The County Government did not maintain an uptodate cashbook at the County Treasury but efforts had been made to maintain an updated cashbook at the county headquarters
- ii. The bank reconciliation had been undertaken and all the relevant bank statements were submitted for verification and were confirmed as true records of the County Government's Accounts.
- iii. The audit query should be cleared because all the audit queries were adequately addressed by the County Government.

MIN. 163/2015: ANY OTHER BUSINESS

- (i) The chairman thanked the county government for its cooperation during the exercise and promised that the Committee will make fair recommendations based on the responses provided by the County Government and any other transitional challenges faced by the County Government during the financial year under review.

- (ii) The Chairman also clarified that the main purpose of the audit was to help in building the capacity of the counties and ensure that any malpractices are detected in good time so that devolution succeeds.
- (iii) The chairman further reiterated the commitment of the Senate to support counties in their development agenda.

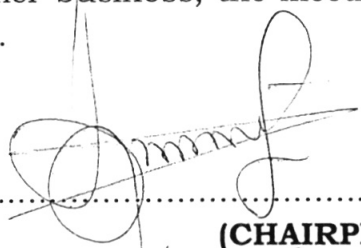
MIN. 164/2015: DATE OF THE NEXT MEETING

The next meeting was to be held on 7th August, 2015 at 10:00am at the Homa Bay County Assembly.

MIN.165/2015: ADJOURNMENT

The being no other business, the meeting was adjourned at forty five minutes past four o'clock.

SIGNED:



(CHAIRPERSON)

DATE:

22/10/15

MINUTES OF THE 30TH SITTING OF THE SENATE SESSIONAL COMMITTEE ON COUNTY PUBLIC ACCOUNTS AND INVESTMENTS HELD IN THE SENATE COMMITTEE ROOM NO. 4, 1ST FLOOR, MAIN PARLIAMENT BUILDING, ON WEDNESDAY, 29TH JULY, 2015 AT 10.00AM

PRESENT

Sen. (Dr.) Boni Khalwale	- Chairman
Sen. Hassan Omar Hassan	- Vice Chairman
Sen. (Eng.) Karue Muriuki	
Sen. Kennedy Mong'are	

ABSENT WITH APOLOGY

Sen. Martha Wangari
Sen. Khaniri George
Sen. (Prof.) John Lonyangapuo
Sen. (Prof.) Anyang' Nyong'o
Sen. Sitswila Wako Amos
Sen. Wamatangi Kimani
Sen. Murkomen Kipchumba

IN ATTENDANCE

(I) THE COUNTY GOVERNMENT OF HOMABAY

Hon. Cyprian O.A. Awiti	- Governor
Mr. Isaiah Ogwe	- County Secretary
Mr. Nicholas K'Oriko	- CEC Finance & Planning
Mr. John Oywa	- PA to Governor

(II) THE OFFICE OF AUDITOR GENERAL

Mr. Walter Gumbo	- OAG - Director, Kisumu Hub
Mr. Justus Ole Kimiri	- OAG - Senior Supervisor
Mr. Jushua M. Kereda	- OAG-Senior Manager, Kisumu Hub

(III) THE SENATE SECRETARIAT

Mr. Derick Koli	- First Clerk Assistant
Mr. Joseph Tiyan	- Research Officer III
Ms. Rose Ometere	- Audio recorder/officer

MIN.151/2015: PRELIMINARIES

The Chairperson called the meeting to order at 10.17 am and the meeting started with a word of prayer. Thereafter the Chairman welcomed members present to the meeting and called for a round of introductions.

MIN.152/2015: CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF HOMABAY COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2013/2014 (1ST JULY 2013 TO 30TH JUNE, 2014).

Audit query 2.5 Alteration and extension of the Governor's Office

The Committee heard that although the payment of Kshs. 19,596,027 was made without the certification by the inspection and acceptance Committee, the County Government relied on the certification from the County Works Officer who was then the officially designated officer to carry out valuation of government construction and related works.

The Auditor General submitted that it had perused the documents submitted and was satisfied with the responses provided by the County Government.

The Committee on the ground of both oral and written submission and the advice from the Auditor General agreed to clear the audit query but faulted the County Government for its failure to submit the required documents to the Auditor General at the time of audit or within a reasonable time after the audit.

The Committee while noting that the transitional period was over recommends that the County Government should always submit the required documents to the Auditor General at the time of Audit failure to which the Committee will in future treat delayed submission of the relevant documents to the Auditor General as intentional and deliberate.

