



COUNTY ASSEMBLY OF BUNGOMA
SECOND ASSEMBLY, FOURTH SESSION

**REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE
AUDITOR GENERAL'S REPORT OF THE COUNTY EXECUTIVE
OF BUNGOMA FOR THE YEAR ENDED 30TH JUNE 2018**

February, 2020

Clerks Chambers,
County Assembly Buildings
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BUNGOMA, KENYA.

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CHAPTER ONE

1.0 PREFACE

Mr. Speaker Sir, On behalf of the members of the Public Accounts Committee (PAC) and pursuant to the provisions of Standing Order No. 186 and in accordance with Article 229 of the Constitution of Kenya 2010, it is my great pleasure and privilege to present to this House the Committee's report on the Auditor General's Report for the period beginning 1st July, 2017 to 30th June, 2018.

2.0 POWERS

Mr. Speaker Sir, the Committee derives its mandate from Bungoma County Assembly Standing Order No. 186 which states that "there shall be a select committee to be designated the Public Accounts Committee which will be responsible for examination of accounts showing the appropriation of the sums voted by the County Assembly to meet the public expenditure and of such other accounts laid before the house as the committee may think fit."

The primary mandate of PAC is therefore to oversee the expenditure of public funds by County Executive Departments, to ensure value for money and adherence to government financial regulations and procedures. The Committee executes its mandate on the basis of annual and special audit reports prepared by the Office of the Auditor-General (OAG).

As a Committee, we are united in the quest for value for money in our public spending. This ambition should be shared by politicians in this Honorable House, County Public Servants including CEC Members, and Chief Officers who are tasked with pursuing this goal.

3.0 GUIDING PRINCIPLES

In the execution of its mandate afore-stated, PAC is guided by core constitutional and statutory principles on Public Finance Management, as well as established customs, traditions, practices and usage. These principles include:

1) Constitutional Principles on Public Finance

Article 201 of the Constitution of Kenya 2010 enacts fundamental principles that ***"...shall guide all aspects of Public Finance in the Republic..."*** These principles include, *inter alia*, that:

201(a) there shall be openness and accountability, including public participation in financial matters;

201(d) Public money shall be used in a prudent and responsible way; and

201(e) financial management shall be responsible, and fiscal reporting shall be clear.

Section 39 of the **Public Audit Act, 2015** states that:

(1) All reports of an Audit shall be submitted to Parliament or the relevant County Assembly.

(2) Within seven days of receiving the report, Parliament shall publicize it on its official website and other public spaces.

(3) Within fourteen days after submitting the report to Parliament or the relevant County Assembly, the Auditor-General shall publicize the report on the official website and other public spaces.

AUDIT OF PUBLIC ACCOUNTS

According to Article 229(4) of the Constitution of Kenya 2010, within six months after the end of each financial year, the Auditor General is required to examine, audit and Report in respect of that financial year, on-

- (a) the Accounts of the National and County Governments;
- (b) the accounts of all funds and authorities of the National and County Governments and express an opinion in the report; and ascertain whether money appropriated by Parliament or the relevant County Assembly and disbursed;
 - i. has been applied for the purpose for which it was appropriated or raised;
 - ii. was expended in conformity with the authority that governs it; and
 - iii. Was expended effectively, efficiently, economically and transparently as provided for under section 149 of the Public Finance Management Act, 2012; and the said Audit reports shall then be submitted to Parliament or the relevant County Assembly.

The provisions of section 117 (1) & (2) of the County Governments Act, 2012 on standards and norms for public service delivery state that;

- (1) A county Government and its agencies shall in delivering public services-
 - a) Give priority to the basic needs of the public;
 - b) Promote the development of the public service institutions and ensure that all members of the public have access to basic services.
- (2) Public services shall be equitably delivered in a manner that accords to-
 - a) Prudent, economic, efficient, effective and sustainable use of available resources;
 - b) Continued improvement of standards and quality;
 - c) Appropriate incorporation of the use of information technology; and
 - d) Financial and environmental sustainability.

2) Direct Personal Liability

Article 226(5) of the Constitution is emphatic that “If the holder of a public office, including a political office, directs or approves the use of public funds contrary to law or instructions, the person is liable for any loss arising from that use and shall make good the loss, whether the person remains the holder of the office or not”.

PAC has hoisted high this constitutional provision as the basis for holding each individual Accounting Officer and other Public Officers directly and personally liable for any loss of public funds under their watch. The Committee has and will continue to invoke these provisions in its recommendations to hold those responsible personally accountable. This is also intended to serve as a deterrent measure.

3) Obligations of Accounting Officers

Mr. Speaker Sir,

Section 149 (1) of the Public Finance Management Act, 2012 provides, *inter alia* that, “An accounting officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is-

- (a) lawful and authorized; and
- (b) effective, efficient, economical and transparent”

Moreover, Section 156(1) of the Public Finance Management Act, 2012 states that if an accounting officer reasonably believes that a public officer employed by a County Government entity has engaged in improper conduct in relation to the resources of the entity, the accounting officer shall-

- a) Take appropriate measures to discipline the public officer in accordance with regulations; or
- b) Refer the matter to be dealt with in terms of the statutory and other conditions of employment applicable to that public officer.

Further, Section 156(2) of the same Act states that if the County Executive Committee Member for Finance reasonably believes that an accounting officer has engaged in improper conduct within the meaning of subsection (4) of this section, the County Executive Committee Member for finance shall-

- (a) Take appropriate measures to address the matter in accordance with laid down procedures; or
- (b) Refer the matter to be dealt with in terms of the statutory and other conditions of employment applicable to that public officer.

In addition **Mr. Speaker Sir**, Section 156(3) of the same Act states that; measures referred to in subsection (2) (a) include the County Executive Committee Member for Finance revoking the designation as accounting officer.

Likewise, Section 156(4) of the said Act states that; for the purposes of this section, a public officer or accounting officer engages in improper conduct if the officer-

- (a) Contravenes or fails to comply with this Act or any regulation in force;
- (b) Undermines any financial management procedures or controls;
- (c) Makes or permits an expenditure that is unlawful or has not been properly authorized by the entity concerned; or
- (d) Fails without reasonable cause to pay eligible and approved bills promptly in circumstances where funds are provided for.

These sections empower the appointing authority to discipline errant accounting officers, which could include revoking their appointment. These provisions have sealed a long standing loophole that has previously seen accounting officers continuously commit or preside over fiscal indiscipline and malpractice in their Departments with impunity without sanction.

Mr. Speaker Sir, PAC strongly holds the view that these provisions of the law were intended to be fully installed to give effect to the high principles in Article 201 of the Constitution stated herein above, to ensure prudent and responsible use of public funds. The Committee has accordingly applied these provisions to recommend the various disciplinary actions,

investigations and surcharging of various persons found to bear responsibility for breach of the law and/or responsible for the loss or wastage of public funds.

Mr. Speaker Sir, the report of the Auditor General on the financial statements of the County Executive of Bungoma for the year ended 30th June, 2018 has been produced in accordance with the above cited provisions of the law after having been submitted to the County Assembly for tabling on the 21st November, 2019.

PAC places a premium on these principles, among others, and has been guided therein by them in the entire process that has culminated into this report.

4.0 COMMITTEE MEMBERSHIP

The committee as currently constituted comprises of the following members;

- | | |
|---------------------------|------------------|
| 1. Hon. Charles Nangulu | Chairperson |
| 2. Hon. Bethwell Mwambu | Vice Chairperson |
| 3. Hon. Tony Barasa | Member |
| 4. Hon. Erick Wapang'ana | Member |
| 5. Hon. Everlyne Mutiembu | Member |
| 6. Hon. Martin Pepela | Member |
| 7. Hon. EllyTindi | Member |
| 8. Hon. Metrine Nangalama | Member |
| 9. Hon. Joseph Magudah | Member |
| 10. Hon. BusoloSudi | Member |
| 11. Hon. Winnie Nyambok | Member |

OFFICE OF THE AUDITOR GENERAL

1. Mr. Gideon Tom Isiaha

5.0 CONFIDENTIALITY UNDERTAKING BY MEMBERS OF THE COMMITTEE AND ITS SECRETARIAT

Mr. Speaker Sir, to enhance the integrity of the Committee and its work, members of the County Public Accounts Committee and the Secretariat have signed a confidentiality undertaking in accordance with Bungoma County Assembly Standing Order No. 82. Members have undertaken that in relation to the consideration of the Report of the Auditor- General on the County Executive of Bungoma for the year ended 30 June 2018, they will not disclose any matter relating to the proceedings of the Committee that is classified as confidential which shall include any evidence or documents presented to the Committee and any information under discussion or deliberation at its meetings before it is tabled and deliberated by the County Assembly.

6.0 COMMITTEE SITTINGS

Mr. Speaker Sir, The committee held a total of ten (10) sittings to consider the report of the Auditor-General on the County Executive of Bungoma for the year ended 30 June, 2018.

However, a major challenge that the committee encountered, from time to time, is the high level of unpreparedness on the part of a number of accounting officers which necessitated unnecessary adjournments of scheduled meetings. In addition, other accounting officers sought last minute postponement of their appearance before the committee, further stretching the committee's time which also interfered with the committee's limited time set aside for report writing.

7.0 PROCEDURE ADOPTED BY THE COMMITTEE

Mr. Speaker Sir, with technical guidance from the Office of the Auditor-General, the Committee critically analyzed both oral and written submissions from the accounting officers who appeared before the Committee on diverse dates between 27th to 31st January, 2020 in respect to their respective departments to respond to queries raised by the Auditor- General.

Mr. Speaker Sir, this report contains the observations and recommendations of the Committee that were arrived at by consensus through detailed and factual deliberations, taking cognizance of the fact that there is adequate machinery within the County Government to implement the recommendations contained in this report.

Allow me, Honorable Speaker, to applaud Honorable Members and the Secretariat of this key Committee for their valuable commitment and exemplary work which made the interrogation exercise and production of this report a major success.

8.0 ACKNOWLEDGMENT

In conclusion, Honorable Speaker, the Committee wishes to express its gratitude to the Offices of the Speaker and the Clerk for the support rendered to it during the consideration of the report of the Auditor-General on the County Executive of Bungoma for the year ended 30 June, 2018. The Committee further wishes to thank the Chief Officers and Executive committee members who appeared before it for their cooperation.

Finally, the Committee acknowledges the valuable input of the Office of the Auditor-General in considering submissions from the management of various line departments.

Mr. Speaker Sir,

On behalf of the County Public Accounts Committee, I now wish to table the report and urge the House to adopt it and the recommendations therein.

SIGNED.....DATE.....
HON. CHARLES NANGULU, MCA, NAMWELA WARD
(CHAIRMAN, COUNTY PUBLIC ACCOUNTS COMMITTEE)

CHAPTER TWO

9.0 THE REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE COUNTY EXECUTIVE OF BUNGOMA FOR THE YEAR ENDED 30 JUNE 2018

9.1 INTRODUCTION

Mr. Speaker Sir, This audit report covers the financial year 2017/2018 and is issued in accordance with the requirements of Article 229 of the Constitution of Kenya. The auditor's report on the financial statements of the County Executive of Bungoma gave a qualified opinion. The key audit matters per department are follows:

1. THE DEPARTMENT OF HEALTH AND SANITATION

1. BUDGETARY PERFORMANCE AND CONTROL

1.1 EXPENDITURE ANALYSIS PER MINISTRIES

The 2017/18 Auditors report indicated that the department of health and sanitation had an absorption rate of 91% with recurrent being 95% and development 37% as indicated in the table 1 below:

Table 1: Departmental Budget Absorption Rate.

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
Agriculture, livestock, fisheries and co-op development	404,253,214	440,655,456	385,389,161	255,526,827	95%	58%	76%
Tourism, Forestry, environment Water and natural resource	145,672,517	410,988,964	75,751,612	149,879,261	52%	36%	41%
Roads and Public works	168,672,552	1,200,287,706	148,125,625	619,191,673	88%	52%	56%
Education, Youth and sports	1,243,426,214	250,444,288	1,221,907,517	-	98%	0%	82%
Health	2,519,862,109	182,859,753	2,391,370,313	66,834,589	95%	37%	91%
Trade, energy and industrialization	49,555,801	157,728,284	39,294,976	101,414,968	79%	64%	68%

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
Lands, Urban and Physical Planning	72,146,405	182,631,796	48,418,486	16,144,128	67%	9%	25%
Gender, Culture,	104,130,398	33,844,644	69,927,371	-	67%	0%	51%
Housing and Sanitation	30,012,925	73,480,807	26,613,062	48,067,285	89%	65%	72%
County Assembly	755,249,331	163,762,706	818,778,137	75,453,320	108%	46%	97%
Finance and Planning	1,305,443,188	323,042,936	1,323,304,849	123,597,423	98%	38%	89%
County Public Service	60,456,350	-	51,700,064	-	86%	0%	86%
Governors & D/Governor's office	409,012,755	2,598,078	348,657,058	-	85%	0%	85%
Public Administration & County Secretary	478,765,343	60,723,818	342,219,862	27,056,857	71%	45%	68%
Totals	7,746,659,102	3,483,049,238	7,464,410,420	1,310,214,002	96%	38%	78%
%			96%	38%			

ACCOUNTING OFFICER SUBMISSION

The accounting officer appeared before the committee and submitted that there was low absorption of development funds during the financial year 2017/2018 of 37% in the department. This was caused by the following:-

1. The long electioneering period leading to start of procurement processes late. Most of the accounting officers were sworn in late thus the procurement processes started late.
2. Unresponsive tendering leading to retendering. The department retendered a number of projects because of contractors had quoted higher amounts. Some of the retendered projects include: Equipping of Misemwa dispensary, Construction of a 4 maternity wing at Kimama, Tuikt, Kapkoto and Chesikaki dispensaries among others, under budgeting for the projects and Centralization of procurement.

Committee Observations

The committee observed that:

1. The low absorption rate was occasioned by the following factors and/or reasons;
 - (i) the prolonged electioneering period and the subsequent transition process;
 - (ii) the procurement processes which took too long to commence reason being that most of the accounting officers were sworn in late;
2. The committee also observed that unresponsive tenders led to retendering hence the department were compelled to retender a number of projects because contractors had quoted higher amounts. Some of the retendered projects include: Equipping of Misemwa dispensary, Construction of a 4 maternity wing at Kimama, Tuikt, Kapkoto and Chesikaki dispensaries among others.
3. It was further noted that Centralization of procurement and shortage of staff greatly slowed down the absorption rate of the department during the year under review.

Committee Recommendations

1. The Committee recommends that as a matter of urgency, given the critical role played by the department; procurement should be decentralized.
2. The Department should strive to formulate realistic budgets that can be implemented with ease to ensure maximum absorption of funds.

Overall Local Revenue Performance

During the year under review, the County Executive targeted to collect total revenue of Kshs.853,753,248. However, the actual collections totaled Kshs.545,226,040, resulting into a deficit of Kshs.308,527,208 (64%) hence the revenue was hugely under collected as shown below.

Receipts	2017/2018	2017/2018	2016/2017	2017/2018	
	Budget Kshs	Actuals Kshs	Actuals Kshs	Variance Kshs	%
Rents	2,708,364	1,995,261	1,456,931	713,103	74%
Other Property Income	683,439	2,394,826	7,774,090	- 1,711,387	350%
Receipts from Administrative Fees and Charges	6,933,571	7,290,848	6,067,863	- 357,277	105%

Receipts	2017/2018 Budget Kshs	2017/2018 Actuals Kshs	2016/2017 Actuals Kshs	2017/2018 Variance Kshs	%
Fines, Penalties and Forfeitures	16,747,251	9,316,464	488,167	7,430,787	56%
Business Permits	115,827,331	85,987,384	91,283,142	29,839,947	74%
Cess	76,349,148	13,031,511	42,264,755	63,317,637	17%
Poll Rates	46,503,530	21,103,340	27,837,258	25,400,190	45%
Plot Rents	828,085	871,881	443,232	- 43,796	105%
Administrative Services Fees	51,667,956	44,843,070	42,258,820	6,824,886	87%
Sales Of Council Assets	2,564,957	10,000	1,554,000	2,554,957	0%
Other Miscellaneous Receipts	15,279,981	12,586,965	2,385,419	2,693,016	82%
Market/Trade Centre Fee	57,390,047	34,563,634	35,468,042	22,826,413	60%
Vehicle Parking Fees	79,122,171	52,131,901	48,926,942	26,990,270	66%
Housing	7,481,014	5,300,350	4,916,392	2,180,664	71%
Social Premises Use Charges	252,626	280,000	152,124	-27,374	111%
Other Education-Related Fees	18,102,363	16,062,197	4,018,512	2,040,166	89%
Public Health Facilities Operations (HOSPITALS)	335,982,724	216,604,658	159,910,054	119,378,066	64%
Environment & Conservancy Administration	12,549,036	9,664,840	9,558,742	2,884,196	77%
Slaughter Houses Administration	6,676,726	5,113,010	4,268,758	1,563,716	77%
Alcohol Drinks License	-	5,992,900	-	-5,992,900	100%
Other Health & Sanitation Revenues	102,928	81,000	62,500	21,928	79%
Total	853,753,248	545,226,040	491,095,743	308,527,208	64%

Further, revenue due from the AIA's such as housing, hospital and agricultural sources have not been included into the Automated Revenue Management System hence the County has not fully automated revenue collection.

ACCOUNTING OFFICE'R SUBMISSION

The accounting officer told members that revenue was under collected by 46% because of:

- 1 There was leakage in the system like medical staff helping patients to avoid paying hospital bills which led to one Kiki Kisasati P/No.2010052869 KRCHN a staff, at Bungoma County Referral Hospital being interdicted. His case will be determined in February 2020 (Attached is the suspension letter).
- 2 There was manual revenue collection by use of miscellaneous receipt books which at times were not being issued.
- 3 There was a prolonged medical staff strike which lasted for about 6 months from June 2018 to November 2018 which led to patients seeking medication in private facilities denying revenue collection in our hospitals.
- 4 Delayed NHIF reimbursement.

Committee Observation

The committee notes that:

1. The department undertook some disciplinary action on errand members of staff to curb leakages vide evidence adduced
2. Casuals working in the County health facilities accounts offices were replaced by permanent officers as accountants.
3. The hospitals have since adopted a cashless mode of revenue collection through introduction of pay bill numbers which has greatly reduced chances of officers coming into contact with cash in the facilities.
4. The department has also designed a special committee responsible for fast tracking NHIF reimbursement

Committee Recommendations

1. The committee recommends that the department should ensure that the newly introduced cashless mode of revenue collection system through a pay bill is adopted and embraced by all the facilities forthwith.

OVERALL PROJECT IMPLEMENTATION PERFORMANCE FOR THE YEAR

The department of health and sanitation was to implement a total of 64 projects/programmes. 54 projects had not started, 2 were still ongoing and 8 were complete at the time of audit as indicated in table 3.

Table 3: Project Implementation status

Department/ Department	Budgeted Allocations		Budgeted projects	Actual/Implemented Projects			% of completed projects
	Recurrent Kshs.	Development Kshs		Not Started	Ongoing	Completed	
Health	2,519,862,109	182,859,753	64	54	2	8	13%

In view of the above, the department may not have achieved its targets as approved by the Assembly hence service delivery may not be realized by the residents of the County.

ACCOUNTING OFFICER SUBMISSION

The accounting officer informed the committee that there was low absorption of development funds during the financial year 2017/2018 of 37% in the department. This was caused by the following:-

- The long electioneering period leading to start of procurement processes late.
- Unresponsive tendering leading to retendering. The department retendered a number of projects because of contractors quoting higher amounts
- Accounting officer were appointed late and thus hampered the procurement process.

Committee Observations

1. The Committee noted that the delay in assumption of office by the accounting officers hampered procurement processes hence low absorption rate.
2. The Budget for the department was unrealistic thus having a drawback effect on the tendering process. This is because the amount allocated for the projects was way below the sum quoted by contractors thus occasioning retendering of the projects and therefore consumed a lot of time prior to implementation.

Committee Recommendation

The department should come up with realistic budgets that can be implemented and bills of quantities should be prepared by professional entities with due regard to specific project sites.

PENDING ACCOUNTS PAYABLES

The pending accounts payables figure of Kshs.725,731,414 detailed under annex 2 to the financial statements remained outstanding as at 30 June 2018 despite the positive liquidity status confirmed by the cash and cash equivalents balance of Kshs.1,890,018,447 (Note 13A statement of assets and liabilities).

Further, it was noted that the pending accounts payables figure of Kshs.725,731,412 includes Kshs.94,173,642 in respect of commitments which were yet to be incurred from the budgetary allocation as stated below:

Department	Financial Statement Balance Kshs.	Actual Bills Kshs.	Pending Commitments Kshs.
Trade	13,010,495	17,106,177	- 4,095,682
Housing & Sanitation	18,403,780	19,503,780	- 1,100,000
Department of Water	145,059,265	136,371,476	8,687,789
Roads & Public Works	289,714,004	119,968,980	169,745,024
Governor	20,815,233	28,805,685	- 7,990,452
Public Administration	22,170,355	27,678,184	- 5,507,829
Lands, Urban And Physical Planning	27,021,936	4,350,649	22,671,287
Department of Health	138,938,768	235,368,085	- 96,429,317
Gender and Culture Youth & Sports	1,936,322	-	1,936,322
Department of Education Youth & Sports	6,256,500	-	6,256,500
CPSB	6,218,509	6,218,509	-
Department of Finance	36,186,245	36,186,245	-
Total	725,731,412	631,557,770	94,173,642

In the circumstances, the accuracy of the pending accounts balance of Kshs.725,731,412 could not be confirmed.

ACCOUNTING OFFICER SUBMISSION

The accounting officer submitted that the pending bills reported in the Financial Statements were Ksh. 138,938,968 while the actual pending bills for the financial year 2017/2018 were Kshs. 235,368,085. We established that the figure reported in the financial statements had only taken care of the pending bills incurred from the exchequer funds. The balances of Kshs. 96,429,117 were pending bills incurred by the various health facilities in Bungoma County while giving services to patients from their AIA Collection. These have been pending since devolution.

Pending bills were due to:

- Some contractors did not complete the projects on time.
- Late procurement process due to long electioneering period.
- Ascertaining the legitimate and illegitimate bills took long time.

Committee Observations

1. Accounting officers or public officers designated to various County Government entities have an obligation under section 198 of the PFM Act, 2012 to at all times provide information in the officer's possession, or under the officer's control, in relation to the financial management, financial performance, or any financial activities of that government entity or in relation to the management or control of an asset or liability of an entity for audit verification purposes or whenever required in compliance with Article 229(5) of the Constitution of Kenya, 2010. In this regard, an instance was noted where the department failed to disclose a sum of Kshs 96,429,317 for audit verification.
2. The Committee also noted that the above failure prompted the department to put in a request seeking for additional funds through a supplementary Budget to pay for the pending bills. However, the accounting officer neither specified the exact amount involved nor provided a list of the unpaid bills in question for committee verification.