Audit query 2.10 Solar Lighting project (Okonyo Welo)(Ministry of Energy)

The Auditor General informed the Committee that the relevant documents regarding the project had been submitted for examination and verification and was satisfied with the responses provided by the County Government on the audit query.

The Committee while relying on the oral and written submission from the County Government and the advice from the Auditor General agreed to clear the audit query and no further action is recommended.

Audit query 2.11 Poultry Hatcheries (Ministry of Agriculture)

The Auditor General informed the Committee that due to time constraints the officers who visited the project only managed to visit ten(10) hatcheries and found that some were working while others were not working.

The Committee on the basis of the sample visited (which was about 4.4%) was not satisfied with the responses provided by the County Government on the audit query and resolved to visit Homabay County on a date to be decided by the Committee during its next meeting in order to ascertain the status of the project.

The Audit query was therefore not cleared pending the outcome of the visit by the Committee.

Audit query 2.12 Renovation of Governors/Deputy Governor's Residence.

The Committee heard that the houses were completed and occupied by the respective County Government officials. The Governor further informed the Committee that the two houses were initially in bad shape but have been renovated to suit the status of the Governor and the Deputy Governor respectively.

The Auditor General informed the Committee that the two houses were in good shape and had been occupied by the Governor and the Deputy Governor. However, the ascertainment on the value for money for the project would be subject to a further audit to be conducted in the next phase of the Audit for the financial year 2014/2015.

The Auditor General further informed the Committee that the County Government had failed to submit the required documents on the project during the audit period but had since submitted and examination and verification of the documents had been concluded.

The Observer stated that although the County Government had since completed the two houses and submitted the relevant documents on the project to the Auditor General for verification, the failure and/or laxity in submitting documents to the Auditor General amounted to deliberate intention to frustrate the auditing process. This was unacceptable and will attract severe sanctions if reported in the subsequent audit report.

The Committee while relying on the evidence submitted by the County Government and the advice from the Auditor General agreed to clear the audit query but recommends that the County Government should always provide all the necessary documents to the Auditor General at the time of Audit and not thereafter.

Audit query 2.13 Rehabilitation of Sewerage Work in Homabay Town (Ministry of Water & Sanitation).

The County Government informed the Committee that the relevant documents on the audit query were not submitted to the Auditor General for verification at the time of Audit. However, the said documents had since been submitted to the office of the Auditor General for verification.

The Auditor General submitted that although the relevant documents had been submitted, the County Government had failed to submit the said documents for verification at the time of audit despite the fact that the audit process is an interactive one and affords the management an opportunity to respond to the audit issues raised before the audit report is submitted to the Senate and the relevant County Assemblies.

The Committee observed that the Country Government failed to submit the relevant documents to the Office of the Auditor General during the audit period or within a reasonable time after the audit. This was unacceptable and will attract severe sanctions if reported in the subsequent audit report.

The Committee further advised the County Government to utilize the window provided by the management letter to exhaustively respond to the in the audit queries raised by the Auditor General.

The Committee after extensive deliberation agreed to clear the audit query and no further action is recommended.

Audit query 3.1 Non- Compliance with the Budget process

The County Government informed the Committee that it complied with the requirements of the PFM Act on budgeting processes. The County Government further informed the Committee that it had a properly constituted budget and economic forum with highly qualified personnel.

The Committee as a follow up to the response from the County Government sought to know how the issue of nepotism, cronyism and favouritism had been managed in the recruitment of personnel at the County level.

The Chairman further informed the Committee that he had received information from a resident of Homabay County who had alleged that nepotism was rampant at the County and specific names were provided to corroborate that allegation particularly names of individuals related to senior officers in the County Government.

The Committee noted the allegations with concern, deliberated on the matter and decided to visit Homabay to as a means of verifying and ascertaining the allegations. The Committee further directed to submit the County Government to avail the following during the visit:

- Files for all employees alleged to be relatives of senior County Officials
- List for all employees of the County Government;
- Ask Members of the County Public Service Board to attend the meeting and
- Provide other relevant information to refute the alleged malpractices

Audit query 4.1 Printing and advertising expenditure

The evidence submitted by the County Government on the audit query did not sufficiently respond to the issues raised by the Auditor General. The Committee decided to postpone its decision on the matter pending the visit to the County to get further information on the matter.

Audit query 4.2 Irregular Hire of Motor Vehicle

The evidence submitted by the County Government on the audit query did not sufficiently respond to the issues raised by the Auditor General. The Committee decided to postpone its decision on the matter pending the visit to the County to get further information on the matter.

Audit query 5.1 The County Organizational Structure

The County Government informed the Committee that the Ministry of Devolution gazetted and launched the Capacity Assessment and Rationalization of Public Service (CARPS) Programme where the issue of staff establishment and organizational structure is one of the components of the programme. The County Government further submitted that although departmental organizational structures were in use, their adoption will only be done after the conclusion of CARPS exercise.

The Auditor General submitted that the response of the County Government on the audit query was satisfactory but documents supporting the alleged position should be submitted to the Committee and the Auditor General in support of the claims.

The Committee while noting the submission from the Auditor General agreed to clear the audit query but directed the County Government to submit the relevant documents to the Auditor General within a period of two weeks for verification.

Audit query 5.2 Payroll Audit

The evidence submitted by the County Government on the audit query did not sufficiently respond to the issues raised by the Auditor General. The Committee decided to postpone its decision on the matter pending the visit to the County to get further information on the matter.

Furthermore, the Office of the Auditor General informed the Committee that it had not reviewed the documents submitted in support of the response and requested for more time to peruse the documents and ascertain whether they sufficiently address the audit query.

The Committee while noting the submission by the Auditor General decided to postpone its consideration of the audit query pending the feedback from the Auditor General on its examination of the documents submitted by the County Government in responding to the audit query.

Audit query 5.3 Expired Contract for Consultancy Services (Ministry of Trade).

The Auditor General Informed the Committee that the audit query had since been responded to and subsequently cleared.

The Committee while relying on the submission from the Auditor General agreed to clear the audit query and no further action is recommended.

Audit query 6.1 weaknesses in processing of imprest

The Auditor General Informed the Committee that the audit query had since been responded to and subsequently cleared.

The Committee while relying on the submission from the Auditor General agreed to clear the audit query and no further action is recommended.

Audit query 7.0 Cash and Bank Balances

The Auditor General informed the Committee that the documents submitted by the County Government in responding to the audit query had not been verified and therefore requested for a period of two weeks to examine and verify the authenticity of the documents.

The Committee acceded to the request by the Auditor General and decided to postpone its consideration of the audit query pending the outcome of the verification and authentication of the documents submitted by the County Government on matter.

The Committee further resolved that the matter will be considered during its visit to Homabay County as part of the issues to be verified on the ground.

Audit query 8.0 Non-Maintenance of Debtors Ledger

The County Government submitted that it had adopted and implemented the recommendation of the Auditor General on the matter.

The Committee observed that the audit query required the input of the transition Authority and directed that the matter be pending until the TA gives evidence on the matter. The Committee directed the secretariat to invite the TA to the next meeting to make submissions on the matter.

Audit query 9.0 Non-Maintenance of Creditors Ledger

The County Government submitted that it had adopted and implemented the recommendation of the Auditor General on the matter.

The Committee observed that the audit query required the input of the transition Authority and directed that the matter be pending until the TA gives evidence on the matter. The Committee directed the secretariat to invite the TA to the next meeting to make submissions on the matter.

MIN. 153/2015: ANY OTHER BUSINESS

- (i) The Governor thanked the Committee for the opportunity and reiterated that he appreciated the role of the Committee in ensuring devolution worked. The Governor further reiterated that he found the interactions useful and he had learnt a lot during the appearance and will urge other Governors to appear before the Committee. He further requested the media to endeavour to report professionally and fairly.
- (ii) The chairman thanked the Governor for coming and congratulated him for having been cleared on most issues except those that required further verification.

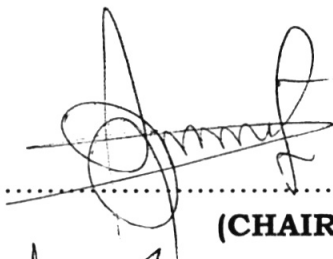
MIN. 154/2015: DATE OF THE NEXT MEETING

The next meeting was to be held on Thursday 30th July, 2015 at 10:00am.

MIN.155/2015: ADJOURNMENT

The being no other business, the meeting was adjourned at thirty minutes past twelve o'clock.