Committee Recommendations

1. The committee set up to scrutinize all pending bills should fast track the confirmation of the same for payment to curb spillage of the Bills into the subsequent financial years.
2. The Accounting Officers should also ensure adequate training and capacity building of Accountants, Finance Officers and Supply Chain Management Officers on Public Finance Management to cope with the current and emergent standards on financial reporting. Action must be taken against those accountants and/or public officers who do not keep proper records and/or failed to provide any financial information in compliance with the PSASB (Public Sector Accounting Standards Board) framework, or do not present records for audit verification purposes or as and when required by law.

3. LONG OUTSTANDING IMPRESTS

The accounts receivables balance in the statement of assets and liabilities of Kshs.203,180,108 includes long outstanding imprests figure of Kshs.125,250,064, held by staff for up to six (6) months after their due dates had lapsed, contrary to provisions of Section 93 (5) of the Public Finance Management (County Governments) Regulations, 2015 in regards to imprest management. Further, Management has not explained measures it has taken to recover the amounts as required by Regulation 93(6) of the same Regulations.

The Management is therefore in breach of the law.

ACCOUNTING OFFICER SUBMISSION

The Department of Health and Sanitation had an outstanding imprest of Ksh 22,150,300 as at 30th June 2018. All the imprests have been surrendered to date.

Reasons for Unsurrendered Imprests

- Those imprests taken towards the end of the year normally spreads to the other new financial year so could not be cleared on time in the IFMIs system.
- World Bank related imprests usually take long depending on the nature of an activity and some can even take like three months hence they can only be surrendered after the execution of an activity.

Committee Observations

1. The Department is therefore in breach of section 152 of the PFM ACT,2012 as read together with the provisions of regulation 93(5)of the public Finance management (County Governments) Regulations, 2015 regarding management of imprest transactions which requires holders of temporary imprests to account for or surrender the same within (7) working days after returning to duty station.
2. Instances were noted where imprest holders kept accessing more imprests despite the fact that the first imprest had not been surrendered contrary to the requirements of Regulation 93(8) of the PFM(County Government) Regulations,2015 which states that,`In order to effectively and efficiently manage and control the issue of temporary imprests, an accounting officer or AIE Holder shall ensure that no second imprest is issued to any officer before the first imprest is surrendered or recovered in full from his or her salary`.
3. As for Donor and/or World Bank related imprests, it was observed from the Accounting Officer's submission that the same usually takes long to be surrendered depending on the nature of the activity in question. The accounting officer did not however flag out for tabling a list containing specifically World Bank related activities undertaken during the year under review, the amount involved and the identities of the imprest holders for committee verification.

Committee Recommendations

The committee recommends that:

1. The accounting officer, County Treasury in liaison with all the accounting officers in-charge of various county Government entities must make demonstrable efforts in ensuring that all imprest and AIE Holders act in strict compliance with the requirements of part viii, more particularly Regulations 92 &93 of the PFM (County Government) Regulations, 2015.
2. In future, before issuing imprests, the accounting officers should ensure that the applicant has no outstanding imprest.
3. An appropriate disciplinary action be taken against all those officers concerned for the abuse of imprest as per the provisions of Regulation 93(10) of the PFM (County Government) Regulations, 2015 as read together with section 156 of the PFM Act, 2012. A comprehensive compliance report be prepared and submitted to the County Assembly within (60) days from the date of adoption of this report.
4. In this regard, the Committee recommends that the responsible Chief Officer be reprimanded for failure to manage imprests and ensuring that all outstanding imprests due are surrendered and/or accounted for in time and that there is total compliance with the law more particularly, the regulations governing imprest management transactions.
5. As for imprests relating to Donor funds, the committee hereby directs that the respective accounting officers should ensure that the same are surrendered or accounted for immediately after the end of an activity and in the event of late surrenders, imprest holders must always provide a written justification for the same.

2. DEPARTMENT OF TOURISM, WATER, ENVIRONMENT AND NATURAL RESOURCES

EXPENDITURE ANALYSIS PER MINISTRIES

Further analysis by various Ministries shows that Finance and Economic Planning had the highest overall absorption rate of 89% while Land, urban and physical Planning had the least overall absorption rate at 25% as analyzed below:

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
Agriculture, livestock, fisheries and co-op development	404,253,214	440,655,456	385,389,161	255,526,827	95%	58%	76%
Tourism, Forestry, environment Water and natural resource	145,672,517	410,988,964	75,751,612	149,879,261	52%	36%	41%
Roads and Public works	168,672,552	1,200,287,706	148,125,625	619,191,673	88%	52%	56%
Education, Youth and sports	1,243,426,214	250,444,288	1,221,907,517	-	98%	0%	82%
Health	2,519,862,109	182,859,753	2,391,370,313	66,834,589	95%	37%	91%
Trade, energy and industrialization	49,555,801	157,728,284	39,294,976	101,414,968	79%	64%	68%
Lands, Urban and Physical Planning	72,146,405	182,631,796	48,418,486	16,144,128	67%	9%	25%
Gender, Culture,	104,130,398	33,844,644	69,927,371	-	67%	0%	51%
Housing and Sanitation	30,012,925	73,480,807	26,613,062	48,067,285	89%	65%	72%
County Assembly	755,249,331	163,762,706	818,778,137	75,453,320	108%	46%	97%
Finance and Planning	1,305,443,188	323,042,936	1,323,304,849	123,597,423	98%	38%	89%

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
County Public Service	60,456,350	-	51,700,064	-	86%	0%	86%
Governors & D/Governor's office	409,012,755	2,598,078	348,657,058	-	85%	0%	85%
Public Administration & County Secretary	478,765,343	60,723,818	342,219,862	27,056,857	71%	45%	68%
Totals	7,746,659,102	3,483,049,238	7,464,410,420	1,310,214,002	96%	38%	78%
%			96%	38%			

ACCOUNTING OFFICER SUBMISSION

The accounting informed members that the Department's absorption rate was low because of;

- Incidences of low absorption were because of the prolonged political period in the year 2017
- Delayed Exchequer financing that resumed normally after the political period in October, 2017.
- Delays in procurement process
- Some contractors take too long to complete projects.

Attached are Departmental minutes addressing the WRA (Water Resource Authority) delays and two termination notices.

Committee Observations

The committee observed that:

The low absorption rate was occasioned by the following factors;

- (i) the prolonged electioneering period and the subsequent transition process;
- (ii) the procurement processes which took too long to commence reason being that most of the accounting officers were sworn in late;

Committee Recommendations

1. The Committee recommends that as a matter of urgency, and given the critical role played by the department, procurement should be decentralized.
2. The Department should strive to formulate realistic budgets that can be implemented with ease to ensure maximum absorption of funds.

OVERALL PROJECT IMPLEMENTATION PERFORMANCE FOR THE YEAR

The County Executive was to implement a total of 315 projects/programmes by different sectors during the financial year as shown below. Further analysis indicates that 124 or 39% of the projects had not started, 147 or 47% of the projects were still on going and 44 or 14% of the project had been completed as at the time of audit.

Department/ Department	Budgeted Allocations		Budgeted projects	Actual/Implemented Projects			% of completed projects
	Recurrent Kshs.	Development Kshs		Not Started	Ongoing	Complete d	
Agriculture, livestock, fisheries and co- op development	404,253,214	440,655,456	12	-	3	9	75%
Tourism, Forestry, environment Water and natural resource	145,672,517	410,988,964	87	2	84	1	1%
Roads and Public works	168,672,552	1,200,287,706	98	62	24	12	12%
Education, Youth and sports	1,243,426,214	250,444,288	11	-	4	7	64%
Health	2,519,862,109	182,859,753	64	54	2	8	13%
Trade, energy and industrialization	49,555,801	157,728,284	9	-	7	2	22%
Gender, Culture,	104,130,398	33,844,644	4	2	1	1	25%
Lands, Urban and Physical Planning Housing and Sanitation	102,159,330	256,112,603	20	1	19	-	0%
Finance and Planning	1,305,443,188	323,042,936	5	-	3	2	40%
County Public	60,456,350		1	-	-	1	100%

Department/ Department	Budgeted Allocations		Budgeted projects	Actual/Implemented Projects			% of completed projects
	Recurrent Kshs.	Development Kshs		Not Started	Ongoing	Complete d	
Service		-					
Governors & D/Governor's office	409,012,755	2,598,078	1	-	-	1	100%
Public Administration & County Secretary	478,765,343	60,723,818	3	3	-	-	0%
Totals	6,991,409,771	3,319,286,530	315	124	147	44	14%
% Implementation				39%	47%	14%	

In view of the above, the Executive may not have achieved its targets as approved by the Assembly hence service delivery may not be realized by the residents of the County.

ACCOUNTING OFFICER SUBMISSION

The accounting officer, department of Tourism, Environment, Water and natural Resources informed members that the department had a total of 87 projects. **Find current status attached appendix 4**

Committee Observations

The Committee noted that the delay in assumption of office by the accounting officers hampered procurement processes hence low absorption rate.

Committee Recommendation

The department should come up with realistic budgets that can be implemented and bills of quantities should be prepared by professional entities and with due regard to specific project sites.

PENDING ACCOUNTS PAYABLES

The pending accounts payables figure of Kshs.725,731,414 detailed under annex 2 to the financial statements remained outstanding as at 30 June 2018 despite the positive liquidity status confirmed by the cash and cash equivalents balance of Kshs.1,890,018,447 (Note 13A statement of assets and liabilities).

Further, it was noted that the pending accounts payables figure of Kshs.725,731,412 includes Kshs.94,173,642 in respect of commitments which were yet to be incurred from the budgetary allocation as stated below:

Department	Financial Statement Balance Kshs.	Actual Pending Bills Kshs.	Commitments Kshs.
Trade	13,010,495	17,106,177	- 4,095,682
Housing & Sanitation	18,403,780	19,503,780	- 1,100,000
Department of Water	145,059,265	136,371,476	8,687,789
Roads & Public Works	289,714,004	119,968,980	169,745,024
Governor	20,815,233	28,805,685	- 7,990,452
Public Administration	22,170,355	27,678,184	- 5,507,829
Lands, Urban And Physical Planning	27,021,936	4,350,649	22,671,287
Department of Health	138,938,768	235,368,085	- 96,429,317
Gender and Culture Youth & Sports	1,936,322	-	1,936,322
Department of Education Youth & Sports	6,256,500	-	6,256,500
CPSB	6,218,509	6,218,509	-
Department of Finance	36,186,245	36,186,245	-
Total	725,731,412	631,557,770	94,173,642

In the circumstances, the accuracy of the pending accounts balance of Kshs.725,731, 412 could not be confirmed.

ACCOUNTING OFFICER SUBMISSION

The accounting officer told members that the Department had pending bills amounting to Kshs. 145,059,265 of which Kshs. 96,701,337 has already been settled, the balance of Kshs. 48,357,928.65 is still outstanding. Find attached pending bills list as at 30th June 2018.

Committee observations

The committee observed that:

The department unpaid pending bills amounts to kshs 48,357,928.65

Committee Recommendations

The department should as a matter of agency budget and pay kshs 48,357,928.65 pending bills within 90 days from the date of adoption of this report.

Mihuu Water Project Completed and not Operational

The County paid Kshs.4, 111,580 for Mihuu Water Project. However, physical verification of the project revealed that it was not operational. In addition, the bills of quantities raised had no specifications on the dimensions and the extent of works to be done in the power house Kshs.500,000, water pump Kshs.1,200,000 and water kiosk Kshs.350,000.

Further, the Department of Water and Natural Resources did not provide documents from the other bidders to confirm whether the contractor was competitively procured.

Accounting Officer Submission

The accounting officer submitted as follows:

a) Project not functional

Mihuu Water Project is currently operational.

Attached is a report from the Sub county Water Officer indicating the status of the project.

The committee affirmed that the project was operational from the report of the sub county water officer availed.

b) Bill of Quantities did not specify the works

Design and drawings of the kiosks which had all the specifications had been availed.

c) Specification of the Solar Panel and the Pump

The specification of the solar panels is determined by the discharge of the pump which is also determined by the discharge of the spring. By the time the tenders were being floated, the data on the discharge of the spring was not available. After establishing the discharge, the contractor was given instructions on the specifications of the pump, which determined the specifications of the solar unit

List of other bidders

The list has been provided.

Committee Observation

The committee observed from the availed documents that the contractor (Apex General Suppliers Limited) was competitively sourced as per the Project Tender Evaluation Report No. BGM/CNTY/249/2014-15 of May 2015.

Committee Recommendations

The committee was satisfied with the response as per the attachments availed hence the audit query is hereby dropped.

LONG OUTSTANDING IMPRESTS

The accounts receivables balance in the statement of assets and liabilities of Kshs.203,180,108 includes long outstanding imprest figure of Kshs.125,250,064, held by staff for up to six (6) months after their due dates had lapsed, contrary to provisions of Section 93 (5) of the Public Finance Management (County Governments) Regulations, 2015 in regards to imprest management. Further, Management has not explained measures it has taken to recover the amounts as required by Regulation 93(6) of the same Regulations.

The Management is therefore in breach of the law.

Accounting Officer Submission

The accounting told members that the department of Tourism, Environment, Water and Natural Resources had outstanding imprests amounting to Kshs.7,667,310. Of which Imprest warrant of Kshs. 132,000 was a repetition and imprest warrants of Kshs. 625,800 (Kshs. 144,000+ 481,800) belong to the Department of Agriculture. Find attached outstanding imprest list and surrender documents.

Committee observations

Despite the Accounting Officer Submission citing repetition of an imprest totaling to Ksh 132,000, the committee observed otherwise since the dates of issuance vary from the imprest numbers.

The Committee confirmed that the imprests warrant totaling to Kshs. 625,800 belonged to the Department of Agriculture as per the elaborate response.

Committee recommendation

There was no repetition of the imprests totaling to Kshs. 132,000 and thus the query remains material. In this regard, the committee directs the appointing authority to reprimand the accounting officer for failure to ensure timely surrender of all outstanding imprests that are due and for failure to ensure that, there is strict adherence to the law more particularly the PFM Act and the regulations governing imprest management .

3. GOVERNOR'S OFFICE

Expenditure Analysis per Ministries

Further analysis by various Ministries shows that the County Assembly had the highest overall absorption rate of 97% while Land, urban and physical Planning had the least overall absorption rate at 25% as analyzed below:

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
Agriculture, livestock, fisheries and co-op development	404,253,214	440,655,456	385,389,161	255,526,827	95%	58%	76%
Tourism, Forestry, environment Water and natural resource	145,672,517	410,988,964	75,751,612	149,879,261	52%	36%	41%
Roads and Public works	168,672,552	1,200,287,706	148,125,625	619,191,673	88%	52%	56%
Education, Youth and sports	1,243,426,214	250,444,288	1,221,907,517	-	98%	0%	82%
Health	2,519,862,109	182,859,753	2,391,370,313	66,834,589	95%	37%	91%
Trade, energy and industrialization	49,555,801	157,728,284	39,294,976	101,414,968	79%	64%	68%
Lands, Urban and Physical Planning	72,146,405	182,631,796	48,418,486	16,144,128	67%	9%	25%

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
Gender, Culture,	104,130,398	33,844,644	69,927,371	-	67%	0%	51%
Housing and Sanitation	30,012,925	73,480,807	26,613,062	48,067,285	89%	65%	72%
County Assembly	755,249,331	163,762,706	818,778,137	75,453,320	108%	46%	97%
Finance and Planning	1,305,443,188	323,042,936	1,323,304,849	123,597,423	98%	38%	89%
County Public Service	60,456,350	-	51,700,064	-	86%	0%	86%
Governors & D/Governor's office	409,012,755	2,598,078	348,657,058	-	85%	0%	85%
Public Administration & County Secretary	478,765,343	60,723,818	342,219,862	27,056,857	71%	45%	68%
Totals	7,746,659,102	3,483,049,238	7,464,410,420	1,310,214,002	96%	38%	78%
%			96%	38%			

Management response

The accounting officer submitted that the Departments had a fair absorption rate of 85% and 68% for Governor's and Public Administration respectively, as shown in the above table.

Committee Observation

1. The Committee noted that the absorption rate in the Governor's Office, was mainly on Recurrent Vote without any development despite having a Budget for the same Vote.
2. There was lack of a substantive and satisfactory explanation from the management.

Committee Recommendation

For the purposes of the PFM Act, 2012, unless there is a justifiable and/or reasonable cause, a public officer or an accounting officer is under an obligation to ensure that;

- (i) Public funds are spend especially in circumstances where the same are provided for and there is due authorization by the constitution, an Act of parliament or County

legislation. In the circumstances, the management failed to provide a satisfactory response as to why there was 85% overall absorption rate on recurrent vote and zero absorption rate on development vote during the period under review and as a consequence of which, service delivery may not have been realized by the residents of the county.

The therefore recommends that:

The Office of the Governor should make demonstrable efforts of striking a balance between the two vote heads by coming up with realistic budgets that can be implemented within a financial year to spur growth which will be beneficial to the residents rather than allocating funds that cannot be absorbed as intended.

Overall Project Implementation Performance for the year

The County Executive was to implement a total of 315 projects/programmes by different sectors during the financial year as shown below. Further analysis indicates that 124 or 39% of the projects had not started, 147 or 47% of the projects were still on going and 44 or 14% of the project had been completed as at the time of audit.

Department/ Department	Budgeted Allocations		Budgeted projects	Actual/Implemented Projects			% of complete projects
	Recurrent Kshs.	Development Kshs		Not Started	Ongoing	Completed	
Agriculture, livestock, fisheries and co-op development	404,253,214	440,655,456	12	-	3	9	75%
Tourism, Forestry, environment Water and natural resource	145,672,517	410,988,964	87	2	84	1	1%
Roads and Public works	168,672,552	1,200,287,706	98	62	24	12	12%
Education, Youth and sports	1,243,426,214	250,444,288	11	-	4	7	64%
Health	2,519,862,109	182,859,753	64	54	2	8	13%

Department/ Department	Budgeted Allocations		Budgeted projects	Actual/Implemented Projects			% of complete d projects
	Recurrent Kshs.	Developme nt Kshs		Not Started	Ongoing	Comple ted	
Trade, energy and industrialization	49,555,801	157,728,284	9	-	7	2	22%
Gender, Culture,	104,130,398	33,844,644	4	2	1	1	25%
Lands, Urban and Physical Planning Housing and Sanitation	102,159,330	256,112,603	20	1	19	-	0%
Finance and Planning	1,305,443,18 8	323,042,936	5	-	3	2	40%
County Public Service	60,456,350	-	1	-	-	1	100%
Governors & D/Governor's office	409,012,755	2,598,078	1	-	-	1	100%
Public Administration & County Secretary	478,765,343	60,723,818	3	3	-	-	0%
Totals	6,991,409,77 1	3,319,286,53 0	315	124	147	44	14%
% Implementatio n				39%	47%	14%	

In view of the above, the Executive may not have achieved its targets as approved by the Assembly hence service delivery may not be realized by the residents of the County.

Submission by the Accounting officer

The accounting officer did not provide any written response on the issue of implementation of the projects. When asked by member what kshs 2,598,078 allocation on development was meant to do, Mr Barasa sought time to look for information, which

information upto the time the committee was compiling this report had not been provide despite numerous reminders.

Committee Observations

1. After scrutinize programmed based budget for financial under review the Committee noted that the allocation of Kshs. 2,598,078 on Development Vote in the office Governor to undertake prefeasibility, feasibility and appraisal study which was never undertaken.
2. The money allocated for the project was not spent and the management was unable to provide any response on the query.

Committee Recommendations

1. For the purposes of section 151 of the PFM Act, 2012, unless there is any other justifiable or reasonable cause, a public officer or an accounting officer is under an obligation to ensure that;
 - (i) Public funds are spend especially in circumstances where the same are provided for and there is due authorization by the constitution, an Act of parliament or County legislation. In the circumstances, the management failed to provide a satisfactory response as to why there was 85% overall absorption rate on recurrent vote and zero absorption rate on development vote during the period under review and as a consequence of which, service delivery may not have been realized by the residents of the county.

The Office of the Governor should make demonstrable efforts of striking a balance between the two vote heads by coming up with realistic budgets that can be implemented within a financial year to spur growth which will be beneficial to the residents rather than allocating funds that cannot be absorbed as intended.

Without prejudice to the foregoing, the query remains material. The management neither substantiated what the budgetary allocation on the development vote was meant to fund nor did they specify the identity and the location of the project.

Pending Accounts Payables

The pending accounts payables figure of Kshs.725,731,414 detailed under annex 2 to the financial statements remained outstanding as at 30 June 2018 despite the positive liquidity status confirmed by the cash and cash equivalents balance of Kshs.1,890,018,447 (Note 13A statement of assets and liabilities).

Further, it was noted that the pending accounts payables figure of Kshs.725,731,412 includes Kshs.94,173,642 in respect of commitments which were yet to be incurred from the budgetary allocation as stated below:

Department	Financial Statement Balance Kshs.	Actual Pending Bills Kshs.	Commitments Kshs.
Trade	13,010,495	17,106,177	- 4,095,682
Housing & Sanitation	18,403,780	19,503,780	- 1,100,000
Department of Water	145,059,265	136,371,476	8,687,789
Roads & Public Works	289,714,004	119,968,980	169,745,024
Governor	20,815,233	28,805,685	- 7,990,452
Public Administration	22,170,355	27,678,184	- 5,507,829
Lands, Urban And Physical Planning	27,021,936	4,350,649	22,671,287
Department of Health	138,938,768	235,368,085	- 96,429,317
Gender and Culture Youth & Sports	1,936,322	-	1,936,322
Department of Education Youth & Sports	6,256,500	-	6,256,500
CPSB	6,218,509	6,218,509	-
Department of Finance	36,186,245	36,186,245	-
Total	725,731,412	631,557,770	94,173,642

In the circumstances, the accuracy of the pending accounts balance of Kshs.725,731,412 could not be confirmed.

Accounting Officer Submission

The accounting officer submitted that the Governor's office had pending bills amounting to Ksh.28, 805,685. The Department has so far paid 11,116,668.28 in Governor's office and plans to settle the outstanding bills after the approval of the First Supplementary Budget.

The department had not received enough supporting documents to justify and report on pending bills totaling to ksh.7,990,452 under the Governor's office as at 30th June 2018, hence the disparity between the financial statement record and the actual reported figure, as detailed in the above table. The supporting documents were later availed and verified to be genuine pending bills by the Pending Bills Committee.

Committee Observation

The committee agreed with the Accounting Officer Submission provided.

Committee Recommendation

The County Government of Bungoma should expedite the payment of all authentic pending Bills as ascertained by the Committee on pending Bills in compliance with the President's

directive so as to ensure continuous Ex-chequer releases to cater for the County government operations without delays.

Long Outstanding Imprests

The accounts receivables balance of Kshs.203,180,108 includes long outstanding imprest figure of Kshs.125,250,064, held by staff for up to six (6) months after their due dates had lapsed, contrary to provisions of Section 93 (5) of the Public Finance Management Act, 2012 - Regulations 2015 in regards to imprest management . Further, Management has not explained measures it has taken to recover the amounts as required by Regulation 93 (6) of the same Regulations.