SIGNED:



.....
(CHAIRPERSON)

DATE:

22/10/15

MINUTES OF THE 27TH SITTING OF THE SENATE SESSIONAL COMMITTEE ON COUNTY PUBLIC ACCOUNTS AND INVESTMENTS HELD IN THE SENATE COMMITTEE ROOM NO. 4, 1ST FLOOR, MAIN PARLIAMENT BUILDING, ON WEDNESDAY, 15TH JULY, 2015 AT 10.00AM

PRESENT

Sen. (Prof.) Anyang' Nyong'o
Sen. Khaniri George
Sen. Kennedy Mong'are
Sen. (Eng.) Karue Muriuki

ABSENT WITH APOLOGY

Sen. (Dr.) Boni Khalwale	- Chairman
Sen. Hassan Omar Hassan	- Vice Chairman
Sen. Martha Wangari	
Sen. (Prof.) John Lonyangapuo	
Sen. Sitswila Wako Amos	
Sen. Wamatangi Kimani	
Sen. Murkomen Kipchumba	

IN ATTENDANCE

(I) THE COUNTY GOVERNMENT OF HOMABAY

Hon. Cyprian O.A. Awiti	- Governor
Mr. Isaiah Ogwe	- County Secretary
Mr. Evance Ochieng' Abeka	- Chief Officer - Finance

(II) THE OFFICE OF AUDITOR GENERAL

Mr. Walter Gumbo	- OAG - Director, Kisumu Hub
Mr. Justus Ole Kimiri	- OAG - Senior Supervisor
Mr. Jushua M. Kireda	- OAG-Senior Manager, Kisumu Hub

(III) THE SENATE SECRETARIAT

Mr. Derick Koli	- First Clerk Assistant
Mr. Joseph Tiyen	- Research Officer III

MIN.139/2015: PRELIMINARIES

The interim chairperson Sen. (Prof.) Anyang' Nyong'o called the meeting to order at 10.20 am and the meeting started with a word of prayer. Thereafter he called for a round of introductions and clarified that the meeting was a continuation of the meeting held on 14th July, 2015 and consideration of the report under review was to proceed from where the Committee stopped previously.

MIN.140/2015: CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF HOMABAY COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2013/2014 (1ST JULY 2013 TO 30TH JUNE, 2014).

Audit query: 2.10 Solar Lighting Project(Okonyo Welo)-Ministry of Energy

The County Government submitted that it entered into a joint venture with Horizon Media Investments Limited over installation of 800 units of solar lights in all market places across the County. The project was split into various phases and the first phase was to cover the installation of 450 units of solar lights as per the provisions of the MoU signed between the County Government on 28th November, 2013. Initially the first phase was to be completed within a period of four months and due to operational challenges, the project had delayed and this prompted the use of restricted tendering method in the processing of the tender.

The County Government also submitted that all the necessary documents including the MoU and delivery notes had been attached for verification.

The Office of the Auditor General informed the Committee that it was seeing the documents for the first time and therefore the Authenticity of the documents could not be ascertained.

Under the circumstances the Committee directed that the County Government to submit all the necessary documents to the Committee and the Office of the Auditor General for verification within a period of two weeks.

The Committee further resolved that the audit query be pended until the Office of the Auditor General examines and verifies the documents attached in support of the submissions by the County Government.

Audit query: 2.11 Poultry Hatcheries (Ministry of Agriculture)

The Governor informed the Committee that at the time of initiating the project, the County Government had not recruited the Ward Administrators to implement its projects at the ward level. This prompted the County Government to enlist the support of the MCAs in the implementation of the projects particularly in the identification of the beneficiary groups.

The Governor further submitted that although the Hatcheries may not have been working at the time of audit, all hatcheries had been operationalized and the locals had started to enjoy the economic benefits of the project.

The Office of the Auditor General informed the Committee that it was seeing the documents for the first time and therefore the Authenticity of the documents could not be ascertained.

Noting the submission from the Auditor General and the need to expeditiously deal with the matter when the Office of the Auditor General had examined the documents submitted by the County Government, the Committee resolved to postpone its consideration of the report on Financial Operations of Homabay County Executive for the period 1st July, 2013 to 30th June, 2014. This was to allow the Office of the Auditor General to examine and verify the documents that had been submitted by the County Government in responding to the audit queries under consideration.

The Committee directed the County Government to submit all the relevant documents on all audit queries in the report of the Auditor General under review to the Committee and the Office of the Auditor General within a period of two weeks.

The Committee further resolved that the County Executive of Homabay County will therefore attend its meeting of 29th July, 2015 in order to conclude its submissions on the report under review.

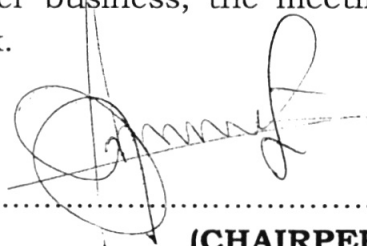
MIN. 141/2015: DATE OF THE NEXT MEETING

The next meeting was to be held on Thursday 16th July, 2015 at 10:00 am.

MIN. 142/2015: ADJOURNMENT

The being no other business, the meeting was adjourned at eleven minutes past eleven o'clock.

SIGNED:



.....
(CHAIRPERSON)

DATE:

22/10/15

MINUTES OF THE 26TH SITTING OF THE SENATE SESSIONAL COMMITTEE ON COUNTY PUBLIC ACCOUNTS AND INVESTMENTS HELD IN THE SENATE COMMITTEE ROOM NO. 4, 1ST FLOOR, MAIN PARLIAMENT BUILDING, ON TUESDAY , 14TH JULY, 2015 AT 10.00AM

PRESENT

- | | |
|----------------------------------|-------------------|
| 1. Sen. (Dr.) Boni Khalwale | - Chairman |
| 2. Sen. Khaniri George | |
| 3. Sen. Kennedy Mong'are | |
| 4. Sen. Martha Wangari | |
| 5. Sen. (Prof.) John Lonyangapuo | |
| 6. Sen. (Prof.) Anyang' Nyong'o | |

ABSENT WITH APOLOGY

- | | |
|------------------------------|------------------------|
| 1. Sen. Hassan Omar Hassan | - Vice Chairman |
| 2. Sen. Sitswila Wako Amos | |
| 3. Sen. (Eng.) Karue Muriuki | |
| 4. Sen. Wamatangi Kimani | |
| 5. Sen. Murkomen Kipchumba | |

IN ATTENDANCE

(I) THE COUNTY GOVERNMENT OF HOMABAY

- | | |
|---------------------------|---------------------------|
| Hon. Cyprian O.A. Awiti | - Governor |
| Mr. Isaiah Ogwe | - County Secretary |
| Mr. Evance Ochieng' Abeka | - Chief Officer - Finance |

(II) THE OFFICE OF AUDITOR GENERAL

- | | |
|-----------------------|----------------------------------|
| Mr. Walter Gumbo | - OAG - Director, Kisumu Hub |
| Mr. Justus Ole Kimiri | - OAG - Senior Supervisor |
| Mr. Jushua M. Kireda | - OAG-Senior Manager, Kisumu Hub |

(III) THE SENATE SECRETARIAT

- | | |
|---------------------|-------------------------|
| 1. Mr. Derick Koli | - First Clerk Assistant |
| 2. Mr. Joseph Tiyan | - Research Officer III |

MIN.135/2015: PRELIMINARIES

The Chairperson called the meeting to order at 10.30am and the meeting started with a word of prayer .The Chairman thereafter welcomed Governor for Homabay County and his team to the meeting and thanked him for honouring the invitation. The Chairman further asked the Governor to introduce himself and the Officers accompanying him. This was also followed by introduction of the Committee members and secretariat. The Chairman invited the Governor to

make his opening remarks before embarking on the consideration of the audit queries.

The Governors remarks

The Governor in his remarks informed the Committee that:-

- i. The County Government thanks the Committee for the invitation to respond to the audit raised in the report of the Auditor General under review.
- ii. The County Government had been taken to court on the matter of recruitment of the Chief Executive officers for each County department. This delayed the proper placement of officers and eventually affected the operations of the County Government.
- iii. The period under review falls within the transition period when the County Government had not sufficiently established the optimal operational structures and many anomalies may have been committed due to lack of proper guidance. However, the County Government had since employed the required staff
- iv. The County Government under his leadership has already taken the appropriate remedies to ensure that the recommendations of the Auditor General are fully implemented.
- v. There was a general misconception that citizens were expected to pay less levies /fees with the advent of devolution and this affected the revenue collection and forecasting.

MIN.136/2015: CONSIDERATION OF THE REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL OPERATIONS OF HOMABAY COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2013/2014 (1ST JULY 2013 TO 30TH JUNE, 2014).