Consequently, it was not possible to confirm the accuracy and validity of the outstanding imprests figure of Kshs.203, 180,108 as at 30 June 2018

Accounting Officer Submission

The accounting officer, Mr. Benson Barasa who doubles up in the Governor's office and Public Administration department submitted that there was an outstanding imprests amounting to KShs.50, 890,875 in Public Administration, Ksh.39, 091,544 in Governor's Office and ksh.5, 348,748 in the office of the County Secretary as at 30th June, 2018.

The imprests have since been surrendered in full through normal surrender process and or recovery through attachment of imprests holders' accounts as per the attached correspondences.

Committee Observations

The Committee made the following observations:

1. Huge sums of Imprests amounting to Kshs. 3,000,000 were issued to officers without a specific purpose, contrary to Regulation 93 (1) of the Public Finance Management (County Government) Regulations, 2015.
2. There were instances where imprest was issued to officers without personal numbers which is contrary to the requirements of section 152 of the Public Finance Management Act, 2012.
3. Imprests were repeatedly issued to officers who had initially failed to surrender outstanding imprests
4. There was abuse and or violation of Regulation 93 of the Public Finance Management (County Governments) Regulations, 2015 in regard to the management of imprest transactions since huge amounts of imprests were issued a day to or on the very last day of the financial year to officers with no specific purpose.

Committee Recommendations

From the above observations, the Committee recommends as follows:

1. A Life style Audit on officers serving in the Office of the Governor who were issued with suspicious imprests given a day to or on the last day towards the end of the financial year without specifying the purpose of the imprests be undertaken by EACC with a view to taking an appropriate legal action against those found culpable.
2. The Accounting Officer in the responsible Office should ensure that all the requisite provisions of the law in regard to Imprests Management as envisaged in Regulations 91, 92, 93 and 94 of the Public Finance Management (County Government) Regulations 2015 and section 152 of the PFM Act,2012 are complied with at all times.

4. GENDER AND CULTURE

1. BUDGETARY PERFORMANCE AND CONTROL

EXPENDITURE ANALYSIS PER MINISTRIES

Further analysis by various Ministries shows that Finance and Economic Planning had the highest overall absorption rate of 89% while Land, urban and physical Planning had the least overall absorption rate at 25% as analyzed below:

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Ksh;2s.	Development Kshs.	Rec	Dev	Overall
Agriculture, livestock, fisheries and co-op development	404,253,214	440,655,456	385,389,161	255,526,827	95%	58%	76%
Tourism, Forestry, environment Water and natural resource	145,672,517	410,988,964	75,751,612	149,879,261	52%	36%	41%
Roads and Public works	168,672,552	1,200,287,706	148,125,625	619,191,673	88%	52%	56%
Education, Youth and sports	1,243,426,214	250,444,288	1,221,907,517	-	98%	0%	82%
Health	2,519,862,109	182,859,753	2,391,370,313	66,834,589	95%	37%	91%
Trade, energy and industrialization	49,555,801	157,728,284	39,294,976	101,414,968	79%	64%	68%

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Ksh;2s.	Development Kshs.	Rec	Dev	Overall
Lands, Urban and Physical Planning	72,146,405	182,631,796	48,418,486	16,144,128	67%	9%	25%
Gender, Culture,	104,130,398	33,844,644	69,927,371	-	67%	0%	51%
Housing and Sanitation	30,012,925	73,480,807	26,613,062	48,067,285	89%	65%	72%
County Assembly	755,249,331	163,762,706	818,778,137	75,453,320	108%	46%	97%
Finance and Planning	1,305,443,188	323,042,936	1,323,304,849	123,597,423	98%	38%	89%
County Public Service	60,456,350	-	51,700,064	-	86%	0%	86%
Governors & D/Governor's office	409,012,755	2,598,078	348,657,058	-	85%	0%	85%
Public Administration & County Secretary	478,765,343	60,723,818	342,219,862	27,056,857	71%	45%	68%
Totals	7,746,659,102	3,483,049,238	7,464,410,420	1,310,214,002	96%	38%	78%
%			96%	38%			

Accounting Officer Submission

The accounting officer submitted that the rate of absorption in the Department was affected by the prolonged political period in the year 2017, formation of government and the delayed Exchequer financing that resumed normally after the political period in October, 2017.

Committee Observations

The committee observed that;

- i. The management was indeed in agreement with the audit query in that the department's inability to absorb the budgeted allocations during the period under review was attributed to the prolonged political period in the year 2017, the transition period and thereafter delayed exchequer releases all of which impacted negatively on the departmental work plan during the same period.

- ii. Arising from the management’s written response and oral submissions, it was also observed that the entity’s performance during the year under review failed to meet the entity’s predetermined targets as provided for under section 164 of the PFM Act, 2012.
- iii. It was also observed that the implementation of the projects was slowed down by the delayed exchequer releases and as a consequence, such a situation exposes the County Government to serious obligatory challenges caused by non-adherence to contract agreements and a basis for litigation from service providers which comes at an additional cost in terms of interest charges and other ex-gratia payments

Committee Recommendations

- i. The committee hereby recommends that in future, accounting officers designated to County Government entities should ensure that robust measures are put in place so that the entities remain focused on their pre-planned targets and/or objectives and also ensure that the programmes of the government entities are adequately ring-fenced and cushioned from the effects of political storms and the attendant transitions.
- ii. The committee also recommends that all projects and program funds should be ring-fenced within the department’s budgets and timely requisitioning and releases be prioritized by the project managers and the county treasury, respectively.
- iii. The accounting officers in liaison with the county treasury must at all times ensure that all relevant documents relating to financial statements are submitted and/or availed to the Auditor-General for audit verification as and when required pursuant to the provisions of section 164 of the PFM Act, 2012 and Article 229 of the Constitution of Kenya, 2010 respectively to forestall audit queries.

OVERALL PROJECT IMPLEMENTATION PERFORMANCE FOR THE YEAR

The County Executive was to implement a total of 315 projects/programs by different sectors during the financial year as shown below. Further analysis indicates that 124 or 39% of the projects had not started, 147 or 47% of the projects were still on going and 44 or 14% of the project had been completed as at the time of audit.

Department/ Department	Budgeted Allocations		Budgeted projects	Actual/Implemented Projects			% of completed projects
	Recurrent Kshs.	Development Kshs		Not Started	Ongoing	Completed	
Agriculture, livestock, fisheries and co-op	404,253,214	440,655,456	12	-	3	9	75%

Department/ Department	Budgeted Allocations		Budgeted projects	Actual/Implemented Projects			% of completed projects
	Recurrent Kshs.	Development Kshs		Not Started	Ongoing	Completed	
development							
Tourism, Forestry, environment Water and natural resource	145,672,517	410,988,964	87	2	84	1	1%
Roads and Public works	168,672,552	1,200,287,706	98	62	24	12	12%
Education, Youth and sports	1,243,426,214	250,444,288	11	-	4	7	64%
Health	2,519,862,109	182,859,753	64	54	2	8	13%
Trade, energy and industrialization	49,555,801	157,728,284	9	-	7	2	22%
Gender, Culture,	104,130,398	33,844,644	4	2	1	1	25%
Lands, Urban and Physical Planning Housing and Sanitation	102,159,330	256,112,603	20	1	19	-	0%
Finance and Planning	1,305,443,188	323,042,936	5	-	3	2	40%
County Public Service	60,456,350	-	1	-	-	1	100%
Governors & D/Governor's office	409,012,755	2,598,078	1	-	-	1	100%

Department/ Department	Budgeted Allocations		Budgeted projects	Actual/Implemented Projects			% of complete d projects
	Recurrent Kshs.	Developme nt Kshs		Not Started	Ongo ing	Comple ted	
Public Administration & County Secretary	478,765,343	60,723,818	3	3	-	-	0%
Totals	6,991,409,77 1	3,319,286,53 0	315	124	147	44	14%
% Implementatio n				39%	47%	14%	

In view of the above, the Executive may not have achieved its targets as approved by the Assembly hence service delivery may not be realized by the residents of the County.

Accounting Officer's Submission

The accounting informed members that the Department had budgeted for 4 projects in the year 2017/2018. One project was completed by the time of the audit, two projects had not started and one other project was ongoing. It was a transition period and the projects were not procured and implemented as planned. The current status of the projects is as follows;

PROJECT NAME	LOCATION	UNIT	UNIT COST	NO. OF UNITS	TOTAL COST	STATUS	CURRENT STATUS
Construction and protection of Sang'alo integrated Cultural Centre which is a replica of Bomas of Kenya. It will have facilities such as; social hall, library, museum,	West Sang'aloWard				85,500,000	To commence in FY 2017/18	PROJECT NOT IMPLEMENTED

restaurant, modern sanitation, ample parking area, swimming pool and children play ground							
Construction of second phase of SudiNamachanja which will involve drilling of water, construction of a modern sanitation block and cafeteria	South Bukusu ward				11,000,000	To commence in FY 2017/18	NOT IMPLEMENTED

5. YOUTH AND SPORTS

Project name	Physical location	Amount allocated 2015/16	Status	Remarks	CURRENT STATUS
High altitude training centre, phase 1	Mt Elgon sub county	46 million	90% complete	Embark on Phase 2, dormitory, indoor sports arena	PHASE 2 IS ON GOING
Construction of perimeter wall at Kanduyi stadium	Kanduyi Sub County	45 million	complete		
Project name	Physical location	Amount allocated 2017/18	Status		
Construction of Phase II Kanduyi Stadium (Ablution block, changing rooms, terraces, tac	Kanduyi Sub County	20 million			PHASE ONE IS ON GOING

Project name	Physical location	Amount allocated 2015/16	Status	Remarks	CURRENT STATUS
shops) Grading of the stadium ground					

Committee Observations

The committee made the following observations;

1. The committee observed that the management concurred with the audit findings and in this regard, it was observed that the department's failure to achieve its targets during the year under review was attributed to the following reasons among others;
 - (i) The transition period which had an effect on the procurement and implementation of projects as planned
 - (ii) That two of the targeted projects which included construction and protection of Sang'alo integrated cultural centre situated in W. Sang'alo ward and construction of phase two of Sudi Namachanja mausoleum situated in S. Bukusu was due to commence in the FY 2017/18 at a cost of Kshs.85, 000,000 and Kshs.11, 000,000 respectively.
2. The committee also noted with grave concern that a lot of County Government land and most likely, a number of fixed assets across the county had no ownership documents, making them easy targets for unscrupulous land grabbers besides encroachment activities. The most notable case was the parcel of land on which Sudi Namachanja Moseleuom sits where it was observed that the county government is yet to facilitate the process of title processing, three years down the line after the family having given a written consent. The county risks losing huge chunks of government land including land meant for schools to greedy merchants.

Committee Recommendations

1. The committee recommends that the county treasury should ring-fence project funds for timely releases upon requisitioning.
2. The committee further recommends that all county government entities in liaison with the county department of Lands, Urban Development, Housing and Physical Planning should immediately embark on the process of mapping out and adjudicating all county government parcels of land through an inventory in the event there is none, with a view to ensuring that all those parcels without titles are adequately protected and secured from encroachment activities so that titles can be issued and a comprehensive progress/status report to the said effect be prepared

and submitted to the County Assembly within 90 days from the date of adoption of this report.

PENDING ACCOUNTS PAYABLES

The pending accounts payables figure of Kshs.725,731,414 detailed under annex 2 to the financial statements remained outstanding as at 30 June 2018 despite the positive liquidity status confirmed by the cash and cash equivalents balance of Kshs.1,890,018,447 (Note 13A statement of assets and liabilities).

Further, it was noted that the pending accounts payables figure of Kshs.725, 731,412 includes Kshs.94,173,642 in respect of commitments which were yet to be incurred from the budgetary allocation as stated below:

Department	Financial Statement Balance Kshs.	Actual Pending Bills Kshs.	Commitments Kshs.
Trade	13,010,495	17,106,177	- 4,095,682
Housing & Sanitation	18,403,780	19,503,780	- 1,100,000
Department of Water	145,059,265	136,371,476	8,687,789
Roads & Public Works	289,714,004	119,968,980	169,745,024
Governor	20,815,233	28,805,685	- 7,990,452
Public Administration	22,170,355	27,678,184	- 5,507,829
Lands, Urban And Physical Planning	27,021,936	4,350,649	22,671,287
Department of Health	138,938,768	235,368,085	- 96,429,317
Gender and Culture Youth & Sports	1,936,322	-	1,936,322
Department of Education Youth & Sports	6,256,500	-	6,256,500
CPSB	6,218,509	6,218,509	-
Department of Finance	36,186,245	36,186,245	-
Total	725,731,412	631,557,770	94,173,642

In the circumstances, the accuracy of the pending accounts balance of Kshs.725,731,412 could not be confirmed.

Accounting Officer Submission

The accounting officer submitted that the Department had pending bills amounting to Kshs. 1,936,322 as at 30th June, 2018. All the bills have since been paid.

Committee Observations

- i. The committee observed that during the ended 30th June, 2018, the department had not settled pending bills amounting to Kshs.1, 936,322.
- ii. The Committee noted that the trend of accumulation of pending bills by the line departments poses a negative effect on the implementation of successive year's budget.

Committee Recommendations

Under the PFM Act, 2012 particularly section 156, it is provided that failure by a public or an accounting officer without any reasonable or justifiable cause to pay eligible and approved bills promptly especially in circumstances where funds are provided for constitutes a case of fiscal indiscipline on the part of that officer and the same is punishable under the PFM Act as expressly provided for under section 199.

The accounting officer, county treasury must at all times show by example by taking charge of management of fiscal affairs including cash flow management and ensuring that there is total observance of the law governing fiscal responsibilities which should be cascaded and replicated by all other county departments and no county entity should at any one given time deviate from the principles of fiscal responsibility as provided for under section 149 of the PFM Act,2012 as read together with the provisions of Article 201 of the Constitution of Kenya,2010.

To serve as a deterrent measure, the accounting officer be reprimanded with an attendant rider that the officer risks being subjected to the consequences prescribed in section 199 of the PFM Act in the event of recurrence of the same query in successive audit queries. The said reprimand be copied to all other accounting officers designated to County Government entities including Public Finance Management and supply chain management officers.

LONG OUTSTANDING IMPRESTS

The accounts receivables balance in the statement of assets and liabilities of Kshs.203,180,108 includes long outstanding imprest figure of Kshs.125,250,064, held by staff for up to six (6) months after their due dates had lapsed, contrary to provisions of Section 93 (5) of the Public Finance Management (County Governments) Regulations, 2015 in regards to imprest management. Further, Management has not explained measures it has taken to recover the amounts as required by Regulation 93(6) of the same Regulations.

The Management is therefore in breach of the law.

Accounting Officer's Submission

The accounting officer said that the Department had outstanding imprests amounting to Kshs. 32,004,025 as at 30th June, 2018. The imprests have since been surrendered. There has been delay in surrenders. The department through administrative meetings has emphasized the need for timely surrenders.

Committee Observations

- i. The committee noted that all the outstanding imprests amounting to Kshs.32, 004,025 has since been surrendered as per Appendix 02 mentioned herein above. In this regard, the accounting officer tabled documents to support her submissions.
- ii. The committee further observed that indeed the accounting officer failed to ensure that the imprests are surrendered on time in line with the provisions of Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 in regard to imprests management.

Committee Recommendations

The purpose of the public finance management (county governments) Regulations, 2015 was basically meant to operationalize the constitutional requirements of the PFM Act, 2012. For instance, the procedure obligating accounting officers attached to county government entities to make cash advances commonly known as imprests including management of all imprest transactions is clearly spelt out under section 152 of the PFM Act.

The accounting officer, M/s Saphia Awili should be reprimanded for failure to diligently manage imprests and ensuring that the outstanding imprests due are surrendered in time in line with the provisions of the Public Finance Management (County Government)Regulations, 93(5),2015.

6. DEPARTMENT OF AGRICULTURE, LIVESTOCK, FISHERIES, IRRIGATION AND COOPERATIVES

COOPERATIVE DEVELOPMENT SECTOR

EXPENDITURE ANALYSIS PER MINISTRIES

Further analysis by various Ministries shows that Finance and Economic Planning had the highest overall absorption rate of 89% while Land, urban and physical Planning had the least overall absorption rate at 25% as analyzed below:

Department	Budgeted Allocations		Actual Expenditure	
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.

Department	Budgeted Allocations		Actual Expenditure	
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.
Agriculture, livestock, fisheries and co-op development	404,253,214	440,655,456	385,389,161	255,526,827
Tourism, Forestry, environment Water and natural resource	145,672,517	410,988,964	75,751,612	149,879,261
Roads and Public works	168,672,552	1,200,287,706	148,125,625	619,191,673
Education, Youth and sports	1,243,426,214	250,444,288	1,221,907,517	-
Health	2,519,862,109	182,859,753	2,391,370,313	66,834,589
Trade, energy and industrialization	49,555,801	157,728,284	39,294,976	101,414,968
Lands, Urban and Physical Planning	72,146,405	182,631,796	48,418,486	16,144,128
Gender, Culture,	104,130,398	33,844,644	69,927,371	-
Housing and Sanitation	30,012,925	73,480,807	26,613,062	48,067,285
County Assembly	755,249,331	163,762,706	818,778,137	75,453,320
Finance and Planning	1,305,443,188	323,042,936	1,323,304,849	123,597,423
County Public Service	60,456,350	-	51,700,064	-
Governors & D/Governor's office	409,012,755	2,598,078	348,657,058	-
Public Administration & County Secretary	478,765,343	60,723,818	342,219,862	27,056,857
Totals	7,746,659,102	3,483,049,238	7,464,410,420	1,310,214,002
%			96%	38%

S/NO	PROJECT NAME	CONTRACT NO.	CONTRACT SUM	AMOUNT PAID TO DATE
M/S Scales and Software	Construction and installation of coffee weighbridges at Musese	BGM/CNTY/ALFIC/OT/112 /2017-2018	8,577,341	8,577,341

M/S Scales and Software	Construction and installation of coffee weighbridges at Chesikaki	BGM/CNTY/ALFIC/OT/112 /2017-2018	8,577,341	8,577,341
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Accounting Officer Submission

The chief officer submitted that the sector had commendable budget absorption under recurrent budget vote at 95%; however the absorption for development budget was above average at 58%. The low absorption rate under development was because the project for Purchase and installation of digital coffee weighbridge in Musese and Chesikaki was commenced and completed in the preceding financial year.

	2017/2018	2017/2018	2016/2017	2017/2018
Receipts	Budget Kshs	Actuals Kshs	Actuals Kshs	Variance Kshs
Rents	2,708,364	1,995,261	1,456,931	713,103
Other Property Income	683,439	2,394,826	7,774,090	- 1,711,387
Receipts from Administrative Fees and Charges	6,933,571	7,290,848	6,067,863	- 357,272
Fines, Penalties and Forfeitures	16,747,251	9,316,464	488,167	7,430,787
Business Permits	115,827,331	85,987,384	91,283,142	29,839,947
Cess	76,349,148	13,031,511	42,264,755	63,317,637
Poll Rates	46,503,530	21,103,340	27,837,258	25,400,190
Plot Rents	828,085	871,881	443,232	- 43,796
Administrative Services Fees	51,667,956	44,843,070	42,258,820	6,824,886
Sales Of Council Assets	2,564,957	10,000	1,554,000	2,554,957
Other Miscellaneous Receipts	15,279,981	12,586,965	2,385,419	2,693,016
Market/Trade Centre Fee	57,390,047	34,563,634	35,468,042	22,826,413
Vehicle Parking Fees	79,122,171	52,131,901	48,926,942	26,990,270
Housing	7,481,014	5,300,350	4,916,392	2,180,664
Social Premises Use Charges	252,626	280,000	152,124	-27,374
Other Education-Related Fees	18,102,363	16,062,197	4,018,512	2,040,166
Public Health Facilities Operations (HOSPITALS)	335,982,724	216,604,658	159,910,054	119,378,066
Environment & Conservancy Administration	12,549,036	9,664,840	9,558,742	2,884,196
Slaughter Houses Administration	6,676,726	5,113,010	4,268,758	1,563,716
Alcohol Drinks Licence	-	5,992,900	-	-5,992,900
Other Health & Sanitation Revenues	102,928	81,000	62,500	21,928
Total	853,753,248	545,226,040	491,095,743	308,527,208

Agriculture and Irrigation

The chief officer agreed with audit finding and clarified that the sector, had commendable budget absorption under recurrent budget vote at 95%; however the absorption for development budget was above average at 58%. The low absorption rate under development was because of delay in access of conditional grants to implement the work plan.

Committee Observation

1. The committee observed that during the first quarter of the financial year under review, there was no exchequer releases which delayed the implementation of the projects.
2. That the projects budgeted for in the year under review have since been completed.

Committee Recommendation

The committee recommends that the department should always ensure that, it initiates the requisitioning process including procurement processes on time immediately the budget is uploaded.

OVERALL LOCAL REVENUE PERFORMANCE

During the year under review, the County Executive targeted to collect total revenue of Kshs.853, 753,248. However, the actual collections totaled Kshs.545,226,040, resulting into a deficit of Kshs.308,527,208 (64%) hence the revenue was hugely under collected as shown below.

Further, revenue due from the AIA's such as housing, hospital and Agricultural sources have not been included into the Automated Revenue Management System hence the County has not fully automated revenue collection.

Accounting Officer Submission

The chief officer informed the committee that Automation of revenue was carried out by the treasury department under the revenue section with intent to cover all departments; however, the automation has not been domiciled to the department for operationalization. The revenue is collected via MR (miscellaneous receipt) issued by the revenue section and the collections surrendered and banked in the County Revenue Fund (CRF).

Committee Observations

The committee observed that the department had not automated revenue collection

Committee Recommendations

The committee recommends that all local revenue collections in the department be automated as a matter of urgency.

OVERALL PROJECT IMPLEMENTATION PERFORMANCE FOR THE YEAR

The County Executive was to implement a total of 315 projects/programmes by different sectors during the financial year as shown below. Further analysis indicates that 124 or 39% of the projects had not started, 147 or 47% of the projects were still on going and 44 or 14% of the project had been completed as at the time of audit.

Department/ Department	Budgeted Allocations		Budgeted projects	Actual/Implemented Projects			% of completed projects
	Recurrent Kshs.	Development Kshs		Not Started	Ongoing	Completed	
Agriculture, livestock, fisheries and co-op development	404,253,214	440,655,456	12	-	3	9	75%
Tourism, Forestry, environment Water and natural resource	145,672,517	410,988,964	87	2	84	1	1%
Roads and Public works	168,672,552	1,200,287,706	98	62	24	12	12%
Education, Youth and sports	1,243,426,214	250,444,288	11	-	4	7	64%
Health	2,519,862,109	182,859,753	64	54	2	8	13%
Trade, energy and industrialization	49,555,801	157,728,284	9	-	7	2	22%
Gender, Culture,	104,130,398	33,844,644	4	2	1	1	25%
Lands, Urban and Physical Planning Housing and Sanitation	102,159,330	256,112,603	20	1	19	-	0%
Finance and Planning	1,305,443,188	323,042,936	5	-	3	2	40%
County Public Service	60,456,350	-	1	-	-	1	100%

Department/ Department	Budgeted Allocations		Budgeted projects	Actual/Implemented Projects			% of complete d projects
	Recurrent Kshs.	Developme nt Kshs		Not Started	Ongo ing	Comple ted	
Governors & D/Governor's office	409,012,755	2,598,078	1	-	-	1	100%
Public Administration & County Secretary	478,765,343	60,723,818	3	3	-	-	0%
Totals	6,991,409,77 1	3,319,286,53 0	315	124	147	44	14%
% Implementatio n				39%	47%	14%	

In view of the above, the Executive may not have achieved its targets as approved by the Assembly hence service delivery may not be realized by the residents of the County.

Accounting Officer Submission

The chief officer acknowledged that at the time of audit, the projects; purchase and installation of digital weigh bridges at Musese and Chesikaki Mills were not complete and explained that it was occasioned by delays in the procurement process which has since been rectified.

The projects have however been completed.

Project name	Location	Budgeted amount	Actual cost	Amount paid	Status
Purchase and installation of digital weighbridge	Musese	9,000,000	8,577,341	8,577,341	Complete
Purchase and installation of digital weighbridge	Chesikaki	9,000,000	8,577,341	8,577,341	Complete

Committee Observations

The committee observed that that all projects which were budgeted for implementation in the financial year under review were not completed within the contract periods hence denying the residents of the county the much needed services.

Committee Recommendations

1. Section 117 of the County Governments Act,2012 on standards and norms for public service delivery stipulates that,(1)`a county government and its agencies shall in delivering public services-

(a) give priority to the basic needs of the people;

(b) promote the development of the public service delivery institutions and, ensure that all members of the public have access to basic services.

(2)Public services shall be equitably delivered in a manner that accords to-

(a) prudent, economic, efficient, effective and sustainable use of available resources;

(b) continued improvement of standards and quality;

(c) appropriate incorporation of the use of information technology;and

(d) financial and environmental sustainability.

(3) A county government shall carry out regular review of the delivery of services with a view to improvement.” In this respect, accounting officers designated to County Government entities are under a constitutional obligation vide section 149 of the PFM Act,2012 to ensure that all contractual transactions entered into by their respective entities are not only lawful, but the same should always be complied with hence in the circumstances, the Department should ensure that the contracts entered into by various departments are completed as per the agreed contract periods in order to not only spur development within the county but also as one way of ensuring that the residents of Bungoma County get value for money in line with the letter and spirit envisaged under section 117 of the County Governments Act,2012 cited above.

There is need for all accounting officers to continuously embrace and observe as a matter of fiscal discipline strict adherence to the requirements of section 53 of the Public Procurement and Asset Disposal Act, 2015.

LONG OUTSTANDING IMPRESTS

The accounts receivables balance in the statement of assets and liabilities of Kshs.203,180,108 includes long outstanding imprests figure of Kshs.125,250,064, held by staff for up to six (6) months after their due dates had lapsed, contrary to provisions of Section 93 (5) of the Public Finance Management (County Governments) Regulations, 2015 in regards to imprest

management. Further, Management has not explained measures it has taken to recover the amounts as required by Regulation 93(6) of the same Regulations.

The Management is therefore in breach of the law.

COOPERATIVE SECTOR

Accounting Officer Submission

Chief Officer acknowledged the delay in the surrender of imprests and clarified that it was occasioned by the staggered nature of field based extension activities hence delay in the surrender process. In some cases the surrenders are submitted to the county treasury which has an elaborate or long clearance process leading to delays. However the imprests have since been surrendered as indicated in the table below. **See appendix (iii)**

The management further submitted that in the case of Sella Mutsotso involving a sum of Kshs 54,400, the case was erroneously classified as outstanding imprest whereas the activity was paid as a claim which is a direct payment that is based on already incurred expenses by the beneficiary. **See appendix (iii)**

PAYEE	ACTIVITY	AMOUNT	STATUS
COLLINS BUSURU	FACILITATION TO IMPLEMENT FIRST HALF ACTIVITIES IN MT ELGON SUB COUNTY - COOP DEPT	205,000	SURRENDRED <i>See appendix (iii)</i>
JOEL PEKA	FACILITATION TO CARRYOUT USHIRIKA DAY	943,000	SURRENDRED <i>See appendix (iii)</i>
NAFTALI MOMANYI	FACILITATION TO IMPLEMENT FIRST HALF ACTIVITIES IN KIMILILI SUB COUNTY - COOP DEPT	155,000	SURRENDRED <i>See appendix (iii)</i>
ENOCK WEPUKHULU	FACILITATION TO CARRYOUT TRAINING IN IN LUTONYI AND	114,700	RECOVERED <i>See appendix (iii)</i>

	KAMUSINGA IRRIGATION PROJECT		
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PAYEE	Pv no	Activity	Amount	Status
SellaMutsotso	GEN 05/110	National youth pre-conference and dialogue on devolution	54,400	Paid as Claim odfpv no GEN05/110 not as imprest

Agriculture and Irrigation

Accounting Officer Submission

The chief officer acknowledged the delay in the surrender of imprests and explained that it was occasioned by the staggered nature of field based extension activities hence delay in the surrender process. In some cases the surrenders are submitted to the county treasury which has an elaborate or long clearance process leading to delays. However the imprests have since been surrendered as indicated in the table below. *See appendix (ii)*

PAYEE	ACTIVITY	AMOUNT	STATUS
HUMPHERY SITUMA	FACILITATION TO ATTEND SENIOR MGT COURSE AT KSG MOMBASA CAMPUS	101,200.00	SURRENDRED <i>See appendix (ii)</i>
SIMON ABWAO	FACILITATION FOR BUMULA SUBCOUNTY ACTIVITIES	481,800	SURRENDRED <i>See appendix (ii)</i>
HUMPHERY SITUMA	FACILITATION TO ATTEND SENIOR MGT COURSE AT KSG MOMBASA CAMPUS	101,200.00	SURRENDRED <i>See appendix (ii)</i>

EMMANUEL KISEBE	FACILITATION TO CARRYOUT 3RD AND 4TH QUARTER ACTIVITIES IN WEBUYE EAST SUB COUNTY AGRIC DEPT	299,500.00	SURRENDERED <i>See appendix (ii)</i>
FELIX MUKHEBI	FACILITATION TO CARRYOUT SUBCOUNTY ACTIVITIES	178,000	SURRENDERED <i>See appendix (ii)</i>
JOAN NALIAKA BARASA	FACILITATION TO CARRYOUT STAKE HOLDERS MEETING	267,000	SURRENDERED <i>See appendix (ii)</i>
MUGE MICHAEL	FACILITATION TO CARRYOUT RESEARCH EXTENSION WORKSHOP	208,500	SURRENDERED <i>See appendix (ii)</i>
SAMMY KEMBOI	FACILITATION TO CARRYOUT 3RD AND 4TH QUARTER ACTIVITIES IN WEBUYE WEST SUB COUNTY AGRIC DEPT	318,000	SURRENDERED <i>See appendix (ii)</i>
VINCENT SHIKANDA	FACILITATION TO IMPLEMENT FIRST HALF ACTIVITIES IN MT ELGON SUB COUNTY - AGRIC DEPT	477,000	SURRENDERED <i>See appendix (ii)</i>
FRED SIKUTA	FACILITATION TO PAY CPSC, CTAC AND OTHER COMPONENT 4 ACTIVITIES	1,929,700	SURRENDERED <i>See appendix (ii)</i>
MATHEWS C. WANJALA	ATTEND INTERNATIONAL SUSTAINABLE FOOD SECURITY LESSONS IN ISRAEL	485,070	RECOVERED <i>See appendix (ii)</i>

Committee Observations

The committee observed that imprests were indeed surrendered long after due dates contrary to the provisions of section 152 of the PFM Act, 2012 and regulation 93(5) of the Public Finance Management (County Government) Regulations, 2015.

Committee Recommendations

The committee recommends that the accounting officer should always observe total compliance with the provisions of section 152 of the PFM Act, 2012 and regulation 93(5) of the Public Finance Management (County Government) Regulations 2015 on matters imprest.

12.2 Dairy Commercialization Project Not Operational

The County made a payment of Kshs. 9,377,350 to a local contractor for dairy commercialization area network at Bukembe. However, physical verification of the project under implementation revealed that it was not in operational not withstanding full settlement of the contract prize.

Accounting Officer Submission

The Chief Officer informed the committee that the scope of the contract was to construct a milk cooler house at Bukembe. The project is not operational due to lack of three phase power supply. The three phase power supply was not captured in the initial BQ's.

The department had to wait for the following Financial Year to budget for three phase power hence delaying the installation of the milk cooler. Currently the three phase power has been paid and the line dropped waiting for the meter box to operationalize the project. The milk cooler was procured and kept at Mabanga ATC ready for installation.

Committee observations

1. That the department is in the process of installing a three phase power for the project.
2. That the delay in installation of the milk cooler and its subsequent operationalization is not only denying the Bungoma residents the much needed services but the county residents are also being denied an opportunity to realise value for money in the said project.

Committee Recommendation

The committee recommends that the installation of the milk cooler in question and subsequent operationalization of the project be undertaken within (90)days from the date of adoption of this report and a comprehensive compliance report be submitted to the County Assembly within the same period.

13. Procurement of Goods, Works and Services

13.1 Direct Procurement of Furniture

A local supplier was paid a total of Kshs. 2, 378,000 to supply furniture. However, the Department of Agriculture used direct procurement to procure the furniture contrary to Section 91 of the Public Procurement and Asset Disposal Act, 2015. Further, the Executive did not provide for audit review, notification to the authority to use direct procurement, the appointment and minutes of the ad-hoc evaluation committee.

Consequently, the regularity of the expenditure of Kshs. 940, 457,716 on acquisition of assets during the year could not be confirmed.

Accounting Officer Submission

Accounting informed the committee that the department used direct procurement to purchase furniture for Mabanga Agricultural Training Centre upon approval from the head of supply chain.

Committee observations

The department did not comply with the provisions of section 103 of the Public Procurement and Asset Disposal Act 2015, on direct procurement.

Committee Recommendations

The committee recommends that accounting officers should at all times be guided by the requirements of Section 103 of the Public Procurement and Asset Disposal Act, 2015 which spells out conditions which must be fulfilled prior to direct procurement as read together with the provisions of Section 104 of the same Act on the procedure for direct procurement.

COUNTY EXECUTIVES POLICIES

The following policies and guidelines have not been developed or are in draft form awaiting approval and adoption. Further, there was no evidence that the risk management policy and framework is operational despite having been completed.

- a) Policy framework for Co-operative Societies
- b) ICT Revenue Frameworks
- c) Policy framework on Vocational Training Centers
- d) County Training Policy
- e) County Transport Policy
- f) Trade Development Policy
- g) Urban Development Policy
- h) County Public Land Policy

- i) Supply Chain Management Policy
- j) County Housing Policy
- k) County Energy Development Policy
- l) County Livestock Management Policy

The County Executive thus manages its resources and operates with lack of clear operating guidelines.

Cooperative sector

The accounting officer submitted that the policy framework for cooperative societies was still in draft form, the department of cooperative developed the cooperative society's bill and the cooperative society's policy which has been submitted to the cabinet for approval.

Committee Observations

The committee noted with concern that the Cooperatives Bill and the Cooperatives Policy respectively have taken too long to be developed and submitted to the County Assembly.

Committee Recommendations

The committee hereby directs that the Executive committee member for Agriculture, Livestock, Fisheries, Irrigation and Cooperative Development to submits to the County Assembly the county Cooperatives Policy and the county Cooperatives Bill respectively within (60)days from the date of adoption of this report.

7. COUNTY PUBLIC SERVICE BOARD

13.2 Direct procurement of legal services

The county executive sourced for legal services and paid Kshs. 10,076,080 under the case Kisumu E and R and LRC constitution petition No. 45 Of 2017 and another case which have been going on since 23rd September 2015. However, no explanation was provided on how the county executive came up with the legal fees outside the advocate's remuneration order

Accounting Officer Submission

The accounting officer submitted that:

a) Engagement of the Firm

The secretary to the Board submitted that Nyikuli, Shifwoka and Company Advocates has been handling legal matters for the County Public Service Board since the year 2014 when the county didn't have a legal firm on the prequalified lists. Since then, the firm has been handling Board cases including the ones quoted in the findings.

The Board, through a full Boards' meeting in the year 2014 resolved that, notwithstanding the independence of the CPSB as per section 57(a) and (b) of the County Governments Act 2012, the firm was given instructions to handle all legal matters of the entity.

It is on this basis that anytime there has been litigation, the firm takes the matter on behalf of the Board.

Based on the circumstances thereto, the Board invoked section 103 of the PPAD Act 2015 where direct procurement method was adopted to engage the firm.

Despite the above, the Board has been engaging the County Procurement Office for advisory before payments are made to the firm thus the opinion from the County Head of Procurement has always been adhered to.

b) Status of the Cases

The competence and ability of the legal firm in question is upright. This is evident with the cases handled by the firm, for example the two cases in question have been handled to conclusion and rulings made in favour of the County Public Service Board. On this note, the value for money is believed to have been realized.

c) Legal Fees

All Advocates within Kenya are guided by the Advocates (Remuneration) Order CAP 16 of 1962 revised 2017. For that matter the legal firm is believed to have complied with the set guidelines on how to charge the client based on several factors as stipulated in the above order. Thus the fee charged was within the Advocates Remuneration order considering the fact that the petition number 45 of 2017 in the Employment and Labour Relations Court between the County Public Service Board and six others verses the Governor County Government of Bungoma and three others was full of complexity ranging from constitutional petition, civil suits, criminal acts, violation of Labour Laws and other miscellaneous matters. All those combined were guided by the Advocates remuneration order.

Committee Observation

1. The committee observed that indeed the fees charged complied with the sixth schedule to the Advocates (Remuneration) Order cap 16 laws of Kenya.
2. Section 103 of the Public Procurement and Asset Disposal Act, 2015 spells out conditions which are to be satisfied before any entity can engage in direct procurement of goods, works or services as the case may be. The provisions of the said section of the law are very elaborate and on the other hand, were any entity to engage in direct procurement, the procedure to be followed is provided for under section 104 of the same act.

Committee Recommendations

The Accounting Officer provided an elaborate explanation with supporting documents on the payment of legal fee and thus the query is dropped.

Compensation of Employees

The County Executive recruited twenty-seven (27) employees in different groups. However, the following irregularities were identified in the recruitment:

- There was no approved recruitment plan and intents from the Ministries;
- The positions were not advertised to ensure competitive recruitment;
- There were no shortlisting minutes, interview score sheets and authority from the County Public Service Board to the County Secretary to appoint employees

Further, it was noted that six (6) members of staff were not appointed to the correct job groups.

In addition, the County Executive absorbed four hundred and two (402) casual employees into permanent and pensionable terms during the year under review without following necessary recruitment procedures such as advertising for vacant positions to pave way for competitive recruitment, gender and regional balancing of staff.

Consequently, the legality and competitiveness of the recruitment process could not be verified.

Accounting Officer's Submission

The accounting officer submitted that:

a) Recruitment of 27 Staff

On the 27 staff irregularly recruited the accounting officer submitted that with the assumption of the office by the current Governor and given that the former Governor had exited with most of his staff, he had to operationalize the office by recruiting staff who were personal to his office. They include; Governor's Security details, the communication officers, Governor's Press Service, the protocol Officers, the Gardener, Cook, Governor's/Deputy Governor's Personal Assistants and the Chief of Staff. These are personal staff attached to the Office bearers as provided for in the SRC Circular No. SRC/TS/CGOVT/3/16.

On the part of officers being given higher job groups, the anomaly was detected for the affected officers and a corrective measure taken by lowering the grade for those who didn't have the requisite qualifications and salaries re-adjusted to commensurate with the qualifications. The salaries for the affected officers have since been lowered and resultant recovery of overpayments effected. The Board has continuously issued advisory on adherence to Human Resource regulations and policies.

Committee Observation

- i. The committee observed that the Bungoma County Public Service Board was not involved in the recruitment of the 27 staff employed by the County Government of Bungoma.
- ii. The recruitment of the 27 staff was not done competitively as provided for by the constitution and part-vii, particularly sections 59,63,64,65,66 & 67 of the County Governments Act,2012 and relevant laws.
- iii. That the County Public Service Board is in the process of regularising the recruitment.

Committee Recommendations

1. The committee recommends that the County Public Service Board to revoke employment of the 27 staff whose engagement was marred with irregularities by invoking the provisions of section 75 of the County governments Act,2012 which provides that *“If it comes to the attention of the County Public Service Board that there is reason to believe that any process or decision under this Part may have occurred in an irregular or fraudulent manner, the County Public Service Board shall investigate the matter and, if satisfied that the irregularity or fraud has occurred, the County Public Service Board may—*

- (a) revoke the decision;*
- (b) direct the concerned head of department or lawful authority to commence the process afresh; or*
- (c) take any corrective action including disciplinary action.*

Further, the committee recommends that, the County Payroll Manager to immediately stops payment of salaries and the attendant emoluments to the affected 27 staff and that a comprehensive compliance report be prepared and submitted to the County Assembly within 30 days from the date of adoption of this report.

As for the Six members of staff who were not appointed to the correct job groups, the committee hereby directs that a comprehensive report detailing measures or action taken to regularize the anomaly including any disciplinary action taken against those officers who may have in one way or another been party to, facilitated, contributed to, or failed to prevent the commission of or failed to comply with an obligation imposed by the relevant act in regard to the circumstances surrounding the irregular appointment and absorption of the said members of staff, be similarly prepared and submitted to the County Assembly within (30)days from the date of adoption of this report.

a.)IRREGULAR RECRUITMENT OF CASUAL WORKERS

On the irregular recruitment of casual workers the accounting officer informed the committee that the County Secretary/Head of Public Service vide his letter Ref No CG/BGM/CS/APPT/VOL.11 (209) of 2nd December 2016 requested the Board to absorb 402 County casual workers in the County Public Service.

Most casual workers had continuously worked for many years contrary to the applicable laws governing employment of casual workers. To avoid possible litigations, the Board resolved to absorb the casual workers.

To ensure that serving casual workers were not disadvantaged, positions were not advertised. The Board undertook a headcount of all casual workers in the County in **March 2017**, with a view of;

- Verifying the exact number of casual workers paid by the County,
- Establish the number of casual workers irregularly employed if any
- Establish the professional and academic qualifications of the casual workers; and
- Absorb the casual workers who merited.

Selection process

The letters of appointment, and qualifications for the casual workers were analysed. Designations and Job Groups were then assigned to each of the candidate based on their academic and professional qualifications.

Criteria for Selection of Successful Candidates

Members used the following criteria for selection of successful candidates;

i) Appointing authority.

Only those who were appointed by either the Board Secretary or the County Secretary were considered. Those who were appointed by any other office were considered irregular and therefore disqualified.

ii) Academic and professional qualifications

The Academic and professional qualifications for the candidates were verified against the respective schemes of service applicable in the County Public Service. Those whose qualifications were relevant and met the requirements were appointed. Candidates whose professional qualifications were not applicable in the service were appointed according to their academic qualifications.

Remedial measures to irregular employment of casual workers

The Board is in the process of finalizing the development of a policy on casual workers which will provide guidelines on recruitment of casual workers in the county.

The mandatory retirement age in the Public Service was revised from 55 years to 60 years. Prior to the revision, the Pension Act provided for one to serve on permanent and pensionable terms of service for a minimum period of ten (10) years to qualify for pension. Hence one could not be appointed to a pensionable post if he was above forty five years of age. Since the current retirement age is at sixty (60) years, those between the ages of forty five to fifty years will serve for the requisite period of ten years before retirement and therefore qualify for pension.

Out of the eighteen (18) officers, it is only Rodgers Wafula, national identity card number 9298724 who is above fifty (50) years and he was properly absorbed on contract terms of service. The contract expired in February 2019 and his name was removed from the payroll.

Committee Observation

The Bungoma County Public Service Board un-procedurally confirmed the 402 casual workers while absorbing them into permanent and pensionable terms contrary to the provisions of sections 62,63,66 & 74 of the County Governments Act,2012.

Committee Recommendation

The committee recommends that in future the County Public Service Board should follow the laid down laws on recruitment to forestall such audit queries.

7. ROADS, INFRASTRUCTURE AND PUBLIC WORKS

EXPENDITURE ANALYSIS PER MINISTRIES

Further analysis by various Ministries shows that Finance and Economic Planning had the highest overall absorption rate of 89% while Lands, Urban and Physical Planning had the least overall absorption rate at 25% as analyzed below:

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
Agriculture, livestock, fisheries and co-op development	404,253,214	440,655,456	385,389,161	255,526,827	95%	58%	76%
Tourism, Forestry, environment Water and natural resource	145,672,517	410,988,964	75,751,612	149,879,261	52%	36%	41%
Roads and Public works	168,672,552	1,200,287,706	148,125,625	619,191,673	88%	52%	56%
Education, Youth and sports	1,243,426,214	250,444,288	1,221,907,517	-	98%	0%	82%
Health	2,519,862,109	182,859,753	2,391,370,313	66,834,589	95%	37%	91%
Trade, energy and industrialization	49,555,801	157,728,284	39,294,976	101,414,968	79%	64%	68%
Lands, Urban and Physical Planning	72,146,405	182,631,796	48,418,486	16,144,128	67%	9%	25%

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
Gender, Culture,	104,130,398	33,844,644	69,927,371	-	67%	0%	51%
Housing and Sanitation	30,012,925	73,480,807	26,613,062	48,067,285	89%	65%	72%
County Assembly	755,249,331	163,762,706	818,778,137	75,453,320	108%	46%	97%
Finance and Planning	1,305,443,188	323,042,936	1,323,304,849	123,597,423	98%	38%	89%
County Public Service	60,456,350	-	51,700,064	-	86%	0%	86%
Governors & D/Governor's office	409,012,755	2,598,078	348,657,058	-	85%	0%	85%
Public Administration & County Secretary	478,765,343	60,723,818	342,219,862	27,056,857	71%	45%	68%
Totals	7,746,659,102	3,483,049,238	7,464,410,420	1,310,214,002	96%	38%	78%
%			96%	38%			

SUBMISSION BY THE ACCOUNTING OFFICER

The accounting officer informed the committee that the Department had a fair absorption rate of 88% for Recurrent Expenditure and 52% for Development Expenditure. The incidences of low absorption for the Development funds were because of the prolonged political period in the year 2017 and the delayed Exchequer financing that resumed normally after the political period in October, 2017. The County Government also suffered a delay in establishing the County Executive Committee that is mandated to approve all budget provisions. As a result, the County delayed to approve the 1st supplementary that was to align its projects to allow for implementation. This caused a delay in implementation and therefore delayed the payment process as indicated above. These projects were later implemented and have been paid as indicated in the status reports annexed herewith.

Committee Observations

The committee observed that, delayed exchequer releases and repeat election hampered the absorption of the budget.

Committee Recommendations

The committee recommends that the procurement process should always begin upon uploading of budget in the month of July in each year.

NON-IMPLEMENTATION OF BUDGETED WORKS

A review of performance under the Department of Roads and Infrastructure Development indicates that various projects with estimated cost totaling Kshs.200, 146,661 were not implemented. These has put pressure on the subsequent years' work plans and hence delayed service delivery to residents of the County.