The Chairman in his general guidance on the procedure to follow while considering the report under review informed the meeting that:

- i. The Auditor General will read out the audit query
- ii. The Governor will respond to the audit query. The Governor may be assisted in responding to the audit query by the accompanying officers
- iii. The Committee and the Office of the Auditor General will field follow up questions to seek clarity where necessary and
- iv. The Committee will thereafter give a recommendation on the matter
- v. The purpose of the meeting was to afford the County Government the opportunity to respond to audit queries raised in the report of the Auditor General and not a grilling session for the Governor.

Audit query: 1.1 Failure to Maintain Revenue Cash book

The Committee heard that the County Government had adopted a decentralized system of revenue collection. In the decentralized system of revenue collection, the revenue collected at each sub-county was deposited in a cash book maintained at the Sub-County level. The Committee further heard that at the time of Audit, no central cash book was maintained at the County Treasury but all revenue collection summaries were available and will be availed to the Committee and the Auditor General for verification. The Committee also heard that the automation of revenue collection was ongoing.

The Committee directed that the County Government should forward all the necessary documents regarding the matter to the Committee and the Office of the Auditor General within a period of two weeks.

The Committee further observed that although the County Government maintained cash books at every sub-county, there was need to have a general cash book at the County Treasury that provides an overall summary of revenue collection.

The Committee recommended that the County Government should maintain a detailed Cash Book at the County treasury.

Audit query 1.2 Failure to appoint County Receiver of Revenue

The Committee heard that during the period under review, the county had appointed the County Principal Finance Officer from the Transition Authority as the receiver of revenue and further in compliance with PFM Act, section 157(1), the County Committee Member for Finance and Economic Planning designated **Mr. Evans Abeka**, the Chief Finance Officer for Finance and Economic Planning the receiver of revenue with effect from 1st July, 2014.

The Committee was satisfied with the response provided by the County Government on the audit query and the matter was cleared and no further action was recommended.

Audit query 2.1: Additional hostel at Sero Polytechnic

The Committee heard that the County Government in its effort to support the youth polytechnics in the area decided to support Sero Polytechnic by supplying it with material for construction of a hostel facility for the students and the same materials will be used by students for their practical lessons.

The Committee further heard that the County Government used restricted tendering to select the contractor who supplied the materials and all the materials were received by the principal of the polytechnic and the project was 90 % complete.

Although the County Government submitted documents to support their submission, the Committee observed that several documents were faulty and required thorough scrutiny from the office of the Auditor General.

The Committee therefore directed the County Government to submit all documents relating to the audit query to the office of the Committee and the office of Auditor General for verification before it could make a determination on the matter.

Audit Query 2.2: Purchase of furniture and fittings

The County Government submitted that at the time of audit the County Government had started using the IFMIS system which generates cash books automatically and the payment for the furniture was therefore carried out through the system and there was no need for the counter receipt vouchers.

The Committee further heard that the permission to use restricted tendering method was granted by the tendering Committee since the items were needed urgently for use by the County Government official who had just been appointed. The Committee also heard that the County Government had received the funds towards the tail end of the financial year and therefore needed to commit funds before the end of financial year.

The Committee observed that the decision to use restricted tendering was unjustified and the submissions by the County Government on the matter were inadequate.

The Committee therefore directed the County Government to submit all documents relating to the audit query to the office of the Committee and the office of Auditor General for verification before it could make a determination on the matter.

Audit Query 2.3: Renovation of Governor's Office

The Committee heard that the County Government had not established the inspection Committee for purposes of the project and relied on the Certificates from the Ministry of Public works to pay the contractors.

The Committee further heard that the restricted tendering method was used in the process of tendering and awarding the tender. It was also clear from the submissions of the County Government that a permanent inspection Committee had been established to oversee the delivery of goods supplied to the County Government contrary to the Public Procurement rules and regulations that require the Committee to be ad hoc. In this particular matter the County Government admitted having made a mistake in establishing a permanent Committee instead of an ad hoc one.

The Committee further heard that scaling down of the project was done at the award of tender stage due to lack of funds to implement the entire project in one phase.

The Committee observed that some of the mistakes committed by the County Government on the audit query were related to the transitional challenges faced by Counties at their inception. Under the circumstances, the Committee cleared the Audit query but directed the County Government to ensure strict adherence to the Public Procurement regulations relating to the subject in the subsequent years.

Audit Query 2.4: Abolition block, sentry and perimeter wall

The County Government submitted that although payments relating to the project were made without the inspection and acceptance committee, it was done upon certification by Public Works Officer who was the designated valuer for the Government Construction and related works.

The County Government further submitted that it had subsequently appointed the inspection and acceptance Committee in accordance with the requirements of the Public Procurement and Disposal Regulations.