SUBMISSION BY THE ACCOUNTING OFFICER

The accounting officer submitted that the projects amounting to Kshs. 200,146,661 were twenty seven Community Based Ward Projects. The initiation of the projects was delayed because of the transition that required familiarization, review and prioritization of all County projects. The delay in establishing the County Executive Committee delayed the process of approval of 1st Supplementary until January 2018. However, the non-implementation of the projects did not put pressure on the subsequent budget as the balances were re-budgeted for in the year 2018/2019. See the attached status of the projects (Appendix 002(c) – Budgeted works carried forward and implemented in 2018/2019).

Committee Observation

The Committee observed that the Department of Roads provided satisfactory reasons as why it did not implement the projects budgeted for in the financial year under review.

Committee recommendations

The Department of Roads should ensure all budgeted projects are implemented within the financial year and contracts should be completed as per the agreed stipulated period in the contract agreements to enhance development as well as value for money for the benefit of the residents of Bungoma County.

OVERALL PROJECT IMPLEMENTATION PERFORMANCE FOR THE YEAR

The County Executive was to implement a total of 315 projects/programmes by different sectors during the financial year as shown below. Further analysis indicates that 124 or 39% of the projects had not started, 147 or 47% of the projects were still on going and 44 or 14% of the project had been completed as at the time of audit.

Department/ Department	Budgeted Allocations		Budgeted projects	Actual/Implemented Projects			% of completed projects
	Recurrent Kshs.	Development Kshs		Not Started	Ongoing	Completed	
Agriculture, livestock, fisheries and co-	404,253,214	440,655,456	12	-	3	9	75%

Department/ Department	Budgeted Allocations		Budgeted projects	Actual/Implemented Projects			% of completed projects
	Recurrent Kshs.	Development Kshs		Not Started	Ongoing	Completed	
op development							
Tourism, Forestry, environment Water and natural resource	145,672,517	410,988,964	87	2	84	1	1%
Roads and Public works	168,672,552	1,200,287,706	98	62	24	12	12%
Education, Youth and sports	1,243,426,214	250,444,288	11	-	4	7	64%
Health	2,519,862,109	182,859,753	64	54	2	8	13%
Trade, energy and industrialization	49,555,801	157,728,284	9	-	7	2	22%
Gender, Culture,	104,130,398	33,844,644	4	2	1	1	25%
Lands, Urban and Physical Planning Housing and Sanitation	102,159,330	256,112,603	20	1	19	-	0%
Finance and Planning	1,305,443,188	323,042,936	5	-	3	2	40%
County Public Service	60,456,350	-	1	-	-	1	100%
Governors & D/Governor's office	409,012,755	2,598,078	1	-	-	1	100%
Public Administration & County	478,765,343	60,723,818	3	3	-	-	0%

Department/ Department	Budgeted Allocations		Budgeted projects	Actual/Implemented Projects			% of completed projects
	Recurrent Kshs.	Development Kshs		Not Started	Ongoing	Completed	
Secretary							
Totals	6,991,409,771	3,319,286,530	315	124	147	44	14%
% Implementation				39%	47%	14%	

In view of the above, the Executive may not have achieved its targets as approved by the Assembly hence service delivery may not be realized by the residents of the County.

Submission by the Accounting Officer

The accounting officer submitted that the 86 projects highlighted as not started and or ongoing were occasioned by delays in the approval of the 1st supplementary budget as indicated above. However, the Department has since fast tracked the implementation of all these projects most of which are now complete. Find the current status of the projects (Appendix 004 – Project Status Report)

Committee Observation

- i. The Department of Roads performed poorly on implementation of projects in the year under review, noting that it only completed one project out of 86 projects.
- ii. The 85 projects were implemented in the subsequent financial year.

Committee Recommendation

1. The department should always implement the budgeted programmes within the financial year it falls and ensure that all the projects are started and completed within the stipulated period.

PENDING ACCOUNTS PAYABLES

The pending accounts payables figure of Kshs.725,731,414 detailed under annex 2 to the financial statements remained outstanding as at 30 June 2018 despite the positive liquidity status confirmed by the cash and cash equivalents balance of Kshs.1,890,018,447 (Note 13A statement of assets and liabilities).

Further, it was noted that the pending accounts payables figure of Kshs.725,731,412 includes Kshs.94,173,642 in respect of commitments which were yet to be incurred from the budgetary allocation as stated below:

Department	Financial Statement Balance Kshs.	Actual Pending Bills Kshs.	Commitments Kshs.
Trade	13,010,495	17,106,177	- 4,095,682
Housing & Sanitation	18,403,780	19,503,780	- 1,100,000
Department of Water	145,059,265	136,371,476	8,687,789
Roads & Public Works	289,714,004	119,968,980	169,745,024
Governor	20,815,233	28,805,685	- 7,990,452
Public Administration	22,170,355	27,678,184	- 5,507,829
Lands, Urban And Physical Planning	27,021,936	4,350,649	22,671,287
Department of Health	138,938,768	235,368,085	- 96,429,317
Gender and Culture Youth & Sports	1,936,322	-	1,936,322
Department of Education Youth & Sports	6,256,500	-	6,256,500
CPSB	6,218,509	6,218,509	-
Department of Finance	36,186,245	36,186,245	-
Total	725,731,412	631,557,770	94,173,642

In the circumstances, the accuracy of the pending accounts balance of Kshs.725,731,412 could not be confirmed.

Submission by the accounting officer

The accounting informed the committee that the Department had pending bills amounting to KShs. 289,714,004 most of which were arising from ongoing projects. These projects have

since been implemented and details of the payments are attached here. (Appendix 004 – Analysis of Outstanding bills).

Committee Observations

- i. The accumulation of pending bills by the Department Roads clearly demonstrates fiscal policy failure and the inability of the county treasury and accounting officers designated to county government entities to ensure proper management and control of, and accounting for the finances of the County Government and its entities in order to promote effective and efficient use of budgetary resources at the devolved government level as stipulated in Section 151 of the PFM Act, 2012.
- ii. The Committee noted that the trend of accumulation of pending bills by the line departments poses a negative effect on the implementation of successive year's budget.

Committee Recommendations

The accounting officer should at all times take charge of management of fiscal affairs including cash flow management in the department.

LONG OUTSTANDING IMPRESTS

The accounts receivables balance in the statement of assets and liabilities of Kshs.203,180,108 includes long outstanding imprest figure of Kshs.125,250,064, held by staff for up to six (6) months after their due dates had lapsed, contrary to provisions of Section 93 (5) of the Public Finance Management (County Governments) Regulations, 2015 in regards to imprest management. Further, Management has not explained measures it has taken to recover the amounts as required by Regulation 93(6) of the same Regulations.

The Management is therefore in breach of the law.

Submission by the accounting officer

The accounting officer submitted that the department had outstanding imprests amounting to KShs. 945,200.00 as at 30th June, 2018. The imprests have since been surrendered.

Committee Observations

The Accounting Officer failed to ensure that imprest of Kshs.945, 200.00 that were due were recovered within the stipulated time as per the provisions of PFM Act, 2012 and Regulation 93 of the PFM (County Government) Regulations, 2015.

Committee Recommendations

The Accounting Officer should ensure imprests issued are surrendered in time and in line with the provisions section 152 of the PFM Act, 2012 and Regulation 93 of the PFM (County Government) Regulations, 2015.

UNDER-UTILIZATION OF MECHANICAL AND TRANSPORT FUND

Included in other grants and transfers figure of Kshs.646,385,558, under Note 9 to the financial statements is the other capital grants transfers of Kshs121,105,480 which in turn includes-Mechanical and Transport Fund (MTF) user fees for opening and grading amount of Kshs.65,668,325 for 206km at the rate of Kshs.318,778 per KM and opening, grading and gravelling at Kshs.6,098,360 for 5km road at the rate of Kshs.1,219,672 per KM.

However, only 190 km of opening and grading roads has been completed, leaving 21km of roads not done in various wards costing approximately Kshs.11,157,230. In the circumstances, it was not possible to ascertain propriety of the other grants and transfers figure of Kshs.646, 385,558.

Submission by the accounting officer

The accounting told the committee that by 30th June 2018, the projects had done covered 190km of the planned 225km. However, the works are now complete.

Committee Observations

The committee observed that the department carried out and completed several projects under utilization of mechanical and transport fund during the year under review.

Committee Recommendations

- i. The line department should expedite and complete the remaining projects within the stipulated time
- ii. The Department of Roads should always implement all the programmes budgeted for under-utilization of mechanical transport Fund within the stipulated time especially in circumstances where funds are provided for.

Variation on Construction of Slaughterhouse Road

A local company was paid a total of Kshs.47, 680,180 for the construction of slaughterhouse road measuring 2.4km in Kimilili Sub-County at a contract price of Kshs.86,256,910. However, review of the project status inspection report revealed the following:

- (i) The contractor deserted site on unknown reasons after completing 1.1km only.
- (ii) The contract was eventually terminated without putting the contractor to account as per the terms of award of contract.
- (iii) At the point of termination, the works done were estimated to be less than 45% of the total while payment made was estimated at 55%. No steps were taken against the contractor to recover the overpayment.
- (iv) The County Executive advertised for the same contract and it was awarded to another contractor for the remaining works at a contract price of Kshs.66,000,000 and

subsequently paid Kshs.18,337,721. The total amount spent on the project was Kshs.104, 000,000, resulting into budget overrun and cost escalation by over 21%.

Submission by the Accounting Officer

The accounting officer submitted as follows:

i. Abandonment of site

The contractor left the site after which the County Government made reminders without success. The contract was later terminated and awarded to another contractor after an open tender procurement process that ran from advertisement to award. The termination was mutual and the variation was done and settled.

ii. Accountability after termination

The termination was a sufficient recourse obtained after the works were abandoned as the payments were only made for valued works.

iii. Payment at 55%

The payments were made for the valued works.

Description	Contracted amount(KShs)	Certified works paid to the contractor	Amount not paid
Bill No.1	8, 600,000	800,000	7,800,000
Works	58,999,460	40,303,543	18,695,917
Sub- total	67,599,460	41,103,543	26,495,917
10% contingencies	6, 759,946	0	6,759,946
Total	74,359,406	41,103,543	33,255,863
VAT (16%)	11, 897,504.96	6,576,567	5,320,937
Grand total	86,256,910	47,680,180	38,576,730

2.4 km is the total length of the entire slaughter house road. The Road was to be implemented in 2 phases. The 1 phase of the Road, 1.5 km was awarded to Aada Construction Company, who executed 1.1km before termination. The remaining 0.4km that was to be carried out by Aada construction was not done. This was implemented in the 2nd phase by a different contractor who executed 1.3km to completion.

The payment of KShs. 47,680,180 to Aada Construction Company was based on two interim certificates; 1st and 2nd interim payment certificates. This was based on 1.1km of the 1.5km, hence 73% of the total length of the road.

Cost overran by 21%

The second contractor was issued with a new contract that included the abandoned 0.4km plus other works. The other works included works not in the initial Bills of Quantities;

- Lime treatment of the sub base layer
- Increase in thickness of sub-base from 150mm to 175mm based on the design
- Provision of the subgrade materials
- Provision of reflective studs (cat eyes)
- Provision of road humps and rumble strips
- Provision of concrete road kerbs and channels

Committee Observations

The Committee observed that the delayed execution of contracts was necessitated by the abandonment of the site by the contractor and subsequent termination of the contract.

Committee Recommendations

1. The Accounting Officer provided an elaborate explanation with supporting documents on the construction of Slaughterhouse Road to the satisfaction of the committee and thus the query is dropped.
2. Going forward, CECM Public works and must identify all contractors with a poor track record in execution of government contracts and blacklist them from being awarded county government contracts and should also ensure that an up to-date data base on the performance of contractors is maintained and that the data is publicized at all times to enable county government departments make informed decisions when awarding contracts.

7. Procurement of Works, Goods and Services

Purchase of Corrugated Steel Pipes

A local supplier was paid Kshs.46, 064,273 for the supply and delivery of corrugated steel pipes. However, scrutiny of the payment records revealed the following:

- (i) The Department of Roads and Infrastructure did not provide needs assessment on how it intended to utilize the pipes which are still in the yard since 30th August, 2017 when they were delivered.
- (ii) The Department of Roads and Infrastructure purchased corrugated steel pipes, yet it was not in the procurement plan and the budget for the financial year.
- (iii) The Department of Roads and Infrastructure did not maintain proper stores record to determine usage and stock balance as at 30 June 2018.

In the circumstances, the value for money in relation to purchase of corrugated steel pipes totaling Kshs.46, 064,273 may not have been achievement

Submission by the Accounting Officer

The accounting officer informed the committee that the use of the corrugated iron sheets has subsequently been verified by the Auditor. The items were approved in the subsequent supplementary budget of the Financial year 2017/2018 and store records are available (Appendix 012(c) – Stores records; supplementary budget and supplementary procurement plan)

Committee observations

1. The committee observed that the needs assessment report was availed to the committee; however no reason was given as to why it was not provided to the Office of the Auditor General at the time of the audit in line with the provisions of section 149 of the PFM Act, 2012.
2. The Procurement plan was availed to the committee for verification
3. The stores ledger was not availed to the committee for verification.

Committee recommendation

1. The committee recommends that in future, the department should always carry out need assessment, before implementing the budgeted programmes.
2. The committee further recommends that, procurement plans should always be uploaded by end of July each year and a copy submitted to the County Assembly by 15th of August each year and in carrying out responsibilities imposed by the PFM Act, accounting officers should, in respect of the entity concerned ensure that the assets of the entity are managed in such a manner as to ensure that the entity receives value for money when acquiring, using or disposing off its assets.

8. DEPARTMENT OF LANDS, URBAN, PHYSICAL PLANNING & HOUSING

EXPENDITURE ANALYSIS PER MINISTRIES

Further analysis by various Ministries shows that Finance and Economic Planning had the highest overall absorption rate of 89% while Lands, Urban and Physical Planning had the least overall absorption rate at 25% as analyzed below:

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
Agriculture, livestock, fisheries and	404,253,214	440,655,456	385,389,161	255,526,827	95%	58%	76%

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
co-op development							
Tourism, Forestry, environment Water and natural resource	145,672,517	410,988,964	75,751,612	149,879,261	52%	36%	41%
Roads and Public works	168,672,552	1,200,287,706	148,125,625	619,191,673	88%	52%	56%
Education, Youth and sports	1,243,426,214	250,444,288	1,221,907,517	-	98%	0%	82%
Health	2,519,862,109	182,859,753	2,391,370,313	66,834,589	95%	37%	91%
Trade, energy and industrialization	49,555,801	157,728,284	39,294,976	101,414,968	79%	64%	68%
Lands, Urban and Physical Planning	72,146,405	182,631,796	48,418,486	16,144,128	67%	9%	25%
Gender, Culture,	104,130,398	33,844,644	69,927,371	-	67%	0%	51%
Housing and Sanitation	30,012,925	73,480,807	26,613,062	48,067,285	89%	65%	72%
County Assembly	755,249,331	163,762,706	818,778,137	75,453,320	108%	46%	97%
Finance and Planning	1,305,443,188	323,042,936	1,323,304,849	123,597,423	98%	38%	89%
County Public Service	60,456,350	-	51,700,064	-	86%	0%	86%
Governors & D/Governor's office	409,012,755	2,598,078	348,657,058	-	85%	0%	85%

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
Public Administration & County Secretary	478,765,343	60,723,818	342,219,862	27,056,857	71%	45%	68%
Totals	7,746,659,102	3,483,049,238	7,464,410,420	1,310,214,002	96%	38%	78%
%			96%	38%			

Submission by the Accounting Officer

The accounting officer submitted that the rate of absorption in the Department was affected by delayed commencement of procurement process, late submission of relevant land documents, land succession cases, KRA clearance to access IFMIS identification number and Budget cuts on supplementary Budget.

Committee Observation

The department failed to implement all the programmes as budgeted in the year under review.

Committee Recommendation

The department should ensure that there is timely requisitioning and releases are prioritized by the project managers and the county treasury, respectively to facilitate budget absorption especially on development programmes.

OVERALL PROJECT IMPLEMENTATION PERFORMANCE FOR THE YEAR

The County Executive was to implement a total of 315 projects/programmes by different sectors during the financial year as shown below. Further analysis indicates that 124 or 39% of the projects had not started, 147 or 47% of the projects were still on going and 44 or 14% of the project had been completed as at the time of audit.

Department/ Department	Budgeted Allocations		Budgeted projects	Actual/Implemented Projects			% of completed projects
	Recurrent Kshs.	Development Kshs		Not Started	Ongoing	Completed	
Agriculture,	404,253,214	440,655,456	12	-	3	9	75%

Department/ Department	Budgeted Allocations		Budgeted projects	Actual/Implemented Projects			% of completed projects
	Recurrent Kshs.	Development Kshs		Not Started	Ongoing	Completed	
livestock, fisheries and co-op development							
Tourism, Forestry, environment Water and natural resource	145,672,517	410,988,964	87	2	84	1	1%
Roads and Public works	168,672,552	1,200,287,706	98	62	24	12	12%
Education, Youth and sports	1,243,426,214	250,444,288	11	-	4	7	64%
Health	2,519,862,109	182,859,753	64	54	2	8	13%
Trade, energy and industrialization	49,555,801	157,728,284	9	-	7	2	22%
Gender, Culture,	104,130,398	33,844,644	4	2	1	1	25%
Lands, Urban and Physical Planning Housing and Sanitation	102,159,330	256,112,603	20	1	19	-	0%
Finance and Planning	1,305,443,188	323,042,936	5	-	3	2	40%
County Public Service	60,456,350	-	1	-	-	1	100%
Governors &	409,012,755	2,598,078	1	-	-	1	100%

Department/ Department	Budgeted Allocations		Budgeted projects	Actual/Implemented Projects			% of complete d projects
	Recurrent Kshs.	Developme nt Kshs		Not Started	Ongo ing	Comple ted	
D/Governor's office							
Public Administration & County Secretary	478,765,343	60,723,818	3	3	-	-	0%
Totals	6,991,409,771	3,319,286,530	315	124	147	44	14%
% Implementatio n				39%	47%	14%	

In view of the above, the Executive may not have achieved its targets as approved by the Assembly hence service delivery may not be realized by the residents of the County.

Submission by the accounting officer

The accounting officer submitted that the Department of Lands, Urban, Physical Planning and Housing had budgeted for 20 projects in the year 2017/2018; one project had not started while 19 projects were ongoing at the time of audit. This was due to delayed award of contracts, PPRA tribunal review court case, the procurement process that started a bit late, late submission of relevant land documents, land succession cases, KRA clearance to access IFMIS identification number and Budget cut on supplementary Budget. However as at now, 9 projects have been completed, 7 projects are ongoing, 2 projects were moved to other departments, 1 project stalled due to lack of KRA details and 1 project has not started. However, most of the projects have since been completed and fully operational. Find the current status of the projects (**Appendix 001 – Project Status Report**)

Committee Observation

The committee observed that non implementation of projects was due to delay in procurement process and a tribunal case that was filed at PPRA (Public Procurement Review Authority) tribunal.

Committee Recommendation

The Department should fast-track the completion of the remaining projects as matter of urgency.

PENDING ACCOUNTS PAYABLES

The pending accounts payables figure of Kshs. 725,731,414 detailed under annex 2 to the financial statements remained outstanding as at 30 June 2018 despite the positive liquidity status confirmed by the cash and cash equivalents balance of Kshs. 1,890,018,447 (Note 13A statement of assets and liabilities).

Further, it was noted that the pending accounts payables figure of Kshs. 725,731,412 includes Kshs. 94,173,642 in respect of commitments which were yet to be incurred from the budgetary allocation as stated below:

Department	Financial Statement Balance Kshs.	Actual Pending Bills Kshs.	Commitments Kshs.
Trade	13,010,495	17,106,177	- 4,095,682
Housing & Sanitation	18,403,780	19,503,780	- 1,100,000
Department of Water	145,059,265	136,371,476	8,687,789
Roads & Public Works	289,714,004	119,968,980	169,745,024
Governor	20,815,233	28,805,685	- 7,990,452
Public Administration	22,170,355	27,678,184	- 5,507,829
Lands, Urban And Physical Planning	27,021,936	4,350,649	22,671,287
Department of Health	138,938,768	235,368,085	- 96,429,317
Gender and Culture Youth & Sports	1,936,322	-	1,936,322
Department of Education Youth & Sports	6,256,500	-	6,256,500
CPSB	6,218,509	6,218,509	-
Department of Finance	36,186,245	36,186,245	-
Total	725,731,412	631,557,770	94,173,642

In the circumstances, the accuracy of the pending accounts balance of Kshs. 725,731,412 could not be confirmed.

Submission by the accounting officer

The accounting officer submitted that the department of Lands, Urban and Physical Planning has acknowledged the financial statement balance amounting to Kshs. 27,021,936 of which Kshs. 4,280,649 are pending bills and have already been settled except one of Kshs 70,000 that was removed from the system after learning that Tourist Hotel was not a prequalified hotel in Bungoma County to offer services by then and therefore the process collapsed. Kshs. 22,671,287 are other commitments out of which 2,822,775 has been settled and a balance of Kshs 19,848,512 is still outstanding because the projects are ongoing.

Committee Observation

- i. The Department sourced services from un- prequalified facilities for instance Tourist Hotel.
- ii. Pending bills for an amount totalling Kshs 19,848,512 is yet to be settled two financial down the line.

Committee Recommendation

The department should utilize its budgetary allocation in time and source services from pre-qualified facilities.

LONG OUTSTANDING UN-COLLECTED REVENUE ARREARS

Included in the Executive’s own generated receipts of Kshs. 545,226,040 is property rates and rent and cess collections totaling Kshs. 9,690,437 and Kshs. 13,031,511 respectively. However, the Executive had arrears not collected since the inception of the County Government totaling Kshs. 221,347,558 as at 30 June 2018 as highlighted below: Further, accrued penalties and interests could not be accurately ascertained.

A	Property rates arrears	Kshs
1	Kanduyi	129,765,622
2	Sirisia	114,688
3	Bumula	11,027,205
4	Tongaren	5,000,993
5	Kabuchai	342,602
6	Kimilili	6,268,862
7	Webuye	14,156,858
8	Mt.Elgon	304,350
	Total	166,981,180
B	Cess defaulters	
	Mumias Sugar Co. Ltd	30,614,569
	Nzoia Sugar Co. Ltd	12,364,707
	Mastermind Kenya Ltd	5,000,000
C	Total	47,979,276

D	Rent Arrears -Various estates	6,387,102
	Grand Total	221,347,558

Consequently, non-collection of all due revenue may have denied the County Executive funds for service delivery to its residents.

Submission by the accounting officer

a) RENT ARREARS

The accounting officer informed the committee that the Arrears from houses inherited from the defunct local authorities

Some of the houses are condemned (6 in Kimilili) and have been proposed for demolition to pave way for construction of high-rise buildings. In addition, some houses are unoccupied due to bad state of repair and this reduces the amount of collectable monthly rent i.e. in Ndal, Sirisia and Tamlega Dispensary.

Committee Observations

The Department has not put in place measures to collect rent arrears thus lowering its own generated fund.

The committee notes the laxity of the department of housing to renovate inherited houses to generate own revenue.

Committee Recommendations

1. The committee hereby directs the department to demolish the condemned houses, renovate house that are in poor conditions as matter of urgency, and further collect rent arrears and report to the house the implementation of this recommendation within three months from adoption of the report.
2. The Housing Committees’ recommendations of the County Assembly on the fact finding on County Houses should be implemented to the later

b) Arrears from National Government Houses

The accounting officer submitted that it has been difficult for the County Government to collect rent from the national government houses that relate to the devolved functions because the houses have not been formally transferred to the County Government. Some of the houses are occupied by the National Government Officers such as Assistant County Commissioners and Police officers e.g in Kabula, Malakisi, Tongaren and Bumula Health facilities. However, Bungoma Intergovernmental County Committee has been formed pursuant to gazette notice No. 5711 dated 21st June, 2019. The Committee operates under the purview of IGRTC. The mandate of the Committee is to carry out identification, verification and recording of all the national government’s assets and liabilities in relation to the devolved functions. The primary intention of the exercise would be for IGRTC to facilitate the transfer of the verified assets and liabilities to the County Government.

The department of revenue is also responding to this query and will provide a comprehensive report of rent arrears.

Committee Observations

The Department is unable to collect rent from national government related houses that are not formally transferred to county government and the department has formed Bungoma Intergovernmental County Committee to identify, verify and record all the national government's assets and liabilities to the same.

Committee Recommendation

The Committee recommends that the appointed committee to fast-track the process and submit a report to the County within three months after adoption of the report.

2. LONG OUTSTANDING IMPRESTS

The accounts receivables balance in the statement of assets and liabilities of Kshs. 203,180,108 includes long outstanding imprest figure of Kshs. 125,250,064, held by staff for up to six (6) months after their due dates had lapsed, contrary to provisions of Section 93 (5) of the Public Finance Management (County Governments) Regulations, 2015 in regards to imprest management. Further, Management has not explained measures it has taken to recover the amounts as required by Regulation 93(6) of the same Regulations.

The Management is therefore in breach of the law.

Submission by the accounting officer

The chief officer submitted that the County Treasury had outstanding imprests amounting to Kshs. 1,469,200 for the department of Lands, Urban, Physical Planning and Housing as at 30th June, 2018 due to delay in execution of activities. The imprests have since been surrendered.

Committee Observation

- i. The management was unable to give an explanation at the time of audit measures they have put in place to recover imprests.
- ii. The accounting officer failed comply with regulation 93(5) of Public Finance Management (County Governments) 2015 on management the imprests since most imprests were surrendered after one year.

Committee Recommendation

The committee recommends the accounting officer to be reprimanded for flouting the provisions of Regulation 93(5) of the Public Finance Management (County Government) Regulations 2015.

3. COUNTY EXECUTIVES POLICIES

The following policies and guidelines have not been developed or are in draft form awaiting approval and adoption. Further, there was no evidence that the risk management policy and framework is operational despite having been completed.

- a) Policy framework for Co-operative Societies
- b) ICT Revenue Frameworks
- c) Policy framework for Vocational Training Centers
- d) County Training Policy
- e) County Transport Policy
- f) Trade Development Policy
- g) Urban Development Policy
- h) County Public Land Policy
- i) Supply Chain Management Policy
- j) County Housing Policy
- k) County Energy Development Policy
- l) County Livestock Management Policy

The County Executive thus manages its resources and operates with lack of clear operating guidelines.

Submission by the accounting officer.

The accounting officer submitted by giving status as shown on the table below:

Policy	Status	REASON
Urban Development Policy	Not done	Budget constraint
County Public Land Policy	Not done	Budget constraint
County Housing Policy	Done	Submitted to the county assembly.

Committee Observation

The department has developed Housing policy and submitted to the county assembly, while urban development policy and County Public Land Policy are yet to be developed.

Committee Recommendations

The committee recommends that the Department should fast-track the development of urban development and county public land policies and submit to the county assembly within three months after the adoption of this report.

9. DEPARTMENT OF EDUCATION

IRREGULAR AWARD OF SCHOLARSHIPS

The management, through Department of Education spent Kshs. 22,675,734 to cater for scholarship of the bright and needy students. However, verification of the scholarship records revealed the following anomalies.

- i. The Department awarded scholarship yet no scholarship policy had been formulated and the criterion on how the scholarships were awarded was not availed for audit verification.
- ii. The Department did not provide acknowledgement of receipts from schools, evidence that the funds benefited the intended students.
- iii. No admission letters from the students was availed for audit verification to authenticate that the applicants were indeed students in the schools listed.
- iv. Imprests amounting to Kshs. 9,900,000 meant to cater for educational benefits and expenses of the students were not surrendered after 7 days of the official assignment and had not been cleared by the County Treasury which is against the regulations.

Submission by the accounting officer

The chief officer submitted that the Scholarship was awarded under the provisions of the Bungoma County Bursary Regulations, 2016 supported by guideline approved by county executive committee which is reviewed annually.

The county government has since developed the educations scholarship and bursary policy to cater for both bursary and scholarship programmes.

At times, schools and colleges delay in providing acknowledgement letters and receipts. However, the documents have since been availed and reviewed by auditors

At the time of audit, some of the letters had not been submitted from ward offices. However, these admission letters have since been submitted and reviewed.

Committee Observations

- i. The committee observed that there was neither a policy nor regulatory framework for the scholarship program that had been approved by the County Assembly and as such the scholarship was awarded under the provisions of the Bungoma County Bursary Regulations, 2016 supported by guideline approved by County Executive Committee which are reviewed annually
- ii. It was also observed that the county government has eventually developed the education scholarship and bursary policy to cater for both bursary and scholarship programmes and the accounting officer tabled documents to support her submissions.

- iii. The committee further observed that the management has since regularized the issues in regard to the provision of acknowledgement receipts from respective schools including admission letters as evidence that the students had indeed been admitted in the listed schools. Further, documents were availed as evidence to support the management submissions thus the query was marked as settled.

Committee Recommendations

In this regard, the committee hereby recommends that, the query be dropped.

EXPENDITURE ANALYSIS PER MINISTRIES

Further analysis by various Ministries shows that Finance and Economic Planning had the highest overall absorption rate of 89% while Land, urban and physical Planning had the least overall absorption rate at 25% as analyzed below:

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
Agriculture, livestock, fisheries and co-op development	404,253,214	440,655,456	385,389,161	255,526,827	95%	58%	76%
Tourism, Forestry, environment Water and natural resource	145,672,517	410,988,964	75,751,612	149,879,261	52%	36%	41%
Roads and Public works	168,672,552	1,200,287,706	148,125,625	619,191,673	88%	52%	56%
Education, Youth and sports	1,243,426,214	250,444,288	1,221,907,517	-	98%	0%	82%
Health	2,519,862,109	182,859,753	2,391,370,313	66,834,589	95%	37%	91%
Trade, energy and industrialization	49,555,801	157,728,284	39,294,976	101,414,968	79%	64%	68%

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
Lands, Urban and Physical Planning	72,146,405	182,631,796	48,418,486	16,144,128	67%	9%	25%
Gender, Culture,	104,130,398	33,844,644	69,927,371	-	67%	0%	51%
Housing and Sanitation	30,012,925	73,480,807	26,613,062	48,067,285	89%	65%	72%
County Assembly	755,249,331	163,762,706	818,778,137	75,453,320	108%	46%	97%
Finance and Planning	1,305,443,188	323,042,936	1,323,304,849	123,597,423	98%	38%	89%
County Public Service	60,456,350	-	51,700,064	-	86%	0%	86%
Governors & D/Governor's office	409,012,755	2,598,078	348,657,058	-	85%	0%	85%
Public Administration & County Secretary	478,765,343	60,723,818	342,219,862	27,056,857	71%	45%	68%
Totals	7,746,659,102	3,483,049,238	7,464,410,420	1,310,214,002	96%	38%	78%
%			96%	38%			

Submission by the accounting officer

The accounting submitted that Kshs 153,953,857.80 was budgeted for projects for implementation in 2017/18. However, the procurement process took long to be completed. The projects have since started as per the attached list. She also indicated that Kshs 76 million was budgeted as subsidized tuition grants for registered vocational training centres. The funds were not disbursed due to delayed release by the Department of Education, national government. The grants have since been disbursed to 36 VTCs as per the attached list. Kshs.19million was meant to cater for pending bills.

Committee Observations

1. It was observed that a sum of ksh.153, 953,857.80 was budgeted for projects during the financial year 2017/18
2. The projects failed to take off as scheduled because the procurement process took too long to be completed. However, the said projects have since started as evidenced by the status report and the payment schedule tabled by the management.
3. That a sum of Ksh 76million was budgeted as subsidized tuition grants for registered vocational training centres but the same were not disbursed as planned due to delayed release by the Department of Education at the national government.
4. The committee also observed that the said funds were later disbursed to 36 VTCs.

Committee Recommendations

1. All government departments/entities should prioritize the preparation of annual procurement plans and work plans to facilitate prompt requisitioning of funds from the county treasury pursuant to the provisions of section 53 of the Public Procurement and Asset Disposal Act, 2015.
2. The committee further recommends that the county treasury should ring-fence project funds for timely releases on requisition.
3. The Committee agreed with the management responses and submissions and thus drops the query

PENDING ACCOUNTS PAYABLES

The pending accounts payables figure of Kshs.725,731,414 detailed under annex 2 to the financial statements remained outstanding as at 30 June 2018 despite the positive liquidity status confirmed by the cash and cash equivalents balance of Kshs.1,890,018,447 (Note 13A statement of assets and liabilities).

Further, it was noted that the pending accounts payables figure of Kshs.725,731,412 includes Kshs.94,173,642 in respect of commitments which were yet to be incurred from the budgetary allocation as stated below:

Department	Financial Statement Balance Kshs.	Actual Pending Bills Kshs.	Commitments Kshs.
Trade	13,010,495	17,106,177	- 4,095,682
Housing & Sanitation	18,403,780	19,503,780	- 1,100,000
Department of Water	145,059,265	136,371,476	8,687,789

Department	Financial Statement Balance Kshs.	Actual Pending Bills Kshs.	Commitments Kshs.
Roads & Public Works	289,714,004	119,968,980	169,745,024
Governor	20,815,233	28,805,685	- 7,990,452
Public Administration	22,170,355	27,678,184	- 5,507,829
Lands, Urban And Physical Planning	27,021,936	4,350,649	22,671,287
Department of Health	138,938,768	235,368,085	- 96,429,317
Gender and Culture Youth & Sports	1,936,322	-	1,936,322
Department of Education Youth & Sports	6,256,500	-	6,256,500
CPSB	6,218,509	6,218,509	-
Department of Finance	36,186,245	36,186,245	-
Total	725,731,412	631,557,770	94,173,642

In the circumstances, the accuracy of the pending accounts balance of Kshs.725,731,412 could not be confirmed.

Submission by the Accounting Officer

The accounting officer submitted that the Kshs.19million was meant to cater for pending bills. Pending bills worth the above amount has since been paid.

Committee Observation

It was observed from the management submission that Kshs.19million was meant to cater for pending bills during the year under review have since been cleared.

Committee Recommendation

The committee dropped the query.

LONG OUTSTANDING IMPRESTS

The accounts receivables balance in the statement of assets and liabilities of Kshs.203,180,108 includes long outstanding imprest figure of Kshs.125,250,064, held by staff for up to six (6) months after their due dates had lapsed, contrary to provisions of Section 93 (5) of the Public Finance Management (County Governments) Regulations, 2015 in regards to imprests

management. Further, Management has not explained measures it has taken to recover the amounts as required by Regulation 93(6) of the same Regulations.

Submission by the accounting officer.

The accounting officer submitted that the imprests were not surrendered in time due to rollover of activities. The imprests were eventually surrendered and have since been reviewed.

Committee observations

- i. In regard to un-surrendered imprest amounting to 9.9 million meant to cater for education benefits and expenses of students, it was observed that the same was not surrendered in time due to the roll-over of activities. The same has eventually been surrendered and verified by the auditors as evidenced by copies of surrender warrants, surrender clearance forms and payment vouchers tabled.
- ii. The committee observed that the imprests were not managed in compliance with Regulation 93(5) of the Public Finance Management (County Government) Regulations, 2015

Committee Recommendations

The committee recommends that the Accounting Officer should manage the imprests in accordance Regulation 93(5) of the Public Finance Management (County Government) Regulations, 2015.

10. DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

ACCOUNTS PAYABLES-DEPOSITS AND RETENTION

The accounts payables- deposits and retentions figure of Kshs.219,985,327 differs with the confirmed bank balance figure of Kshs.141,500,862 resulting into un-reconciled difference of Kshs.78,484,675.

In the circumstances, it was not possible to confirm accuracy of the payables, deposits and retention balance of Kshs.219, 985,327.

Submission by the Accounting Officer

The chief officer submitted that the retention amount of Kshs.78, 394,464 was not transferred to the deposits account because it occurred when the deposits account had not been opened. The amount was rather transferred to the County Revenue Fund Account in the year 2015/2016 as verified by the auditor.

Subsequently, the amount was captured in the 2016/2017 budget process. The subsequent financial statements in the year 2018/2019 were adjusted and restated to reflect this.

Appendix 001 – Listing of the transfers to CRF Account, Listing of the settled Deposits, Listing of the unsettled Deposits and the CRF Bank Statement 2015/2016).

Committee Observation

1. The committee observed that the county government failed to comply with provisions of Section 106 of the Public Finance Management (County Governments) Regulations 2015 which requires that entities must open an account with the Central Bank of Kenya in which all moneys deducted from contracts payment should be deposited.
2. Further the committee notes the variance of un reconciled difference reported by the auditor general being kshs 78,484,675 and amount submitted by the accounting of kshs 78, 394,464, variance kshs 90,211 and thus the committee could not confirm the accuracy of account payables.

Committee Recommendation

1. The management should ensure that the provisions of the Public Finance Management Act 2012 and the Constitution of Kenya on public funds and public finance management (County Governments) Regulations 2015 are fully complied with.
2. The committee reiterates that audit query remain material and directs the accounting officer to settle the query and submit a report to the assembly within 60 days from the adoption of this report.

OVERALL BUDGETED PERFORMANCE

During the year under review, the management budgeted for total expenditure of Kshs.11,229,708,334, comprising recurrent allocation of Kshs.7,746,659,098 (69% of total budget) and development allocation of Kshs.3,483,049,236 (31% of total budget) From the approved budget, the County incurred actual total expenditure of Kshs.8,774,624,422 comprising recurrent expenditure of Kshs.7,464,410,420 (85% of total expenditure) and development expenditure of Kshs.1,310,214,002 (15% of total expenditure). The County incurred the overall actual expenditure/budget absorption ratio of 96% and 38% of recurrent and development votes respectively, resulting into significant budget absorption drop in development vote as detailed below.

Vote	Budget Allocation 2017/2018 Kshs.	Actual Expenditure 2017/2018 Kshs.	Budgeted per Vote %	Actual Vote %	per Absorption Rate %
Recurrent Expenditure	7,746,659,098	7,464,410,420	69%	85%	96%
Development Expenditure	3,483,049,236	1,310,214,002	31%	15%	38%
Total	11,229,708,334	8,774,624,422	100%	100%	85%

Submission by the accounting officer.

The accounting officer informed the committee that the absorption rate on development was below 50% because of the prolonged political period in the year 2017 and the delayed Exchequer financing that resumed normally after the political period in October, 2017 as the first Exchequer Release was received on 19th October, 2017 (**Appendix 002(a) – Extract CRF Bank Statement**).

Committee Observations

It was observed that the implementation of development programmes slowed down during the 1st half the financial year which was attributed to prolonged political campaigns and delayed funding from the national government

Committee recommendations

1. The committee recommends that government planned programmes/projects should be insulated from political interference and;
2. Government programmes/projects should be funded and be implemented in accordance the budget provisions

DETAILED BUDGET VARIANCE ANALYSIS

There were instances where the budget was either over/under spent by more than +10% or -10% as detailed in the table below. Some expenditure lines of the County Executive were not in accordance with approved budget appropriations while others were not budgeted for at all. In addition, the compensation to employees expenditures was Kshs.4, 261,626,702 vis-a-vis budgeted Kshs.4, 007,384,869 was 41% of the total budget which surpassed the required threshold of 35%. An additional increase of employees cost by Kshs.254, 241,833 representing 6% increase was therefore irregular.

Appendix I-Detailed Budget Variance Analysis					
Title and Details	Recurrent Budget Kshs.	Actuals Kshs.	Variance Kshs.	Variance %	
Basic Salaries - Permanent Employees	3,715,824,594	4,046,206,882	-330,382,288	-9%	
Basic Wages - Temporary Employees	155,349,505	150,001,081	5,348,424	3%	
Personal Allowances paid as part of Salary	121,152,600	63,167,949	57,984,651	48%	
Personal Allowances	8,808,175	-	8,808,175	100%	

Appendix I-Detailed Budget Variance Analysis				
Title and Details	Recurrent Budget Kshs.	Actuals Kshs.	Variance Kshs.	Variance %
paid as Reimbursements				
Employer Contributions to Compulsory National Social Security Schemes	6,249,995	2,250,790	3,999,205	64%
	4,007,384,869	4,261,626,702	-254,241,833	-6%
Use of Goods & Services				
Utilities, Supplies and Services	42,473,276	41,458,720	1,014,556	2%
Communication, Supplies and Services	17,637,948	13,968,965	3,668,983	21%
Domestic Travel and Subsistence, and Other Transportation Costs	197,959,574	157,221,672	40,737,902	21%
Foreign Travel and Subsistence, and other transportation costs	11,690,508	12,445,964	-755,456	-6%
Printing, Advertising and Information Supplies and Services	59,693,240	49,706,836	9,986,404	17%
Rentals of Produced Assets	30,979,984	10,458,640	20,521,344	66%
Training Expenses	171,383,554	173,957,602	-2,574,048	-2%
Hospitality Supplies and Service	239,830,613	259,622,209	-19,791,596	-8%
Insurance Costs	23,296,268	96,670,337	-73,374,069	-315%
Specialized	182,747,115	216,582,580	-33,835,465	-19%

Appendix I-Detailed Budget Variance Analysis				
Title and Details	Recurrent Budget Kshs.	Actuals Kshs.	Variance Kshs.	Variance %
Materials and Supply				
Office and General Supplies and Services	50,906,400	34,689,394	16,217,006	32%
Fuel Oil and Lubricants	101,484,215	90,472,348	11,011,867	11%
Other Operating Expenses	683,310,248	287,735,185	395,575,063	58%
Routine Maintenance – Vehicles	62,565,661	24,633,783	37,931,878	61%
Routine Maintenance - Other Assets	409,961,044	49,830,776	360,130,268	88%
	2,285,919,648	1,519,455,009	766,464,639	34%
Other Grants & Transfers				
Other Capital Grants and Trans	1,096,101,891	646,385,558	449,716,333	41%
	1,096,101,891	646,385,558	449,716,333	41%
Social Security Benefits			-	
Government Pension and Retirement Benefits	44,182,355	29,034,310	15,148,045	34%
	44,182,355	29,034,310	15,148,045	34%
Acquisition of Assets				
Construction of Building	12,000,000	25,667,351	- 13,667,351	-114%
Refurbishment of Buildings	10,202,311	5,962,391	4,239,921	42%
Construction and Civil Works	939,412,036	433,967,149	505,444,887	54%
Overhaul and Refurbishment of	544,023,803	156,431,209	387,592,594	71%

Appendix I-Detailed Budget Variance Analysis				
Title and Details	Recurrent Budget Kshs.	Actuals Kshs.	Variance Kshs.	Variance %
Construction and Civil Works				
Purchase of Vehicles and Other Transport Equipment	6,250,000	5,500,000	750,000	12%
Purchase of Household Furniture and Institutional Equipment	794,110	1,467,901	- 673,791	-85%
Purchase of Office Furniture and General Equipment	128,234,990	49,455,208	78,779,782	61%
Purchase of Specialized Plant, Equipment and Machinery	38,150,475	4,493,837	33,656,638	88%
Purchase of Certified Seeds, Breeding Stock and Live Animals	69,091,200	62,459,300	6,631,900	10%
Research, Feasibility Studies, Project Preparation and Design, Project Supervision	22,582,477	21,870,371	712,106	3%
Rehabilitation of Civil Works	50,135,901	-	50,135,901	100%
Acquisition of Strategic Stocks	183,941,341	172,833,000	11,108,341	6%
Acquisition of Land	40,000,000	-	40,000,000	100%
Acquisition of Other Intangible Assets	5,000,000	350,000	4,650,000	93%
	2,049,818,644	940,457,716	1,109,360,928	54%
Other Payments				
Supplier Credits	827,288,890	483,433,670	343,855,220	42%

Appendix I-Detailed Budget Variance Analysis				
Title and Details	Recurrent Budget Kshs.	Actuals Kshs.	Variance Kshs.	Variance %
Total Executive	10,310,696,297	7,880,392,966	2,430,303,331	24%
Transfers to County Assembly	919,012,037	894,231,457	24,780,580	3%
Grand Total Recurrent	11,229,708,334	8,774,624,423	2,455,083,911	22%

Submission by the Accounting Officer

The accounting officer submitted that under expenditure occurs because the timing of expenditure depends on the procurement plan and exchequer releases which when affected causes delay in implementation of activities.

The over expenditure of +10% occurred due to the limited reallocations that were done as allowed by Sec. 41 and 47 of the County Governments PFM Regulations, 2015. The reallocations were necessitated by some activities such as CBAs for health workers that had not been budgeted for but sufficiently budgeted for later.

On Some expenditure lines of the County Executive not being in accordance with approved budget appropriations while others were not budgeted for at all, the accounting officer informed members that the expenditure in budget lines were all in the appropriated budget as verified by the auditor.

On Salaries and wages being at 41% the accounting officer explained that the personnel emoluments increased because of the following;

- The CBA of health workers that led to an increase of Ksh. 463,800,000 in negotiated allowances
- Conversion of terms of 1,923 ECD teachers from contractual to permanent terms that led to an increase in salaries by Ksh. 384,746,760
- Conversion of terms of 402 long serving casual employees from casual to permanent(some of whom were inherited from the defunct local authorities), leading to an increase in salaries by Ksh. 63,282,180.40

(Appendix 002(b) – Analysis of salary increase).

Committee Observations

The committee observed that the county government failed to adhere to the approved budget and overspend on some budget lines contrary to the principles of fiscal responsibility imposed by the PFM Act and Article 201(d)&(e) of the constitution of Kenya,2010.

Committee Recommendation

The accounting officers should ensure that the department always exercise budgetary control measures and also that the county government spending is done within the approved budgets as one way of forestalling unnecessary audit queries, besides pending Bills.