The Committee observed that the submissions from the County Government sufficiently addressed the audit query and therefore cleared the matter and no further action was recommended.

Audit Query 2.5: Alteration and extension of the Governor's Office

The County Government submitted that although payments relating to the project were made without the inspection and acceptance committee, it was done upon certification by Public Works Officer who was the designated valuer for the Government Construction and related works.

The County Government also submitted that the alteration and extensions referred on the audit query relate to construction on the County Treasury block. This was a separate block from the block that houses the office of Governor.

The Governor further informed the Committee that the County Government had faced challenges relating to the capacity and ability of locals to implement projects that required substantial finances. The County Government had therefore to award tenders to reputable companies that could complete the projects within the stipulated timelines. There were situations where projects stalled because they were awarded to Homabay residents who lacked the required funds to complete projects in time. In a bid to balance the situation the County Government would award tenders that required less capital to the locals and tenders that required huge financing to those companies with capacity to implement them.

The Committee on the strength of the oral and written submissions by the County Government cleared the audit query and no further action is recommended.

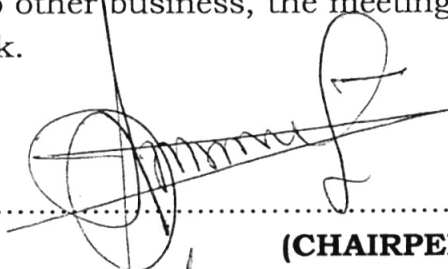
MIN. 137/2015: DATE OF THE NEXT MEETING

The next meeting was to be held on Wednesday 15th July, 2015 at 10:00 am.

MIN.138/2015: ADJOURNMENT

The being no other business, the meeting was adjourned at thirty minutes past twelve o'clock.

SIGNED:



(CHAIRPERSON)

DATE:

22 / 10 / 15

MINUTES OF THE 5TH SITTING OF THE SESSIONAL COMMITTEE ON COUNTY PUBLIC ACCOUNTS&INVESTMENTS HELD ON THURSDAY 20TH MARCH 2018 AT MAIN PARLIAMENT BUILDING, COMMITTEE ROOM 5 FROM 10:00 A.M.

PRESENT

- | | |
|--|--------------------------|
| 1. Sen. Moses OtienoKajwang', M.P. | -Chairperson |
| 2. Sen. Franklin MithikaLinturi, M.P. | -Vice Chairperson |
| 3. Sen. FatumaDullo Adan, CBS, M.P | |
| 4. Sen. (Prof) Sam K. Ongeru, EBS, EGH, M.P. | |
| 5. Sen. Paul KimaniWamatangi, M.P. | |
| 6. Sen. LedamaOlekina, M.P. | |
| 7. Sen. Mohammed Faki, M.P. | |

ABSENT WITH APOLOGY

8. Sen. Millicent Omanga, M.P
9. Sen. Charles ReubensonKibiru, M.P.

IN ATTENDANCE

SENATE SECRETARIAT

- | | |
|------------------------|----------------------------|
| 1. Ms. EmmyChepkwony | -Principal Clerk Assistant |
| 2. Mr. Yussuf Shimoy | -Clerk Assistant |
| 3. Mr. Mitchel Otoro | -Legal Counsel |
| 4. Mr. Reuben Kimosop | -Senior Serjeant-At-Arms |
| 5. Mr. Patrick Murindo | -Serjeant-At-Arms |
| 6. Mr. Robert Rop | -Audio Recording Officer |

MIN. NO. SEN/CPAIC/26/2018: PRELIMINARIES

The chairperson called the meeting to order at 10:27 a.m. and there followed a word of prayer by the chairperson.

MIN. NO. SEN/CPAIC/27/2018: ADOPTION OF AGENDA

The agenda of the meeting was adopted after it was proposed and seconded by Sen. LedamaOlekina, M.P. and Sen. FatumaDullo Adan, CBS, M.P respectively.

MIN. NO. SEN/CPAIC/28/2018: CONFIRMATION OF MINUTES OF THE PREVIOUS MEETINGS

Agenda was deferred to the following meeting.

MIN. NO. SEN/CPAIC/29/2018: CONSIDERATION OF THE PROPOSED SCHEDULE OF INVITATION OF COUNTY EXECUTIVE FOR THE YEAR 2014/15 AND 2015/16

The secretariat tabled a proposed schedule of invitations indicating notice of sittings for the months of April, May, June and July, 2018 as shown in the table below. In the proposal, each County Executive was to respond to audit queries arising from 2014/15 and 2015/16.