EXPENDITURE ANALYSIS PER MINISTRIES

Further analysis by various Ministries shows that Finance and Economic Planning had the highest overall absorption rate of 89% while Lands, Urban and Physical Planning had the least overall absorption rate at 25% as analyzed below:

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
Agriculture, livestock, fisheries and co-op development	404,253,214	440,655,456	385,389,161	255,526,827	95%	58%	76%
Tourism, Forestry, environment Water and natural resource	145,672,517	410,988,964	75,751,612	149,879,261	52%	36%	41%
Roads and Public works	168,672,552	1,200,287,706	148,125,625	619,191,673	88%	52%	56%
Education, Youth and sports	1,243,426,214	250,444,288	1,221,907,517	-	98%	0%	82%
Health	2,519,862,109	182,859,753	2,391,370,313	66,834,589	95%	37%	91%
Trade, energy and industrialization	49,555,801	157,728,284	39,294,976	101,414,968	79%	64%	68%
Lands, Urban	72,146,405	182,631,796	48,418,486	16,144,128	67%	9%	25%

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
and Physical Planning							
Gender, Culture,	104,130,398	33,844,644	69,927,371	-	67%	0%	51%
Housing and Sanitation	30,012,925	73,480,807	26,613,062	48,067,285	89%	65%	72%
County Assembly	755,249,331	163,762,706	818,778,137	75,453,320	108%	46%	97%
Finance and Planning	1,305,443,188	323,042,936	1,323,304,849	123,597,423	98%	38%	89%
County Public Service	60,456,350	-	51,700,064	-	86%	0%	86%
Governors & D/Governor's office	409,012,755	2,598,078	348,657,058	-	85%	0%	85%
Public Administration & County Secretary	478,765,343	60,723,818	342,219,862	27,056,857	71%	45%	68%
Totals	7,746,659,102	3,483,049,238	7,464,410,420	1,310,214,002	96%	38%	78%
%			96%	38%			

Submission by the accounting officer

The accounting officer told members that the department of Finance and Economic Planning had an absorption rate on development at 38% because of the prolonged electioneering period in the year 2017 and the delayed Exchequer financing that resumed normally after the political period in October, 2017 as the first Exchequer Release was received on 19th October, 2017.

Committee Observations

The accounting officer failed to implement all the planned development programmes as originally budgeted for thus denying the residents of the county the desired services.

Committee Recommendation

- i. The committee hereby recommends that in future, accounting officers designated to County Government entities should ensure that robust measures are put in place so that the entities remain focused on their pre-planned targets and/or objectives and also ensure that the programmes of all government entities are adequately ring-fenced and cushioned from the effects of electioneering periods and the attendant transitions.
- ii. The committee also recommends that all projects and program funds should be ring-fenced within the department's budgets and timely requisitioning and releases be prioritized by the project managers and the county treasury, respectively.
- iii. The accounting officers in liaison with the county treasury must at all times ensure that all relevant documents relating to financial statements are submitted and/or availed to the Auditor-General for audit verification as and when required pursuant to the provisions of section 164 of the PFM Act, 2012 and Article 229 of the Constitution of Kenya, 2010 respectively to forestall audit queries.

OVERALL LOCAL REVENUE PERFORMANCE

During the year under review, the County Executive targeted to collect total revenue of Kshs.853, 753,248. However, the actual collections totaled Kshs.545, 226,040, resulting into a deficit of Kshs.308, 527,208 (64%) hence the revenue was hugely under collected as shown below.

	2017/2018 Budget Kshs	2017/2018 Actuals Kshs	2016/2017 Actuals Kshs	2017/2018 Variance Kshs	%
Receipts					
Rents	2,708,364	1,995,261	1,456,931	713,103	74%
Other Property Income	683,439	2,394,826	7,774,090	- 1,711,387	350%
Receipts from Administrative Fees and Charges	6,933,571	7,290,848	6,067,863	- 357,277	105%
Fines, Penalties and Forfeitures	16,747,251	9,316,464	488,167	7,430,787	56%
Business Permits	115,827,331	85,987,384	91,283,142	29,839,947	74%
Cess	76,349,148	13,031,511	42,264,755	63,317,637	17%
Poll Rates	46,503,530	21,103,340	27,837,258	25,400,190	45%
Plot Rents	828,085	871,881	443,232	- 43,796	105%
Administrative Services Fees	51,667,956	44,843,070	42,258,820	6,824,886	87%
Sales Of	2,564,957	10,000	1,554,000	2,554,957	0%

Receipts	2017/2018 Budget Kshs	2017/2018 Actuals Kshs	2016/2017 Actuals Kshs	2017/2018 Variance Kshs	%
Council Assets					
Other Miscellaneous Receipts	15,279,981	12,586,965	2,385,419	2,693,016	82%
Market/Trade Centre Fee	57,390,047	34,563,634	35,468,042	22,826,413	60%
Vehicle Parking Fees	79,122,171	52,131,901	48,926,942	26,990,270	66%
Housing	7,481,014	5,300,350	4,916,392	2,180,664	71%
Social Premises Use Charges	252,626	280,000	152,124	-27,374	111%
Other Education- Related Fees	18,102,363	16,062,197	4,018,512	2,040,166	89%
Public Health Facilities Operations (HOSPITALS)	335,982,724	216,604,658	159,910,054	119,378,066	64%
Environment & Conservancy Administration	12,549,036	9,664,840	9,558,742	2,884,196	77%
Slaughter Houses Administration	6,676,726	5,113,010	4,268,758	1,563,716	77%
Alcohol Drinks Licence	-	5,992,900	-	-5,992,900	100%
Other Health & Sanitation Revenues	102,928	81,000	62,500	21,928	79%
Total	853,753,248	545,226,040	491,095,743	308,527,208	64%

Further, revenue due from the AIA's such as housing, hospital and agricultural sources have not been included into the Automated Revenue Management System hence the County has not fully automated revenue collection.

Submission by the Accounting Officer

On Under-collection of revenue the accounting submitted that the revenue Collection was hugely impacted on by the prolonged political period. On automation of AIA sources, the accounting submitted as follows:

- a) Housing sources – The Housing Sources have been automated through the Housing Management Module
- b) Hospital and Agricultural sources – System development is made in stages. The hospitals use SANITAS in hospital management and collection of revenue that is already an electronic process. The County Government is in the process of analysing how these unique sources of revenue can be integrated with Bungoma County Revenue Management System.

Committee Observations

1. It was observed that most of the budgeted revenue streams underperformed during the year under review.
2. Revenue from health facilities, agricultural and housing is not integrated to the Bungoma County Revenue Management system

Committee Recommendation

It is recommended that the accounting officer puts in place adequate measures to ensure revenue is collected as per the budget and should also prioritize automation of all local revenue collections.

OVERALL PROJECT IMPLEMENTATION PERFORMANCE FOR THE YEAR

The County Executive was to implement a total of 315 projects/ programs by different sectors during the financial year as shown below. Further analysis indicates that 124 or 39% of the projects had not started, 147 or 47% of the projects were still ongoing and 44 or 14% of the project had been completed as at the time of audit.

Department/ Department	Budgeted Allocations		Budgeted projects		Actual/Implemented Projects		% of completed projects
	Recurrent Kshs.	Development Kshs		Not Started	Ongoing	Completed	
Finance and Planning	1,305,443,188	323,042,936	5	-	3	2	40%

In view of the above, the Executive may not have achieved its targets as approved by the Assembly hence service delivery may not be realized by the residents of the County.

Submission by the Accounting Officer

The accounting officer submitted that the Department has planned for five Programmes in the year 2017/2018 whose status is as follows;

Programme	Objective	Status
Budget and revenue Bills preparation	To develop required bills and services for good governance.	Developed 2017/18 Supplementary Budgets and 2017/2018 Annual Budget.
Economic and Financial Policy and regulation formulation and management	To promote efficiency and prudence in the management of public resources	Developed a number of bills including: <ul style="list-style-type: none"> ➤ Revenue policy 2018 ➤ Procurement and supply chain policy ➤ Treasury procedure manual.
Monitoring, Evaluation and Reporting services.	To track programme and project performance	Done on a periodic basis
Community Empowerment Fund Services.	To promote community participation in identification and prioritization of development needs	Activities implemented.
County public financial management	To promote sound financial management and public participation in allocation and use of the county resources	Continuous activity

Committee Observation

It was observed that the Department failed to complete all the planned programs as budgeted for, and that this may have denied the county residents the desired services as envisaged under section 117 of the County Governments Act,2012.

Committee Recommendation

The accounting officer should ensure that all planned activities are strictly implemented as budgeted.

PENDING ACCOUNTS PAYABLES

The pending accounts payables figure of Kshs.725,731,414 detailed under annex 2 to the financial statements remained outstanding as at 30 June 2018 despite the positive liquidity status confirmed by the cash and cash equivalents balance of Kshs.1,890,018,447 (Note 13A statement of assets and liabilities).

Further, it was noted that the pending accounts payables figure of Kshs.725,731,412 includes Kshs.94,173,642 in respect of commitments which were yet to be incurred from the budgetary allocation as stated below:

Department	Financial Statement Balance Kshs.	Actual Pending Bills Kshs.	Commitments Kshs.
Trade	13,010,495	17,106,177	- 4,095,682
Housing & Sanitation	18,403,780	19,503,780	- 1,100,000
Department of Water	145,059,265	136,371,476	8,687,789
Roads & Public Works	289,714,004	119,968,980	169,745,024
Governor	20,815,233	28,805,685	- 7,990,452
Public Administration	22,170,355	27,678,184	- 5,507,829
Lands, Urban And Physical Planning	27,021,936	4,350,649	22,671,287
Department of Health	138,938,768	235,368,085	- 96,429,317
Gender and Culture Youth & Sports	1,936,322	-	1,936,322
Department of Education Youth & Sports	6,256,500	-	6,256,500
CPSB	6,218,509	6,218,509	-
Department of Finance	36,186,245	36,186,245	-
Total	725,731,412	631,557,770	94,173,642

In the circumstances, the accuracy of the pending accounts balance of Kshs.725, 731,412 could not be confirmed.

Submission by the Accounting Officer

The chief officer submitted that the Department had pending bills amounting to Ksh. 36,186,245 of which Ksh. 29,790,545 has already been settled. The Department plans to settle the remaining pending bills of Ksh. 6,395,700 after the approval of the First Supplementary Budget.

Committee Observation

It was observed that the Department had pending bills amounting to Kshs.36,186,245 out of which Kshs 29,790,545 had been settled leaving a balance of kshs.6,395,700.

Committee Recommendation

The accounting officer should ensure that all eligible and approved pending bills are settled within a reasonable time especially in circumstances where funds have been provided for.

LONG OUTSTANDING UN-COLLECTED REVENUE ARREARS

Included in the Executive's own generated receipts of Kshs.545, 226,040 is property rates and rent and cess collections totaling Ksh.9, 690,437 and Kshs.13,031,511 respectively. However, the Executive had arrears not collected since the inception of the County Government totaling Kshs.221, 347,558 as at 30 June 2018 as highlighted below: Further, accrued penalties and interests could not be accurately ascertained.

A	Property rates arrears	Kshs
1	Kanduyi	129,765,622
2	Sirisia	114,688
3	Bumula	11,027,205
4	Tongaren	5,000,993
5	Kabuchai	342,602
6	Kimilili	6,268,862
7	Webuye	14,156,858
8	Mt.Elgon	304,350
	Total	166,981,180
B	Cess defaulters	
	Mumias Sugar Co. Ltd	30,614,569
	Nzoia Sugar Co. Ltd	12,364,707
	Mastermind Kenya Ltd	5,000,000
C	Total	47,979,276
D	Rent Arrears -Various estates	6,387,102
	Grand Total	221,347,558

Consequently, non-collection of all due revenue

may have denied the County Executive funds for service delivery to its residents.

Submission by the accounting officer

(A) PROPERTY RATES ARREARS

The county government has had a challenge in enforcing the collection of property rates due to lack of a Valuation Roll. The last valuation roll was developed in 2008 before devolution. However, the County has developed a Draft Valuation Roll that has been forwarded to the County Assembly for approval.

However, we are progressively pursuing the settlement of the arrears through tax payer education and tax concessions.

Committee Observations

The committee noted that there was a Draft Valuation Roll that had been forwarded to the County Assembly

Committee Recommendations

The County Assembly sector committee on Lands, Urban Development, Housing and Physical Planning should prioritize and approve within three months after the adoption of this report, a Valuation Roll to facilitate effective enforcement of collection of property rates.

B) CESS DEFAULTERS

	Cess Defaulter	Outstanding Amount
1.	Mumias Sugar Co. Ltd	30,614,569
2.	Nzoia Sugar Co. Ltd	12,364,707
3.	Mastermind Kenya Ltd	5,000,000
Total		47,979,276

The chief officer informed that the committee that the companies defaulted in remitting both current and arrears inherited from the pre-devolution era. The County Government has made demand notices to the struggling sugar companies to no avail.

Committee Observations

It was observed that the Department failed to collect long outstanding revenue due to lack of valuation roll and inability to take legal action against defaulters.

Committee Recommendation

The accounting officer should put in place adequate measures and ensure that revenue due to the county government is duly collected.

FAILURE TO ADHERE TO THE FISCAL RESPONSIBILITY PRINCIPLES

During the year under review and as disclosed in the statements of appropriations; Recurrent, development and combined for the year ended 30th June 2018, the county Executive incurred the actual total expenditure of Ksh.8,774,624,422 comprising recurrent expenditure of Ksh.7,464,410,420 (85% of the total expenditure) and development expenditure of Ksh.1,310,214,002(15% of the total expenditure).The Actual expenditure was lower than the prescribed minimum of 30% as required by Sec 107(2) of the PFM 2015.

Further, and as disclosed in the statement of receipts and payments for the year Ended 30th June 2018 ,in addition ,the compensation to Employees expenditure was Ksh.4,261,626,702 of which amount, 43% of the total revenue of Ksh.9,871,076,328 contrary to the maximum 35% set by the regulation 25(1)(b) of the PFM (county government)Regulations,2015.

Submission by the Accounting Officer

On the development expenditure being at 15% of the total expenditure the accounting officer explained that the incidences of low absorption were because of the prolonged electioneering period in the year 2017 and the delayed Exchequer financing that resumed normally after the political period in October, 2017.

On Compensation of employees being over and required limit of 35% of the county budget the accounting officer informed the committee that the expenditure on personnel emoluments has increased for a number of factors, some of which are inevitable. The largest contributors are collective bargaining agreements such as the increment given to the Health Service Personnel.

The personnel emoluments increased because of the following;

- The CBA of health workers that led to an increase of Ksh. 463,800,000 in negotiated allowances
- Conversion of terms of 1,923 ECD teachers from contractual to permanent that led to an increase in salaries by Ksh. 384,746,760
- Conversion of terms of 402 long serving casual employees from casual to permanent(Conversion of terms of 402 long serving casual employees from casual to permanent(some of whom were inherited from the defunct local authorities), leading to an increase in salaries by Ksh. 63,282,180.40

RE-ALLOCATION OF VOTE HEADS

The County Executive incurred various expenditures totaling Kshs.53,343,017in different vote heads instead of the approved budget lines hence contravening the provisions and requirements of the Public Finance Management Act, 2012.

Submission by the Accounting Officer

The accounting officer informed members that the reallocations were done as allowed by Sec.41 and 47 County Government PFM Regulations, 2015. The expenditures were necessitated based on the individual needs of different Departments.

Committee Observation

- i. The entity failed to adhere to the laid down principles of fiscal responsibility contrary to section 107 of the PFM Act, 2012 as read together with sections 25 & 41 of the Public Finance Management Regulations, 2015 when carrying out re-allocations between different vote heads.

Committee Recommendation

The accounting officer should always ensure that all transactions pertaining to public finances as observed above are always in compliance with the provisions of the PFM Act more particularly sections 41 & 47 of the PFM Regulations, 2015.

LONG OUTSTANDING IMPRESTS

The accounts receivables balance in the statement of assets and liabilities of Kshs. 203,180,108 includes long outstanding imprest figure of Kshs. 125,250,064, held by staff for up to six (6) months after their due dates had lapsed, contrary to provisions of Section 93 (5) of the Public Finance Management (County Governments) Regulations, 2015 in regards to imprest management. Further, Management has not explained measures it has taken to recover the amounts as required by Regulation 93(6) of the same Regulations.

The Management is therefore in breach of the law.

Submission by the Accounting Officer

The accounting officer informed members that County Treasury had outstanding imprests amounting to Ksh. 17,181,130.00 as at 30th June, 2018. The status is as follows;

Description	Amount(KShs.)
Surrendered	12,393,330
Surrendered(Taken by EACC)	4,787,800
Total	17,181,130.00

Committee observations

The Department had outstanding imprests amounting to Kshs. 17,181,130 which had not been surrendered within the timelines as required by section 91 of the PFM Regulations.

Committee Recommendations

The accounting officer should always ensure that imprests are accounted for in time in line with the requirements of Section 94 of the PFM (County Government) Regulations, 2015

INCOMPLETE FIXED ASSETS REGISTER

According to the Public Finance Management Act Regulations, 2015, Section 136(1), the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant law. A review of the fixed assets register indicated that various respective departments were still verifying the data. However, the following issues were noted.

- a) The assets inherited from the Defunct Local Authorities and the National Government are still being verified to ascertain completeness of the assets.
- b) L/R number for most of land and buildings have not been indicated in the reference section hence we could not confirm the ownership.
- c) The depreciation and net value of the assets have not been factored into in determining the valuation of these assets.

Consequently, in the absence of a complete and verified register, we were unable to confirm the completeness and accuracy of assets belonging to the County Executive.

Submission by the Accounting Officer

On the Assets inherited from the defunct local authorities the accounting officer explained that the assets were completely ascertained through the County Assets and Liabilities Committee Report except for a few cases highlighted in the report.

On the Assets from the National Government, the chief officer explained to members that this category of assets has not been formally transferred to the County Government. These were assets that followed functions such as in the Departments of Health and Agriculture. The County Government through the Intergovernmental County Committee is currently carrying out the verification of assets inherited from the national government in relation to the devolved functions. The report is expected to be ready by 10th February, 2020

On Missing LR Numbers the chief officer told members that the County Government inherited an inventory of incomplete assets with substantial information and documentation missing. However, the County Government will set aside some funds in the subsequent budget to survey and demarcate the parcels of land that have incomplete information.

On the Depreciation not factored in the value of the assets, the chief officer informed members that the County Government is in the process of completing adoption of the County Asset Management Policy. The Policy will enable the County Government to adopt an appropriate Depreciation Policy. Therefore, the assets are currently recorded at historical cost.

Assets inherited from the defunct local authorities were recorded at the Net Realizable Value.

Committee Observations

It was observed that the Department failed to maintain an updated Fixed Assets register contrary to the provisions of section 136 of the Public Finance Management Act(County Government) Regulations,2015.

Committee Recommendations

The accounting officer should ensure that an updated Fixed Assets Register is maintained at all times in line with the requirements of Section 136 of the Public Finance Management (County Governments) Regulations, 2015

MANAGEMENT OF ALL COUNTY INSURANCE OF ASSETS

The County Executive was paying Kshs.19, 671,437 to different insurance contracted by various Ministries to insure its assets. Had the Executive centralized this service, they would have enjoyed economies of scales in negotiations, avoid variant agency fees and ease in management of insurance.

In view of the forgoing, the management should come up with an effective and efficient ways to insure its assets as the current system is too decentralized.

Submission by the Accounting Officer

Agreed with audit finding and affirmed the recommendation to centralize insurance of county assets further informed the committee that the County Government is in the process of centralizing some of common utilities and services.

Committee Observation

It was observed that the county government sourced for insurance services form various firms through individual ministries thus not reaping the advantage of centralized/pooled sourcing

Committee Recommendation

1. The accounting officer should ensure that sourcing for insurance services is pooled to reap from the benefits of economies of scale.
2. It is further recommended that the accounting officer should ensure that insurance services are centralized.

COUNTY EXECUTIVES POLICIES

The following policies and guidelines have not been developed or are in draft form awaiting approval and adoption. Further, there was no evidence that the risk management policy and framework is operational despite having been completed.

1. Policy framework for Co-operative Societies
2. ICT Revenue Frameworks
3. Policy framework on Vocational Training Centres
4. County Training Policy

5. County Transport Policy
6. Trade Development Policy
7. Urban Development Policy
8. County Public Land Policy
9. Supply Chain Management Policy
10. County Housing Policy
11. County Energy Development Policy
12. County Livestock Management Policy

The County Executive thus manages its resources and operates with lack of clear operating guidelines.

Submission by the accounting officer

The accounting officer provided the table below indicating the current status of the policies under the purview of the Department:

Policy	Status
ICT Revenue Framework	Not done
Supply Chain Management Policy	Draft
Risk management policy framework	Developed

He also noted that there were sufficient legislations and guidelines that provided direction on the various activities of the County Government. The Management undertakes to ensure that all the policies that have not been developed are speedily developed and approved.

Area of Concern	Reference law
Supply Chain Management Policy	The County has developed a Draft Procurement Manual Procurement and Disposal Act 2015, Procurement Regulations(2006), PPRA Manuals
ICT Revenue Framework	Not developed. The County Government has developed a Draft ICT Policy that has a superseding effect on all ICT assets

Members were further informed that the Risk Management Policy Framework was formally adopted by the County Assembly on 28th September, 2019. The management has scheduled for a training of the Accounting Officers and the risk champions once the Supplementary Budget is approved.

Committee Observations

It was observed that the Department had been operating without appropriate policies.

Committee Recommendations

The accounting officer should ensure that the draft policies are fast tracked so that government operations are harmonized.

12.PUBLIC ADMINISTRATION AND OFFICE THE COUNTY SECRETARY

BUDGETARY PERFORMANCE AND CONTROL

EXPENDITURE ANALYSIS PER MINISTRIES

Further analysis by various Ministries shows that Finance and Economic Planning had the highest overall absorption rate of 89% while Land, urban and physical Planning had the least overall absorption rate at 25% as analyzed below:

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
Public Administration & County Secretary	478,765,343	60,723,818	342,219,862	27,056,857	71%	45%	68%

Submission by the accounting officer

The accounting submitted that the departments had a fair absorption rate of 85% and 68% for Governor's and Public Administration respectively, as shown in the above table.

The implementation process experienced challenges ranging from Contractor internal wrangles, to abandonment of site as highlighted in the next question below.

Committee Observation

It was observed that the Department of Public Administration had absorption rate of 71% and 45% on recurrent and development expenditure respectively.

Department/ Department	Budgeted Allocations		Budgeted projects	Actual/Implemented Projects			% of completed projects
	Recurrent Kshs.	Development Kshs		Not Started	Ongoing	Completed	
Finance and Planning	1,305,443,188	323,042,936	5	-	3	2	40%

Committee Recommendation

The accounting officer should ensure that the department absorbs all the funds voted for by the County assemblies within the financial year.

OVERALL PROJECT IMPLEMENTATION PERFORMANCE FOR THE YEAR

The County Executive was to implement a total of 315 projects/ programs by different sectors during the financial year as shown below. Further analysis indicates that 124 or 39% of the projects had not started, 147 or 47% of the projects were still ongoing and 44 or 14% of the project had been completed as at the time of audit.