DATE	9.00 AM
Consideration of the Report of the Auditor- General on the Financial Statements for the Financial Year 2014/2015 and 2015/2016	
Tuesday, 10 th April, 2018	Makueni County Executive
Wednesday, 11 th April, 2018	Murang'a County Executive
Thursday, 12 th April, 2018	Mandera County Executive
Tuesday, 17 th April, 2018	Samburu County Executive
Wednesday, 18 th April, 2018	Mombasa County Executive
Thursday, 19 th April, 2018	Kwale County Executive
Thursday, 3 rd May, 2018	Embu County Executive
Tuesday, 8 th May, 2018	Machakos County Executive
Wednesday, 9 th May, 2018	Kakamega County Executive
Thursday, 10 th May, 2018	UasinGishu County Executive
Tuesday, 15 th May, 2018	TransNzoia County Executive
Wednesday, 16 th May, 2018	Homa Bay County Executive
Thursday, 17 th May, 2018	Siaya County Executive
Tuesday, 23 rd May, 2018	Nyeri County Executive
Wednesday, 24 th May, 2018	Garissa County Executive
Thursday, 25 th May, 2018	Isiolo County Executive
Tuesday, 29 th May, 2018	Meru County Executive
Wednesday, 30 th May, 2018	Taita/ Taveta County Executive
Thursday, 31 st May, 2018	Marsabit County Executive
Tuesday, 5 th June, 2018	Nyandarua County Executive
Wednesday, 6 th June, 2018	Bomet County Executive
Thursday, 7 th June, 2018	Wajir County Executive
Tuesday, 12 th June, 2018	Laikipia County Executive
Wednesday, 13 th June, 2018	Tharaka-Nithi County Executive

Thursday, 14 th June, 2018	Tana River County Executive
Tuesday, 19 th June, 2018	Kirinyaga County Executive
Wednesday, 20 th June, 2018	Nairobi County Executive
Thursday, 21 st June, 2018	West Pokot County Executive
Tuesday, 26 th June, 2018	Kitui County Executive
Wednesday, 27 th June, 2018	Kisumu County Executive
Thursday, 28 th June, 2018	Bungoma County Executive
Tuesday, 3 rd July, 2018	Baringo County Executive
Wednesday, 4 th July, 2018	Nyamira County Executive

The Committee deliberated on the proposal and resolved to consider the audit queries from Monday, 16th April, 2018 and directed the secretariat to fast-track the advert for the schedule.

MIN. NO. SEN/CPAIC/30/2018: BRIEF ON THE 6 REPORTS FOR THE FINANCIAL YEAR 2013/14 BY THE PREVIOUS COMMITTEE

Under this agenda, the Committee was to consider drafts reports by the previous committee of the 11th Parliament on following-

- a) Narok County Executive
- b) Turkana County Executive
- c) Kilifi County Executive
- d) Kajiado County Executive
- e) Kisii County Executive, and
- f) Nakuru County Executive

The Committee resolved to consider these drafts in a meeting during the report writing retreat that was scheduled from 22nd to 26th March, 2018.

The Committee further resolved to re-table reports of Homa bay County Executive and County Assembly for 2013/2014 that was previously tabled by the Committee of the 11th Parliament and did not require unbundling.

MIN. NO. SEN/CPAIC/31/2018: ANY OTHER BUSINESS

1. The secretariat updated the Committee on preparations for the report writing retreat that was scheduled from 22nd to 26th March, 2018 in Kwale County. The Committee resolved to change the venue from Kwale to Naivasha within the same dates.

2. The Committee noted there was a matter regarding a piece of land parcel L/R7879/4 by the National Land Commission for Ruaraka High School and Drive inn Primary in Ruaraka, Nairobi County. The Committee raised concerns on-
- a) The actual land owners
 - b) Whether the public will get the value for money on the acquisition of the parcel of land.

The Committee resolved to inquire into the matter and invite the relevant government agencies and private companies/individuals involved to apprise the Committee.

MIN. NO. SEN/CPAIC/32/2018: ADJOURNMENT

Having considered the business as set out in the agenda, the meeting was adjourned at 11:45 a.m.

Signed.....

Date.....27/3/2018

Sen. Kajwang' Moses Otieno, M.P
Chairperson,
County Public Accounts &
Investment Committee