In view of the above, the Executive may not have achieved its targets as approved by the Assembly hence service delivery may not be realized by the residents of the County.

Submission by accounting officer

The accounting officer submitted that the department of Public administration planned to implement three development projects during the financial year under review as listed below;

1. Completion of two ward offices in two sub – counties.
2. Construction of the data center.
3. Purchase of ICT equipment.

Construction of Maeni Ward Office

The construction works for Maeni Ward Office in Kimilili Sub County, whose apportioned cost is Ksh.9, 905,518.40 stalled at 90% completion status. This was occasioned by Contractor's deliberate action to abandon the construction site after being paid a total of Ksh.8, 634,989. The project supervisor has been advised to start the process of contract termination.

Construction of Bokoli Ward Office

Construction of Bokoli Ward Office stalled at approximately 50% completion status due to contractor's internal disputes that resulted to court injunctions. The apportioned cost of the project is Ksh. 8,960,962.88, of which payments made so far totals to Ksh. 2,521,049. The department has initiated contract termination process as per the attached appendix of the court

order, and letter to the clerk of the County Assembly detailing among others the process of termination.

Purchase of ICT equipment

Construction of the data center and Purchase of ICT equipment were implemented under the department of ICT and the County secretary’s office. (Kindly refer to the response by the relevant department).

Committee Observation

It was observed that the Department of Public Administration had three projects which were budgeted for during the year but were not completed.

Committee Recommendation

1. The CECM Public Works and Infrastructure Development should identify all contractors with a poor track record in execution of government contracts and blacklist them from being awarded county government contracts.
2. The above mentioned CECM should ensure that an upto-date data base on the performance of contractors is maintained and that the data is publicized at all times to enable county government departments/entities make informed decisions when awarding contracts.,
3. Feasibility studies are to be undertaken and mitigation measures relating to infrastructure projects developed to enhance the implementation of key structural projects.

This is evident in the of construction of ward offices in Maeni and Bokoli wards respectively which suffered slow progress due to unforeseen bottlenecks in the work plan execution, resulting to unmet timelines.

4. The accounting officer should also ensure that there is demonstrable commitment and timely implementation of all budgeted projects/programs especially in circumstances where funds are provided for so as to ensure that there is value for money and for the benefit of the residents of the county.

PENDING ACCOUNTS PAYABLES

It was noted that the pending accounts payables figure of Kshs.42, 985,588 includes Kshs.13, 498,642 in respect of commitments which were yet to be incurred from the budgetary allocation as stated below:

Department	Financial Statement	Actual Pending Bills	Commitments
	BalanceKshs.	Kshs.	Kshs.
Public Administration	22,170,355	27,678,184	- 5,507,829

Submission by accounting officer

The accounting officer submitted that the department of Public administration had pending bills amounting to KShs.27, 678,184. The Department has so far paid 15,173,949.81 and plans to settle the outstanding bills after the approval of the First Supplementary Budget.

The departments had not received enough supporting documents to justify and report on pending bills totaling to ksh.5,507,829 under Public Administration as at 30th June 2018, hence the disparity between the financial statement record and the actual reported figure, as detailed in the above table. The supporting documents were later availed and verified to be genuine pending bills.

Committee Observations

It was observed that the department had long outstanding pending bills amounting to Kshs.27, 678,184 which remained unsettled.

Committee Recommendations

The accounting officer should ensure that all pending bills are settled within a reasonable time especially in circumstances where funds are provided for unless otherwise.

LONG OUTSTANDING IMPRESTS

The accounts receivables balance in the statement of assets and liabilities of Kshs.203,180,108 includes long outstanding imprest figure of Kshs.125,250,064, held by staff for up to six (6) months after their due dates had lapsed, contrary to the provisions of Section 93 (5) of the Public Finance Management (County Governments) Regulations, 2015 in regard to imprest management. Further, the Management has not explained measures it has taken to recover the amounts as required by Regulation 93(6) of the same Regulations.

The Management is therefore in breach of the law.

Submission of accounting officer

The accounting officer submitted that the department had outstanding Imprests amounting to KShs.50, 890,875 in the department of Public Administration as at 30th June, 2018.

The Imprests have since been surrendered in full through normal surrender process and or recovery through attachment of imprests holders' accounts as per the attached correspondences.

Committee Observations

The department had long outstanding imprests amounting to Kshs.50, 890,875 which had not been surrendered in time in line with the requirements of Section 94 of the PFM Regulations on management of imprest transactions.

Committee Recommendation

The accounting officer should always ensure that all imprests held by public officers and AIA holders are surrendered or accounted for in time in line with the provisions of the PFM Regulations and the PFM Act, section 152.

IRREGULAR PARTITIONING OF LEASED OFFICE SPACE

A local contractor was paid Kshs 13,518,652 for partitioning a leased office space. However, the following anomalies were noted in the transaction:-

The lease agreement between the county executive and the landlord was dated 27th June, 2017 yet the contract award for partitioning of the office space was issued on 26th April, 2016 which was way ahead of the lease agreement.

The agreement though dated did not state the period of the works. Inspection and acceptance committee report is dated 17th may 2017 and certificate of works dated 2nd may 2017 all before the lease was agreed upon.

The payment was made in June, 2018 though not listed among the pending bills as at 30th June 2017. Therefore, the payment had not been budgeted for during the year under review.

Submission of the Accounting Officer

The chief officer submitted that the contractor let the office space to the County Government of Bungoma with effect from 1st July 2015 to 1st July, 2017. The agreement is dated 26th June, 2015. The partitioning was space was under the County Government

The payment was not captured as pending bill of the year 2016/2017 as it was a commitment and payment had not accrued.

Committee Observation

- i. The committee observed that indeed there was no budgetary allocation for partitioning of leased office space which is in contravention of section 196(1) and (3) of the Public Finance Management Act, 2012 that provides as follows *‘A public officer shall not spend public money otherwise than authorized by the Constitution, an Act of parliament or County legislation’*.
196(3) “A public officer shall not enter into any obligation that has financial implications for the national government budget or a county government budget unless the obligation is authorized by the constitution an Act of Parliament or an Act of a county Assembly.”
- ii. The committee observed that the contract award for partitioning of office space was made before the lease agreement was signed between the county government and the land lord which raises the question of legitimacy.

Committee Recommendations

Arising from the inconsistencies noted upon scrutiny of the lease agreement and the contract award for partitioning of the office space and lack of budgetary allocation, the committee suspects possible fraud in the leasing of the premises and partitioning of the office space and therefore holds the County Secretary entirely responsible and thus recommends that the Office of the Director of Criminal Investigations(DCI) to take up the matter with a view to bringing all those culpable officers to book pursuant to the provisions of section 196(1),(3)& (7) of the Public Finance Management Act, 2012.

13. DEPARTMENT OF TRADE, ENERGY AND INDUSTRIALIZATION

EXPENDITURE ANALYSIS PER MINISTRIES

Further analysis by various Ministries shows that Finance and Economic Planning had the highest overall absorption rate of 89% while Land, urban and physical Planning had the least overall absorption rate at 25% as analyzed below:

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
Agriculture, livestock, fisheries and co-op development	404,253,214	440,655,456	385,389,161	255,526,827	95%	58%	76%
Tourism, Forestry, environment Water and natural resource	145,672,517	410,988,964	75,751,612	149,879,261	52%	36%	41%
Roads and Public works	168,672,552	1,200,287,706	148,125,625	619,191,673	88%	52%	56%
Education, Youth and sports	1,243,426,214	250,444,288	1,221,907,517	-	98%	0%	82%
Health	2,519,862,109	182,859,753	2,391,370,313	66,834,589	95%	37%	91%
Trade, energy and	49,555,801	157,728,284	39,294,976	101,414,968	79%	64%	68%

Department	Budgeted Allocations		Actual Expenditure		Absorption rate %		
	Recurrent Kshs.	Development Kshs.	Recurrent Kshs.	Development Kshs.	Rec	Dev	Overall
industrialization							
Lands, Urban and Physical Planning	72,146,405	182,631,796	48,418,486	16,144,128	67%	9%	25%
Gender, Culture,	104,130,398	33,844,644	69,927,371	-	67%	0%	51%
Housing and Sanitation	30,012,925	73,480,807	26,613,062	48,067,285	89%	65%	72%
County Assembly	755,249,331	163,762,706	818,778,137	75,453,320	108%	46%	97%
Finance and Planning	1,305,443,188	323,042,936	1,323,304,849	123,597,423	98%	38%	89%
County Public Service	60,456,350	-	51,700,064	-	86%	0%	86%
Governors & D/Governor's office	409,012,755	2,598,078	348,657,058	-	85%	0%	85%
Public Administration & County Secretary	478,765,343	60,723,818	342,219,862	27,056,857	71%	45%	68%
Totals	7,746,659,102	3,483,049,238	7,464,410,420	1,310,214,002	96%	38%	78%
%			96%	38%			

Submission by the accounting officer

The chief officer informed members that the department would have done better on the absorption rate in development but for the following issues that delayed or impacted negatively on project implementation and the payment for the same:

1. The CEF Projects were in procurement process at the end of the year
2. Delay in supplementary budget approval: This means delay in payment of pending bills as cash meant for pending bills must be re-voted back through the supplementary budget;
3. There was delay in the release of Development Funds by the National Government

4. At the same time, there was need for a special audit of the pending bills. This meant further delay in processing of the same until the audit was finalized
5. The long electioneering period delayed onset of the accounting process and procurement processes

Committee Observation

- i. The committee observed that the procurement of CEF projects were in progress at the time of audit.
- ii. The special audit for pending bills in the year under review slowed down the implementation of the budget.

Committee Recommendation

1. All government departments/entities should prioritize the preparation of annual procurement plans and work plans to facilitate prompt requisitioning of funds from the county treasury pursuant to the provisions of section 53 of the Public Procurement and Asset Disposal Act, 2015.
2. The committee further recommends that the county treasury should ring-fence project funds for timely releases on requisition.

The table below gives an indication of how we got to the 64% absorption of the development funds.

S/NO	DETAIL	BUDGET ALLOCATION (KSH)	ACTUAL EXPENDITURE (KSH)	BUDGET ABSORPTION RATE (%)
1	Suppliers credit	81,889,607	68,816,315	84
2	Purchase of Lighting Equipment	32,600,000	32,598,653	100
3	Other Grants and Transfers	8,632,943	-	
4	CEF PROJECTS	34,605,734	-	
	TOTAL	157,728,284	101,414,968	64

OVERALL PROJECT IMPLEMENTATION PERFORMANCE FOR THE YEAR

The County Executive was to implement a total of 315 projects/ programs by different sectors during the financial year as shown below. Further analysis indicates that 124 or 39% of the

projects had not started, 147 or 47% of the projects were still ongoing and 44 or 14% of the project had been completed as at the time of audit.

Department/ Department	Budgeted Allocations		Budget ed projects	Actual/Implemented Projects			% of completed projects
	Recurrent Kshs.	Developme nt Kshs		Not Starte d	Ongo ing	Comple d	
Finance and Planning	1,305,443,188	323,042,936	5	-	3	2	40%

In view of the above, the Executive may not have achieved its targets as approved by the County Assembly hence service delivery may not be realized by the residents of the County.

Submission by the accounting officer

The accounting submitted that during 2017/2018 FY, the department was able to complete two projects namely; Mateka and Lwakhakha markets.

1. Matisi Market
2. Myanga Market
3. Bukembe Market
4. Ndalul Market
5. Automation of Ward Trade Loan
6. 50 Solar Street lights and seven Solar High Flood Masts and
7. 493 KPLC Street Lights (See attached Appendix 1-3).

The projects that had not been completed (the seven) as at the time of the audit have since been completed and payments for the same made. For example, the solar lights and KPLC Market street lighting was undertaken as shown below:

50 SOLAR LIGHTS

S/NO	WARD	MARKET	NO
1	KHASOKO	MUNGORE	3
		MABUSI	2
		NASYANDA	3
2	SOUTH BUKUSU	MATEKA	2

3	BUMULA	SIKINGA	2
		BUMULA	3
4	KULISIRU	BISUNU	3
5	KABUCHAI	CHEBUKWA	3
		KABUCHAI	3
6	LUUYA	MABANGA	2
7	BUKEMBE WEST	NDENGELWA	3
8	MBAKALO	MABAKALO	3
9	KIMILILI	BAHAI	3
		KIMILILI/HIGHWAY	1
10	MUKUYUNI	MAKHONGE	3
11	MAENI	MAENI DISPENSARY	1
		MUKULIMA	2
		MUTOTO	2
12	MISIKHU	NAMBAMI	1
		MUKHE	3
13	KIBINGEI	KIBINGEI	2

7 SOLAR FLOODLIGHTS

S/NO	WARD	MARKET	NO
1	KABUCHAI	MUSESE	3
	KHASOKO	NASTABDA	3
	MUSIKOMA	SAMOYA	2
2	LUUYA	MABANGA	2
3	ELGON	KAMTYONG	3
	KIMILILI	KAMUSINGA/DC JUNCTION	2
4	KIBINGEI	KHWIRORO	3

493 STREETLIGHTS (KPLC)

S/NO	WARD	N/ MK	MARKET	N/L GS	S/ NO	WARD	N/MK
1	MILIMA	1	ELUUYA	10	22.	LUUYA/BWAK	43

						E	
		2	MALIKI	20			44
		3	MUKUYUNI	15	23.	MUKUYUNI	
2	MBAKALO	4	MBAKALO	20			
		5	NYANGE	5	24.	MARAKARU/T UUTI	45
							46
					25.	CHWELE	47
3	NAITIRI/KABUYEF WE	6	NAITIRI	15			
4	TONGAREN	7	TONGAREN	10	26.	CHEPYUK	48
		8	AMBICH	5	27.	KAPTAMA	49
							50
5	SOYSAMBU	9	BRIGADIER	20			
6	NDALU	10	NDALU	20	29.	KAPKATENY	51
7	NDIVISI	11	NAMARAMBI	5			52
		12	MAKUSELW A	5	30.	ELGON	53
		13	NDIVISI	5	31.		54
		14	WABUKHON YI	5	32.	LWAKHAKHA	55
8	MIHUU	15	SINOKO	5	33.	KHASOKO	56
		16	SIPALA	5	34.	E. SANG'ALO	57
9	MATULO	17	MALAHA	5	35.	MARAKA	58
		18	MATULO FYM	5			59
10	BOKOLI	19	CHEBINI	3	36.	KABULA	60.
		20	MACHAKHA	5			
11	MISIKHU	21	MAKHESE	5			
		22	MISIKHU	20			
		23	KITUNI	5			
12	SITIKHO	24	MAILA	5			
		25	NABWALA	5			
		26	SITIKHO	5			
13	MAENI	27	NASUSI	5			
		28	MAENI	10			
14	KIBINGEI	29	F.S. KAMUSINGA	5			
		30	KAMUSINGA	10			

			GIRLS			
15	S/BUKUSU	31	MATEKA	10		
16	W/BUKUSU	32	MWOMO	5		
		33	NAMBUCHI	5		
17	KABULA	34	MALINDA	10		
18	BUKEMBE WEST	35	EKITALE	5		
		36	NAMIREMBE	5		
		37	NDENGELW A	20		
19	BUKEMBE EAST	38	BUKEME	35		
20	MUSIKOMA	39	SIBEMBE	5		
		40	NAMBAYA	5		
21	BOKOLI	41	CHEBINI	3		
		42	MACHAKHA	5		

Committee Observations

The committee observed that the department had seven (7) ongoing projects at the time of audit. However all projects are now complete and duly paid for.

Committee Recommendation

The committee recommends that the department should always implement all budgeted programmes within the same financial year as one way of forestalling unnecessary audit queries.

PENDING ACCOUNTS PAYABLE

3. ENDING ACCOUNTS PAYABLES

The pending accounts payables figure of Kshs.725,731,414 detailed under annex 2 to the financial statements remained outstanding as at 30 June 2018 despite the positive liquidity status confirmed by the cash and cash equivalents balance of Kshs.1,890,018,447 (Note 13A statement of assets and liabilities).

Further, it was noted that the pending accounts payables figure of Kshs.725,731,412 includes Kshs.94,173,642 in respect of commitments which were yet to be incurred from the budgetary allocation as stated below:

Department	Financial Statement Balance Kshs.	Actual Pending Bills Kshs.	Commitments Kshs.
Trade	13,010,495	17,106,177	- 4,095,682

Department	Financial Statement Balance Kshs.	Actual Pending Bills Kshs.	Commitments Kshs.
Housing & Sanitation	18,403,780	19,503,780	- 1,100,000
Department of Water	145,059,265	136,371,476	8,687,789
Roads & Public Works	289,714,004	119,968,980	169,745,024
Governor	20,815,233	28,805,685	- 7,990,452
Public Administration	22,170,355	27,678,184	- 5,507,829
Lands, Urban And Physical Planning	27,021,936	4,350,649	22,671,287
Department of Health	138,938,768	235,368,085	- 96,429,317
Gender and Culture Youth & Sports	1,936,322	-	1,936,322
Department of Education Youth & Sports	6,256,500	-	6,256,500
CPSB	6,218,509	6,218,509	-
Department of Finance	36,186,245	36,186,245	-
Total	725,731,412	631,557,770	94,173,642

In the circumstances, the accuracy of the pending accounts balance of Kshs.725,731,412 could not be confirmed.

Submission by the accounting officer

The Department had pending bills amounting to Kshs. 13,010,495 of which Kshs. 11,990,681.70 has already been settled. The Department plans to settle the remaining pending bills of Kshs. 1,019,814 after the approval of the First Supplementary Budget. See the analysis of the same below:

ANALYSIS OF OUTSTANDING BILLS

S/N	PROJECT TITLE	LOCATION OF THE PROJECT	NAME OF CONTRACTOR	VALUE OF THE PROJECT	AMOUNT PAID	OUTSTANDING
1	Renovation Works for	Bukembe West	Zamozek Ltd	1,019,814	-	1,019,814

	Bukembe Market					
2	Automation of Trade Loan Scheme	Township	Parity Performance ltd	5,003,760	5,003,760	-
3	Renovation of Matisi Market	Matulo	Dynamic G. Constriction	1,860,396	1,860,396	-
4	Renovation of Ndalul Market	Ndalul	Mid Firm Enterprises	2,694,018	2,694,018	-
5	Renovation of Myanga Market	Kimaeti	Kanduyi Enterprises	2,432,508	2,432,508	-
	TOTAL			13,010,495	11,990,682	1,019,814

Committee Observations

- i. The committee observed that the Department did not explain what occasioned Kshs 4,095,682 out of the Kshs 13,010,495 reported as pending bills in the financial statement.
- ii. The committee observed that the Department failed to provide a satisfactory response in regard to a sum of Kshs 4,095,682 as disclosed by the office of the auditor general during the time of the audit.

Committee Recommendation

It is expressly provided under (part vii), section 196 of the PFM Act, 2012 that where a county government entity engages in an action that it is prohibited from doing by this act, or fails to comply with any obligation imposed on it by this act, a public officer who assisted or facilitated the act, or who was a party to, or contributed to, the failure, commits an offence and on conviction is liable to a term of imprisonment not exceeding two years or to a fine not exceeding one million shillings, or to both in addition to the consequences contemplated under Article 226(5) of the Constitution.

The provisions of section 156 (4) also empowers an accounting officer to take disciplinary measures against a public officer or accounting officer who contravenes in any manner or fails to comply with this act or any regulation in force, undermines any financial management procedures or controls, or fails without reasonable or justifiable cause to pay eligible and approved bills promptly in circumstances where funds are provided for which measures could include the County Executive Committee Member for Finance revoking the designation as accounting officer. The committee recommends that the department to pay the ascertained pending bills in time and report the accurate pending bills in the financial statement and chief officer is directed to take disciplinary action against the accountant who prepared the financial statement for the department.

UNSURRENDERED IMPRESTS

The accounts receivables balance in the statement of assets and liabilities of Kshs.203,180,108 includes long outstanding imprest figure of Kshs.125,250,064, held by staff for up to six (6) months after their due dates had lapsed, contrary to provisions of Section 93 (5) of the Public Finance Management (County Governments) Regulations, 2015 in regard to imprest management. Further, the Management has not explained measures it has taken to recover the amounts as required by Regulation 93(6) of the same Regulations.

The Management is therefore in breach of the law.

Management Response

As at the time of the audit, the department had an outstanding un-surrendered imprest amounting to Kshs. 380,000. This has since been surrendered as per the attached surrender documents. Going forward, the department commits itself to ensure timely surrender of all imprests as soon as the activity for which it was requested has been executed. The surrender documents are serialized below and attached for perusal.

Committee Observation

1. The accounting officer failed to ensure that imprests amounting to Kshs.380,000 that was due was recovered within the stipulated time as per the provisions of section 152 of the PFM Act,2012 and Regulation 93 of the PFM(County Government)Regulations,2015.
2. The committee further observed that the management was in breach of the law regarding management of imprest transactions.

Committee Recommendation

The committee recommends that the accounting officer be reprimanded for failure to manage imprests and ensuring that the outstanding imprests due are surrendered in time in line with the provisions of section 152 of the PFM Act,2012 and regulation 93 of the Public Finance Management (County Government)Regulations, 2015.

COUNTY EXECUTIVE POLICIES

The following policies and guidelines have not been developed or are in draft form awaiting approval and adoption. Further, there was no evidence that the risk management policy and framework is operational despite having been completed.

1. County Policy framework for Co-operative Societies
2. County ICT Revenue Framework
3. County Policy framework on Vocational Training Centres
4. County Training Policy
5. County Transport Policy
6. County Trade Development Policy
7. County Urban Development Policy
8. County Public Land Policy
9. County Supply Chain Management Policy
10. County Housing Policy
11. County Energy Development Policy
12. County Livestock Management Policy

The County Executive thus manages its resources and operates with lack of clear operating guidelines.

Submission by the accounting officer

The accounting acknowledged the finding of audit and explained that as at the time of the audit, the department did not have the following policies;

1. The County Trade Development Policy
2. The County Energy Development Policy

However, since then, a departmental technical committee has been busy working to ensure that we have the same before April 2020 – forwarded for due diligence through the County Executive Committee and onto the County Assembly for ratification. At this point therefore, the research towards the development of the same is on-going and the very initial (zero) drafts of the two are shaping up.

Committee Observations

The department had not indeed developed the trade policy and energy development policy but currently the process has been initiated.

Committee Recommendations

The committee hereby recommends that the department should fast-track the development of County Trade and Energy development policies respectively.

ADOPTION SCHEDULE

We, the members of the Public Accounts Committee hereby append our signatures adopting this report.

No	Name	Designation	Sign
1	Hon. Charles Nangulu	Chairman	
2	Hon. Bethwel Mwambu	Vice Chairman	
3	Hon. Joseph Magudah	Member	
4	Hon. Sudi Busolo	Member	
5	Hon. Erick Wapang'ana	Member	
6	Hon. Everlyne Mutiambu	Member	
7	Hon. Elly Tindi	Member	
8	Hon. Tony Barasa	Member	
9	Hon. Martin Wanyonyi	Member	
10	Hon. Metrine Nangalama	Member	
11	Hon. Winnie Nyambok	Member	